

Walgreens Boots Alliance - Statement of Greenhouse Gas (GHG) Emissions

For fiscal year 2019, the 12 months ended August 31, 2019

Table 1: Scope 1, Scope 2, and Scope 3 emissions performance

Global CO₂e emissions (000 metric tonnes)	Fiscal 2019¹	Fiscal 2018	Year on year change
Scope 1²	421	401	+5.0%
Scope 2 location based³	1,645	1,639	+0.4%
Scope 2 market based³	1,575	1,558	+1.1%
Gross Scope 1 & 2	2,066	2,040	+1.3%
Scope 3⁴	107	120	-10.8%
Gross Scope 1, 2 and 3	2,173	2,160	+0.6%
Net global CO₂e emissions	2,173	2,160	+0.6%

Table 2: Company CO₂e emissions by Scope and by country/region

Scope 1 CO₂e emissions (000 metric tonnes)	Fiscal 2019¹	Fiscal 2018	Year on year change
United States of America	264	242	+9.1%
Rest of world	157	159	-1.3%

Scope 2 location-based CO₂e emissions (000 metric tonnes)	Fiscal 2019¹	Fiscal 2018	Year on year change
United States of America	1,497	1,470	+1.8%
Rest of world	148	169	-12.4%

Scope 2 market-based CO₂e emissions (000 metric tonnes)	Fiscal 2019¹	Fiscal 2018	Year on year change
United States of America	1,497	1,470	+1.8%
Rest of world	78	88	-11.4%

¹ Deloitte & Touche LLP conducted a review of the Statement of Greenhouse Gas Emissions of Walgreens Boots Alliance, Inc. (the "Company") for the year ended August 31, 2019 for Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions. This can be found in the Corporate Responsibility area of the Company's corporate website.

² Scope 1 emissions are those generated directly from sources owned or controlled by the Company. The figures reported include CO₂e emissions resulting from heat and electricity produced by our on-site Combined Heat & Power plant in Beeston, Nottingham, UK including the portion that is sold to third parties or to the grid, which was 32,000 metric tonnes in fiscal 2019 and 31,000 metric tonnes in fiscal 2018.

³ Scope 2 emissions are those generated by purchased electricity, heat and steam consumed by the Company.

⁴ Scope 3 indirect emissions are those that are a consequence of Company activities and occur from sources not owned or controlled by the Company. Walgreens Boots Alliance currently reports on business travel and downstream transportation and distribution Scope 3 emissions.

Greenhouse gas emissions by greenhouse gas

In fiscal 2019 the Company reported GHG emissions converted to CO₂e.

All GHG emissions figures are in metric tonnes of carbon dioxide equivalents (CO₂e) and include three of the seven GHGs covered by the Kyoto Protocol: carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O). These three gases are aggregated and not reported separately because the Company uses standard emissions factors for CO₂e. The following four greenhouse gases were omitted from our reporting: HFCs, PFCs, SF₆ and NF₃.

Note: where CO₂e factors are not available, CO₂ factors are applied as a proxy.

Table 3: Greenhouse gas emissions intensity

	Gross global combined Scope 1 and 2 emissions (metric tonnes)	Sales (\$million)	Intensity figure Metric tonnes of CO ₂ e per \$million sales
Fiscal 2018	2,040,000	131,537	15.5
Fiscal 2019	2,066,000	136,866	15.1
	Gross global combined Scope 1 and 2 emissions (metric tonnes)	Square feet (thousand) of locations occupied at August 31	Intensity figure Metric tonnes of CO ₂ e per thousand square feet of locations occupied
Fiscal 2018	2,040,000	180,000	11.3
Fiscal 2019	2,066,000	180,000	11.5

Walgreens Boots Alliance - Notes to Statement of Greenhouse Gas Emissions

For fiscal year 2019, the 12 months ended August 31, 2019

GHG reporting policies

Walgreens Boots Alliance (WBA) is the largest retail pharmacy, health and daily living destination across the United States and Europe. WBA and the companies in which it has equity method investments together have a presence in more than 25¹ countries and employ more than 440,000¹ people. The Company is a global leader in retail and wholesale pharmacy and, together with the companies in which it has equity method investments, has over 18,750¹ stores in 11¹ countries as well as one of the largest global pharmaceutical wholesale and distribution networks, with over 400¹ distribution centers delivering to more than 240,000² pharmacies, doctors, health centers and hospitals each year in more than 20¹ countries. In addition, WBA is one of the world's largest purchasers of prescription drugs and many other health and wellbeing products.

The Company was incorporated in Delaware in 2014 and its principal executive offices are in Deerfield, Illinois.

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. Scope 3 emissions includes two of the 15 Scope 3 categories: Business travel and downstream transportation and distribution (cars, aircraft, trains or by sea) for operations outsourced to third parties where deliveries are made exclusively for WBA businesses.

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.

A summary of the key disclosure policies is set out below.

Baseline year GHG emissions

Fiscal 2019 is the first year for which verifiable emissions data are available for the Rite Aid stores acquired in fiscal 2018. In accordance with the GHG reporting policies set out here, the Company has decided to set fiscal 2019 as the new GHG baseline year for Scope 1, Scope 2 and Scope 3 emissions, and intends to report emissions against this new baseline year going forward.

¹ As of August 31, 2019, using publicly available information for AmerisourceBergen.

² Over 12 - month period ending August 31, 2019, using publicly available information for AmerisourceBergen.

GHG Reporting Scope and Boundaries

GHG emissions pertaining to the organizational and operational boundaries have been reported for global operations for owned, managed and leased locations including retail stores, specialty pharmacies, retail distribution centers, prescription mail service facilities, pharmaceutical distribution centers and principal office facilities.

Except as described below, GHG emissions have been reported for those entities for which the Company has financial control (as defined by the GHG Protocol).

The Company's external financial performance reporting includes all subsidiaries in which the Company holds a controlling interest. The main differences in the Company's external CSR reporting, which includes GHG emissions, are as follows:

- Divestments - Businesses that are no longer subsidiaries of the Company at the fiscal year end due to divestment in the reporting year are excluded from current year reported data.
- Equity method investments - Equity method investments are excluded from the Company's external CSR reporting scope.
- Franchise operations – Franchise operations run by third parties where a WBA business is the franchisor are excluded from the Company's external CSR 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 set out the principles for dealing with, and the requirements for, suppliers.
- Business acquisitions in the period - Acquisitions during the period are excluded from environmental performance data. The complete dataset is reported once data for a full year are available.

During fiscal 2018 WBA completed the acquisition of 1,932 Rite Aid stores under an amended and restated asset purchase agreement. Fiscal 2019 was the first year that GHG performance data were collected for these acquisitions.

The Statement of GHG emissions includes Scope 1 (direct), Scope 2 (indirect) and Scope 3 (other) emissions that have been reported for operations within the operational boundary described below.

Scope 1: Direct GHG emissions from sources owned or controlled by the Company

Our Scope 1 emissions include all relevant GHGs emitted directly from the Company's activities, as follows:

- Gas and oil used for heating
- Gas used in the Combined Heat & Power plant in Beeston, Nottingham, UK
- Heat and electricity produced by our on-site Combined Heat & Power plant in Beeston, Nottingham, UK
- Business travel in owned or controlled vehicles
- Product delivery in owned or controlled fleets, including backhaul deliveries for other companies
- While fugitive emissions resulting from the use of refrigeration and air conditioning equipment are not included as the Company evaluates their materiality for its operations, the Company committed in fiscal 2017 to the Consumer Goods Forum's second Refrigeration Resolution to continue the phase down of Global Warming Potential (GWP) gases

Scope 2: Indirect GHG emissions

Our Scope 2 emissions include:

- Indirect emissions from purchased/acquired electricity and purchased/acquired heat or steam consumed in buildings (offices, retail stores and warehouses)

Scope 3: Indirect GHG emissions are emissions that are a consequence of the activities of the Company, and occur from sources not owned or controlled by the Company

Our Scope 3 emissions include GHGs associated with:

- Business travel in third party transportation
- Downstream transportation and distribution by third parties (cars, aircraft, trains or by sea) for operations outsourced to third parties where deliveries are made exclusively for WBA businesses

Methodology

All business emissions data submissions are prepared by the respective local finance teams and respective local CSR champions. Prior to submission, the data and supporting commentary are reviewed and approved by a senior finance leader in each business.

Divisional finance teams review and approve the submissions, which are then provided to the Company's central finance team and to the central CSR management team.

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

Energy data

Energy data cover the resulting CO₂e emissions from energy used to operate our facilities:

- Gathered from invoices/meter readings (manual or electronic)
- Reported for all energy purchased including energy used in stores/pharmacies, distribution centers, manufacturing sites and offices
- Data not reported for operations outsourced to third parties, such as distribution centers run by third parties, unless the activity is outsourced to a dedicated third-party contractor to conduct activities on our behalf on a site the Company owns/leases

The carbon footprint, measured in CO₂e tonnes, is calculated from the usage data submitted, applying the relevant conversion factors.

Outbound product delivery and downstream transportation and distribution by third parties data

Outbound product delivery data cover 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. 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.

- Gathered from verifiable official records, invoices and expense claims
- Reported for outbound product delivery only (excludes deliveries from our suppliers to our warehouses and cross-dock centers)
- Includes data for operations outsourced to third parties exclusively for our business

The carbon footprint, measured in CO₂e metric tonnes, is calculated from the data on fuel usage or kilometers traveled, applying the relevant conversion factors.

Business travel data

Business travel data cover the resulting CO₂e emissions from travel undertaken by employees for work or business purposes, gathered from invoices and expense claims.

The carbon footprint, measured in CO₂e metric tonnes, is calculated from the data on fuel usage or kilometers traveled, applying relevant conversion factors.

GHG emissions 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 Divisions.

For all other metrics, conversion factors are applied on the basis of 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. Conversion factors are updated annually to reflect the factors published by the IAE, EPA and DEFRA that are in effect as of August 31 of the reporting year.

100-year global warming potential (GWP) from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) 2007 was used for all other conversions.

Uncertainty

The capture of environmental 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 in light of WBA definitions, policies and procedures.

Estimates

Where actual data are not available, businesses apply estimation methodologies to arrive at figures that accurately reflect the businesses activities as described in the data quality section.

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

Specifically, where gas and electricity usage data are not available, the businesses benchmark stores, warehouses or other buildings and employ an estimation that is relevant to their usage patterns and allows for a reliable annual estimate to be derived. These estimation methods employed are reviewed and approved annually.

Another specific area of estimation is the allocation of emissions from road business travel between Scope 1 and Scope 3 categories. The Company collates data for fuel consumed by cars with fuel cards and distance travelled by cars without fuel cards. The assumption is that company owned cars have fuel cards and when employees use their own cars they claim mileage. Therefore, emissions from fuel consumed for business travel are allocated to Scope 1 and emissions from mileage claims are allocated to Scope 3.

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.

Review of GHG inventory

Deloitte & Touche LLP conducted a review of the Statement of Greenhouse Gas Emissions of WBA for the year ended August 31, 2019 for Scope 1, Scope 2, and Scope 3 GHG emissions. This can be found by clicking [here](#).