Boots Supplementary Pension Plan ('the Plan')

Statement of Investment Principles

1. INVESTMENT OBJECTIVE

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided.

The Trustees adopt a low risk, bond approach in respect of the Plan's liabilities.

2. STRATEGY

The current asset allocation strategy chosen to meet the objective above is set out in the table below.

Asset classes	Weighting (%)
• Corporate bonds • Government bonds • Swaps and other interest rate and inflation derivatives	100

The asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position, covenant and the liability profile.

The Trustees are following a broad liability driven investment (LDI) approach. It is the Trustees' policy to hold a number of pooled funds offered by Legal & General Investment Management ("LGIM"). These funds invest in fixed income, cash and derivatives. This mix of pooled funds is set with the aim of broadly matching the Plan's accrued liabilities as far as is practicable.

Based on past performance and advice received from its investment advisers, Aon, the Trustees expect the long-term return on the assets to be such that changes in the value of these investments will broadly match the changes in the value of the liabilities of the Plan arising from changes in investment markets.

When choosing the Plan's asset allocation strategy, the Trustees considered written advice from its investment advisors and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustees' policy is to prohibit any direct investment in the Sponsoring Employer.

In addition, the Trustees also consulted with the Sponsoring Employer when setting this strategy.

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as non-financial factors).

3. RISK

The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy and have specifically structured the Plan's assets so as to minimise this risk as far as is practical.
- The risk of a shortfall of liquid assets relative to the Plans immediate liabilities ("cash flow risk"). The Trustees and its advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund manager(s) to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and its advisers both upon the initial appointment of the fund manager(s) and on an ongoing basis thereafter.
- The possibility of failure of the Plan's Sponsoring and Participating Employers ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the Sponsoring Employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and its advisers considered this risk when setting the Plan's investment strategy.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Plan's liabilities and implementing it using LGIM pooled funds, the Trustees' policy is to monitor, where possible, these risks quarterly. The Trustees receive quarterly reports showing:

- The Plan's funding level.
- Asset allocation and performance information for the invested assets.
- Sensitivity of the assets and liabilities to changes in interest rates and inflation.
- The Trustees will also use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Plan's investment managers' integration of ESG on a quarterly basis.

In setting the investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking returns that are consistent with a prudent and appropriate level of risk. This includes the risk that Environmental, Social and Governance (ESG) factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting the Plan's asset allocation, when selecting managers and when monitoring their performance. The Trustees receive periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Plan's assets and liabilities.

4. IMPLEMENTATION

Aon, as the selected investment adviser, operate under an Agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Aon is paid on a time cost basis for all the work they undertake for the Plan although fixed fees may be negotiated by the Trustees for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

Arrangements with investment managers

Aon has advised the Trustees on a range of suitable pooled funds offered by LGIM. The investment manager structure and investment objective for LGIM is to manage those pooled funds in line with their objectives.

If, having considered advice from Aon, the Trustees believe that any investment funds are no longer suitable for the Plan, for example if they are not in line with the Trustees' policies, expectations or any other considerations set out in this document, the Trustees may first engage with the manager if appropriate but ultimately will withdraw the assets from those funds.

The Trustees will take written advice before investing the Plan's assets in any new investment funds. Before appointment of a new investment fund or manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies.

The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to LGIM through written contracts. When choosing investments, the Trustees and LGIM (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

As part of their delegated responsibilities, the Trustees expect the Plan's investment managers to:

- Take into account environmental, social and governance considerations in the selection, retention and realisation of investments; and
- Exercise the Trustees' voting rights in relation to Plan assets, if relevant.

The Trustees periodically monitor the Plan's investments to consider the extent to which the investment strategy and decisions are aligned with the Trustees' policies, including those on non-financial matters. This includes, where possible and appropriate, monitoring the extent to which investment managers:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees receive periodic reports and verbal updates from Aon on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objective and will typically assess the investment managers over 3-year periods.

The Trustees share the policies, as set out in this SIP, with LGIM, and request that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees believe that having appropriate governing documentation, setting clear expectations, and regular monitoring of LGIM's performance and investment strategy, is in most cases sufficient to incentivise them to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

There is typically no set duration for arrangements with investment managers, although the continued appointment for LGIM will be reviewed periodically.

Stewardship policy

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.

The Trustees review LGIM's stewardship activities typically on an annual basis, which supports the Trustees in determining the extent to which the Plan's stewardship policy has been followed throughout the year. As the Plan invests only in bonds or derivatives, the exercise of voting rights is typically not applicable and so the stewardship focus is on more general engagement activity.

The Trustees will review the alignment of the Trustees' policies to those of the Plan's investment managers and ensure their managers use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible asset owner.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Costs, remuneration and transparency

The Trustees are aware of the importance of monitoring LGIM's total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their that can increase the overall cost incurred by their investments.

The Trustees collect annual cost transparency reports covering their investments and ask that LGIM provide this data in line with appropriate industry recognised templates for each asset class.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency the mandate will be investigated and reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year.

The Trustees undertake analysis of the Plan's costs and performance on typically a 3-yearly basis by receiving benchmarking analysis comparing the Plan's specific costs and performance of the underlying managers relative to those of the wider market. This is in line with the Trustees' policies on reviewing the kinds and balance of investments to be held.

The benchmarking analysis can be used to assess the value for money received from the Plan's assets on a regular basis and challenge the Plan's investment managers where appropriate. The Trustees will review the investment managers relative to their objective to ensure that the net of fees performance has met their requirements.

5. GOVERNANCE

The Trustees are responsible for the investment of the Plan's assets in accordance with and subject to the provisions of the Plan's Trust Deed and Rules and general trust law. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision and the applicable legal requirements. The Trustees have established the following decision making structure:

Trustees • Monitor actual returns versus the Plan's investment objective. • Set structures and processes for carrying out its role. • Select and monitor the asset allocation strategy. • Select direct investments (see below). • Appoint and monitor investment advisers and fund manager(s). • Make ongoing decisions relevant to the operational principles of the Plan's investment strategy
Investment Adviser • Advise on all aspects of the investment of the Plan assets, including implementation. • Advise on this statement. • Provide required training to the Trustees. • Advise on the suitability of direct investments.
Fund Manager(s) • Manage pooled funds in line with their objectives.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually). These include pooled funds for implementing LDI. When deciding whether or not to make new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund manager(s)) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The fund manager(s) is remunerated on an ad valorem fee basis agreed and periodically reviewed by Trustees.

In addition, the fund manager(s) pays commission to third parties on many trades it undertakes in the management of assets and also incurs other ad hoc costs.

The Trustees consulted The Boots Company Plc about the content of this statement. The Boots Company Plc has been appointed by the other participating employers in the Plan to act for this purpose.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.