

Corporate social responsibility

People have high expectations of Boots. One of the strengths of the Boots brand is that it is more trusted than almost any other brand or institution in the UK. To earn and sustain that trust, we must be seen to behave with integrity and responsibility.

Business in the Community recently published the preliminary findings of its first Corporate Responsibility Index. These confirmed our strength in areas such as community investment and the environment. They also highlighted the need – which we have been addressing – for more engagement with corporate social responsibility (CSR) issues at board level.

Last year we strengthened the role of the board's Social Responsibility Committee, now led by non-executive director Hélène Ploix, and gave executive board responsibility for CSR to HR director Andy Smith.

We are reinforcing the linkage between CSR policy formation at board level and effective programmes of action throughout the organisation. This work is led by Ken Piggott, who moved from running Boots The Chemists to take charge of it. He has carried out a major CSR review, benchmarking our performance against other organisations and developing detailed targets and action plans.

Environment Boots has long been committed to rigorous environmental management and reporting, and to becoming a more sustainable business. In 2003 we took a major step forward by establishing a sustainability strategy for the chemicals we use in our products, developed in consultation with a wide range of stakeholders. We have also published a strategy on biodiversity, another important sustainability issue.

If we are to make meaningful, measurable steps towards becoming a more sustainable business we need to decouple our growth from our

environmental impacts – so that business success does not come at a corresponding cost to the environment. For example, despite increasing turnover last year we cut waste disposal by 8.4%. This saved us around £160,000 in disposal costs alone – and disposal costs represent only a relatively small part of the total cost of waste to the business, which also includes the cost of extracting, manufacturing and transporting the raw materials to Boots. Around 46% of the 37,000 tonnes of waste we produced last year was recovered through recycling or incineration with heat recovery. We have now set a five year goal of reducing like for like waste disposal by a further 20%.

Packaging recovery and recycling grew 31.6% to record levels, 4.1% up on our previous best. This avoided the need to dispose of over 15,000 tonnes of material, saving over £1.3m in landfill costs and generating income of around £280,000 from saleable material. A KPMG audit of our compliance with packaging waste legislation reported an 'excellent result' and Repak, the Irish compliance scheme, awarded us a Certificate of Excellence.

Our transport fleet continues to raise its fuel efficiency. In 2000 we set a three-year target of reducing diesel use per m³ of stock carried by 3%. We have beaten that figure, with a 4.0% improvement from 12.87 to 12.36 litres per m³ of stock. Last year we also cut the fuel used per £m of business turnover by a further 5.0%.

Like for like energy consumption improved by 2.7% from 147kWh to 143kWh per £000 turnover. We are increasing our focus in this area, to

sustain progress against a background of increasingly energy-intensive business needs such as comfort cooling for customers and staff, and increasing warehouse automation.

Further details of our environmental strategies and policies, and a full report of our environmental performance during 2002/03, are available on our website at www.boots-plc.com/environment

Ethical sourcing We source products internationally and recognise our responsibility for the conditions under which they are manufactured. By building social accountability into our purchasing procedures we aim to ensure that we and our customers do not unwittingly support abuse of human rights, unsafe working conditions, unfair wage rates, child labour or forced labour.

The standards we ask suppliers to meet are set out in the Boots Code of Conduct for Ethical Trading, based on International Labour Organisation standards and UN conventions. We require all our suppliers to comply – and to ensure that their own suppliers meet our standards. In cases of non-compliance we first give the supplier an opportunity to take specified remedial action, as summary withdrawal of our business could itself have a harmful social impact.

Our own compliance team covers suppliers of Boots branded products in the UK and Europe, and expects to have assessed all 400 existing suppliers by April 2006. In Asia we use consultants, who expect to complete assessment of our existing 270 suppliers there by autumn 2005.

This year we joined the Ethical Trading Initiative, an alliance of companies, non-governmental organisations and trade unions. This will enable us to learn from other members, share experience and further refine our approach to ethical sourcing.

Our people The way we recruit, retain, develop and motivate people determines our ability to serve customers and meet our responsibilities to other stakeholders such as shareholders. Boots has a reputation as a good employer; in recent years, for example, we have done much work on family-friendly policies and we retain a good pension scheme.

In the past couple of years we have faced a new challenge: large-scale organisational change. Change can affect people for better or for worse. It brings new opportunities, but also stress and uncertainty. Some gain new skills and challenges and unfortunately others lose their jobs. To maintain our integrity as an organisation we must address these issues sensitively and effectively.

We have involved people in the change process through two-way communication and consultation. Where appropriate we have provided training for staff representatives and access to independent advice. Wherever possible, when job losses are unavoidable, we have developed programmes to help people through these difficult times and to find alternative work.

In training and development we have focused on giving people the skills they need for new roles – and ensuring that their managers can provide support, leadership and motivation. We have also run programmes geared to specific strategic objectives: specialist training for some 12,000 people was a crucial element in the drive to raise on-shelf availability in our stores.

Community investment Our community investment last year amounted to £5.0m in cash, donations and sponsorships, and contributions in kind including £680k worth of recycled merchandise. We encourage all our stores to develop initiatives in their local communities, and following extensive consultation are preparing a guidance manual of best practice for distribution to stores this summer.

Perhaps the most significant development in our community programme has been its increased alignment with the strategic aims of the business. In particular, we have worked with the NHS in Nottinghamshire and with other health organisations to support and develop health promotion initiatives in the community.

Regular consultation surveys with our staff confirm their support for health related activities. We also know that our staff are among the most generous employees in the country. The Charities Aid Foundation gave our relaunched Give As You Earn scheme its Smile award last year, noting that Boots people donated 40% more than the national average.

We continue to support the time and energy our people give to fundraising and community activities and last year we matched the £168,000 raised by staff for the charities of their choice. We also supported team challenges in which 193 staff took a day out of normal work activity to improve facilities for local community groups – for example by decorating rooms in hospitals and landscaping the area outside a children's clinic.

A partnership between Nottingham City Hospital, New College Nottingham and Boots has resulted in the creation of Time for a Treat workshops at the City Hospital. These have provided a health boost for more than 100 hospital patients and clients from the local community. The positive response to the workshops for long term patients has led to the development of a permanent patient massage service at the hospital for patients who are unable to leave their beds.

NHS staff have benefited too. In the past year two staff Time for a Treat days at Nottingham City Hospital have provided a range of health treatments for some 300 people from the hospital and a neighbouring primary care trust. The success of these events has led to the development plans for a permanent service for staff at the hospital.

For further information on our community investment, see our website at www.boots-plc.com/communityinvestment