

Engagement Policy Implementation Statement (“EPIS”)

Boots Pension Scheme (the “Scheme”)

Scheme Year End – 31 March 2024

The purpose of the EPIS is for us, the Trustee of the Boots Pension Scheme, to explain what we have done during the year ending 31 March 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

During the reporting period, in November 2023, the Scheme purchased a Bulk Purchase Annuity Agreement (the “Annuity”) with Legal & General Assurance Society (“LGAS”). The Annuity aims to wholly cover the benefits payable to all members of the Scheme. In endeavouring to invest in the best financial interests of the beneficiaries and purchasing the Annuity, we recognise that we cannot, therefore, directly influence the Environmental, Social, and Governance (“ESG”) integration or stewardship policies and practices of LGAS. However, **as part of the due diligence when selecting LGAS as the Scheme’s insurer, ESG credential, including voting and engagement were taken into consideration.** We believe that LGAS should use its influence and purchasing power where possible to ensure that ESG factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

In our view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations. A few managers, as outlined below, did not provide any requested engagement information, and the information provided was limited and often not in line with the best practice Investment Consulting Sustainability Working Group (“ICSWG”) industry standard engagement reporting template.

Following the purchase of the Annuity, the Scheme’s remaining assets are invested in assets that either have limited materiality of stewardship (such as cash), or funds for which redemptions have already been placed, and as such, efficacy of engagement with the relevant fund managers is limited.

Following the Scheme year-end, the SIP has been updated for the purchase of the Annuity and the limited ability of the Trustee to influence voting and engagement activity, as well as its limited ability to enforce stewardship expectations.

How voting and engagement policies have been followed

The majority of the Scheme's assets were transferred to LGAS, the insurer, in November 2023 to purchase the Annuity. Following the purchase of the Annuity, the Scheme held residual assets which are in the process of being sold down or redeemed, with the cash proceeds being transferred to LGAS.

Prior to the purchase of the Annuity, the Scheme's assets were invested in a combination of pooled funds and segregated mandates and the responsibility for voting and engagement was delegated to the Scheme's investment managers (subject to our stewardship policy as set out in the SIP). We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year and prior to the purchase of the Annuity, we monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). We received quarterly ESG ratings from Aon for the funds the Scheme is invested in where available.

The ESG rating system is for rated investment strategies and is designed to assess whether investment managers integrate Responsible Investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the investment manager. Aon's researchers also conduct a review of the managers' Responsible Investment related policies and procedures, including a review of their Responsible Investment policy (if they have one), active ownership, proxy voting and / or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the investment manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in an investment strategy's level of ESG integration, or broader Responsible Investment developments.

In July 2023, we received training on Responsible Investment topics from Aon throughout the Scheme year. These sessions included training on new stewardship reporting requirements within the SIP as set out by the DWP.

Throughout the year, we have been in discussions with Aon, and other relevant parties, to meet the requirements set out as part of the Task Force on Climate-related Financial Disclosures ("TCFD") and produced the relevant TCFD report for the Scheme. The TCFD report establishes a set of eleven clear, comparable and consistent recommended disclosures about the potential risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better-informed decision-making on climate-related financial risks and opportunities.

During the reporting year, with the support of our investment adviser, we published the Scheme's second TCFD disclosures report as at the 31 March 2023 year end. In July 2023, Aon furnished the Investment Committee with further detail of "lessons learned" from the industry's continued TCFD reporting

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

releases, using feedback from the Pensions Regulator and incorporated new guidance within the Scheme's TCFD report. Aon continues to keep us apprised of new developments in this space on an ongoing basis.

Each year, we review the voting and engagement policies of the Scheme's investment managers to ensure they align with our own policies for the Scheme and help us to achieve them.

The Scheme's stewardship policy can be found in the SIP: https://www.wba-boots-pensions.co.uk/Uploads/Documents/00/00/00/53/DocumentFile_FILE/BPS-SIP-May-2024.pdf

Our Engagement Action Plan

As noted in the conclusion, most of the Scheme's material investment managers were able to disclose good evidence of voting and / or engagement activity. Our Engagement Action Plan focuses on future planned engagements and areas where there were gaps identified.

As part of the due diligence when selecting LGAS as the Scheme's insurer, ESG credentials including voting and engagement were taken into consideration. However, the responsibility for managing arrangements with underlying investment managers lies with LGAS. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the long-term objectives of the Insurer; as well as having appropriate performance, costs (including turnover costs), and remuneration monitoring with respect to the appointed asset managers. In addition, we expect that the Insurer uses its influence and purchasing power (where possible) to ensure that ESG factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

We have limited ability to incentivise LGAS to align its investment strategy and decisions with our policies in relation to stewardship, corporate governance, and responsible investment. However, given the nature of the buy-in policies, such as the Annuity purchased by the Scheme, we believe that LGAS is appropriately incentivised to make decisions relating to the medium and long-term financial and non-financial factors which may influence performance. The Trustee plans to engage with LGAS in the future, to understand in more detail its policy for voting and engagement and how this is implemented.

As the majority of the Scheme's assets were transferred to LGAS, and any residual assets are in the process of being sold down or redeemed, the Trustee is aware of its limited ability to influence the relevant fund managers to improve their engagement activities. As such, we have decided to take no action in regard to the engagement information produced by the managers.

The below summarises the areas of note regarding the engagement data provided by the managers:

1. While Legal and General Investment Management (“LGIM”) did provide a comprehensive list on fund level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which we are invested, as per the ICSWG best practice industry standard. They did not provide fund level engagement for the Private Bond Portfolio, the Active UK Bond Portfolio, or the Active Global Bond (hedged) Portfolio. However, over the past 12-18 months, the Trustee has been actively engaging with the manager to encourage improvements in their reporting.
2. At the time of writing, Wellington Management Group (“Wellington”) did not provide any engagement information.
3. Kennedy Lewis did not provide the required data as per the ICSWG best practice industry standard.
4. Ownership Capital, Schrodgers and Basalt did not provide the fund level engagement information.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 March 2024.

Section		Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DB	Ownership Capital - Global Equity Fund	315	100%	8.0%	4.0%
	Mirova - Global Sustainable Equity Fund	651	100%	45.0%	2.0%
AVCs	L&G - PMC World Equity Index Fund	37,017	99.9%	20.8%	0.1%
	L&G - PMC Consensus Index Fund	61,694	99.9%	20.8%	0.6%
	L&G - PMC UK Equity Index Fund	10,462	99.8%	5.6%	0.03%

Source: Managers

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Description of use of proxy voting advisers
(In the managers' own words)

Legal & General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.
Ownership Capital	We currently cast our proxy votes via a dedicated voting provider, ISS.
Mirova	Mirova utilises Institutional Shareholder Services, Inc. (ISS) as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to the ISS research, however its recommendation is not prescriptive or determinative to our voting decision.

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. Some of the information provided is at a firm-level i.e., is not necessarily specific to the funds invested in by the Scheme.

Section	Funds	Number of engagements		Themes engaged on at a fund/firm level
		Fund specific	Firm level	
DB	LGIM - Private Bond Portfolio	<i>Not provided</i>	2,500	Environment - Climate change, Natural resource use/impact, Pollution, Waste and others. Social - Human capital management, Inequality, Human and labour rights. Governance - Board effectiveness - Diversity, Remuneration, Board effectiveness - Independence or Oversight. Strategy, Financial and Reporting - Reporting, Strategy/purpose, Financial performance.
	LGIM – Active UK Bond Portfolio	<i>Not provided</i>	2,500	Environment - Climate change, Natural resource use/impact, Pollution, Waste and others. Social - Human capital management, Inequality, Human and labour rights. Governance - Board effectiveness - Diversity, Remuneration, Board effectiveness - Independence or Oversight. Strategy, Financial and Reporting - Reporting, Strategy/purpose, Financial performance.
	LGIM - Active Global Bond (Hedged) Portfolio	<i>Not provided</i>	2,500	Environment - Climate change, Natural resource use/impact, Pollution, Waste and others. Social - Human capital management, Inequality, Human and labour rights. Governance - Board effectiveness - Diversity, Remuneration, Board effectiveness - Independence or Oversight. Strategy, Financial and Reporting - Reporting, Strategy/purpose, Financial performance.
	Goldman Sachs Asset Management ("GSAM") – Global Emerging Market Debt Fund	11	946	Environment - Climate change, Natural resource use/impact, Pollution, Waste Social - Human capital management, Human and labour rights, Conduct, culture, and ethics. Governance - Board effectiveness - Diversity, Board effectiveness - Independence or Oversight, Board effectiveness - Other. Strategy, Financial and Reporting - Strategy/purpose, Reporting, Financial performance.
	GSAM - Broad Street Loan Partners Fund IV	<i>Not provided</i>	946	Strategy, Financial and Reporting - Capital Allocation, Strategy/purpose, Reporting (e.g., audit, accounting, sustainability reporting), Financial performance
	Ownership Capital - Global Equity Fund	<i>Not provided</i>	164	Environment - Climate change, Natural resource use/impact, Pollution, Waste. Social - Human capital management, Conduct, culture and ethics, Public health. Governance - Board effectiveness - Diversity, Remuneration, Board effectiveness - Other Strategy, Financial and Reporting - Capital allocation, Strategy/purpose. Other - ESG Governance.

Section	Funds	Number of engagements		Themes engaged on at a fund/firm level
		Fund specific	Firm level	
	Schroders - UK Property Fund	<i>Not provided</i>	6,530	Environment - Climate alignment - decarbonising and minimising emissions, Climate risk and oversight, Deforestation. Social - Health, safety and wellbeing, Investment in the workforce, Sustainable food, and water. Governance - Executive remuneration, Boards and management, Board diversity and inclusion.
	Kennedy Lewis – Credit Partners II Fund			<i>Not provided</i>
	Leadenhall Capital Partners (“Leadenhall”) - Insurance Linked Securities Value Fund	141	147	Governance - Board effectiveness - Independence or Oversight, Leadership - Chair/CEO, Board effectiveness - Other Strategy, Financial and Reporting - Capital allocation, Reporting, Financial performance, Strategy/purpose, Risk management
	Wellington - Global Credit Fund			<i>Not provided</i>
	Basalt - Infrastructure Partners III Fund	<i>Not provided</i>	325	Environment - Climate change, Natural resource use/impact, Pollution, Waste. Social - Human capital management, Human and labour rights, Inequality. Governance - Board effectiveness - Diversity, Board effectiveness - Independence or Oversight, Board effectiveness - Other. Strategy, Financial and Reporting - Risk management, Reporting, Financial performance.
	Mirova - Global Sustainable Equity Fund	42	122	Environment - Climate change, Natural resource use/impact, Pollution, Waste. Social - Human and labour rights, Human capital management, Conduct, culture, and ethics. Governance - Board effectiveness - Diversity, Independence or Oversight, Remuneration.
AVCs	L&G PMC - World Equity Index Fund	676	2,500	Environment - Climate Impact Pledge, Climate Change, Deforestation. Social - Gender Diversity, Income inequality, Lobbying and Political Donations. Governance - Remuneration, Board Composition, Nominations, and succession. Other - Corporate Strategy, Company Disclosure & Transparency, COVID-19.
	L&G PMC - Consensus Index Fund	701	2,500	Environment - Climate Impact Pledge, Climate change, Deforestation. Social - Gender Diversity, Income inequality, Lobbying and Political Donations. Governance - Remuneration, Board Composition, Combined Chair & CEO. Other - Corporate Strategy, Company Disclosure & Transparency, COVID-19.
	L&G PMC - UK Equity Index Fund	313	2,500	Environment - Climate Impact Pledge, Climate change, Energy. Social - Ethnic Diversity, Gender Diversity, Income inequality Governance - Remuneration, Board Composition, Nominations, and succession Other - Corporate Strategy, Company Disclosure & Transparency, COVID-19

Source: Managers. LGIM and Schroders provided firm level engagement data over the Scheme year, whereas all other managers provided over the calendar year 2023. Themes provided for below managers are at a firm level – Ownership Capital, Schroders, Basalt, LGIM -Private Bond Portfolio, Active UK Bond Portfolio and Active Global Bond Portfolio.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM did provide fund level engagement information but not in the industry standard ICSWG template. LGIM did not provide fund level engagement number for its Private Bond Portfolio, Active UK Bond Portfolio and Active Global Bond (hedged) Portfolio.
- At the time of writing, Wellington and Kennedy Lewis did not provide any engagement information. Additionally, Schroders, Ownership Capital and Basalt, did not provide fund level engagement for the UK Property, Global Equity and Infrastructure Partners III funds respectively.
- GSAM provided aggregated engagement data by theme for the Broad Street Loan Partners Fund IV, however the number of underlying engagements was not provided.

This report does not include commentary on the Scheme's liability driven investments (including the swap portfolio) or cash because of the limited materiality of stewardship to these asset classes.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme’s managers. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

Ownership Capital - Global Equity Fund	Company name	ASML
	Date of vote	26 April 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	3.4%
	Summary of the resolution	Approve Remuneration Report
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	After the previous AGM, where we had voted AGAINST the remuneration policy, the board agreed to a “gradual transition to a new policy”. We believe this has been well executed, as it has already remedied some of our concerns from the previous AGM such as more granularity in LT performance metrics/benchmarks and thresholds. We have engaged on continued improvement on a limited portion of awards which are allowed to vest below the median of the designated group over the performance period. However, we have voted FOR with engagement in recognition of the meaningful progress.
	Outcome of the vote	For
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will promote further disclosures in executive compensation and push for more comparative executive compensation policies.
	On which criteria have you assessed this vote to be "most significant"?	Compensation alignment with shareholders is crucial for the long-term performance of the company.

Source: Ownership Capital

Mirova - Global Sustainable Equity Fund	Company name	Verizon Communications Inc.
	Date of vote	11 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.1%
	Summary of the resolution	Executive Compensation/Shareholder Proposal on Political Contributions.
	How you voted	Against Management
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	<p>Although the compensation structure contains a metric dedicated to CSR, we expressed our concerns with the decorrelation between the CEO and employee pay, in light of the recent mass layoffs, as well as the lack of performance criteria within the LTIP.</p> <p>Regarding the shareholder proposal, Mirova supported the proposal to prohibit political and electioneering expenses because we agree with the reputational risk associated with the misalignment between such activities and the company's purported CSR commitment.</p>
	Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Employee/CEO pay correlation remains challenging to analyze given the lack of employee payroll data in the US. By incorporating additional data points such as the CEO pay ratio and layoff data, we strive to incorporate this concern into our voting decision.	
On which criteria have you assessed this vote to be "most significant"?	Relevant to engagement strategy	

Source: Mirova

L&G – PMC World Equity Index Fund	Company name	JPMorgan Chase & Co.
	Date of vote	16 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.7%
	Summary of the resolution	Resolution 9 – Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets.
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
	Rationale for the voting decision	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
On which criteria have you assessed this vote to be "most significant"?	Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonization of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.	

Source: LGIM

L&G - PMC Consensus Index Fund	Company name	Amazon.com, Inc.
	Date of vote	24 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.6%
	Summary of the resolution	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps.
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
	Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy, and society.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
	On which criteria have you assessed this vote to be "most significant"?	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

Source: LGIM

L&G - PMC UK Equity Index Fund	Company name	Shell Plc
	Date of vote	23 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	7.0%
	Summary of the resolution	Resolution 25 - Approve the Shell Energy Transition Progress
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.
	On which criteria have you assessed this vote to be "most significant"?	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

Source: LGIM