

Corporate social responsibility

A strong sense of social responsibility is part of the Boots heritage. Today it is reflected in the company's values and behaviours and made explicit in our statement of business purpose. We seek to respond to the legitimate concerns of our stakeholders wherever they are – in the workplace, the marketplace, the communities in which we operate and the environment that affects us all.

In recent years the concept of social responsibility has taken on a new importance. There has been increasing recognition of the critical contribution business can make to a much wider sustainability agenda, a heightened requirement for companies to demonstrate their practical engagement across a range of stakeholder issues, and greater awareness of the risks of not doing so. This has resulted in closer scrutiny of the policies we adopt, how we put them into practice, and the ways in which we measure and report performance.

Businesses benefit from being good employers, good neighbours and good citizens. And as guardians of the nation's most trusted retail brand, we are determined to live up to high stakeholder expectations. We are already achieving a great deal. Our environmental reporting is among the best in our sector. Our innovative community investment is widely respected. Our approach to social responsibility issues has been recognised by our inclusion in the FTSE4Good and Dow Jones Sustainability indexes. But we know we can do more and we are constantly reviewing and refining our policies and practices to meet our own high standards and the growing expectations of those whose confidence and support we rely on.

The exercise of social responsibility is not a moral crusade. And there need be no conflict between fulfilment of social obligations and vigorous pursuit of commercial objectives. Maximising shareholder value remains our governing objective. To achieve that objective, we need to recognise the risks to value – and the opportunities to create value – that arise from social, environmental and ethical matters. The greatest risk, always, is to reputation. By recognising and responding to stakeholder interests we aim to enhance our reputation at the same time as we continue to build a successful, competitive and, above all, sustainable business.



Our people

A business will only thrive when it builds on the skills and retains the commitment of the people who work within it. It is a key part of our corporate responsibility to achieve this by the way we reward our employees, develop and train them, and earn their trust. Our focus on wellbeing should be reflected in our management style as well as our customer offer.

Having been among the first companies to champion family friendly practices, we continue to seek ways of enabling our people to achieve work-life balance.

It is important that people feel they have a stake in the success of the business. In 2001, 66,000 employees received free shares under our 'Employee Share Scheme'. A further 20,000 will become eligible this year.

Organisational change inevitably creates uncertainty and can have painful consequences in some parts of the business. We are helping people to deal with those consequences through timely and honest communication, training where appropriate of employee representatives, and access to independent advice.

At a time of significant organisational change it is all the more important for our people to understand our business and vision for the future. During the year, everyone in the retail business – more than 52,000 people – underwent an innovative programme that explored, in small groups, the issues, opportunities and challenges that the company faces. This gave employees a shared experience and helped them to gain a better understanding of our markets, competitors and customers.

Running a more integrated business can mean that very different sets of skills are required. For example, the manager of a Boots store that now offers Dentalcare and Hearingcare needs to understand as much about delivering professional services as about maximising sales intensity. Training in new skills is being built into development programmes throughout the organisation. Increased investment in customer service training, which has been successfully trialled in our new core format stores, will be extended to all stores this year. A change in

store management structure has given greater opportunity for our people to influence what happens at local level.

All our top 220 managers have completed an intensive leadership assessment programme and are working through individual development plans with the help of one-to-one coaching. We are now looking at the development needs of the next level of managers.

We are committed to encouraging everyone to contribute in an environment where they feel respected and valued. We constantly monitor the make-up of our workforce in terms of ethnic origin, gender, age and disability. We have been running a series of briefings which help people acknowledge and value the many ways in which we are different. These sessions communicate what harassment and discrimination actually mean, how to recognise them when a colleague is being affected, and how to take action.



Community investment

Last year Boots' investment in the community amounted to £5m in cash, charitable donations and sponsorships, and contributions in kind including the recycling of £1.9m worth of merchandise.



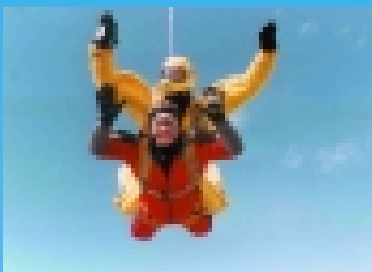
We are contributors to Business in the Community's Per Cent Club and we have worked closely with the London Benchmarking Group to develop and refine investment calculations. Our total now includes the value of our employees' time spent on voluntary activities. Last year we were able to quantify this at £500,000 after an audit of all Boots retail stores. Our front-line staff are our finest ambassadors and our stores receive many thousands of requests for information and support from their communities each year. We will continue to encourage and support stores in this crucial work.

During the past two years we have set out to relate our community investment more directly to the company's wellbeing objectives. Under the umbrella heading of Healthy Communities, our initiatives are focused on health, education and employee volunteering.

Time for a Treat workshops at Nottingham City Hospital last year demonstrated one way of linking community activities directly to the offering in our flagship stores. They aimed to boost the wellbeing of patients and community groups by providing health, beauty and complementary treatments, advice and workshops. In February, we also provided a Time for a Treat day for 200 hospital staff.

Our long-established merchandise recycling activity, now located within the Community Investment Centre on our main site in Nottingham, last year made donations to over 2,000 community-based projects. We supplied cosmetics to voluntary services in hospitals across England and a large consignment of toiletries to Afghanistan.

The recycling of thousands of empty film canisters supports the Neighbourhood Watch Datalink initiative. This scheme provides the elderly and vulnerable with a kit containing details of their medical condition. The details are placed in the canister and put in the fridge, where they can be easily located by the emergency services in the event of an accident or illness in the home.



Healthy Communities Under the umbrella heading of Healthy Communities, Community Investment initiatives are focused in the key areas of health, education and employee volunteering.

Our educational initiatives include an interactive website (www.bootslearningstore.com) which went live in February after trials with over 500 students and 25 schools in England and Scotland. Developed with teachers and science advisers, the site is geared to the national curriculum and covers wellbeing and science-related topics. With modules ranging from headlice to sun protection, it reinforces Boots' position among young people as a source of authoritative, independent advice.

We provide professional development placements for teachers and last year managed over 3,500 work experience placements in our stores. We also work closely with teachers in the education partnership room at the Community Investment Centre to develop business related curriculum materials.

The Community Investment Centre is a focal point for much of our community activity, hosting meetings and events for a wide range of community partners and providing training programmes for employees.

Employee volunteering has long been a key component of our community activity, helping employees develop personally and professionally. Last summer a survey of employees on our main site in Nottingham showed that 40% of respondents were, or had been, involved in some form of community activity.

Last year we introduced a new literacy volunteering scheme, Project Boost, which has so far attracted 25 volunteers who support children in inner city schools. And eight team challenges involved staff in a variety of activities including the redevelopment of a school playground and decorating children's wards at a local hospital.

All volunteers can now achieve a new national qualification – the Certificate of Recognition as a Community Associate – through a structured learning programme. Boots was the first organisation to pilot and launch the Certificate to employees last year.

Information on our community investment performance is available on our website at www.boots-plc.com/communityinvestment. You can view our annual community investment performance report and download a summary from the site.

Ethical sourcing

We source products from all over the world and recognise our responsibility for the conditions under which these goods are manufactured. We seek to ensure that the manufacturing process does not involve abuse of basic human rights, that working conditions are safe and wage rates fair, and that there is no use of child or forced labour.

The principles we ask our suppliers to adopt are contained in the Boots Code of Conduct for Ethical Trading, based on International Labour Organisation standards, which was approved by the Board Social Responsibilities Committee in June 2000.

Having agreed company policy in this very sensitive area, we have done much work to design and implement effective processes, including risk assessment, factory audits, remedial action planning and performance monitoring.

Ensuring universal compliance with our Code is a major challenge but we are determined to do whatever is necessary to protect the health and wellbeing of those who provide their labour. And in so doing, to safeguard the company's reputation.

Environment

We have continued to make excellent progress across our business – particularly in areas such as energy and transport efficiency, and waste. We are pleased that this has been recognised in the Business in the Environment index.

Last year we set tough new targets on CO₂ emissions, building on past achievements in energy and transport efficiency. Reducing like for like CO₂ emissions due to energy consumption has proved challenging. However, we have quickly built on last year's successful initiative to increase the use of our return journeys from Boots store deliveries to bring suppliers' goods to our warehouses – eliminating the need for a supplier's vehicle to make the journey. This is now equivalent to reducing road journeys by more than 1.5m km (an 82% improvement), offsetting around 4% of the CO₂ emissions due to our commercial transport operations.

Potential annual waste disposal savings of around £300,000 have been achieved as a result of the successful trial to recycle plastic packaging from Boots stores, and the redesign of Strepsils packaging has saved around 84 tonnes of material and more than £30,000 costs in Boots Healthcare International.

While eco-efficiency is an essential focus for any business – it reduces costs while benefiting society – we are also determined to make a full contribution to the wider sustainable development agenda. That means operating and growing our business without compromising the ability of future generations to meet their own needs.

For Boots, a key sustainable development issue is the way our products are made. We are focusing on two areas: the chemicals we use and our impact on biodiversity.

Sustainability is an issue that is bigger than any one company. It demands the participation of all our stakeholders. For example, a responsible approach to products involves the co-operation not just of our suppliers but of their suppliers too.

That is why we have begun a consultation process involving all our stakeholders as an important step towards establishing a company policy on the use of certain chemicals in our products.

We believe that openness on environmental issues – and a willingness to adopt progressive thinking – will minimise risks to the business. It will safeguard our customers' interests and our brand's reputation.

Environmental performance is one of the most mature components of corporate social responsibility at Boots and we envisage using it as a template for reporting other areas. Because we recognise our stakeholders' desire for a single reporting standard to enable direct comparisons within our peer group, this year we are using our environmental report to trial the UN-backed Global Reporting Initiative guidelines – an international framework for reporting performance on sustainable development.

Boots is involved in a growing number of environmental initiatives such as Envirowise, a government-funded programme whose work includes encouraging environmental improvements throughout the supply chain. We also support the British Retail Consortium (BRC) manifesto *Towards Retail Sustainability* and are committed to meeting its targets. The BRC is just one of a number of organisations through which we play an active part in wider environmental debate.

Another example of our commitment to sustainability is the Commuter Plan operating on our main site in Nottingham, which was recently recognised by the Department for Transport, Local government and the Regions as 'one of the leading examples of best practice' in the UK.

The plan encourages employees to choose an alternative to a single-occupancy car for their journeys to and from work, while respecting the needs of the business and individual lifestyles. The car-share database now has over 1,000 members, and the increase in numbers of people cycling to work continues to buck the national trend.

Information on our environmental performance is available on our website at www.boots-plc.com/environment. You can view our annual environmental report and download a summary from the site.