

Boots Management Services Limited – Section 172 of the Companies Act

The Directors and their duties under Section 172 of the Companies Act

The Company has a board of Directors comprised of three directors as stated within the Directors' report.

The Directors believe that a commitment to strong corporate governance standards is an essential element of enhancing long-term shareholder value in a sustainable manner. Being a part of the Walgreens Boots Alliance, Inc. Group, the Company adheres to the Corporate Governance Guidelines (the "guidelines") that have been adopted by Walgreens Boots Alliance, Inc. to assist the Board in the exercise of its responsibilities on behalf of the Company and its shareholders. The guidelines are intended to provide guidance as a component of the flexible framework within which the Directors oversee and direct affairs of the Company. The Board also complies with the Code of Conduct and Business Ethics, issued by the Group which are applicable to all employees, officers and Directors of the Company. A copy of the Corporate Governance Guidelines can be found at <https://investor.walgreensbootsalliance.com/corporate-governance.cfm>.

In addition, the Company adheres to the robust framework of delegated authorities and internal policies adopted by the Group, which support the Group's corporate governance arrangements across the organisation.

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would most likely promote the long-term success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long-term;
- b. the interests of the Company's employees;
- c. the need to foster the Company's business relationships with suppliers, customers and others;
- d. the impact of the Company's operations on the community and the environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between members of the Company.

As a part of their induction, the Directors of the Company are briefed on their duties including those under Section 172(1) and they can access professional advice on these either from the Company Secretary or, if they judge necessary, from independent advisors for effective discharge of their duties.

When making any decisions, during the year ended 31 August 2020, the Directors considered, both individually and together, the matters set out in Section 172(1) (a-f) and have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole. When making decisions, the Directors take into account the viewpoints of the Company's stakeholders, including employees, suppliers, customers and others as further detailed below.

The Directors welcome feedback and will continue to review how the company and its executive committee can improve engagement with both employees and other stakeholders.

Below are some of the ways in which the Directors have engaged with various stakeholders and fulfilled their duty under this section.

Employees

The Directors pursue a policy to promote diversity and inclusion among employees. The Company, either directly or through its affiliate companies, has various formal and informal processes to actively engage with its employees. These include employee performance reviews/appraisals,

communications through email, intranet, bulletin boards and 'town hall' meetings. The Directors use these processes and engagements to understand employees' views and take these into account while making decisions. By way of example, employee engagement surveys are undertaken covering the majority of the workforce, with results reported to the Board. Survey results are cascaded throughout the organisation, actions are identified through collaboration with the wider employee teams and resulting actions are communicated to colleagues.

Employees are kept informed of the Company's performance and strategy through regular executive briefings and 'town hall' meetings. Employee engagement is encouraged via 'Q&A' forums before and during these events to provide employees with the opportunity to submit questions and/or feedback to the leadership teams, with responses being provided either during or following the event. Employee surveys are frequently used following such events to allow employees to provide feedback. In addition, to continue to engage with colleagues and ensuring their health, safety and wellbeing during the COVID-19 pandemic, the 2021 Financial Year Annual Strategy meeting was held virtually over a two-day period to enable colleagues to participate remotely.

The Company monitors employee-related matters including engagement activities, survey results, staff retention rates, diversity, whistleblowing activity, learning and development activity, pay and reward including gender pay gap along with other initiatives. Throughout the year, key messages are cascaded to all colleagues throughout the organisation.

Customers, Suppliers and other stakeholders

The Directors strongly believe in operating in a transparent way, in the marketplace, and treating its customers, suppliers and other stakeholders both equitably and fairly. The Company whether directly or through its affiliate companies, engages with these stakeholders through multiple channels. These would typically include face-to-face interactions, social media interaction, surveys, meeting, and corporate website. These engagements provide the Directors with a broad and diverse understanding of issues most relevant to these stakeholders and allows them to take into account the interest of these stakeholders while performing their duty under section 172(1).

Communities

Boots has a unique place in the heart of the communities it serves across the UK. For 170 years, the Company has used its pharmacy-led expertise and support to help improve the health and wellbeing of local communities. The Company continues to demonstrate an ongoing commitment to operating as a socially responsible business and recognises the active role it can play in helping to build happier and healthier communities.

The Directors value an open dialogue with the communities in which the business operates. This allows the Directors to understand how these communities view the business and the emerging needs of these communities. It also enables the Directors to take into account the impact of their decisions on these communities. The Company, either directly or through its associated companies, engages with the wider community through multiple means which could include social media, charity events and engagement with various associations, amongst others.

The outbreak of COVID-19 during the financial year has had an adverse impact not only on the Company but also on various stakeholders associated with the Company. The Directors have engaged with multiple stakeholders, both formally and informally, using processes and methods discussed above to consider their views and interests, while making decisions that would promote the long-term success of the Company for all its members. Some of these decisions include:

- a. implementing contingency plans to maintain continuity of operations and ensuring provision of service to customers;
- b. introducing measures to keep all employees healthy and safe, including the transition of office-based colleagues to a remote working environment and installing protective equipment at work places;

- c. expanding home delivery of medications, extending hours of operations to serve local communities and reserving certain hours of operations for customers with increased vulnerability;
- d. supporting our suppliers to ensure adequate availability of critical products throughout the supply chain and additional deliveries to pharmacies/hospitals; and
- e. ensuring adequate funding is available to support continuity of business through these adverse conditions.