

# Engagement Policy Implementation Statement (“EPIS”)

## Boots Supplementary Pension Plan (the “Plan”)

Plan Year End – 31 March 2024

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

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

### Our conclusion

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

In July 2022, the Plan purchased a Bulk Purchase Annuity Agreement (the “Annuity”) with Legal & General Assurance Society (“LGAS”). The Annuity aims to wholly cover the benefits payable to all members of the Plan. In endeavouring to invest in the best financial interests of the beneficiaries and purchasing the Annuity, we recognise that we cannot, therefore, directly influence the ESG integration or stewardship policies and practices of LGAS. We believe that LGAS should use its influence and purchasing power where possible to ensure that ESG factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

The Plan’s remaining assets were invested in a Sterling Liquidity Fund (“SLF”) and the 6A Corporate Bond All Stocks Index Fund managed by Legal & General Investment Management (“LGIM”). In our view, LGIM was able to disclose good evidence of engagement activity, and the activities completed by our manager align with our stewardship expectations.

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

## How engagement policies have been followed

We reviewed the stewardship activity of LGIM – the Plan’s material investment manager following the Annuity purchase in 2022 – carried out over the Plan year and in our view, LGIM was able to disclose good evidence of engagement activity. More information on the stewardship activity carried out by the Plan’s investment manager can be found in the following sections of this report.

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

## Our Engagement Action Plan

The responsibility for managing arrangements with underlying investment managers lies with LGAS. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the long-term objectives of the Insurer; as well as having appropriate performance, costs (including turnover costs), and remuneration monitoring with respect to the appointed asset managers. In addition, we expect that the Insurer uses its influence and purchasing power (where possible) to ensure that Environmental Social, and Governance (“ESG”) factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

We have limited ability to incentivise LGAS to align its investment strategy and decisions with our policies in relation to stewardship, corporate governance, and responsible investment. However, given the nature of the buy-in policies, such as the Annuity purchased by the Plan, we believe that LGAS is appropriately incentivised to make decisions relating to the medium and long-term financial and non-financial factors which may influence performance.

In relation to our residual assets, LGIM provided a comprehensive list of fund-level engagement, which we find encouraging, although these examples did not give as much detail as required by the Investment Consultants Sustainability Working Group (“ICSWG”) industry standard template. We will therefore request Aon’s Responsible Investment team and Manager Research team to meet with the manager on our behalf, to better understand their engagement practices, discuss the areas which are behind those of their peers, and understand how such practices help us fulfil our Responsible Investment policies.

## What is stewardship?

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

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

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

*Source: UN PRI*

## Our manager's engagement activity

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

The table below shows some of the engagement activity carried out by the Plan's material manager for the residual assets. The manager has provided information for the most recent calendar year available.

| Funds                                    | Number of engagements |             | Themes engaged on at a fund level  |
|--|-----------------------|-------------|--|
|  | Fund level            | Firm level* |  |
| LGIM - AAA-AA-A Bonds - All Stocks Index | 118                   | 2,500       | Environment - Climate Change; Energy<br>Governance - Remuneration<br>Other - Corporate Strategy; Disclosure & Transparency |

*\*Firm level is derived from LGIM firm engagement reporting, with the last release being 31 Dec 2023. Source: Manager. Data covering the period of 1 January 2023 – 31 December 2023.*

## Data limitations

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

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