

BOOTS SUPPLEMENTARY PENSION PLAN

REPORT AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2024

BOOTS SUPPLEMENTARY PENSION PLAN

Trustees:	Mr M G Bunting* Ms A Cassell-Ward (resigned 31 August 2023) The Law Debenture Pension Trust Corporation PLC – full list of Directors available at Companies House Ms AC Farrell *
	*Member Nominated
Secretary:	Mr S Jones
Actuaries	Aon Solutions UK Ltd Verulam Point, Station Way Hatfield Road, St Albans Hertfordshire AL1 5HE
“Scheme Actuary” (as defined in the Pensions Act 1995)	Mr J Coulthard (appointed 1 July 2024) Mr R Mellor (resigned 30 June 2024)
Auditor	RSM UK Audit LLP 103 Colmore Row Birmingham B3 3AG
Banker	National Westminster Bank PLC 148-149 Victoria Centre Nottingham, NG1 3QT
Investment Manager	Legal & General Investment Management Ltd One Coleman Street London, EC2R 5AA
Annuity Provider	Legal & General Assurance Society Ltd One Coleman Street London, EC2R 5AA
Investment Adviser	Aon Investments Ltd The Leadenhall Building 122 Leadenhall Street London, EC3V 4AN
Legal Advisor	Sacker & Partners LLP 20 Gresham Street London, EC2V 7JE
Sponsoring Employer	The Boots Company PLC (‘Company’) 1 Thane Road West Nottingham, NG2 3AA
Participating Employer/ Administrator	Boots UK Ltd/Boots Management Services Ltd 1 Thane Road West Nottingham, NG2 3AA

Pension Schemes Registry: Reference Number 10125194

All enquiries should be addressed to the Secretary to the Trustees,
1 Thane Road West, Nottingham, NG2 3AA

Group.Pensions@Boots.co.uk

BOOTS SUPPLEMENTARY PENSION PLAN

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 MARCH 2024

- 1 The Plan was established with effect from 31 March 1982 to provide additional benefits to those provided by the Boots Pension Scheme. The Plan is a “registered pension scheme” for tax purposes. The Trustees know of no reason why this approval should be prejudiced or withdrawn.
- 2 During the year under review, the Trustees of the Plan met on several occasions. The Pensions Act 2004 requires that at least one-third of the Trustees are Member Nominated. The Trustees have agreed with the Company that the Trustee Board will consist of three Trustees, one Company appointed and two Member Nominated. When member nominations are required, they will be sought from all categories of membership and Member Nominated Trustees will be selected from the nominations received, by a Selection Panel established by the Trustees. The Trustees are appointed and removed by the Employer, other than Member Nominated Trustees who can be removed if they cease to be a member of the Plan or by agreement of all other Trustees. Trustees are expected to serve a maximum of 5 years (except in exceptional circumstances) but can resign earlier. Ms Cassell-Ward resigned on 31 August 2023 and will not be replaced.
- 3 The movement in membership during 2023/2024 was as follows:

	Preserved Pensioners	Pensioners	Spouses and Dependants	Totals
Membership as at 31.03.2023	7	90	11	108
Adjustment			1	1
Retirement	(1)	1		0
Death		(3)	(1)	(4)
Dependants			1	1
Membership at 31.03.2024	6	88	12	106

- 4 Since 1 July 2010, there have been no active members of the Plan and the Plan is closed to future accrual.
- 5 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 8.9%, pensions in payment were increased by 5% on 1 April 2024 (5% on 1 April 2023). Similarly, preserved pensions were increased by 5% (but subject to any overriding statutory requirements).

REPORT OF THE TRUSTEES (continued)

- 6 The Trustees' investment strategy is set out in the Statement of Investment Principles. The investment manager, Legal & General Investment Management Ltd (LGIM), is not tasked with achieving a specific investment return. In conjunction with the buy in policy held with Legal & General Assurance Society Ltd (LGAS), the Trustees have chosen to invest in the funds set out below with the aim of broadly matching the Plan's assets to its accrued liabilities as far as practicable to contain risk. The Trustees do however monitor performance of the respective investment funds against appropriate indices. The Trustees also monitor whether the strategy is meeting the objective. Performance figures for the 12, 36 and 60 months to 31 March 2024 have been included below, except for the Annuity Policy which is not relevant in this context.

The Plan's investments are in line with the Statement of Investment Principles (SIP) approved by the Trustees. The Trustees approved a new SIP in August 2022 implementing the new requirements as required under the new regulations (a copy at <https://www.wba-boots-pensions.co.uk/boots-pension-scheme/login/>). The Implementation Statement is set out on pages 24 to 26 and forms part of the Trustees report. The Plan's investment manager, Legal & General, aims to achieve positive societal impacts, in the belief it will create more sustainable long-term value.

As part of their delegated responsibilities, the Trustees expect the Plan's investment managers to:

- Take into account environmental, social and governance considerations in the selection, retention and realisation of investments; and
- Exercise the Trustees' voting rights in relation to Plan assets, if relevant.

The Trustees periodically monitor the Plan's investments to consider the extent to which the investment strategy and decisions 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 in order to improve their performance in the medium- to long-term.

The Trustees receive periodic reports and verbal updates from Aon Investments Ltd on various items including the investment strategy, performance, and longer-term positioning of the portfolio.

The Trustees share the policies, as set out in this SIP, with LGIM, and request that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees are aware of the importance of monitoring LGIM's total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their actions that can increase the overall cost incurred by their investments.

REPORT OF THE TRUSTEES (continued)

At 31 March 2024, the Plan held the following investments with LGIM & LGAS:

Investments	Market Value (Bid Value) £	% of Fund	Last 12 months' performance		Last 3 years' performance		Last 5 years' performance	
			Return on Fund %	Return on Index %	Return on Fund %	Return on Index %	Return on Fund %	Return on Index %
Liquidity Fund	2,952,973	11.0	5.23	5.06	2.53	2.46	1.71	1.58
AAA-AA-A Bond All Stocks Index Fund	1,603,412		4.94	4.73	-3.56	-3.57	-0.89	-0.9
	4,556,385							
LGAS Annuity	37,200,000	89.0						
Total	41,756,385	100.0						

The Plan's return was (£2.48m) on an opening investment value of £44.3m

The Plan's assets are invested with Legal & General Investment Management Ltd as noted above. In addition, the Trustees entered into a bulk annuity contract for £48,565,847.49 on 4 July 2022. The Bulk Purchase Annuity Agreement (the "Annuity") is with Legal & General Assurance Society ("LGAS"). The Annuity aims to wholly cover the benefits payable to all members of the Plan.

- 7 The latest actuarial valuation as at 1 April 2021 was undertaken under the requirements of the Pensions Act 2004 ("PA04"). The valuation was completed on 17 January 2023.

Under the PA04, the Trustees 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 Trustees prepared a Statement of Funding Principles on 17 January 2023, as required by the PA04, which sets out the Trustees' policy for meeting the Statutory Funding Objective.

The 2021 valuation showed that the Plan had a surplus of £6.4m which corresponded to a funding level of 112% and therefore no ongoing contributions are required.

The Actuarial Certification of the Schedule of Contributions, which is reproduced on page 7, certifies that the contributions outlined in that Schedule are such that the Statutory Funding Objective is expected to continue to be met for the period the Schedule is in force, and the Schedule of Contributions is consistent with the Statement of Funding Principles dated 17 January 2023.

Due to plans to retire after the year end the scheme Actuary, Mr Mellor, resigned as Scheme Actuary. Mr Coulthard was appointed in his place to ensure consistency throughout the Actuarial valuation process. In accordance with Regulation 5(4) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, Mr Mellor declared that he knows of no circumstances connected with his resignation which, in his opinion, significantly affect the interests of the members or prospective members of, or beneficiaries under, the Scheme.

REPORT OF THE TRUSTEES (continued)

- 8 Each year the Trustees issue a Summary Funding Statement to all members.
- 9 Details relating to the Plan have been registered with the Pensions Regulator. The Pensions Regulator is based at:

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

The address of MaPS, Money and Pension Service and the Pensions Ombudsman, are:

MaPS – Money and Pension Service
120 Holborn
London
EC1N 2TD
Tel: 0800 011 3797

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

Email: Enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

MaPS is available at any time to assist members and beneficiaries of pension schemes in connection with any pension queries they may have; or difficulty which they have failed to resolve with the trustees or administrators of the Plan.

The Pensions Ombudsman, in turn, may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. It is, however, envisaged that members of the Plan would need to approach MaPS or the Ombudsman only as a last resort, and all enquiries or concerns should initially be directed to the Secretary to the Trustees at 1 Thane Road West, Nottingham, NG2 3AA.

- 10 The financial statements of the Plan for the year ended 31 March 2024 are set out on pages 13 to 21 and the Auditor’s statement about contributions, and the Trustees’ summary of contributions are set out on pages 22 & 23. The financial statements have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of Scheme: Boots Supplementary Pension Plan

Adequacy of rates of contributions

1. 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

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 17 January 2023.

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 Plan's liabilities by the purchase of annuities, if the Plan were wound up.

Signature:



Date: 18 January 2023

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 Limited

Boots Supplementary Pension Plan - 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 Plan. This is assessed using the assumptions agreed between the Trustees and the Company and set out in the Statement of Funding Principles dated 17 January 2023, which is available to Plan members on request.

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

The value of the technical provisions was: £55.1 million

The value of the assets was: £61.5 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 Plan, which is required in years where a full actuarial valuation is not carried out, was carried out as at 1 April 2023. This update is shown in the table below alongside the 2022 position for comparison:

	1 April 2022	1 April 2023
Value of Technical Provisions (£M)	52.4	38.1
Market value of assets (£M)	60.1	44.3

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 0.5% per annum.

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

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

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

Expenses: A loading of 4% of liabilities accrued to the valuation date is included in the technical provisions.

Significant demographic assumptions

Post-retirement mortality: Standard tables SAPS S3 "Very Light" with a scaling factor of 100% making allowance for improvements in mortality in line with the CMI 2020 Core Projections with a smoothing parameter $S_k = 7.0$, an "A" parameter $A = 0.50$ and a long term annual rate of improvement in mortality rates of 1.5% per annum.

BOOTS SUPPLEMENTARY PENSION PLAN

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 plan during the plan year and of the amount and disposition at the end of the plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the plan 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 plan will not be wound up.

The trustees are also responsible for making available certain other information about the plan 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 plan 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 plan by or on behalf of the employer and the active members of the plan 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 plan and for adopting risk-based processes to monitor whether contributions are made to the plan by the employer in accordance with the schedules 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 Supplementary Pension Plan website.

On behalf of the Trustees on 29/10/24



Alan Baker, Director for The Law Debenture Pension Trust Corporation PLC

The Law Debenture Pension Trust Corporation PLC

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BOOTS SUPPLEMENTARY PENSION PLAN

Opinion

We have audited the financial statements of the Boots Supplementary Pension Plan ("the Plan") for the year ended 31 March 2024 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 Plan during the year ended 31 March 2024, 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 Plan 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 Plan'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 Plan'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 Plan'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 Plan'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 9, 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 Plan'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 Plan 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 Plan operates in and how the Plan 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 Plan'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 Plan'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 Plan and the Plan's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG
Date: 29/10/24

BOOTS SUPPLEMENTARY PENSION PLAN

FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 £	2023 £
CONTRIBUTIONS AND BENEFITS			
Benefits payable	4	(2,285,915)	(2,416,822)
Administrative expenses	5	(70,523)	(271,928)
<hr/>			
Net withdrawals from dealings with members		(2,356,438)	(2,688,750)
<hr/>			
RETURNS ON INVESTMENTS			
Investment income	6	2,289,909	1,553,522
Change in market value of investments	7	(2,476,628)	(14,627,064)
Investment management expenses	9	(3,816)	(18,096)
<hr/>			
Net returns on investments		(190,535)	(13,091,638)
<hr/>			
Net (decrease) in the Plan during the year		(2,546,973)	(15,780,388)
<hr/>			
Net assets of the Plan at the beginning of the year		44,311,314	60,091,702
<hr/>			
Net assets of the Plan at the end of the year		41,764,341	44,311,314

The notes on pages 15 to 21 form part of these accounts.

BOOTS SUPPLEMENTARY PENSION PLAN
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AT 31 MARCH 2024

	Note	2024 £	2023 £
Investment Assets	7		
Pooled Investment Vehicles		4,556,385	4,433,013
Insurance Policy		37,200,000	39,900,000
Total Investments		41,756,385	44,333,013
Current Assets	10	252,146	198,973
Current Liabilities	11	(244,190)	(220,672)
Net assets of the Plan at the end of the year		41,764,341	44,311,314

The financial statements summarise the transactions and net assets of the Plan. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Plan, which does take account of such liabilities, is dealt with in the Report on Actuarial Liabilities on page 8, and these accounts should be read in conjunction therewith.

The notes on pages 15 to 21 form part of these accounts.

These financial statements were approved and authorised for issue by the Trustees on

Signed on behalf of the Trustees: 29/10/24



Alan Baker, Director for The Law Debenture Pension Trust Corporation PLC

The Law Debenture Pension Trust Corporation PLC

BOOTS SUPPLEMENTARY PENSION PLAN

Notes (forming part of the financial statements)

FOR THE YEAR ENDED 31 MARCH 2024

1. Basis of preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised 2018).

The financial statements are prepared on a going concern basis, which the Trustees believe to be appropriate as it believes that the Plan 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 Trustees considered the financial strength of the sponsoring employer, The Boots Company PLC. As per the last tri-ennial actuarial valuation as at 1 April 2021, the Plan was at a funding level of 112%. As there were sufficient assets to cover the Plan'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. During 2022 an annuity was purchased from LGAS to cover the benefits of all members of the Plan.

The Employer operates in the Pharmaceutical and Retail sectors. The Trustees are continuing to monitor the likely financial and operational impact that the economic environment will have on the company.

On this basis, whilst the impact of the economic environment cannot be accurately predicted, the Trustees consider that the Plan will nevertheless 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 Plan is established as a trust under English law. The address for enquiries to the Plan is included in the Trustees' Report.

3. Accounting policies

- a) The financial statements have been prepared on an accrual's basis.
- b) All investment income, including annuity income, has been accounted for on an accrued basis.
- c) Pooled investment vehicles are valued at closing bid valuation as provided by the investment manager.
- d) Benefits are accounted for in the period in which they fall due for payment. Benefits taken are reported gross of any tax settled by the Plan on behalf of the member. Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.
- e) Administrative expenses are accounted for on an accrual's basis.
- f) Annuity (insurance) policies are valued by the Plan Actuary at the amount of the related obligation, determined on an estimate of the approximate position on a solvency basis using Aon's estimate of annuity pricing.
- g) The Trustees make estimates and assumptions concerning the future. The accounting estimates will, by definition, seldom equal the related actual results. For the Plan, 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 Plan's investments and, in particular, those classified in Level 3 of the fair value hierarchy.

Notes (forming part of the financial statements) for the year ended 31 March 2024

4. Benefits paid or payable

	2024	2023
	£	£
Pensions to retired members and spouses/dependants	(2,285,915)	(2,355,953)
Lump sums on retirement	-	(60,869)
	<u>(2,285,915)</u>	<u>(2,416,822)</u>

5. Administrative Expenses

Administrative expenses are met from the assets of the Plan which are sufficient to cover ongoing expenses. The prior year Professional fees were significantly higher due to the advice regarding the Buy-in.

	2024	2023
	£	£
Administration costs	(17,520)	(19,658)
Professional fees	(53,003)	(252,270)
	<u>(70,523)</u>	<u>(271,928)</u>

6. Investment Income

	2024	2023
	£	£
Interest on cash and deposits	3,994	1,101
Annuity income	2,285,915	1,552,421
	<u>2,289,909</u>	<u>1,553,522</u>

Annuity income relates to income received from LGAS to pay the pensioners secured under the buy in policy.

7. Investments

	Market Value at 31.03.23 £	Purchases £	Sales £	Change in Market Value £	Market Value at 31.03.24 £
Pooled Investment Vehicles	4,433,013	-	(100,000)	223,372	4,556,385
Insurance Policy	39,900,000	-	-	(2,700,000)	37,200,000
Total Investments	44,333,013	-	(100,000)	(2,476,628)	41,756,385

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.

Notes (forming part of the financial statements) for the year ended 31 March 2024

7. Investments (continued)

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

	Level 1	Level 2	Level 3	Total
	£	£	£	£
At 31 March 2024				
Pooled investment vehicles	-	4,556,385	-	4,556,385
Insurance Policy	-	-	37,200,000	37,200,000
	-	4,556,385	37,200,000	41,756,385
<hr/>				
	Level 1	Level 2	Level 3	Total
	£	£	£	£
At 31 March 2023				
Pooled investment vehicles	-	4,433,013	-	4,433,013
Insurance Policy	-	-	39,900,000	39,900,000
	-	4,433,013	39,900,000	44,333,013

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

	2024	2023
	£	£
Liquidity fund	2,952,973	2,905,715
Corporate bonds	1,603,412	1,527,298
	<u>4,556,385</u>	<u>4,433,013</u>

The following investments represent over 5% of the Plan's net assets

	2024		2023	
	£	%	£	%
Sterling liquidity fund	2,952,973	7.0	2,905,715	6.6
LGAS Annuity	37,200,000	89.0	39,900,000	90.0

Notes (forming part of the financial statements) for the year ended 31 March 2024

8. Investment risks (continued)

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.

In particular, risks relating to the Annuity (Insurance) Policy have been identified as follows;

Credit risk

The Plan is subject to credit risk in relation to the instruments it holds in the annuity policy.

The Plan holds an annuity policy with the insurer LGAS, which is intended to insure the Plan's liabilities. By purchasing an annuity policy, the Trustees have an agreement with LGAS that it will honour the benefit payments of Plan members as and when they fall due. Whilst this provides protection against interest rate, inflation and longevity risk, there is a small chance that the insurer may default.

If LGAS were unable to make the benefit payments (that they are obliged to make) then the responsibility for making those payments falls on the Trustees. However, insurers are required to meet stringent solvency requirements and compensation (up to a certain level) may be provided by the Financial Services Compensation Scheme should an insurer become insolvent.

Interest rate and inflation risk

The Plan is subject to interest rate risk in relation to the instruments it holds in the annuity policy. This risk is largely mitigated as LGAS has entered into an agreement to match the liabilities for the membership of the Plan. The value of the annuity policy is influenced by interest rates and will move in a similar direction and by a similar magnitude to the value of the Plan's liabilities due to changes in interest rates. If interest rates fall, the value of the annuity policy will rise to match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the annuity policy will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Other price risk

Other price risk arises as the policy value is influenced longevity risk. Overall price movements is mitigated as LGAS have entered into an agreement to meet the benefits of the Plan's membership.

Notes (forming part of the financial statements) for the year ended 31 March 2024

8. Investment risks (continued)

The Plan has exposure to these risks because of the LGIM investments it holds to provide liquidity. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Plan's investment manager and monitored by the Trustees by regular reviews of the investment portfolios. Further information on the Trustees' approach to risk management and the Plan's exposures to credit and market risks are set out below.

(i) Credit risk

The Plan is subject to credit risk via pooled investment vehicles as the Plan invests in bonds. Analysis of direct credit risk

31 March 2024

	Investment grade £	Non- investment grade £	Unrated £	Total £
Bond funds	-	-	4,556,385	4,556,385
	-	-	4,556,385	4,556,385

31 March 2023

	Investment grade £	Non- investment grade £	Unrated £	Total £
Bond funds	-	-	4,433,013	4,433,013
	-	-	4,433,013	4,433,013

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. Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager. Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles.

(ii) Currency risk

The Plan is subject to currency risk (indirect) because some of the Plan's investments are held in overseas markets, via pooled investment vehicles. Overseas currency exposure is limited through a currency hedging policy within the pooled investment. In order to access greater investment opportunities, the Active Corporate Bond fund is permitted to allocate a maximum of 20% of the portfolio to EUR and USD credit. Legal & General aim to hedge all exposure back to sterling.

As at 31 March 2024 those exposures were 0% EUR and 0% USD.
As at 31 March 2023 those exposures were 0% EUR and 0% USD.

Notes (forming part of the financial statements) for the year ended 31 March 2024

8. Investment risks (continued)

(iii) Interest rate risk

The Plan is subject to interest rate risk (indirect) on the bond portfolio comprising bonds and liquidity fund held through pooled investment vehicles. At the year end the bond portfolio comprised:

	2024	2023
	£	£
Indirect		
Pooled Investment Vehicles	<u>4,556,385</u>	<u>4,433,013</u>

9. Investment management expenses

	2024	2023
	£	£
Administration, management and custody	<u>(3,816)</u>	<u>(18,096)</u>
	<u>(3,816)</u>	<u>(18,096)</u>

10. Current assets

	2024	2023
	£	£
Cash at bank	<u>252,146</u>	<u>198,973</u>
	<u>252,146</u>	<u>198,973</u>

11. Current liabilities

	2024	2023
	£	£
Amount due to the Company	(7,612)	(10,816)
Professional fees	(6,600)	(17,000)
Investment expenses	(963)	(942)
Amount due to the Boots Pension Scheme	(190,432)	(188,935)
Amount due to LGAS	(38,583)	(2,979)
	<u>(244,190)</u>	<u>(220,672)</u>

Notes (forming part of the financial statements) for the year ended 31 March 2024

12. Employer related investments

There have been no employer related investments during the year.

13. Related party transactions

(a) Entities with control, joint control or significant influence over the entity

The Boots Company PLC
The Boots Pension Scheme
Boots Management Services Ltd

Boots Management Services Ltd provided administrative services and the recharge of these costs is dealt with in note 5. Amounts due to the Principal Employer, The Boots Company PLC at the year-end are dealt with in Note 11 refers to invoices paid on behalf of the Plan, which are reimbursed quarterly in arrears, amounting to £7,612 (2023: £10,816). Note 11 also includes an amount of £190,432 owed to Boots Pension Scheme in relation to pensioner payroll paid on behalf of the Plan (2023: £188,935).

(b) Key management personnel of the Plan

Of the 3 Trustees in office during the year, one was a pensioner member of the Plan. The husband of one of the Trustees is also a member of the Plan and all benefits are paid in line with the Rules of the Plan. No fees were paid to the Trustees.

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 Supplementary Pension Plan

Statement about contributions payable under schedules of contributions

We have examined the summary of contributions payable to the Boots Supplementary Pension Plan on page 23 in respect of the plan year ended 31 March 2024.

In our opinion the contributions for the plan year ended 31 March 2024 as reported in the attached summary of contributions on page 23 and payable under the schedule of contribution have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 18 January 2023.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 23 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the plan and the timing of those payments under the schedule of contributions.

Respective responsibilities of trustees and auditor

As explained more fully on page 9 in the Statement of Trustees' Responsibilities, the plan's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the plan by or on behalf of the employer and the active members of the plan. The trustees are also responsible for keeping records in respect of contributions received in respect of active members of the plan and for monitoring whether contributions are made to the plan by the employer in accordance with the schedule of contributions.

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

Use of our statement

This statement is made solely to the plan'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 plan'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 plan and the plan's trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG

Date 29/10/24

Statement of Trustees' Responsibilities in respect of Contributions

The Plan's Trustees are 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 Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Plan's Trustees are also responsible for keeping records of contributions received and for procuring that contributions are made to the Plan in accordance with the schedule.

Trustees' Summary of Contributions payable under the Schedule in respect of the Plan year ended 31 March 2024

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Plan under the schedule of contributions certified by the actuary on 18 January 2023 in respect of the Plan year ended 31 March 2024. The Plan auditor reports on contributions payable under the schedule in the Auditors' Statement about Contributions.

Contributions payable under the Schedule in respect of the Plan year	£
Employer contributions:	-
Contributions payable under the Schedule	-
Total contributions payable to the Plan as reported in the Financial Statements	-

Signed on behalf of the Trustees on 29/10/24



Alan Baker, Director for The Law Debenture Pension Trust Corporation PLC

The Law Debenture Pension Trust Corporation PLC

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/HA-Normal)

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.

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 Governance - Remuneration 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.

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

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.