

Engagement Policy Implementation Statement (“EPIS”)

Boots Supplementary Pension Plan (the “Plan”)

Plan Year End – 31 March 2023

The purpose of the EPIS is for us, the Trustees of the Boots Supplementary Pension Plan, to explain what we have done during the year ending 31 March 2023 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 Plan’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 July 2022, the Plan 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 Plan. 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 ESG integration or stewardship policies and practices of LGAS. 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.

The Plan’s remaining assets were invested in a Sterling Liquidity Fund (“SLF”) and the 6A Corporate Bond All Stocks Index Fund managed by Legal & General Investment Management (“LGIM”). We note that LGIM was able to disclose evidence of or engagement activity, however there is room for improvement, and we will liaise with the manager to seek improvements for future reporting.

This EPIS does not disclose stewardship information on investments in cash, such as the SLF, due to the limited materiality of stewardship of this asset classes.

How voting and engagement policies have been followed

The Plan assets were transferred to LGAS, the Insurer, in July 2022 to purchase the Annuity. Post the Annuity purchase, the Plan had some residual assets which are currently being held in the SLF and 6A Corporate Bond All Stocks Index Fund managed by LGIM.

Prior to annuity purchase, the Plan's assets were invested in pooled funds, and so the responsibility for voting and engagement was delegated to the Plan's investment manager, LGIM. We reviewed the stewardship activity of the material investment manager carried out over the Plan year and in our view, LGIM was able to disclose adequate evidence of engagement activity.

Over the reporting year, we monitored the performance of the Plan's residual assets on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Plan is invested in where available. The ESG rating system is for buy-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 manager's 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 a fund's level of ESG integration or broader Responsible Investment developments.

The Plan's stewardship policy can be found in the SIP: [HA Normal \(wba-boots-pensions.co.uk\)](https://www.wba-boots-pensions.co.uk)

Our Engagement Action Plan

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 Environmental Social, and Governance ("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 Plan, 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.

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 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

In relation to our residual assets, at the time of writing, LGIM did not provide firm-level engagement information. We are liaising with LGIM to encourage improvements in reporting for future years.

Our manager’s 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 Plan’s manager for the residual assets over the reporting period. The manager has provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM – AAA-AA-A Bonds - All Stocks Index	113	<i>Not provided</i>	Environment - Climate change
			Social - Human capital management (e.g., inclusion & diversity, employee terms, safety), Public Health
			Governance - Board effectiveness - Diversity, Board effectiveness – Other, Remuneration
			Strategy, Financial and Reporting - Strategy/purpose

Source: Manager

Data limitations

At the time of writing, LGIM did provide fund-level engagement information but not in the industry standard engagement reporting template. Additionally, the manager did not provide any firm-level engagement information.

This report does not include commentary on the Plan’s investment in cash (SLF) because of the limited materiality of stewardship associated with this asset class.