

Our approach to CSR

2007/08 Corporate Social Responsibility Report

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Our approach to corporate social responsibility

We are committed to maintaining our tradition of excellence in corporate social responsibility, both in terms of performance and reporting. Having published our first Corporate Social Responsibility Report as a merged group in autumn 2007, this year's report is significantly more comprehensive in terms of reported measures than we were able to collate and publish in our first year. It is written in accordance with Global Reporting Initiative guidelines and criteria.

Our corporate social responsibility strategy is clear and well understood. The necessary systems and structures are in place and operating efficiently. Most important of all, our people are committed to playing their part in building a sustainable Group.

The social responsibilities committee, which is a committee of the Board chaired by Ornella Barra, keeps under review and advises the Board on the Company's policies and practices in the various areas of corporate social responsibility, including those related to charitable giving, diversity and equal opportunities, employment of people with disabilities, environment, ethical matters and race relations, and the Company's values and standards.



"We are committed to maintaining our tradition of excellence"

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Our corporate social responsibility framework

Our unified corporate social responsibility programme has a set of shared priorities that accurately reflect our values. We also have an adaptable framework that allows different businesses within the Group to move forward at their own pace.

“Our unified corporate social responsibility programme has a set of shared priorities”



A world leader in measurable sustainability

One of the main challenges that we faced in 2007/08 was the need for a more consistent Group-wide approach to recording, measuring and reporting our corporate social responsibility performance. We have now successfully introduced our corporate social responsibility database in all businesses and provided the necessary training for the corporate social responsibility teams. For all businesses, corporate social responsibility data is captured and used to inform and assist in the development of their own corporate social responsibility programmes. In addition this database is used to gather and consolidate data for the Group.

In the summer of 2007, we began work on developing this database for use across Alliance Boots. The first step was to define the reporting criteria and develop a set of corporate social responsibility measures and performance indicators in line with Global Reporting Initiative reporting guidelines, that are applicable to all parts of the Group. To ensure a consistent approach to data collection, it was important to provide clear definitions.

A ground-breaking year

The implementation of the new Group-wide database started in December 2007 at our first Group international corporate social responsibility meeting. This seminar was attended by senior corporate social responsibility representatives from all our businesses.

A golden year for corporate social responsibility at Alliance Boots

We have continued to participate in the UK “Business in the Community” “Corporate Responsibility Index” (CRI), achieving “gold” performance standard in 2008. This means that we scored 90% or over in the assessment. We are proud of our record in the CRI, which is a pre-eminent public measure of corporate social responsibility and sustainability engagement in the UK.

We have also continued to work with a variety of agencies around the world from the “United Nations” to in country business organisations, such as the “Confederation of British Industry”. We also engaged with others such as the “World Health Organisation” and various non-governmental agencies including the “World Wildlife Fund”. We are willing to share knowledge, experiences and data to help a wider audience have a better understanding of this agenda.

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Leadership

Our commitment to sustainability means that we place corporate social responsibility as an integral part of our corporate decision-making process, with effective leadership at the highest level.

“Effective leadership at the highest level”

Social responsibilities committee

The Directors who are members of the committee are as follows:



Our international corporate social responsibility management structure

As part of our unified corporate social responsibility programme, we have appointed a “champion” in each business with responsibility for setting and delivering against agreed corporate social responsibility targets.

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Corporate social responsibility management

The key to the successful introduction of our corporate social responsibility strategy is the recognition that businesses in different countries face different challenges. We have devised a support structure which will help them to develop and take ownership of corporate social responsibility programmes that are appropriate to local circumstances, while remaining within a consistent Alliance Boots framework.



"Different countries face different challenges"

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Health & Beauty Division

Over the last year, we have completed the introduction of a single unified corporate social responsibility framework across our Health & Beauty business in the UK. Our work during 2007/08 has been to embed this within the former Alliance Pharmacy part of the business where there was also a long tradition of corporate social responsibility activity.

The strength of the Boots pharmacy brand rests on the trust it inspires in customers. Ultimately, the breadth of corporate social responsibility issues adopted throughout Boots is one of the means by which trust is maintained and strengthened. The clarity of our new structure enables us to be certain about how we plan to meet our corporate social responsibility performance targets and keep our promises.

As part of the bringing together of Boots and Alliance Pharmacy, the majority of the Alliance Pharmacy outlets in the UK are in the process of being branded as "your local Boots pharmacy". Rebranding our outlets to inspire confidence in our customers is of little value unless the products and services we offer are of a similarly high standard. Our aim is to provide our customers with products they can believe in, whether we are selling our own brands or those of other manufacturers. This means they must be of excellent quality; but no less important is the way that products are made; where the materials are sourced; and the impact of their manufacture and transport. In all these areas, we are working with a wide range of partners to improve the performance and effectiveness of the products we sell.

Over the last year, for example, we have worked with the "Green Chemistry Centre" at the University of York in the UK to better understand the lifecycles of four types of product: soap, shampoo, moisturiser and toothpaste. This will enable us to reduce the environmental impact of our products, helping our customers to develop a greater understanding of how their buying decisions can make a difference.

Our Health & Beauty businesses in other countries have also established their own corporate social responsibility programmes in collaboration with Pharmaceutical Wholesale Division colleagues to establish consistent approaches to programmes within individual countries. This ensures that there is no duplication of effort and resources and means that the impact of any activity is maximised.



"The strength of the Boots pharmacy brand rests on the trust it inspires in customers"

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Pharmaceutical Wholesale Division

Our wholesale network enables us to provide customers with high levels of service and support, at the same time as helping them reduce costs and gain a competitive edge.

Over the last year we have made good progress in applying the proven principles of corporate social responsibility across our Pharmaceutical Wholesale Division. All businesses have now established programmes covering our four main corporate social responsibility areas and each has its own corporate social responsibility performance scorecard. This provides the basis for setting targets which the corporate social responsibility teams in the businesses are responsible for delivering.



"Providing customers with high levels of service and support"

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Case study: Russia

Our Russian pharmaceutical wholesale business provides a good example of the progress we have made with introducing a unified approach across our international network. Just over a year ago we were recording some initial successes in Russia but had no formal corporate social responsibility structure in place. We are pleased to report that all the key elements have been implemented including a corporate social responsibility action group, a statement of accountabilities, a gap analysis, targets, actions, milestones and documented future aspirations. In such a short time this represents a significant achievement.

The team identified 15 issues in the four key corporate social responsibility performance scorecard areas and have worked to develop appropriate criteria and targets for each of these. Set out below are examples of the many positive achievements during the year.

Community

Alliance Healthcare Russia has a history of charitable giving and we are working to strengthen further partnerships with healthcare-related charities. For example, we have recently signed an agreement to provide "Shelter for Childhood" with approximately £32,000 to fund a rehabilitation centre for vulnerable women, children and teenagers.

Environment

We have taken steps to reduce energy consumption across our warehouses and offices in Russia with more initiatives planned for 2008/09 including improved monitoring of energy consumption and the installation of energy efficient lighting at more sites.

For transport we are seeking to optimise fuel consumption and to reduce carbon emissions through route optimisation and driver training.

Marketplace

We are constantly working to improve the service we provide to pharmacies in Russia, building partnerships in the interests of providing better service to our customers. An important way in which we do this is through the provision of professional training programmes which we are extending and improving.

Workplace

With a well-resourced training centre in Moscow, we have a good track record in providing our people with career and personal development opportunities. We have plans for further improvement in this area where we are developing a new best practice benchmark training system.



"There have been many positive achievements during the year"

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Contract Manufacturing

Alliance Boots also manufactures healthcare, cosmetic and toiletry products, in factories in the UK, France and Germany. Like any well-managed manufacturing operation, we are always seeking to continue to reduce the environmental impact of our operations.



"We are always seeking to reduce the environmental impact of our operations"

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Stakeholder dialogue



One of the themes to emerge from our consultation with stakeholders at the time the Group became privately owned was an expectation that Alliance Boots should continue to be an acknowledged leader in corporate social responsibility.

Looking to the future, stakeholders were also clear about the qualities they wanted to see displayed by Alliance Boots and the vital role of corporate social responsibility activities in building the trust which is central to our strategy. These included:

- Engagement
- Reputation
- Involvement
- Healthcare
- Confidence

We believe our new cross-business corporate social responsibility approach meets these expectations. This is based upon a consistent framework, is capable of accommodating varying levels of achievement across our two business areas and takes account of different social, environmental and economic priorities in the countries.

Our approach is based on four main areas: our community, our environment, our marketplace and our workplace, which all support our broader aim of building a truly sustainable 21st century business.

We believe the key to the success of our corporate social responsibility strategy is its adaptability: it is designed to allow different parts of the Group to move towards sustainability at their own pace – planning their own corporate social responsibility programmes and setting themselves stretching but achievable objectives, while remaining firmly within a consistent Group wide framework for measurement and reporting.

Throughout 2007/08 we have continued to engage with key stakeholders and have been open and transparent about our activities and progress. It is clear that climate change and global warming are the issues that most concern them. This is why we have continued our carbon reduction programmes which aim to reduce the carbon emissions of our deliveries, the embedded carbon in our products and the amount of energy we use in our business premises.



“Our aim is to build a truly sustainable 21st century business”

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Corporate social responsibility risk management

Like all businesses, Alliance Boots faces a variety of risks. We have a structured approach to identifying, monitoring and assessing risks and the steps we take, where necessary, to mitigate them.

Our risk management process

Our executive Directors play the leading role, monitoring the overall risk profile and regularly reporting to the Board through the audit committee. In addition, the Board, through the executive Directors, is responsible for determining clear policies as to what Alliance Boots considers to be acceptable levels of risk. These policies seek to enable people throughout our Group to use their expertise to identify risks that could undermine performance and to devise ways of bringing them within acceptable levels.

Where we identify risks that are not acceptable, we develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion, and ensure that progress towards implementing these plans is monitored and reported upon.

We believe that this demonstrates good governance in action, underlining our determination to meet our corporate social responsibility commitments to all stakeholders, whatever the future may hold.

Key amongst the types of risk faced by Alliance Boots are: the impact of regulation; changes and trends in consumer behaviour; competition; health, safety and environmental risks; product/services risk; major operational business failures; increased costs; acquisitions; currency exchange; funding and interest rate risks, and pension contributions.

In the case of risks associated with health, safety and the environment we seek to mitigate these, for example by setting standards throughout the Group which are closely monitored and regularly audited. Health, safety and environmental incidents are logged and analysed in order to learn the necessary lessons. Any major incident is promptly reported to and investigated by the Group operating committee.



“We use our expertise to identify risks that could undermine performance”