

Boots Management Services Limited Gender Pay Gap Report as at April 2017



A message from Elizabeth

I'm pleased to share with you our gender pay gap report, which we will continue to share every year as part of the new UK regulations.

Boots has been in business for almost 170 years. We take pride from our long heritage of championing and supporting women's key issues. For us, this report goes beyond just fulfilling a regulatory obligation: it is an important step as we all work towards gender equality.

As you will see in our report, we have already been making progress on closing our gender pay gap and on the broader issues of diversity and inclusion. Almost 80% of our colleagues are women. As part of our diversity and inclusion agenda, we offer a variety of flexible working options and we recently enhanced our maternity pay.

This report is very important for Boots, but also very important for me personally. Florence Boot led the way 100 years ago when she was our first female director. I have had the privilege of being the first female Managing Director of Boots. For me, it is very important to ensure that all women can achieve their career aspirations. More broadly, championing equality of opportunity and creating an environment where all of our colleagues can thrive is very close to my heart and a guiding principle of my leadership.

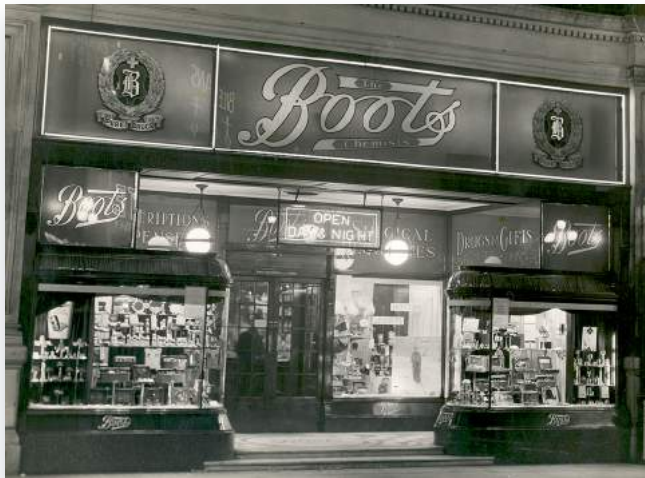


Elizabeth Fagan

Senior Vice President and Managing
Director of Boots, UK and ROI

Introduction

Boots is the UK's leading pharmacy-led health and beauty retailer, and part of the Retail Pharmacy International Division of Walgreens Boots Alliance, Inc. (Nasdaq: WBA), the first global pharmacy-led, health and wellbeing enterprise. Created almost 170 years ago by Jesse Boot, **the Boots brand has always been at the heart of the communities it serves and is passionate about all of its female and male colleagues and customers.**



Jesse Boot's wife Florence, took a personal interest in the welfare of her female employees and, in 1911, appointed a welfare worker for women. In 1918,

Florence was appointed as one of the first female directors of any UK business. Along with Jesse, Florence helped Boots to lead the way in working practices for colleagues and, in 1934, reduced the working week from five and a half days to five days per week for all factory employees, with no reduction in pay. This set a new standard of home and work life balance in British industry.

Throughout our history, our colleagues have always been important to us. Equality and closing the gender pay gap is an important part of this continued journey. We recognise, however, that meaningful change takes time.



Jesse Boot, Founder of Boots and Florence Boot, Boots' first female director.

We welcome the introduction of gender pay gap reporting because we see it as an opportunity to identify the root causes of any gender pay gaps that exist within our company. Through our diversity and inclusion policies, we will look to find solutions for all colleagues that reflect a changing society and help them to fulfil their potential.

Why are we doing this?

For the first time, UK companies with over 250 employees are required to publicly report on their gender pay gap under new legislation that was introduced April 2017.

With 80% of our customers and 78% of our colleagues being female, **gender balance is really important to us and the legislation is helping us to look at things differently and identify ways we can work to close our gender pay gap.**

The legislation requires us to report our mean and median pay gap, bonus mean and median pay gap, the percentage of male and female employees who received a bonus payment and the percentage of males and females in each quartile.

Understanding gender pay gap reporting

What is the difference between equal pay and a gender pay gap?

A gender pay gap is different from equal pay.

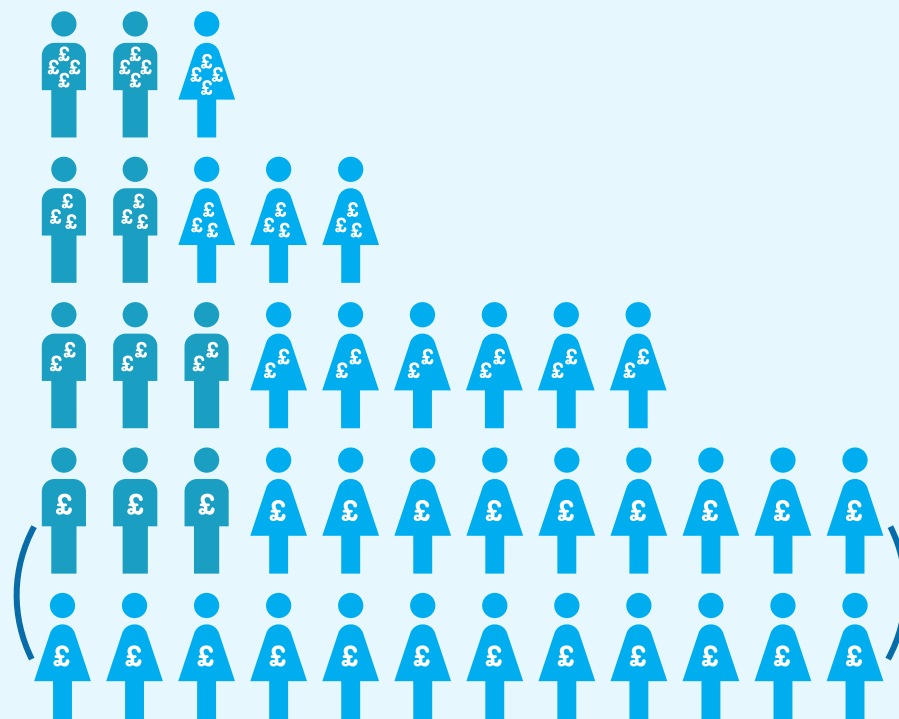
Equal pay

Equal pay is paying males and females equally for like work, work of equal value and work rated as equivalent. There has been legislation outlining equal pay obligations in the UK for nearly 50 years.



Gender pay gap

A gender pay gap looks at the differences in pay between genders across groups of employees irrespective of the work they perform.



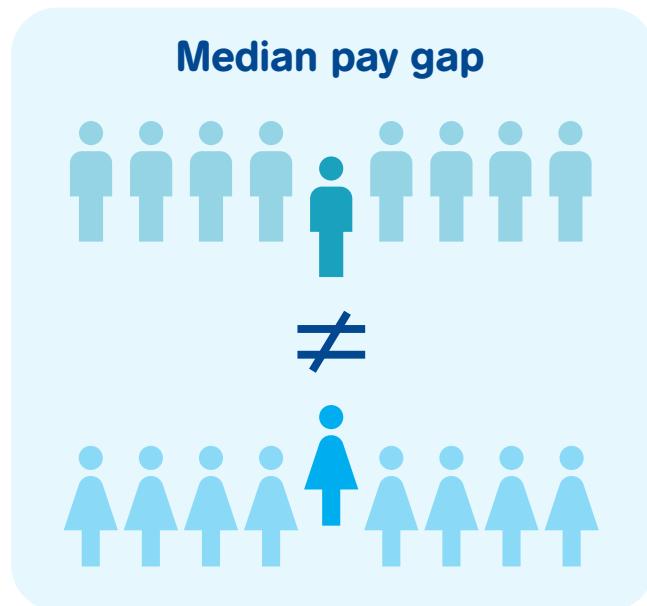
One of the main reasons for the gender pay gap in our society is that men are statistically more likely to be in senior roles.

Understanding gender pay gap reporting

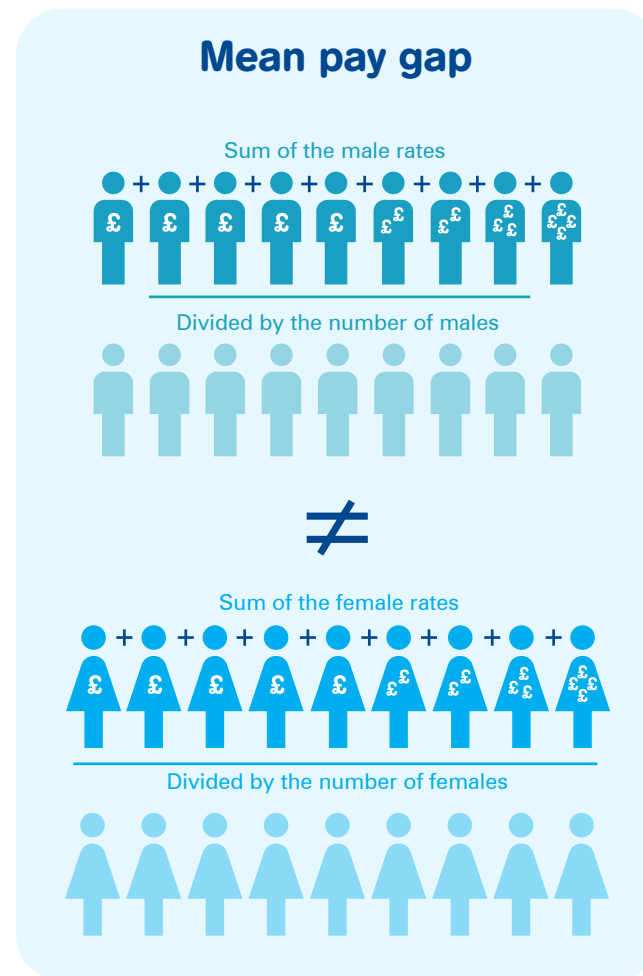
How are the median and mean pay gaps calculated?

The median is the middle point of a range of numbers and the mean is the average of a range of numbers. How do we calculate this for gender pay gap reporting?

Median pay gap – If all our male colleagues stood in a line in order of lowest hourly rate earned to highest and all females did the same, the median pay gap (as a percentage) is the difference in pay between the middle colleague on the male line and the middle colleague on the female line.



Mean pay gap – If we add together all the hourly rates of male colleagues and calculate the average and do the same for female colleagues, the mean pay gap (as a percentage) is the difference in pay between the average male and female hourly rate.

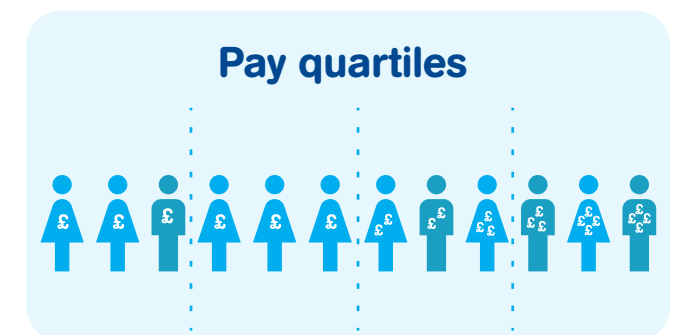


How is the bonus gap calculated?

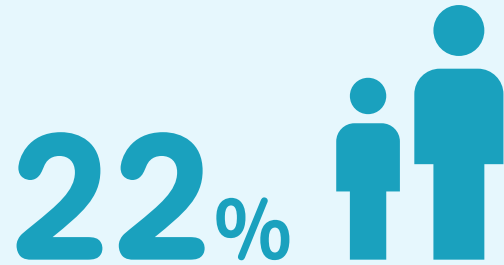
The mean and median bonus gaps are calculated in the same way as the gender pay gaps. However, this time we use the actual bonus paid to colleagues. We also report the number of male and female colleagues receiving a bonus (as a percentage of the total male and female population).

How are the pay quartiles calculated?

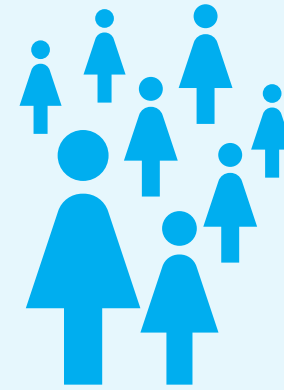
Pay quartiles are calculated by dividing all hourly rates paid across the business, from lowest to highest, into four equal sized groups of colleagues and calculating the percentage of males and females in each.



Our 2017 results



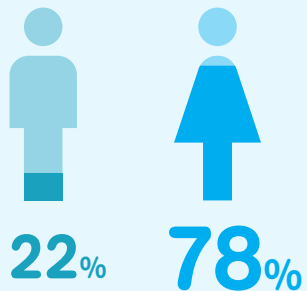
Percentages of all our male and female colleagues



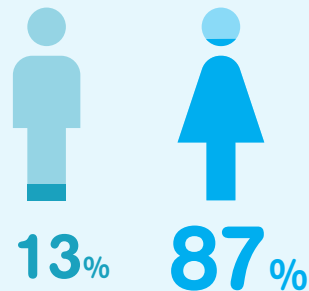
Pay quartiles

The percentages of all male and female colleagues within each quartile pay band is:

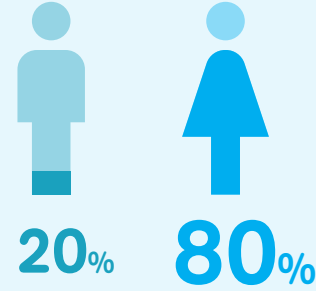
LOWER QUARTILE



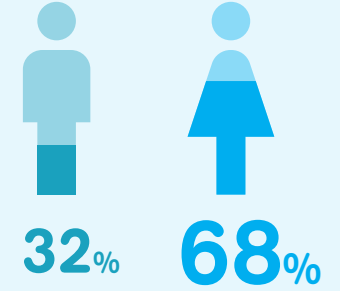
2nd QUARTILE



3rd QUARTILE



4th QUARTILE



Our 2017 results

Gender pay gap

Median pay gap



Mean pay gap

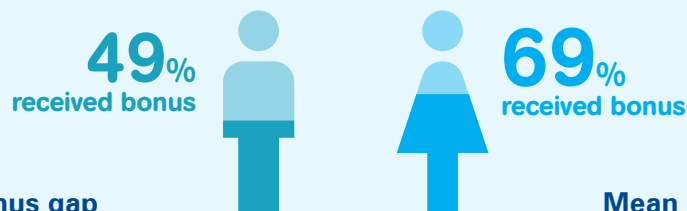


Median national average pay gap 18.4%, mean national average pay gap 17.4% based on estimates from the Office of National Statistics' Annual Survey of Hours and Earnings 2017

We believe the main reason for our gender pay gap is the structure of our workforce with more females than males in our lower paid roles across the organisation. We know that the gender pay gap in each of the first three quartiles is less than 1% in favour of females. Beneath the headline numbers in quartile 4 there are variations in the proportion of males and females in different functional areas eg more females in HR, more males in IT. Along with this, our pay ranges differ by function as well as job level. Where there are variations in market rates of pay between functions, this can contribute to the gender pay gap.

Our median pay gap is significantly better than the national average of 18.4%, however, we recognise that there is always work to be done to improve.

Bonus gap



Median bonus gap



Mean bonus gap



All bonuses paid in the year up to 5 April 2017 are used for the calculation of the bonus gap. The calculation is based on actual bonus paid rather than full-time equivalent and we have a high proportion of female colleagues who work part-time who received a pro-rated payment.

Not all of our bonus schemes resulted in a payment in the reporting period which has negatively influenced our bonus gap. All of our bonus schemes are gender neutral by design and just under half of all male and just over two thirds of all female colleagues received a bonus payment in this period.

What are we doing to address our gender pay gap?

We are committed to encouraging and supporting female colleagues across the organisation and inspiring everyone to reach their full potential

WHAT WE'VE DONE SO FAR

- **Flexible working policies:** We have had a variety of flexible working policies in place for many years. More than half of all colleagues work part-time (less than 30 hours per week)
- **Pay:** We have a governance process for pay policy decisions to ensure we are fair to all colleagues
- **Maternity pay:** We have recently enhanced our maternity pay for our colleagues. With the majority of colleagues being female, we are committed to having the right offer in place to help them balance their home and work life
- **Gender listening groups:** We hold listening groups to understand any perceived barriers colleagues may have as well as to inform our thinking to ensure any new policies or procedures we introduce will be based on colleague insight

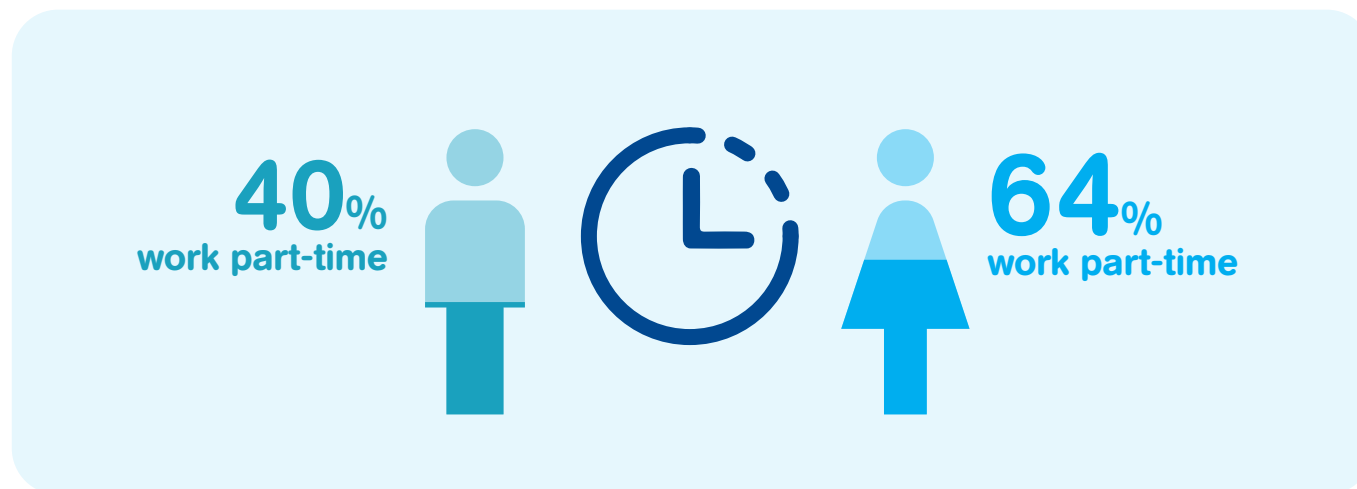
WHAT WE WILL BE DOING

- **Flexible working policies:** While we already have these in place we will focus on encouraging flexible working across all roles
- **Unconscious bias training:** Unconscious bias refers to the stereotypes, both negative and positive, that exist in people's subconscious and affect their behaviour. Our training programme will support our leaders in fair and inclusive decision making. This will also form part of our leadership training
- **Encouraging colleagues of the present and future to explore non-traditional areas of work:** Our pay ranges differ by function as well as job level and our data shows that we have gender split between functions. For example, our HR function is 78% female and our IT function 28% female. Variations in market rates between functions contribute to the gender pay gap. To support this, we have a number of STEM (science, technology, engineering and mathematics) schemes being trialled across our business to encourage colleagues into non-traditional roles
- **Encouraging colleagues back to work:** we will bring our flexible working policies to life for those on maternity and adoption leave helping more colleagues to feel supported and able to return to work in a way that's right for them

Our commitment

As a business, we will continue to build a more **diverse and inclusive culture**. We are proud that 64% of our female colleagues and 40% of our male colleagues work part-time giving them the opportunity they require to balance their home and work lives.

We are committed to encouraging and supporting all colleagues across the organisation and inspiring everyone to reach their full potential.



We confirm that the information contained within this report is accurate.

NATHAN CLEMENTS

HR Director, Boots UK & ROI

JONATHAN WASS

Chief Financial Officer, Boots UK & ROI

