

## MEMO – INNOVATION SHIFTS

### Objective of this memo:

- Inform you about the progress made on the shifts in innovation at HNV

### Background

- To help deliver on our EverGreen ambition, we need to step up our game in innovation, as currently, there is a Growth gap to fill with innovation
- Therefore, as part of Project Polaris, we identified which key shifts needed to be made in HNV, based on an extensive innovation assessment using BCG's i2i Innovation Readiness Framework, which covers industry best practices in innovation ([LINK TO ASSESSMENT](#))
- In response to the outcome, real shifts were made on the following 5 items:
  1. Innovation Ambition
  2. Innovation Domains
  3. Innovation Governance
  4. Innovation Performance Management & KPIs
  5. Innovation Funnel Management

### Key Innovation Shifts

#### 1. AMBITION

- From no innovation aspiration and view on the role of innovation in future targets and ambitions
- To an overall HNV innovation aspiration with quantitative and qualitative goals for innovation

##### *Delivered*

- ✓ Quantified 2025 gap-to-fill for top line growth & required increase in innovation rate ([AMBITION SLIDES](#))
- ✓ Top-down ambition validated bottom-up with growth platforms

##### *In progress*

- OpCos to create Innovation plans and Innovation Rate Ambition for the next 5 years as part of SP (guidance will be communicated mid-March'22)
- Define ambition per product segment
- Address key gaps in HNV innovation operating model to deliver the ambition

#### 2. DOMAINS

- From no systematically derived innovation opportunity areas and Globally aligned innovation agenda in place
- To a set of opportunities for multi-market, incremental growth, rooted in unmet consumer needs, each corresponding to a Global Demand Space

##### *Delivered*

- ✓ Reviewed & embedded existing Global Front-End innovation platforms into Global Growth Platforms
- ✓ First set of 7 prioritized Global Growth Platforms developed and approved ([PRIORITIZED GLOBAL GROWTH PLATFORMS](#))

##### *In progress*

- Development of total set of Growth Platforms based on most relevant Demand Spaces
- Roll-out and embedding of Growth Platforms in biggest OpCo's & Global Brand/ Category Teams

### 3. GOVERNANCE

- From innovation teams working in silos, with very limited orchestration in place
- To a system of decision bodies, mechanisms, and processes to review the innovation portfolio and allocate resources accordingly

#### *Delivered*

- ✓ AIDA (Aspire, Identify, Develop, Amplify) Model ([AIDA MODEL](#))
- ✓ Head Office Innovation Governance ([INNOVATION GOVERNANCE STRUCTURE](#))
- ✓ Inaugural meetings planned for the two new governance bodies: Innovation Accelerator and Identify Meeting
- ✓ Continued guidance to OpCo's to implement Stage Gate Process locally ([GIP PORTAL](#))

### 4. PERFORMANCE MANAGEMENT & KPIS

- From no innovation measurement and KPI's in place
- To an Innovation Cockpit reporting primary and secondary Innovation KPIs, that enable HNV to measure progress against the innovation ambition and course correct when needed

#### *Delivered*

- ✓ Updated Innovation Definition in place ([INNOVATION DEFINITION](#))
- ✓ Primary Growth & Innovation KPI's selected and signed-off ([PRIMARY INNOVATION & GROWTH KPIs](#))
- ✓ Set of Secondary KPI's defined for total KPI Framework for innovation portfolio & project tracking ([TOTAL INNOVATION KPI FRAMEWORK](#))
- ✓ Innovation [Cockpit/Dashboard](#) tracking and reporting primary & secondary KPIs

#### *In progress*

- Implementation of Innovation & Growth KPI's in the business
- De-averaged Innovation targets by OpCo archetype and growth platform

### 5. FUNNEL MANAGEMENT

- From no insight in where HNV is putting its innovation efforts at Global and OpCo's
- To a central overview that enables HNV to assess at both Global and OpCo if the right innovation funnel to deliver on our ambition is in place and course correct if needed

#### *Delivered*

- ✓ Innovation Funnel App containing full Global Innovation Funnel, R&D Funnel and ~25 OpCo funnels representing >85% of HNV Global Revenue ([HNV FUNNEL APP](#))
- ✓ Innovation Segmentation Matrix Framework ([INNOVATION SEGMENTATION](#))

#### *In progress*

- Further expanding the data in the Funnel App & keeping it up-to-date quarterly