

Fiscal 2020 Corporate Social Responsibility Performance Data Basis of Preparation

1. Introduction

This document provides a framework for Walgreens Boots Alliance (WBA) to follow when reporting internally and externally on matters related to Corporate Social Responsibility (CSR), allowing for more complete, accurate and consistent data capturing and reporting.

This document does not cover specific local reporting requirements with which WBA's businesses may be required to comply.

2. Basis for reporting

WBA has an approach to recording, measuring and reporting on CSR performance, a defined set of reporting criteria and a set of CSR measures and performance indicators that are applicable to all businesses.

During fiscal 2018 WBA conducted a thorough CSR materiality assessment, consulting with stakeholders to better understand our environmental, social and economic impacts through our operations. The company's 2018, 2019 and 2020 CSR reports reflect insights from that exercise including increasingly robust disclosure on higher priority topics, such as additional data and key metrics and further explanation of our management approach.

WBA's policy is to complete a detailed and thorough refresh of our CSR materiality assessment at least every three years, as part of our ongoing endeavor to adhere to best practices in corporate sustainability reporting. In the interim periods, we continue to engage with key stakeholders and review our peers and industry groups to confirm our material topics identified remain relevant and appropriate.

2.1 Scope of reporting

Except as set forth below, WBA's external performance reporting includes all subsidiaries in which the company holds a controlling interest. Excluded from the scope of this reporting are entities in which the company does not have a controlling interest. The main areas that are excluded when reporting CSR information externally are:

- **Divestments** - Businesses that are no longer subsidiaries of the company at the fiscal year end due to divestment are excluded from current year reported data.
- **Equity method investments** - Equity method investments are excluded from the company's external reporting scope.
- **Franchise operations** – Franchise operations run by third parties where a WBA business is the franchisor are excluded from the company's external reporting scope.
- **Outsourced activities** – These are excluded from the reporting scope except where the outsourcer's activities are dedicated to the company's business and where the associated impacts may be significant to our CSR performance, e.g. third-party product deliveries made exclusively for WBA. The company's Code of Conduct and Business Ethics sets out the principles for dealing with, and the requirements for, suppliers.
- **Business acquisitions in the period** - Acquisitions during the period are excluded from CSR performance data except for workplace data, which are reported as of the end of the fiscal year. The complete dataset is reported once a full year of data are available.

Approach to reporting

WBA reports CSR performance data in total and for certain metrics by division, consistent with its financial reporting. The company’s operations are organized into three divisions: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale.

WBA’s framework of CSR priorities covers four key areas: Healthy Communities, Healthy Planet, Sustainable Marketplace and Healthy and Inclusive Workplace.

The company captures, analyzes and reports data at a detailed level to provide a clear understanding of contributing factors to CSR performance. This includes:

<p>Healthy Communities</p>	<p>Contributions are analyzed as follows:</p> <ul style="list-style-type: none"> • Cash (charitable and other donations) and non-cash (employee time, in-kind donations and management costs) • Focus of the organizations contributed to: health, social welfare, education, other (for example, relating to arts, culture, emergency relief, economic development) • Employee time (volunteer hours). Please note employee time relates to volunteering hours during paid working time only.
<p>Healthy Planet</p>	<p>The three significant sources of CO₂e emissions are energy, product delivery and business travel. Emissions are analyzed as follows:</p> <ul style="list-style-type: none"> • Total emissions by source (energy, product delivery and business travel) • Scope (Scopes 1, 2 and 3) • Emissions from energy by type: electricity (direct and indirect), gas (indirect), and other (combined heat and power, oil and liquefied petroleum gas) • Emissions from business travel, by type: road, air and rail • In addition to the above analysis, the company also discloses the metric, CO₂e emissions from business travel per 1,000 employees. <p>Waste is analyzed as follows:</p> <ul style="list-style-type: none"> • By method of disposal: landfill, incinerated and recycled (includes materials recovered via incineration with heat recovery) • By content: hazardous and non-hazardous
<p>Healthy and Inclusive Workplace</p>	<ul style="list-style-type: none"> • Employee retention (more than one year and more than five years) • Diversity of employees (including age group and gender for WBA; race and ethnicity for Retail Pharmacy USA; and gender and race and ethnicity for U.S. pharmacists) • Employee category (manager, non-manager and senior director and above) • Employment type (temporary, permanent, part-time and full-time) • Percentage of employees under a collective bargaining agreement

Internally, WBA also monitors a number of metrics to show how its businesses and divisions have performed against CSR reporting measures in the context of business activity levels. Standard definitions for external WBA reporting purposes have been developed (refer to Appendix I) and are made available to the businesses via the company intranet and as part of the company’s CSR performance reporting instructions, which are distributed annually.

Scope 1 and 2 GHG emissions information has been prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the GHG Protocol).

Scope 3 GHG emissions information has been prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard. WBA's fiscal 2020 reporting of Scope 3 emissions includes two of the 15 Scope 3 categories: downstream transportation and distribution and business travel. Collectively, the Corporate Accounting and Reporting Standard, Revised Edition and Corporate Value Chain (Scope 3), Accounting and Reporting Standard are referred to as the GHG Protocol in this document.

2.2 Target setting and monitoring

WBA has established a framework of 12 CSR commitments that are set out in its annual CSR report. Individual business management teams are responsible for establishing specific, locally relevant targets (within the CSR framework) with the support of their local CSR champion and the central CSR management team.

Progress against these targets is regularly reviewed by the business management teams and monitored by the CSR Committee.

3. Data capture and review

3.1 Data capture and consolidation (WBA systems)

CSR performance data are entered bi-annually into a central consolidation system. Instructions for data submission and any new data requirements or changes to definitions are communicated to the most senior finance person in each business and local CSR champions prior to the preparation of the submission.

3.2 Foreign currency exchange rates

Community contributions are collected by each business and input into the consolidation system in local currency, which is translated where applicable into U.S. dollars at quarterly average exchange rates depending on what quarter data is inputted.

3.3 Data quality

The capture of CSR performance data continues to evolve. WBA businesses are dispersed around the globe and in many instances rely on third parties to provide elements of data.

The company continually seeks ways to improve the quality and reliability of data through robust collection processes in which completeness, accuracy and relevance are reviewed considering WBA definitions, policies and procedures.

In instances where estimation or extrapolation techniques are used, the following points are considered by the businesses:

- Is the sample upon which the estimation/extrapolation based representative of the data?
- Has the sample been reviewed at least annually?
- Has the technique for estimation/extrapolation been reviewed at least annually?
- Can the data be benchmarked to or checked against alternative sources of data for reasonableness?

- Have the current year's data been compared to the prior year's data to identify any significant changes?

The businesses are challenged to work with suppliers and to continually enhance internal data capture processes to improve the quality of each element of CSR performance data.

3.4 Management review

The involvement of senior management is important to support the ongoing improvement of CSR performance data collection, validation and reporting.

All CSR performance data bi-annual submissions by individual businesses are prepared by local finance teams and local CSR champions. Prior to submission, workplace data must be reviewed and approved by a senior human resources leader in the business, and all the data and supporting commentary are reviewed and approved by a senior finance leader in each business.

Divisional human resources teams review and approve workplace data submissions and finance teams review and approve all submissions, which are then provided to the company's central Global Reporting team and to the central CSR management team.

The Global Reporting team produces an internal report to benchmark all businesses across the company, comparing year-on-year performance (where available) and cross-business performance. Key outcomes of this report are shared with the company's CSR Committee.

3.5 Changes to prior year reporting

Every effort is made to ensure that the company reports accurate data and that processes are designed to support this. In cases where the company becomes aware of updates to the previous year's data, it will consider restating data where the changes result in a discrepancy that is material to this CSR report. In these cases, the company provides details in footnotes to the data tables.

Appendix I: Definitions of WBA CSR performance metrics

1. Community

Cash donations

- **Charitable cash donation:** Cash donated directly by the company in support of community projects to organizations officially created or legally registered for charitable purposes. Donations from employees, customers and suppliers are not included.
- **Other cash donation:** Cash donated directly by the company in support of community projects to organizations other than those officially created or legally registered for charitable purposes. Donations from employees, customers and suppliers are not included.

Non-cash donations

- **Employee time:** Defined as the value of time employees have volunteered to spend on community projects and social welfare programs during paid working time. Employee time is valued at an average staff salary rate and includes employer's employment taxes, healthcare, social security and Medicare contributions, pension contributions and employer matching 401K contributions.
- **In-kind donations:** These are products, equipment, the use of premises or other non-cash items donated to community programs. They include product donations, generally valued at their cost price, gift vouchers and the provision of space at vacant properties to charitable organizations. Also captured is advertising space in company magazines (e.g. Boots Health & Beauty magazine) that benefits both the charity and the business. Fifty percent of the advertising costs are included, in line with the London Benchmarking Group (LBG) global standard. Bulk product donations, where individual product cost price is not available, are valued based on weight, applying a suitable assumed average cost multiplier and using, where appropriate, third-party guidance (e.g. Feeding America).
- **Management costs:** These are defined as the value of costs incurred planning and managing community projects and social welfare programs and consist of direct expenditure as well as an allocation of relevant overhead and expenses.

Geographic Areas impacted by the company's donations

- **Local** A local organization is defined as an organization whose work does not meet the definition of national or international organization.
- **National** A national organization is defined as an organization whose work is focusing on the entire country. For US purposes the entire country is defined as the sizeable majority (more than 75 percent) of the states.
- **International** An international organization is defined as an organization whose work is focusing on more than one country.

Organizations supported by the company's contributions

- **Health** projects include donations made to not-for-profit hospitals, health organizations and other health-related activities.
- **Social welfare** projects include donations made to organizations focused on issues such as homelessness, legal support, domestic violence, the elderly and people with disabilities.
- **Education** projects include donations made to schools, colleges, universities or other projects or organizations that promote education, training or development programs.

- **Other** projects include donations made to organizations or activities not covered by categories above, such as the arts, culture, emergency relief and economic development.

2. Environment

2.1 Waste

Waste reporting is typically reliant on data provided by waste contractors within a country. Normally, waste data measurement is based on metric tonnage as provided by third-party contractors. For sites where the third party's contract is based on an agreed standard metric tonnage per volume collected, the rate applicable for the year is used as the basis of calculation. For sites where contractor data are unavailable (for example, stores within shopping centers where the company's business does not manage the waste contract), estimates are used based on actual data from a store or warehouse of an equivalent size.

- **Waste sent to landfill** is defined as waste produced by WBA operations and sent to landfill for disposal.
- **Waste sent to incineration** is defined as waste produced by WBA operations and sent to incineration, without heat recovery, for disposal.
- **Materials recovered via incineration** are defined as waste produced by WBA operations and sent to incineration via a contractor where energy recovered from the process is used to generate electricity or heat.
- **Materials recycled** are defined as waste produced by WBA operations and sent off-site for recycling.
- **Hazardous waste** as defined by local applicable legislation at the point of generation
- **Non-hazardous waste** as defined by local applicable legislation at the point of generation

2.2 Carbon emissions

Total CO₂e emitted (in metric tonnes) is calculated using activity data (e.g. amount of fuel used) and applying relevant conversion factors following the Greenhouse Gas (GHG) Protocol recommendation and using the most accurate calculation approach available. To reach the most accurate emissions estimations, the latest available specific locally sourced factors are applied, where reasonable.

2.2.1 Conversion factors

- For standard tariff electricity, country specific CO₂e conversion factors published by the International Energy Agency (IEA) are used, apart from WBA's largest territories, the U.S. and the UK. U.S. data are converted using Environmental Protection Agency (EPA) Emissions & General Resource Integrated Database (eGRID) specific CO₂e factors that take into consideration where the electricity was produced within the country. UK data are converted using the UK Department for Environment, Food & Rural Affairs (DEFRA) CO₂e factors.
- For passenger air travel, the latest available DEFRA factors are used across all dDivisions.
- For all other metrics, conversion factors are applied based on business location. The Retail Pharmacy USA division follows the U.S. Environmental Protection Agency (EPA) published factors. The Retail Pharmacy International and Pharmaceutical Wholesale divisions follow DEFRA published factors. Note: where CO₂e factors are not available, CO₂ factors are applied as a proxy.

- Conversion factors are updated annually to reflect the factors published by the IAE, EPA and DEFRA that are in effect as of 31 August of the reporting year.

2.2.2 Energy

- **Electricity** - The calculation of CO₂e from electricity is based on the following factors:
 - **Standard tariff** - Consumption data are converted using the relevant conversion factors as described above. Where data on electricity consumed are not available, an estimate is made based on annual expenditure on electricity. Estimates are based on stores or properties of an equivalent size.
 - **Green tariff** - This is country specific and entered individually by the business. Generally, in cases where the standard tariff is already subsidized, this is accounted for using the grid average conversion factor.
 - **Onsite Combined Heat & Power (“CHP”) plant** - This is specific to the company’s on-site energy plant in Beeston, Nottingham, UK and based on a calculation defined by the GHG Protocol that uses actual electricity and heat output figures.
- **Gas and other** - Consumption data are converted using the relevant conversion factors as described above. Where data on actual consumption (in mWh) are unavailable, an estimate is made based on annual expenditure.

2.2.3 Outbound product delivery

This covers the resulting CO₂e emissions from delivery of products to stores and to customers. This includes deliveries by own-fleet vehicles and for operations outsourced to third parties where deliveries are made exclusively for WBA businesses and backhaul deliveries for other companies. This excludes deliveries from third-party suppliers to company warehouses, cross-dock centers or direct to stores. The amount of CO₂e emitted is calculated using activity data and applying the relevant conversion factors as described above.

- **Own-fleet vehicles** (including leased vehicles):
 - **Drivers with fuel cards** - fuel consumed captured by third-party fuel billing
 - **Drivers without fuel cards** - distance captured
- **Third-party vehicles** - where the delivery is made exclusively for a WBA business, captured by either third-party kilometer data or third-party liters of fuel used.

2.2.4 Business travel

The amount of CO₂e emitted from travel undertaken by employees for work or business purposes is calculated using activity data and converted to emissions applying relevant conversion factors as described in section 2.2.1.

- **Road travel** – car travel undertaken by employees for business purposes
 - **Employees with fuel cards** - captured by third-party fuel billing
 - **Employees without fuel cards** - captured by company expense systems, using kilometers travelled
- **Air travel** – calculated using third-party (e.g. travel service provider) data on kilometers travelled other than for non-commercial flights, which are calculated using third-party data on fuel consumed
- **Rail travel** - calculated using third-party (e.g. travel service provider) kilometer data

2.2.5 Carbon emissions by scope

The amount of total CO₂e emitted from energy, product delivery and business travel categorized into scopes as defined by the GHG Protocol.

- **Scope 1:** Direct GHG emissions occurring from sources that are owned or controlled by the company are emissions from self-generated electricity and self-generated heat or steam; and, from combustion of natural gas and oils in owned or controlled boilers and furnaces, owned vehicles used for product delivery and owned cars or aircraft used for business travel. Fugitive emissions resulting from the use of refrigeration and air conditioning equipment are not included as the company evaluates their effects on its operations.
- **Scope 2:** Indirect GHG emissions are emissions from the generation of purchased electricity, purchased heat or purchased steam consumed.
- **Scope 3:** Indirect GHG emissions that are a consequence of the activities of the company but occur from sources not owned or controlled by the company. WBA currently reports on business travel and downstream transportation and distribution, which are the most relevant sources of emissions. These are emissions from third-party product delivery and business travel undertaken by vehicles (cars, aircraft or trains) not owned by the company.

3. Workplace

- **Employee:** An employee is a person employed by WBA on a full- or part-time basis, for an indefinite or fixed term.

Employee retention

- **Employees working for WBA for more than one year.** Where a business has been acquired, the applicable start date is the date the employee first began employment with a company that is now part of WBA.
- **Employees working for WBA for more than five consecutive years.** Where a business has been acquired, the applicable start date is the date the employee began employment with a company that is now part of WBA.

Employees by gender

- **Men:** total number of employees who identify themselves as male.
- **Women:** total number of employees who identify themselves as female.
- **Undisclosed:** total number of employees who have not disclosed their gender.

Employees by age group

- **Employees under 30 years old:** the number of employees who are younger than 30 years old at period end.
- **Employees between 30 – 50 years old:** the number of employees who are between 30 and 50 years old at period end including 30 and 50 year old employees.
- **Employees over 50 years old:** the number of employees who are older than 50 years old at period end.

Employment type

- **Temporary employee:** the number of temporary employees at period end who are employed on a fixed term or temporary contract
- **Permanent employee:** the number of permanent employees at period end who are employed on an indefinite basis or for an indeterminate period
- **Part-time employee:** the number of employees working fewer than 30 hours per week.
- **Full-time employee:** the number of employees working 30 or more hours per week.

Employee category

- **Manager employees:** the number of employees who have at least one direct report. This definition is a subset of the manager population included in U.S. regulatory reporting
- **Non-manager employees:** the number of employees who do not have any direct reports.
- **Senior director and above:** U.S. employees at the senior director job level and above, and the equivalent job titles within these levels in other geographies.

Collective bargaining

- **Employees under a collective bargaining agreement:** the number of employees who are part of a collective bargaining agreement. Collective bargaining is defined as negotiation of wages and other conditions of employment by an organized body of employees.

Race, ethnicity of Retail Pharmacy USA employees

- **People of color:** the number of employees who identify themselves as belonging to an ethnic or racial minority.