

corporate social responsibility

Running business in a socially responsible way is at the very heart of Boots. For more than 100 years we have recognised that the interests of Boots and all its stakeholders are mutually dependent. In 1919, Jesse Boot, wrote: ‘Fellowship in recreation, fellowship in ideals, common sympathies and common humanity bind us together and whatever fosters this happy union is valuable.’ Today’s Boots feels exactly the same. Caring is part of our heritage. It will always be part of our future.

Two years ago we adopted a new, more systematic approach to reporting on and measuring the results of our many and varied Corporate Social Responsibility (CSR) activities. These are now grouped under four headings: Community, Environment, Marketplace and Workplace. This enables us to better manage, monitor and communicate this important business agenda.

Community

Here our aim is to create a genuine sense of partnership in the communities we serve and to be regarded as a good neighbour.

Town centre management Boots continued its work supporting the growth and development of town centre management partnerships. This commitment to positive private and public sector work is part of a 15-year commitment to such initiatives. Town centres are economic competitive locations and the private and public sector have an equal interest in their prosperity – the private sector for reasons of investment and the public sector through the need for an environment which can be valued by all sectors of the community. Working together we can have a marked impact in areas such as crime prevention, economic regeneration

and improved public transport. Boots is a founder member of the Association of Town Centre Management and today contributes over £500,000 to the core funding of more than 130 separate initiatives. Additionally, our store managers are heavily involved in and locally support such schemes in many practical ways.

Helping to start a lifetime of reading Boots Books for Babies is the largest early book scheme of its kind in the UK. The partnership between Boots, Nottingham City and County Library Services and health visitors in Nottinghamshire was established in 1998. The aim of the initiative is to develop a love of books in young children and a lifetime of reading by encouraging parents to share books with their children from nine months onwards. More than 50,000 babies born in Nottinghamshire have now received a free Boots Books Babies bag. A recent social impact research study confirmed that the programme has made a significant impact on children – physically, intellectually and creatively. Importantly, parents too have benefited, developing their own parenting skills and learning how to support and enthuse their children.

50,000

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Damaged and end of line products go to the community As far as possible we try to ensure that unwanted products – ranging from damaged stock to end-of-line items – do not go to waste. Over the last four years we have given away goods with a cost value of more than £1.6m. Without this initiative these goods would simply have gone to landfill. So this scheme is helping the community and protecting the environment.

Environment

We are clearly dedicated to the health of our customers. With that in mind, we naturally feel a passionate concern for the environment and want to protect it so that it can be enjoyed by future generations.

Reducing waste to landfill At Boots we are committed to minimising the environmental impact of our business, by reducing the amount of waste we dispose of to landfill. In 2003 we committed to reduce our dependency on landfill as a waste disposal option by 20% by March 2008. This year we have made a significant step towards our goal. Some of our manufacturing waste is now composted and our photochemical waste is now reused

within the photochemical industry. As part of our work on reforming our supply chain we developed new containers to supply our goods to our stores. This resulted in our old containers – 80 tonnes of them – being recycled with the material used for council kerb-side collection boxes. As a result, we have been able to divert around 4,000 tonnes of waste away from landfill.

Using safe chemicals Retailers have to ensure that they are using the most appropriate and safe chemicals in their products. We have a Chemical Working Group of scientific experts that takes a forward-looking approach and provides expert guidance and feedback on consumer concerns. We have set ourselves clear goals and drawn up a priority substance list which details our responses to any concerns raised. This is updated on a quarterly basis and is available on our company website. Our approach is recognised as industry leading, not only in the UK and Continental Europe, but also in the US where we were recently invited to take part in an event hosted by the Lowell Center for Sustainable Production at the University of Massachusetts discussing best practice in chemical management.

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Improving product sustainability At Boots, one of our key objectives is to be a leading developer, retailer and supplier of health and beauty products that have improved sustainability criteria. Sustainable development can help to differentiate Boots products by building on the trust in our brand and by creating opportunities for new innovations.

Over the past year, we have focussed on embedding the principles of sustainable development into new product development. This has involved the introduction of new management tools such as a redesigned risk assessment process. But we have also been working at the other end of the product chain, with work on increasing the amount of recycled material we use in bottle manufacture and also a study on how sustainability messages are communicated to consumers. We are working with a wide variety of external agencies, including WRAP, Forum for the Future, Urban Mines and Loughborough University, to increase our knowledge and the effectiveness of our actions.

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Marketplace

What we do at Boots is not enough on its own – we are part of a larger marketplace. We have never seen a contradiction between running a commercial business and providing a valuable service to society. That is part of our heritage, which is clearly reflected in the way in which we do business in the widest sense – through our stores, our products, our suppliers and our general approach to life.

Working with suppliers Retailers have always faced a huge challenge in ensuring that all its suppliers treat their workers fairly and manage the impact they have on the environment. The internationalisation of our supply chain only makes the issue more complex. We are not perfect, but we are determined to make sure that high standards are in place. We know that we have a robust way of monitoring the situations involved and ensuring they are effectively managed. We continue to learn and promote best practice through our membership of the Ethical Trading Initiative, an alliance of companies, non-governmental organisation and trade unions which exists to promote the observance of internationally recognised labour standards. Part of our membership commitment was to assess all

90

newtons, the pull we put on a teddy bear's eyes for five minutes to make sure the product reaches our safety standards

of our Boots brand suppliers against a code of conduct by April 2006. We are on course to meet that commitment.

Safety testing At Boots, we take very seriously our commitment to ensuring that all the things we make and sell meet the highest quality and safety standards. Many of our products are tested to levels far beyond the formal British and European legal standards at our quality testing centre which is the best of its kind. For example, the law says that a teddy bear's eyes must be able to withstand a pull of 90 Newtons – equivalent to nine 1kg bags of sugar – for 10 seconds. At Boots, our teddy bears are not sent out to shelves unless their eyes remain firmly in place when subjected to a pull of 90 Newtons for a full five minutes.

In health and beauty we are firmly committed to ensuring that none of our own-brand products rely on animal testing – something we stopped doing in 1976. But that does not mean that our products are not absolutely safe. The solution? Our leading in-house product development and safety expertise, combined with a 3,500 strong army of volunteers, recruited locally and ready to help us at our Nottingham testing centre whenever we need them.

Supporting charities At Boots, we work with a number of national charity partners each year, not just to raise money, but also to increase awareness of the issues that are important to them. Over the last year we have worked with Breast Cancer Care, Tommy's, the baby charity, and Children in Need.

It was our eighth year in partnership with Breast Cancer Care. Through our 'be up front' campaign, during September and October, we have done a great deal both to increase awareness of the importance of regular breast checking and raise vital funds. We have raised more than £1.7m for the charity since our partnership began. In addition to selling pin badges, our N°7 team have continued their support and donated a proportion of profits on a selection of pink products. Our people in-store carried out mini makeovers in return for a donation and took part in other in-store fundraising activities.

We worked with Tommy's supporting their work in the field of prematurity, stillbirth and miscarriage. Through the year we sold pin badges in all our stores, raising more than £400,000. We have also helped to raise awareness of Tommy's work through support for the Splashathon, in June 2004, where tiny

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the amount raised for Breast Cancer Care by Boots since the partnership began

tots were invited to take part in a sponsored splash at their local pools. In addition, our larger stores held events to raise awareness of the services Tommy's provides and raise additional funds during National Pregnancy Week in September 2004.

A first for Boots this year came with our support for BBC Children in Need. We know this national appeal is one that is close to the hearts of our customers and our own people. In November 2004, we asked our stores and our customers to take part and help us raise funds for the charity. A fun selection of Pudsey Bear merchandise hit our shelves and stores engaged customers in a variety of fundraising activities. The result was a donation to BBC Children in Need of more than £300,000 and a commitment to continue our support in 2005.

Workplace

Good practice begins at home. Being an employer that treats its people with dignity and respect is crucial to our company's approach – and with a year of significant change at Boots, this has been more important than ever.

Supporting people through change Over the past two years we have reduced by 1,000 the jobs in our head office function – about

a third of our workforce there. Through all the changes we have continued to support those people affected in choosing other careers and jobs. We opened a 'next moves' careers centre at our Nottingham site, holding workshops on job search, self-employment and financial planning. So far, nearly 90% of those affected have decided their next move, whether that be another job, self-employment, retraining or retirement. We continue to support those who are not yet settled. In any change programme we try to communicate as early as we can with those affected, and continue to consult with our colleagues and their representatives throughout the change.

Boots retail academy Through this financial year we have been working on the formation of a retail academy, which was launched in April 2005. This brings together all the training and development programmes for our stores in a single easy format. It will enable us to develop people who can then deliver the business performance our customers and shareholders expect. The academy is organised around the four key parts of the business – pharmacy, store operations, sales and leadership. The training will be tailored for each area, depending on the significant business issues in each.

£300,000

donation to BBC Children In Need through the efforts of our people

Health and safety Over the past year we have continued to see a reduction in our accident frequency rates which are now well ahead of the milestone we had set ourselves under our 10-year corporate plan. Our manufacturing area still leads the way through strong commitment and by continuing their behavioural safety programme that has a proven record of delivering reduced accident rates. In our stores we have introduced an improved inspection process with good practice guidance for use by stores employees. The benefits can be seen in reduced numbers of incidents. Within logistics we have targeted two key areas of activity for risk reduction – manual handling and forklift truck driving. For these activities our people have been through specific retraining programmes aimed at achieving industry-leading standards. We remain committed to continuous improvement in our health and safety performance.