BOOTS PENSION SCHEME

Pension Schemes Registry: Reference Number 10125195

Report and Statement

of Financial Statements

for the year ended 31 March 2023

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BOOTS PENSION SCHEME

Actuaries	Aon Solutions UK Ltd 3 The Embankment Sovereign Street Leeds LS1 4BJ	"**Scheme Actuary"** - Mr R Mellor (as defined in the Pensions Act 1995)
Auditor	KPMG LLP 1 St Peter's Square Manchester M2 3AE Resigned 2 February2023	RSM UK Audit LLP 103 Colmore row Birmingham B5 3AG Appointed 6 February 2023
Banker	National Westminster Bank PLC 148-149 Victoria Centre Nottingham NG1 3QT	
Administrator	Boots Management Services Ltd, 1 Thane Road West, Nottingham, NG2 3AA	
Investment Committee	Mr A Baker (Chair) Mr A Clare (Walgreens Boots Alliance) Mr A Brown	
Valuation Committee	Mr A Baker (Chair) Mrs R Counsell	
Ill Health Committee	Mrs R Counsell (Chair) Mrs J Rawson (Pensions Operations Manager, Boots UK Ltd) Mr M Donovan	
Audit Committee	Mrs R Counsell (Chair) Mr J Ward Ms F Walton-Bateson	

Corporate Events Committee	Mr A Baker (Chair) Mrs R Counsell Mr M Donovan
Investment Managers (Bonds, Derivatives and Equities)	Legal & General Investment Management, One Coleman Street. London EC2R 5AA*
Investment Managers (Property)	Schroder Investment Management Ltd, 1 London Wall Place, London, EC2Y 5AU*
Investment Managers (Bonds, Derrivatives)	Wellington Management International Ltd, Cardinal Place, 80 Victoria Street, London, SW1E 5JL*
Investment Managers (Emerging Market Debt, Derivatives)	Goldman Sachs Asset Management International, River Court,120 Fleet Street, London, EC4A 2BE*
Investment Advisors (Agricultural Property)	Savills (UK) Ltd, Olympic House, Doddington Road, Lincoln, LN6 3SE
Additional individual Pooled Investment Managers	Kennedy Lewis Management LP, 111 West 33rd Street, Suite 1910, New York, NY 10120, USA Ownership Capital B.V. , Herengracht 105-107, 1015BE Amsterdam, The Netherlands Basalt, PO Box 656, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP Leadenhall Capital Partners LLP, Level 15, 70 Mark Lane, London, EC3R 7NQ Mirova US, 888 Boylston Street, Suite 500, Boston, Massachusetts 02199-8197 (appointed 14 January 2022) *under direct Custodianship
Investment Custodian	The Northern Trust Company, 50 Bank Street, Canary Wharf, London, E14 5NT
Legal Advisers	Sacker & Partners LLP, 20 Gresham Street, London, EC2V 7JE Goodwin Procter (UK) LLP 100 Cheapside London EC2V 6DY
Covenant Advisers	EY Parthenon LLP, 1 More London Place, London, SE1 2AF
Investment Adviser	AON Investments Ltd, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AN

Additional advisers appointed for the Pension Funding Partnership	Cushman & Wakefield 125 Old Broad Street London, EC2N 1AR	Burness Paull 50 Lothian Road Festival Square Edinburgh EH3 9WJ	Goodwin Proctor (UK) LLP 100 Cheapside London EC2V 6DY
Principal Sponsoring Employer	The Boots Company PLC 1 Thane Road West Nottingham NG2 3AA	**Participating Employer**	Boots UK Ltd 1 Thane Road West Nottingham NG2 3AA

BOOTS PENSION SCHEME

Report of the Trustee for the year ended 31 March 2023

The Trustee presents its Annual Report on the affairs of the Boots Pension Scheme ("the Scheme"), in conjunction with the Financial Statements for the year ended 31 March 2023 which have been prepared in accordance with Regulations under 41 (1) and (6) of the Pensions Act 1995. This seeks to give Scheme members comprehensive details of the Scheme from which their benefits derive, whether those benefits are prospective or are already in payment. Members are invited to address any queries concerning the Report and Financial Statements, or the benefits payable under the Rules of the Scheme, to the Scheme Secretary.

1. **Tax Status**. The Scheme is a "registered pension scheme" under the Chapter 2, Part 4 of the Finance Act 2004 for tax purposes. The Trustee knows of no reason why this approval should be prejudiced or withdrawn.

2. **Trustee.** The affairs of the Scheme are overseen by a corporate trustee, Boots Pensions Limited (BPL), and all investments are held in the name, or on behalf, of BPL.

   The Pensions Act 2004 requires that at least one-third of the Directors of BPL are member nominated. The Directors have agreed with The Boots Company PLC (the Employer) that:

   - There will be seven Directors of BPL, three of which will be nominated by the members. This exceeds the minimum one-third required by legislation.
   - When required, nominations will be sought from all categories of membership; although the legislation does not require this.
   - Member Nominated Directors will be selected by a Selection Panel established by the Directors.

   The four Company nominated Directors are selected by The Boots Company PLC. Boots Company secretarial team advise Companies House of the appointments/removals, which are ratified and minuted at Board meetings of Boots Pensions Ltd.

   The Directors of BPL generally meet four times per year, with additional meetings being convened as and when necessary.

   During the year B Lavery resigned, F Walton-Bateson and A Cassell-Ward were appointed. After the year end A C Farrell resigned and was replaced by J Ward, A Cassell-Ward resigned and is yet to be replaced.

3. **Investment Committee.** With effect from May 2000, an Investment Committee was established by the Trustee and operates in accordance with formal Terms of Reference. Under the Terms of Reference, the Committee is required to advise the Trustee on the Scheme's investment strategy and monitor the suitability of the investments held by the Scheme. The Committee is also charged with monitoring the performance of the external investment managers and custodian. A report from the Investment Committee on the performance of the Scheme's investments appears on pages 7 to 9 of this Report.

4. **Valuation Committee.** With effect from 1 June 2010, a Valuation Committee was established by the Trustee to progress valuation discussions with the Employer between Trustee meetings. The Trustee agreed formal Terms of Reference for this Committee under which the Committee is required to advise the Trustee on valuation matters.

5. **Ill Health Committee.** With effect from 28 January 2002, an Ill Health Committee was established by the Trustee under agreed Terms of Reference. The purpose of this Committee is to consider applications for immediate early retirement pensions from members with serious health problems.

6. **Audit Committee.** With effect from 17 March 2009, an Audit Committee was established to ensure, on behalf of the Trustee, that appropriate disciplines and controls are in place. The Trustee agreed formal Terms of Reference for this Committee under which the Committee is required to advise the Trustee on the Scheme accounts, and other governance matters.

7. **Scheme Changes.** During the year under review there were no changes to the Scheme rules.

8. Governance

The Scheme complies with the Pensions Regulator's Codes of Practice and keeps its procedures and controls under review to help maintain the good governance of the Scheme. The Codes set out the standards of conduct and practice that it expects Trustee Boards to meet in complying with their duties. The Codes are being consolidated into a Single Code of practice and once adopted all policies and processes are to be reviewed. Work has begun on this exercise already. The key for the pension fund is to ensure that the correct benefits are paid at the correct time in accordance with the rules. A Governance management system has been installed to help with this process.

9. **Scheme Membership.** The movement in membership during the year was as follows:

	Deferred	**Deferred Pensioners**	**Pensioners**	**Dependants**	**Total**
Membership at 31/03/2022	**23,740**	**947**	**26,028**	**3,274**	**53,989**
Adjustment	64	-6	294	-112	240
Membership at 01/04/2022	23,804	941	26,322	3,162	54229
Withdrawals					
Preserved Passing NRA	-250	250	-	-	0
Transferred	-59	-1	-	-	-60
Retired	-1,086	-98	1184	-	0
New Dependants	-2	-	-	282	280
Deceased/ceased	-13	-1	-783	-233	-1030
Ceased				-3	-3
Full Commutation	-56	-5	-10	-56	-127
Membership @ 31/03/2023	**22,338**	**1086**	**26,713**	**3,152**	**53,289**
Movements	-1,466	145	391	-10	-940

Following additional analysis on the Scheme's membership data during the year, it was identified that the number of pensioners and deferred members in the prior year had been understated. This correction is reflected in the prior year adjustments above along with members who retired during the year but whose details were updated after 31 March 2022.
Within the above figures there were 8 pension members (2022: 8) whose benefits were provided solely by annuities. Since 1 July 2010, there have been no active members of the Scheme and the Scheme is closed to future accrual.

10. **Transfers out of the Scheme.** Transfer values paid since 1 October 2008 have been in accordance with Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and include some allowance for discretionary benefits. There were no bulk transfer payments made during the year.

11. **Pensions in payment – annual review.** Pensions in payment are reviewed each year on 1 April and, if applicable, increased by the lower of 5% and the increase in the Retail Prices Index over the 12 months to the previous 30 September. As the movement in the Index over the year in question was 12.6%, pensions in payment were increased by 5% on 1 April 2023 (4.9% in 2022). Preserved pensions due increases related to RPI were similarly increased by 5% or, where such increases related to the CPI, the increase was 3% (subject to any overriding statutory requirements).

12. **Actuarial Valuation.** The 1 April 2021 valuation was completed in December 2022. Under the Pensions Act 2004 ("PA04") the Trustee and the Company decide the Technical Provisions, these being the target level of assets appropriate to meet the promised benefits. The Statutory Funding Objective under the PA04 is to hold sufficient and appropriate assets to meet the Technical Provisions.

The Trustee prepared a Statement of Funding Principles on 16 December 2022, as required by PA04, which sets out the Trustee's policy for meeting the Statutory Funding Objective.

The 2021 valuation showed a surplus of £205m which corresponded to a funding level of 103%. As a result, no ongoing contributions are due.

The Actuarial Certification of the Schedule of Contributions, which is reproduced on page 11, certifies that the contributions outlined above are such that the Statutory Funding Objective is expected to continue to be met for the period the Schedule is in force and the contributions set out in the Schedule of Contributions are consistent with the Statement of Funding Principles dated 16 December 2022.

13. **Pension Funding Partnerships.** Under the Recovery Plan prepared on 28 June 2011, the Principal Sponsoring Employer made a contribution of £146m on 31 March 2011 which was immediately invested into a Pension Funding Partnership (PFP).
Early payment of contributions of £29.2m and £120m from the 2010 valuation, due by August 2017 and discounted to a value of £127m, was received in March 2012 and immediately invested into a second PFP. Actual payments due to the Scheme under the two PFP are primarily backed by UK retail property assets giving the Scheme access to those assets in the event of non-payment of the annual payments.

14. **Summary Funding Statement.** The Trustee issues a Summary Funding Statement to all members, this usually being included in the annual Trustee's Review. The report was completed on 20th April 2023

15. **Investment Report.** The Trustee's investment strategy targets holding circa 75% of the Scheme in assets that broadly match the characteristics of the Scheme's liabilities, and circa 25% in a portfolio invested predominantly in return-seeking assets. A +/- 5% tolerance in allocation between the portfolios is considered appropriate. The matching portfolio includes corporate and government bonds, swaps and other interest rate and inflation derivatives, asset backed contribution structures (the PFPs) and cash. The return-seeking portfolio includes equities and property.

16. **Guaranteed obligations**. All present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally and in any capacity whatsoever) of the Companies to make payments to the Scheme up to a maximum amount equal to the lower of (a) the entire aggregate liability, on the date on which any liability under this Deed arises, of every employer (within the meaning set out in section 318 of the Pensions Act 2004 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1995 to have become due on that date; and (b) £3,900,000,000 (three billion nine hundred million pounds Sterling)(the "Cap").

As at 31 March 2023, the Scheme's assets were split as follows:

Matching Assets % of the Scheme's assets invested

4.7	Credit screened bonds
14.9	Active UK bonds
42.0	Swaps & Gilts
5.1	Global credit
4.3	Emerging Market Debt
5.0	PFPs & cash
76.0	

Return-seeking portfolio % of the Scheme's assets invested

4.2	Equities
8.2	Property
6.8	Illiquid assets
4.8	Insurance Linked Securities (ILS)
24.0	

The Investment Committee is constantly reviewing the Scheme's long-term strategy, in consultation with the Employer.
The Investment Committee monitors the performance of the portfolios regularly against funding levels and benchmarks. Northern Trust act as custodian for the majority of assets held. The custodian's internal controls and procedures are subject to an annual review by their external auditors, as required under ISAE3402.
The Scheme is invested in two pooled funds, one Global Equity, one Global Bonds, both of which have their own custodians appointed. The Scheme is invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005.

The position on self-investment is set out in Note 15 on page 33.

At 31 March 2023, the market value of the Scheme was £4,928.9m
At 31 March 2023, the 10 largest individual investments held by the Scheme were:

Description		Bid value
LGIM LQDTY FDS PLC LGIM STERLING	LIQUIDITY 1	621,622,413
HSBC BANK PLC 0.8% FROM 04/11/2021 TO 24/07/2023		234,824,051
LEADENHALL VALUE INSURANCE LINKED GBP		226,495,213
UK (GOVERNMENT OF) 1.25% I/L	22/03/2058	215,580,176
UK (GOVERNMENT OF) 0.25% I/L	22/03/2052	204,286,009
UK (GOVT OF) 0.875% BDS GBP	31/01/2046	153,236,260
UK (GOVT OF) IDX/LKD SNR GBP	22/03/2044	143,239,874
PENSION FUND PARTNERSHIP 1		135,000,000
KENNEDY LEWIS CAPITAL PARTNERS MASTER FUND II LP		121,499,203
CAAZ - ACTGLBLCORPBD FD GBP HGD (DIST)		119,910,922

The performance of the assets over 1,3 & 5 years (where available), compared to the expected target return, is shown below;

	Returns 1 year (%)		Returns 3 years (% p.a.)		Returns 5 years	
	Fund	Bench mark	Fund	Bench mark	Fund	Bench
Growth Assets						
Schroders - Property	(10.96)	(14.47)	3.13	2.57	3.02	2.48
Ownership Capital	(7.2)	10.0	n/a	n/a		
Mirova	(1.0)_	(1.0)	n/a	n/a		
Kennedy Lewis	n/a	n/a	n/a	n/a		
Basalt	n/a	n/a	n/a	n/a		
Leadenhall	2.4	7.3	n/a	n/a		
GSAM BSLP	n/a	n/a	n/a	n/a		
Matching Assets						
LGIM – Passive Bonds	1.86	n/a	(2.32)	n/a	(2.04)	n/a
LGIM – Private Bonds	(11.34)	n/a	(1.2)	n/a	3.29	n/a
LGIM – Active UK Bonds	(10.85)	(11.25)	(2.16)	(2.91)	2.58	1.81
LGIM – Swaps	(75.44)	n/a	(35.03)	n/a	5.04	n/a
LGIM – Global Corporate Bond	(6.89)	(6.69)	n/a	n/a	n/a	n/a
Wellington – Global credit	(2.04)	(1.58)	(2.05)	(2.38)		
GSAM – Emerging Market Debt	(6.85)	(6.58)	(0.38)	(1.31)	0.01	(0.04)
PFP	n/a	n/a	n/a	n/a	n/a	n/a

The scheme's return was (£1,977.1m) on an opening investment value of £7,113.1m.

A copy of the Statement of Investment Principles, dated August 2022, as required by Section 35 of the Pensions Act 1995 is available along with the Trustee report and accounts at https://www.wba-boots-pensions.co.uk/boots-pension-scheme/login/. There have been no departures from the Statement of Investment Principles during the year. The implementation statement is outlined on pages 37 to 47 and forms part of the Trustees report.

The Financial Stability Board ("FSB") created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change. In September 2023 the Trustee approved its second TCFD report which covers the period from 1 April 2022 to 31 March 2023. A copy of the report can be viewed and downloaded at https://www.wba-boots-pensions.co.uk/boots-pension-scheme/login/ .The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored fund managers through written contracts. When choosing investments, the Trustee and the fund managers (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). The fund managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

The Trustee periodically monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers 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 Trustee receives regular reports and verbal updates from its investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objective and will typically assess the investment managers over 3-year periods.

The Trustee will typically only appoint investment managers who offer full cost transparency to manage assets of the Scheme. This will be reviewed before the appointment of any new managers, and the Trustee will review on a case by case basis any existing managers that do not comply.
The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. 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 Trustee undertakes analysis of the Scheme's costs and performance on an annual basis by receiving benchmarking analysis comparing the Scheme's specific costs and performance of the underlying managers relative to those of the wider market. This is in line with the Trustee's policies on reviewing the kinds and balance of investments to be held.

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

Additional Voluntary Contributions. The Scheme holds AVCs with Phoenix Life Assurance Ltd and the Legal & General Assurance Society Limited. The Trustee Board reviewed the suitability of the current investment options.

15. **Regulatory Matters.** Details relating to the Scheme have been registered with the Pensions Regulator. The Pensions Regulator is based at:

Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone: 0345 600 7060

The Pension Tracing Service can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
Telephone: 0800 731 0193

The address of MaPS, The Money and Pensions Service and that of the Pensions Ombudsman, is.

Money and Pension Service (MaPS)
120 Holborn
London
EC1N 2TD
Telephone 0800 011 3797

Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU
Telephone 0800 917 4487

MaPS is available at any time to assist members and beneficiaries of pension schemes in connection with any pensions query they may have; or difficulty which they have failed to resolve with the trustees or administrators of the scheme. The Pensions Ombudsman, in turn, may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

To the extent that members of the Scheme already have access to a formal disputes procedure, it is hoped that an approach to MaPS or the Ombudsman would need to be made only as a last resort. Members are invited to address any enquiries or concerns to the Scheme Secretary at 1 Thane Road West, Nottingham, NG2 3AA or by emailing Group.pensions@boots.co.uk

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of Scheme: Boots Pension Scheme

Adequacy of rates of contributions
I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 1 April 2021 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles
I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 December 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were wound up.

Signature:

Date: 16 December 2022

Name: Robert Mellor Qualification: Fellow of the Institute and Faculty of Actuaries

Address: 3 The Embankment
Sovereign Street
Leeds
West Yorkshire
LS1 4BJ

Name of employer: Aon Solutions UK Ltd

Boots Pension Scheme - Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every pension scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to in the Scheme. This is assessed using the assumptions agreed between the Trustee and the Company and set out in the Statement of Funding Principles dated 16 December 2022, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 1 April 2021. This showed that on that date:

The value of the technical provisions was: £6,945 million

The value of the assets was: £7,150 million

The signing of the valuation was delayed as a result of the strategic review of the business carried out by WBA during the valuation process, which had the potential to materially affect the Trustee's assessment of the Company's covenant. This was reported to the Pension Regulator.

The most recent actuarial report of the Scheme, which is required in years where a full actuarial valuation is not carried out, was carried out as at 1 April 2022. This showed that on that date:

	1 April 2022
Value of Technical Provisions (£M)	6,784
Market value of assets (£M)	7,103

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method used in the calculation of the technical provisions is the Current Unit Method.

Significant financial assumptions

Discount interest rate: Term dependent rates set by reference to the fixed interest gilt yield curve at the valuation date plus an addition of 1.6% p.a. at each term in the period before 31 March 2034 and 0.5% p.a. at each term thereafter.

Future Retail Prices Index inflation: Term dependent rates derived from the fixed interest and index-linked gilt yield curves at the valuation date.

Future Consumer Prices Index inflation: Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.75% p.a. before 1 February 2030 and 0.1% p.a. thereafter.

Deferred pension increases: Derived from underlying RPI inflation assumption allowing for the maximum of 5% per annum and the minimum of 0% per annum.

Pensions are subject to a minimum of the statutory requirements with future rates of increases for benefits in excess of GMPs in line with the CPI inflation assumption.

Pensions in payment increases: For pensions in excess of GMPs, derived from the underlying RPI inflation assumption allowing for the maximum of 5% per annum and the minimum of 0% per annum.

For post 88 GMPs, derived from the underlying CPI inflation assumption allowing for the maximum of 3% per annum and the minimum of 0% per annum.

Expenses: Allowance made for future administration expenses of the Scheme (including the provision of IFA advice for members at retirement). For the 1 April 2021 valuation, an addition of £67M was made to the technical provisions.

GMP equalisation: A loading of 0.4% of liabilities accrued to the valuation date is included in the technical provisions for potential GMP equalisation costs.

Significant demographic assumptions

Post-retirement mortality: Standard tables SAPS S3 "All" for males and SAPS S3 "Heavy" for females, with scaling factors as set out in the table below:

Category	Sex	Base table	Equivalent single scaling factor
Deferreds	Males	SAPS S3 "All"	108%
	Females	SAPS S3 "Heavy"	102%
Non-dependant pensioners	Males	SAPS S3 "All"	102%
	Females	SAPS S3 "Heavy"	101%
Dependant pensioners	Males	SAPS S3 "All"	118%
	Females	SAPS S3 "Heavy"	96%

An allowance for improvements in mortality in line with the CMI 2020 Core Projections with a smoothing parameter S_k = 7.0, an "A" parameter A = 0.25 and a long term annual rate of improvement in mortality rates of 1.5% per annum.

Early retirement: *80% of members are assumed to retire at age 60 with an unreduced pension (except those members who do not benefit from the discretionary early retirement terms), with the balance at age 65.*

Cash commutation: Each member is assumed to take 74% of the permitted maximum lump sum on retirement based on commutation factors in force at 1 April 2021.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the trustees. Pension scheme regulations require, and the trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and

- contain the information specified in Regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The trustees are also responsible for making available certain other information about the scheme in the form of an annual report.

The trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

The trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary, revising a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions are made to the scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The trustees are responsible for the maintenance and integrity of the pension and financial information included on the Boots Pension Scheme website.

On behalf of the Trustee on 10th October 2023

Alan Baker, Director for The Law Debenture Pension Trust Corporation p.l.c

Law Debenture Pension Trust Corporation PLC on behalf of Boots Pensions Ltd

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BOOTS PENSION SCHEME

Opinion

We have audited the financial statements of the Boots Pension Scheme for the year ended 31 March 2023 which comprise Fund Account, Net Assets Statement (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Scheme's trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 14, the trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's trustees as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG
Date: 16/10/2023

BOOTS PENSION SCHEME

FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 31 March 2023

	Note	2023 £m	2022 £m
CONTRIBUTIONS AND BENEFITS			
Employer Contributions	5	-	1.4
Benefits payable	6	(207.6)	(191.9)
Payments to and on account of leavers	7	(13.7)	(22.2)
Administrative expenses	4	(2.0)	(3.6)
Net withdrawals from dealings with members		(223.3)	(216.3)
RETURNS ON INVESTMENTS			
Investment income	11	20.3	76.5
Change in market value of investments	8	(1,977.1)	101.2
Investment management expenses	12	(9.4)	(8.5)
Net returns on investments		(1966.2)	169.2
Net (decrease)\ increase in the Scheme during the year		(2,189.5)	(47.1)
Net assets of the Scheme at the beginning of the year		7,118.4	7,165.5
Net assets of the Scheme at the end of the year		**4,928.9**	**7,118.4**

The notes on pages 20 to 34 form part of these financial statements.

BOOTS PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AT 31 March 2023

	Note	2023 £m	2022 £m
Investment Assets	8		
Bonds		3,025.2	4,863.5
Pooled Investment Vehicles		1,964.5	2,432.2
Derivatives		760.0	766.9
Pension Funding Partnerships		183.0	198.0
Property		0.5	0.5
AVC investments		13.0	15.3
Cash and Deposits		19.9	138.0
Reverse repurchase Agreements		600.9	505.5
Other Investment Assets		48.5	39.4
		6,615.5	**8,959.3**
Investment Liabilities	8		
Derivatives		(565.5)	(407.4)
Repurchase Agreements		(696.5)	(946.7)
Cash and Deposits		(4.9)	(25.6)
Other Investment Liabilities		(103.5)	(50.0)
Bonds		(362.1)	(416.5)
Total Investments		**4,883.0**	**7,113.1**
Current Assets	13	53.6	10.9
Current Liabilities	14	(7.7)	(5.6)
Net assets of the Scheme at the end of the year		**4,928.9**	**7,118.4**

The notes on pages 20 to 34 form part of these financial statements.

The financial statements summarise the transactions and net assets of the Scheme. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with in the Report on Actuarial Liabilities on page 12 and these Financial Statements should be read in conjunction therewith.

These financial statements were approved and authorised for issue by the Trustee on 10th October 2023

Signed on behalf of the Trustee

Alan Baker, Director for The Law Debenture Pension Trust Corporation p.l.c

Law Debenture Pension Trust Corporation PLC on behalf of Boots Pensions Ltd

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS) FOR THE YEAR ENDED 31 March 2023

1 Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised June 2018) "the SORP"

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to meet obligations as they fall due for at least the next twelve months from the approval of these financial statements.

In reaching this conclusion, the Trustee considered the impact of the current economic environment on the Scheme and on the sponsoring employer, The Boots Company PLC. As per the last tri-ennial actuarial valuation as at 1 April 2021, the Scheme was at a funding level of 103%. As there were sufficient assets to cover the Scheme's liabilities at the valuation date, no recovery plan is required, and no employer's contribution are required. There are no active members and hence, no employee contributions received. Using the Trustee's approximate funding tracking tool, the latest update shows the technical provisions funding level to have decreased to approximately 102% at 31 May 2023.

The Employer operates in the Pharmaceutical and Retail sectors. The Trustee is continuing to monitor the likely financial and operational impact that the current economic environment will have on the company.
On this basis, the Trustee considers that the Scheme will continue to operate, and therefore believes that it remains appropriate to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustees' Report.

3. Accounting Policies

a) The financial statements have been prepared on an accrual's basis.

b) Investments are included at fair value, determined as follows: -

i) Bonds (Government):	Supranational and Corporate): Short sell bonds are included at the negative quoted price. Accrued interest is shown as interest due from securities. Bond values are provided by the fund managers as at the accounting reference date on a fair value basis, excluding accrued interest ("clean price basis"). Accrued interest is included within 'Other investments' together with accrued investment income and any unsettled investment purchases and sales.
ii) Swaps:	Interest rate, inflation rate, and total return swaps are over the counter contracts. They are valued daily and are recorded at fair value. The valuation is the discounted value of net future cash flows based on market expectations. Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts. Net receipts or payments on swap contracts are reported within derivative income.
iii) Futures:	Futures are exchange traded and are valued at the difference between exchange settlement prices and the inception prices.

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS) FOR THE YEAR ENDED 31 March 2023

3. Accounting Policies (continued)

iv) Forward Foreign Exchange:	These contracts are all over the counter contracts. They are valued monthly and are recorded at fair value. The valuation is calculated by determining the gain or loss that would arise from closing out the contract at the reporting date by entering in to an equal and opposite contract at that date. Forward foreign exchange trades settled during the period are reported as receipts or payments. Other receipts or payments on forward contracts are reported within the change in market value on investments.
v) Pooled investment vehicles:	Included at bid prices or at single price where no bid price is available, as notified by the investment manager. Shares in certain other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment managers
vi) Properties:	Freehold and leasehold property is included at their open market value at the year-end as determined by independent valuers, in accordance with the Royal Institute of Chartered Surveyors (RICS) valuation standard and, where applicable, with reference to binding sale agreements. Sales and purchases are recognised on completion of contract. No depreciation is provided on freehold or leasehold properties or ground leases.
vii) Pension Funding Partnership:	The Scheme's interest in the Pension Funding Partnerships (PFPs) is stated at the Trustee's estimate, having taken advice, of the present value of expected future cash flows arising from the PFPs and where applicable, including the probability of a bullet payment being made which depends on funding at a point in the future. The discount rate used to determine present value is based on market gilt rates at the reporting date adjusted for credit and liquidity risks. The valuations are determined, as far as possible on an 'arm's length' basis – i.e. the values that would be put on the Interests by an unconnected party. There is no market in such vehicles, and so the values need to be determined by calculation. Further, the assets are not tradable, so the net asset value calculated is an estimate based on available data. The valuations are sensitivity to the key assumptions noted above.
viii) Additional Voluntary Contributions:	The value of unit-linked funds is based on bid price at 31 March 2023 as provided by the investment manager. The value of with-profits funds includes bonuses, part of which represents a final bonus which cannot be guaranteed and can be varied up or down in the future.
ix) Annuity Policies:	Legacy annuity policies are held in the name of the Trustee. The Trustee has discussed these annuity policies with their advisers and have concluded that they are immaterial to the Scheme assets and therefore included at a nil value in the Financial Statements. Annuities are issued by Canada Life, Friends Provident, L&G, Phoenix Life and ReAssure.

3. Accounting Policies (continued)

x) Repurchase agreement:	Repurchase agreements - The Scheme continues to recognise assets delivered out under repurchase contracts to reflect its ongoing interest in those securities at the point of delivery. Cash received from repurchase contracts is recognised as an investment asset, and an investment liability is recognised for the value of the repurchase obligations. Collateral received or pledged in respect of these arrangements is disclosed but not recognised as a Scheme asset or liability.
Reverse Repurchase agreements:	Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements at the point of delivery. Securities received in exchange are disclosed as collateral supporting this receivable but are not recognised as a Scheme asset.

c) Investment Income

i) Interest is accrued on a daily basis

ii) Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.

iii) Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within ‘Change in Market Value’.

iv) Amounts received from the Pension Funding Partnerships are treated as proceeds arising from capital redemptions in the partnership.

v) Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

vi) Net Income from derivatives is accounted for when declared by the investment manager.

vii) Net Interest payable on repurchase agreements is accounted for when declared by the investment manager.

viii) Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis.

c) The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year-end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

d) Deficit contributions and special contributions, if any, are accounted for in the period they are due under the Schedule of Contributions.

e) Benefits payable represent all valid benefit claims in respect of the Scheme year and are accounted for in the period they fall due for payment.

f) Individual transfers out are accounted for when paid, when the member liability is discharged.

g) Investment Management Expenses are accounted for on an accruals basis. Fees are paid quarterly, calculated on the value of the funds under management. Investment performance fees are paid annually based on the funds under management at both LGIM and Wellington.

h) Administrative expenses are accounted for on an accruals basis.

i) The Trustees make estimates and assumptions concerning the future. The accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustees believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme's investments and, in particular, those classified in Level 3 of the fair value hierarchy.

4 Administrative Expenses

Administrative expenses are met from the assets of the Scheme. The Scheme Actuary has allowed for this when assessing the employer contributions required to be paid to the Scheme.

	2023 £m	2022 £m
In house administration costs	(0.7)	(0.8)
Professional fees	(1.3)	(2.5)
Other costs	-	(0.3)
	(2.0)	**(3.6)**

The Pension protection Fund and Pension Regulator levies are paid by the scheme and recovered from the Employer. These amounted to £651,997 for the year.

5 Employer Contributions

The Scheme closed to future accrual on 30 June 2010. Therefore, no Employer's normal contributions have been made in the year.

	2023 £m	2022 £m
Employer – special contribution	-	1.4

In June 2021 a Schedule of Contributions was signed and a special contribution of £1.4m was paid in July 2021. No further deficit contributions are due to the Scheme under the current Schedule of Contributions.

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6 Benefits Payable

	2023 £m	2022 £m
Pensions to retired members and spouses/dependants	(179.5)	(169.2)
Lump sums on retirement	(26.8)	(21.8)
Death benefits	(1.3)	(0.9)
	(207.6)	**(191.9)**

7 Payment to and on account of leavers

	2023 £m	2022 £m
Individual transfers out	(11.4)	(19.6)
Pensions (Transfer Sharing)	(2.3)	(2.6)
	(13.7)	**(22.2)**

8 Investments

	Market Value at 31.03.22	Purchases & Derivatives Payments	Sales & Derivatives Receipts	Change in Market Value	Market Value at 31.03.23
	£m	£m	£m	£m	£m
Bonds (net)	4,447.0	2051.3	(2316.2)	(1519.0)	2663.1
Pooled Investment Vehicles	2,432.2	3,191.9	(3,536.6)	(123.0)	1964.5
Derivatives	359.5	447.8	(265.1)	(347.7)	194.5
Pension Funding Partnerships	198.0		(22.1)	7.1	183.0
Property	0.5				0.5
AVC investments	15.3		(0.3)	(2.0)	13.0
	7,452.5	**5,691.0**	**(6,140.3)**	**(1,984.6)**	**5018.6**
Cash*	112.4			9.2	15.0
Repurchase / Reverse Repurchase Agreements*	(441.2)				(95.6)
Other Investment balances*	(10.6)			(1.7)	(55.0)
Net investment assets*	**7,113.1**			**(1,977.1)**	**4,883.0**

*The SORP does not require these to cross-cast.

The Scheme has outstanding commitments of $111.3m in relation to Illiquid assets at 31 March 2023 made up of;

	Commitment	Committed	Outstanding 2023
	$m	$m	$m
Broad Street	175	147.7	27.3
Kennedy Lewis	150	122.7	27.3
Basalt	175	118.3	56.7

The holdings of pooled investment vehicles are analysed below:

	2023	2022
	£m	£m
Liquidity Fund	705.0	119.2
Property	361.5	431.9
Equity	223.0	928.2
Bonds	341.2	692.9
Private Equity	333.8	260.0
	1,964.5	**2,432.2**

8. Investments (continued)

Costs are also borne by the Scheme in relation to transactions in the investment portfolios. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable. There were no transaction costs borne in relation to the Pension Funding Partnership (2022: £nil).

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Objectives and policies for holding derivatives

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows:

Futures – the Trustee did not want cash held to be “out of the market” and therefore bought exchange traded index-based futures contracts which had any underlying economic value broadly equivalent to cash held.

Swaps – the Trustee’s aim is to match as far as possible the Liability Driven Investment (LDI) portfolio of the Scheme’s long-term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long-term liabilities of the Scheme.

Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using over the counter forward foreign exchange contracts, has been put in place to reduce the currency exposure if these overseas investments to the targeted level.

At the year end, the Scheme held the following derivatives:

	2023 Asset £m	2023 Liability £m	2022 Asset £m	2022 Liability £m
Futures	4.9	(0.8)	0.3	(0.4)
Forward FX contracts	8.6	(2.2)	2.0	(20.6)
Swaps	746.6	(562.6)	757.7	(379.9)
	760.1	(565.6)	760.0	(400.9)

8. Investments (continued)

Futures Contracts

Type of Future	Expiry	Exposure (Notional Amount) £m	Asset Value at Year End £m	Liability Value at Year End £m
Overseas Equity	<3 month	118.9	3.2	
Overseas Fixed Income Futures	<3 month	63.2	1.7	(0.7)
Overseas cash futures	<3 month	(6.0)	0.0	(0.0)
UK Fixed income	<3 month	2.6	0.0	(0.1)
			4.9	(0.8)

The liability value at 31 March 2022 was £(0.4)m.

The Scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.
Included within cash balances are £9.66m in respect of initial and variation margins arising on open futures contracts at the year-end (2022: £2.15m)

Forward Foreign Exchange (FX)

The Scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date (within)	Currency Bought	£m	Currency Sold	£m	Value at Year End £m Asset	Liability
Forward OTC	1 month	EUR	2.1	GBP	(1.8)	0.0	(0.0)
Forward OTC	1 month	EUR	46.3	USD	(50.2)	0.1	(0.0)
Forward OTC	1 month	GBP	11.9	EUR	(13.5)	0.0	(0.0)
Forward OTC	1 month	GBP	7.6	JPY	(1,222.8)	0.2	(0.0)
Forward OTC	1 month	GBP	11.7	OTHER	(43.2)	0.0	(0.0)
Forward OTC	1 month	GBP	483.9	USD	(588.6)	8.2	(0.0)
Forward OTC	1 month	USD	119.2	EUR	(110.7)	0.0	(1.0)
Forward OTC	1 month	USD	232.9	GBP	(189.4)	0.0	(1.1)
					Total	**8.5**	**(2.1)**

Swaps (By Type)

	2023 (net)	2022 (net)
Interest rate	(65.1)	134.9
Credit default	(10.9)	(1.1)
Inflation	260.0	244.0
Total swaps (net)	184.0	377.8

8. Investments (continued)

Swaps
The Scheme had the following swap contracts outstanding at the year-end

Type of Contract	Notional Principal £m	2023 Market value (asset) £m	2023 Market value (liability) £m	2023 Market value (net) £m
Expiration				
Up to 1 year	1084.5	62.3	(19.7)	42.6
1 to 5 years	1359.8	73.5	(38.0)	35.5
5 to 10 years	1,743.1	156.1	(151.3)	4.8
10 to 15 years	178.1	86.0	(186.8)	(100.8)
15 to 20 years	645.0	106.9	(38.1)	68.8
Over 20 years	840.8	261.8	(128.7)	133.1
Total swaps held by the Scheme at 31 March 2023	**5,851.3**	**746.6**	**(562.6)**	**184.0**
Total swaps held by the Scheme at 31 March 2022	**6,179.7**	**757.7**	**(379.9)**	**377.8**

At the year end, the Scheme had cash collateral at counterparties of £104.7m in respect of OTC swaps and (£3.4)m in respect of repurchase agreements.

Pension Funding Partnership - PFPs
The Pension Funding Partnership (PFPs) is the Scheme's interest in two Scottish Limited Partnerships which own an interest in groups of freehold property currently occupied by the Sponsoring Employer. Its fair value represents the present value of amounts due to the Scheme over a multi-year period. Collateral, in the form of the freehold property currently in use by the Sponsoring Employer is available to the Trustees in the event the amounts due to the Scheme are not received. This collateral is undergoing a triennial valuation. If this valuation shows that the collateral has fallen below 105% of the present value of the amount due to the Scheme, then there will be a requirement for the Sponsoring Employer to provide additional assets to the Partnership.

Repurchase Agreement
At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £696.5m (2022: £946.7m) and reverse repurchase agreements of £600.9m (2022: £505.5m) At the year end £483.2m (2022: £880.1m) of bonds reported in the financial statements are held by the counterparties under the repurchase agreement and £633.2m of cash under the reverse repurchase agreements. The negative bond holdings of £362.1m (2022: £416.5m) represent the obligation to return the bonds received as collateral assets under reverse repurchase agreement. The obligation arises due to the asset being used in sales activity, thus exposing the Scheme to the risks and rewards of the ownership of the collateral asset.

8. Investments (continued)

Concentration of Investments

The Scheme investments include the following which represent more than 5% of the total value of the net assets.

	2023 £m	2023 %	2022 £m	2022 %
LGIM LIQUIDITY FUN LGIM STERLING	621.6	12.6	-	-
			-	-
Legal and General MPAD Diversified Multi Factor Equity pooled fund			581.6	8.1
UK (Gov) 0.125% 2058			539.0	7.6
CAAZ ACTGLBLCORPBD Fund			528.2	7.4
UK (Gov) 0.25% 2052			415.7	5.8

9 Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;

Level 3: inputs which are unobservable (i.e. for which the market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

At 31 March 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Bonds (net)	-	2,471.7	191.4	2,663.1
Pooled investment vehicles	651.7	934.8	378.0	1964.5
Derivatives	4.1	190.4	-	194.5
Pension Funding Partnership	-	-	183.0	183.0
Property	-	-	0.5	0.5
AVC investments	-		13.0	13.0
Cash	64.1	(49.1)	-	15.0
Repurchase / Reverse Repurchase Agreements (net)	-	(95.6)	-	(95.6)
Other investment balances	0.2	(55.7)	0.5	(55.0)
	720.1	3,396.5	766.4	4,883.0

9 Investment Fair Value Hierarchy (continued)

At 31 March 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Bonds (net)	-	4,212.4	234.6	4,447.0
Pooled investment vehicles	92.2	2,037.4	302.6	2,432.2
Derivatives	(0.1)	45.3	314.3	359.5
Pension Funding Partnership	-	-	198.0	198.0
Property	-	-	0.5	0.5
AVC investments	-		15.3	15.3
Cash	60.0	52.4	-	112.4
Repurchase / Reverse Repurchase Agreements (net)	-	(441.2)	-	(441.2)
Other investment balances	0.1	(11.2)	0.5	(10.6)
	152.2	5,895.1	1,065.8	7,113.1

10 Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include annuity insurance policies or AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

10 Investment Risks (continued)

(i) Credit risk
The Scheme is subject to credit risk as the Scheme invests in bonds, derivatives, has cash balances and Pooled Investment Vehicles. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles. Analysis of direct credit risk. The credit risk disclosure for year ended 31 March 2023 were categorised by the Scheme's Custodian.
Indirect credit risk also arises in relation to the discount rate used to value the Pensions Funding Partnership. The discount rate is based upon UK gilt yields with a premium added to allow for credit and illiquidity risks. The credit risk premium is derived from changes in UK credit conditions and the credit risk of the parent company. This risk is mitigated by holding a diverse portfolio of investments across various markets.

31 March 2023

	Investment grade £m	**Non-investment grade £m**	**Unrated £m**	**Total £m**
Bonds (net)	2,663.1	-	-	2,663.1
Pooled Investment Vehicles	62.2	-	1902.3	1964.5
Derivatives	-		194.5	194.5
Pension Funding Partnership	-	-	183.0	183.0
Cash	16.9		(1.9)	15.0
Repurchase / Reverse Repurchase Agreements	-	-	(95.6)	(95.6)
	2,742.2	**-**	**2,182.3**	**4,924.5**

31 March 2022

	Investment grade £m	**Non-investment grade £m**	**Unrated £m**	**Total £m**
Bonds (net)	4,443.9	3.1	-	4,447.0
Pooled Investment Vehicles	63.8	-	2,368.4	2,432.2
Pension Funding Partnership	-	-	359.5	359.5
Derivatives	-	-	198.0	198.0
Cash	(24.3)	-	136.7	112.4
Repurchase / Reverse Repurchase Agreements	-	-	(441.2)	(441.2)
	4,483.4	**3.1**	**2,621.4**	**7,107.9**

The Scheme's policy is to hold a diverse portfolio of high-quality sterling and US Dollar denominated bonds and interest rate and inflation swaps with the broad objective of achieving a yield in line with that of a typical AA rated bond index. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.
Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 8). Cash is held within financial institutions which are at least investment grade credit rated.

10 Investment Risks (continued)

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2023	**2022**
	£m	**£m**
Unit Linked Insurance Contracts	119.9	1,108.6
Authorised Unit Trusts	1190.2	1,183.6
Open Ended Investment Companies	654.4	140.0
	1,964.5	**2,432.2**

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in pooled funds which invest in at least investment grade credit rated securities.

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy. The Scheme's total net unhedged exposure by major currency at the year-end was as follows:

	2023	**2022**
	£m	**£m**
US Dollar	-	95.0
Euro	-	68.6
Japanese Yen	-	27.6

(iii) Interest rate risk

The Scheme is subject to interest rate risk on the bond portfolio comprising bonds and interest rate swaps held either as segregated investments or through pooled vehicles and cash. At the year end the bond portfolio comprised:

	2023	**2022**
	£m	**£m**
Direct		
Bonds	2,663.1	4,447.0
Derivatives	194.5	359.5
Repurchase / Reverse Repurchase Agreements	(95.6)	(441.2)
Indirect		
Pooled investment vehicles	1964.5	692.9

Indirect interest rate risk also arises in relation to the discount rate used to value the Pensions Funding Partnership. The discount rate is based upon UK gilt yields with a premium added to allow credit and illiquidity risks. This risk is mitigated by holding a diverse portfolio of investments across various market

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles and investment properties. It also arises in relation to the discount rate used to value the Pensions Funding Partnership, namely the illiquidity premium. The Trustee manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

10 Investment Risks (continued)

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2023 £m	2022 £m
Indirect		
Pooled Property	43.0	431.6
Pooled Equity	341.0	928.1
Pension Funding Partnership	175.9	198.0

Additional Voluntary Contributions

The Trustee holds assets invested separately from the main fund with Phoenix Life Limited (formerly London Life Limited) and Legal & General Assurance Society Limited which secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming the amounts held in their account and the movements in the year. The accounts are a mixture of 'with profit' and 'unit-linked' structures, across the different providers. The aggregate amounts of AVC investments are as follows:

	2023 £m	2022 £m
Phoenix Life Limited	1.4	1.6
Legal & General Assurance Society Limited	11.6	13.7
	13.0	**15.3**

11 Investment Income

	2023 £m	2022 £m
Bonds	67.3	61.7
Pooled Investment Vehicles	28.0	14.6
Interest on Cash and Deposits	0.2	0.2
Derivatives	(75.2)	-
	20.3	**76.5**

12 Investment Management related Expenses

	2023 £m	2022 £m
Investment management and administration	(7.4)	(7.7)
Performance Fees	(2.0)	(0.8)
	(9.4)	**(8.5)**

13 Current Assets

	2023 £m	2022 £m
Cash in Current Account	53.2	10.1
Other Current Assets	0.4	0.8
	53.6	**10.9**

14 Current Liabilities

	2023 £m	2022 £m
PAYE due	(2.2)	(2.0)
Accrued investment management fees	(4.2)	(1.8)
Accrued administration expenses due to The Boots Company PLC	(0.3)	(1.4)
Accrued professional fees	(1.0)	(0.4)
	(7.7)	**(5.6)**

15 Self-Investment

There was no self-investment during the year (2022: Nil).

16 Related Party Transactions

(a) Entities with control, joint control or significant influence over the entity
The Boots Company PLC
The Boots Supplementary Pension Plan
Boots Management Services Ltd

Boots Management Services Ltd provided administrative services and the recharge of these costs is dealt with in note 4. Amounts due to the Principal Employer, The Boots Company PLC at the year-end are dealt with in Note 14. Employer contributions are dealt with in Note 5.
Current assets include £188,935 due from the Boots Supplementary Pension Plan (the Plan) in relation to pensioner payroll by the Scheme on behalf of the Plan. (2022 - £114,289).
The Scheme has an interest in and has received income from Boots property Partnership LP, a Scottish limited partnership where the other partners are companies in the Employer's group. See note 8.

(b) Key management personnel of the Scheme
Of the 7 Trustee Directors in office during the year, 2 were deferred members of the Scheme and 3 were pensioner members of the Scheme.
Fees and expenses were paid to the Independent Trustee Director who served during the year (2021: three), and to 3 member-nominated pensioner Trustee Director who served during the year (2022: 3).
Trustee Director fees and expenses for the Independent Chairman, to the value of £112,973 (2022: 68,000) were incurred in the year, these were paid directly by the employer and not recharged to the scheme. Director fees and expenses for the member nominated trustees, to the value of £38,900 (2022:£38,900) were incurred in the year, these were paid directly by the scheme.

(c) Other related parties
Under a deed dated 22 December 2012, WBA Financial Services Limited has provided a continuing guarantee to the Scheme for all its guaranteed obligations, subject to a cap of £3.9bn.

17. GMP Equalisation

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Following on from the original judgement, a further High Court ruling on 20 November 2020 has provided clarification on the obligations for Trustees. This judgement focussed on the GMP treatment of historic transfers out of members' benefits, an issue which had not been addressed in the 2018 GMP ruling. Under this ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to be paid to the receiving scheme, to reflect members' rights to equalised GMP benefits. The impact of this court case will be considered by the Trustee at future meetings and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements for the year ended 31 March 2024. It is not possible to estimate the value of any such adjustments at this time. An approximate allowance for the financial impact on the Scheme of complying with the 2018 Lloyds Bank Judgement has been made by increasing the Scheme's technical provisions and solvency estimate by 0.4%.
This reflects an approximate allowance for associated back-payments and increases to future benefit payments and is consistent with the approach at the previous valuation.
For the avoidance of doubt, no allowance has been made in respect of the 2020 Lloyds Bank Judgement which covered the requirement to top up payments to former members of the Scheme who have transferred out their benefits.

18. Company Guarantee

Guaranteed obligations means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally and in any capacity whatsoever) of the Companies to make payments to the Scheme up to a maximum amount equal to the lower of (a) the entire aggregate liability, on the date on which any liability under this Deed arises, of every employer (within the meaning set out in section 318 of the Pensions Act 204 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1005 to have become due on that date; and (b) £3,900,000,000 (three billion nine hundred million pounds Sterling)(the "Cap").

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the Boots Pension Scheme

Statement about contributions payable under schedules of contributions
We have examined the summary of contributions payable to the Boots Pension Scheme on page 36 in respect of the scheme year ended 31 March 2023.

In our opinion the contributions for the scheme year ended 31 March 2023 as reported in the attached summary of contributions on page 36 and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on 29 June 2021 and 16 December 2022.

Scope of work on statement about contributions
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 36 have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedules of contributions.

Respective responsibilities of trustees and auditor
As explained more fully on page 14 in the Statement of Trustees' Responsibilities, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedules of contributions showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedules of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules of contributions and to report our opinion to you.

Use of our statement
This statement is made solely to the scheme's trustees as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme and the scheme's trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG
Date: 16/10/2023

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the schedule.

Trustee's Summary of Contributions payable under the schedules in respect of the Scheme year ended 31 March 2022

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the schedules of contributions certified by the actuary on 29 June 2021 and 16 December 2022 in respect of the Scheme year ended 31 March 2023. The Scheme auditor reports on contributions payable under the schedules in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Scheme year	**£m**
Employer Special Contribution	-
Total contributions payable to the Scheme as reported in the Financial Statements and as reported on by the Scheme Auditor	-

Signed on behalf of the Trustee on 10th October 2023

Alan Baker, Director for The Law Debenture Pension Trust Corporation p.l.c

Law Debenture Pension Trust Corporation PLC on behalf of Boots Pensions Ltd

Engagement Policy Implementation Statement ("EPIS")

Boots Pension Scheme (the "Scheme")

Scheme Year End – 31 March 2023

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 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 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.

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. We believe our voting rights have been implemented effectively on our behalf.

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.

We will engage with these managers, as set out in our engagement plan, to encourage them to provide detailed and meaningful disclosures about their engagement and voting activities, and learn how they consider financially material Environmental, Social and Governance ("ESG") factors into their voting policies.

How voting and engagement policies have been followed

The Scheme invests in a combination of pooled funds and segregated mandates and the responsibility for voting and engagement is 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, 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"). In

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.

particular, we received quarterly Environment Social Governance ("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.

We have participated in Responsible Investment training sessions with Aon, which provided us with updates on the evolving regulatory requirements, as well as the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making. For example, we received training on Net Zero transitions and the implications of making such a commitment,

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 produce the relevant TCFD report for the Scheme. The TCFD establishes a set of eleven clear, comparable and consistent recommended disclosures about the 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.

In conjunction with our investment adviser, we produced the Scheme's first TCFD disclosures report as at the 31 March 2022 year end. Aon have detailed "lessons learned" from the industry's first wave of TCFD reporting, using feedback from the Pensions Regulator and outlined the new requirements under year 2 TCFD reporting which we will produce as at 31 March 2023 year end.

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: HA Normal (wba-boots-pensions.co.uk)

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. Whilst 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 Investment Consultants Sustainability Working Group ("ICSWG") best practice industry standard, and also did not provide overall firm level engagement information. The Trustee will query this during a future meeting with LGIM,

2. For the illiquid investments held by the Scheme: Basalt and Schroders did not provide fund level engagement information; Kennedy Lewis was not able to provide any engagement information. Whilst the opportunities for engagement with illiquid investments, such as property funds, may not be as extensive as they are for other investments, such as equity and corporate bonds, we would still expect our investment managers of these funds to demonstrate and report on some level of engagement; for example, by engaging with tenants and the local community to address potential issues and drive change, as per the guidance issued by the Pension and Lifetime Saving Association ("PLSA"). The Trustee will query these issues with the aforementioned managers during a future meeting.

We will continue to invite each of our investment managers to a meeting once a year where we can then better understand their voting and engagement practices, and how these help us fulfil our Responsible Investment policies. In addition, we will undertake more regular, detailed ESG monitoring of our managers, including an annual review of our investment managers' Responsible Investment policies to ensure they are in line with our own.

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. 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.

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

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 2023.

Section		Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DB	LGIM - Diversified Multi-Factor Equity Fund	19,925	99.9%	19.2%	1.5%
	Ownership Capital - Global Equity Fund	297	100.0%	20.0%	3.0%
	Mirova - Global Sustainable Equity Fund	703	100.0%	43.0%	0.0%
AVCs	L&G PMC - World Equity Index Fund	38,823	99.9%	20.5%	0.7%
	L&G PMC - Consensus Index Fund	75,774	99.9%	18.2%	1.1%
	L&G PMC - UK Equity Index Fund	10,870	99.9%	5.5%	0.0%
	L&G PMC - Ethical Global Equity Index Fund	16,618	99.8%	17.9%	0.2%
	Phoenix Life - Pensions Traditional With-Profits	*Not provided*			

Source: Managers

Use of proxy voting adviser

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 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 adviser
Legal & General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) '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.
Ownership Capital	We currently cast our votes via a dedicated voting provider, ISS. We have our own voting policy.
Mirova	Mirova utilizes ISS, Inc. 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 are 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. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the fund invested in by the Scheme.

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
DB	LGIM - Diversified Multi-Factor Equity Fund	458	*Not provided*	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Remuneration

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
				Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose
	LGIM - Active Bond Portfolio	98	*Not provided*	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Strategy/purpose
	LGIM - Active Global Bond (Hedged)	257	*Not provided*	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Strategy/purpose
	Goldman Sachs Asset Management ("GSAM") - Global Emerging Market Debt - Blend Fund	5	>1,028	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness – Diversity Strategy, Financial and Reporting - Strategy/purpose
	GSAM - Broad Street Loan Partners Fund IV	*Not provided*	>1,028	Environment - Climate change Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks)
	Ownership Capital - Global Equity Fund	143	143	Environment - Climate change Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Independence or Oversight, Board effectiveness – Diversity Strategy, Financial and Reporting - Capital allocation, Strategy/purpose Other - ESG Governance
	Schroders - UK Property Fund[1]	*Not provided*	>2,800	Environment - Climate change Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness – Diversity
	Kennedy Lewis - Credit Partners II Fund	*Not provided*		
	Leadenhall Capital Partners ("Leadenhall") - Value Insurance Linked Securities	309	321	Environment - Climate change Governance - Board effectiveness – Diversity, Remuneration, Leadership – Chair/CEO, Shareholder rights Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy/purpose
	Wellington Management Group ("Wellington") - Global Credit Fund	689	>9,000	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health

Section	Funds	Number of engagements: Fund specific	Number of engagements: Firm level	Themes engaged on at a fund-level
				Governance - Board effectiveness – Diversity Strategy, Financial and Reporting - Capital allocation
	Basalt - Infrastructure Partners II Fund[1]	*Not provided*	120	Environment - Climate change Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness – Diversity Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Financial performance
	Mirova - Global Sustainable Equity Fund	33	115	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)
AVCs	L&G PMC - World Equity Index Fund	679	*Not provided*	Environment - Climate change, Deforestation Social - Climate Impact Pledge Governance - Board Composition, Renumeration
	L&G PMC - Consensus Index Fund	915	*Not provided*	Environment - Climate change, Deforestation Social - Climate Impact Pledge Governance - Renumeration Strategy, Financial and Reporting - Company Disclosure & Transparency
	L&G PMC - UK Equity Index Fund	266	*Not provided*	Environment - Climate change, Energy Governance - Board Composition, Renumeration Strategy, Financial and Reporting - Corporate Strategy
	L&G PMC - Ethical Global Equity Index Fund	397	*Not provided*	Environment - Climate change, Deforestation Social - Climate Impact Pledge Governance - Board Composition, Renumeration
	L&G PMC - Sustainable Property Fund	80	*Not provided*	Environment - Climate change Social - Climate Impact Pledge Governance - Board Composition, Renumeration Other - Nominations and Successions
	Phoenix Life - Pensions Traditional With-Profits	*Not provided*		

Source: Managers.

[1]Schroders and Basalt did not provide fund level themes; themes provided are at a firm-level.

Data limitations

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

- Phoenix Life did not provide any information requested.
- LGIM did provide fund level engagement information but not in the industry standard ICSWG template. Additionally, the manager did not provide any firm level engagement information.
- Schroders and Basalt did not provide fund level engagement data.
- Kennedy Lewis provided no engagement data requested, but did provide details of its ESG policy.

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**	Tradeweb
	Date of vote	May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	*Not provided*
	Summary of the resolution	Adopt a Policy on Board Diversity
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	Board diversity and independence has been a key engagement topic for us. While the company added two racially diverse directors, the company lacks gender diversity with one 1/10 directors being women.
	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?	We continue to engage the company on board diversity and independence.
	On which criteria have you assessed this vote to be "most significant"?	This shareholder proposal is not an annually returning proposal. While the company has taken steps to improve the board diversity following our engagement, there is still more work to be done.
Mirova - Global Sustainable Equity Fund	**Company name**	SunRun Inc.
	Date of vote	Jun 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.9%

	Summary of the resolution	Executive Compensation and Director Elections (2 resolutions)
	How you voted	Against Management
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	Prior to executing our vote, members of the sustainability research team engaged with SunRun to discuss the structure of the compensation plan. We advocated for the elimination of stock options and explained our rationale. The company has been very responsive and committed to examining this possibility. We further gave insight into possible meaningful sustainability metrics that the plan could incorporate as the company grows.
	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?	We found this company to be quite open and eager to receive shareholder feedback. It was helpful to have the ESG analyst that focuses on climate change and the energy sector part of the call to provide detailed insight regarding the various potential sustainability criteria the company could incorporate into the plan.
	On which criteria have you assessed this vote to be "most significant"?	Relevant to engagement strategy, core company
L&G PMC - World Equity Index Fund; L&G PMC - Ethical Global Equity Index Fund	**Company name**	Alphabet Inc.
	Date of vote	01-Jun-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.2% (World Equity Index Fund); 2.0% (Ethical Global Equity Index Fund)
	Summary of the resolution	Report on Physical Risks of Climate Change
	How you voted	For
	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 with the 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	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	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 our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
LGIM - Diversified Multi-Factor Equity Fund;	**Company name**	Rio Tinto Plc
	Date of vote	08-Apr-2022

L&G PMC - Consensus Index Fund; L&G PMC - UK Equity Index Fund	**Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)**	0.3% (Diversified Multi-Factor Equity Fund); 0.7% (Consensus Index Fund); 2.7% (UK Equity Index Fund)
	Summary of the resolution	Approve Climate Action Plan
	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 with the 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: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
	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 will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Source: Managers