

Harnessing SRI in support of Ethical trade

ETI Conference - 12th & 13th May 2005



Outline of talk

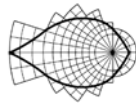
- Introduction to Boots and overall approach to ethical trading
- Challenges of reporting on ethical trading
- Challenges of developing KPIs and quantitative measures of ethical trading performance
- Value of ETI reporting tool
- Impact of OFR on reporting



What and who are Boots ?



- No 1 Health and Beauty Business in the UK
- Over 150 years in business
- Over 1400 Shops in Great Britain and Ireland
- Health products available throughout the world
- 60,000 employees



Why is a sustainable supply chain important to Boots Group?

- **1977** - First Social Responsibilities Report
- We **recognise our responsibility to workers** manufacturing our products throughout the world.
- Expectations from our **customers**
- **Investors** want business to operate responsibly.
- The **Boots brand image - trust**
- We have **60 000 employees** and their livelihoods to consider.



Overview of Boots Supply Chain

- **30,000 Boots brand product lines**
- **6 products changed every day (on average)**
- **Over 650 own brand product suppliers**
- **~ 35% of these suppliers sourced through Far East**
- **5,500 raw materials.**
 - ~ 500 perfume compounds
 - ~ 50 to 250 components within each compound
- **Over 30,000 'live' packaging components**

In other words, a complex supply chain !

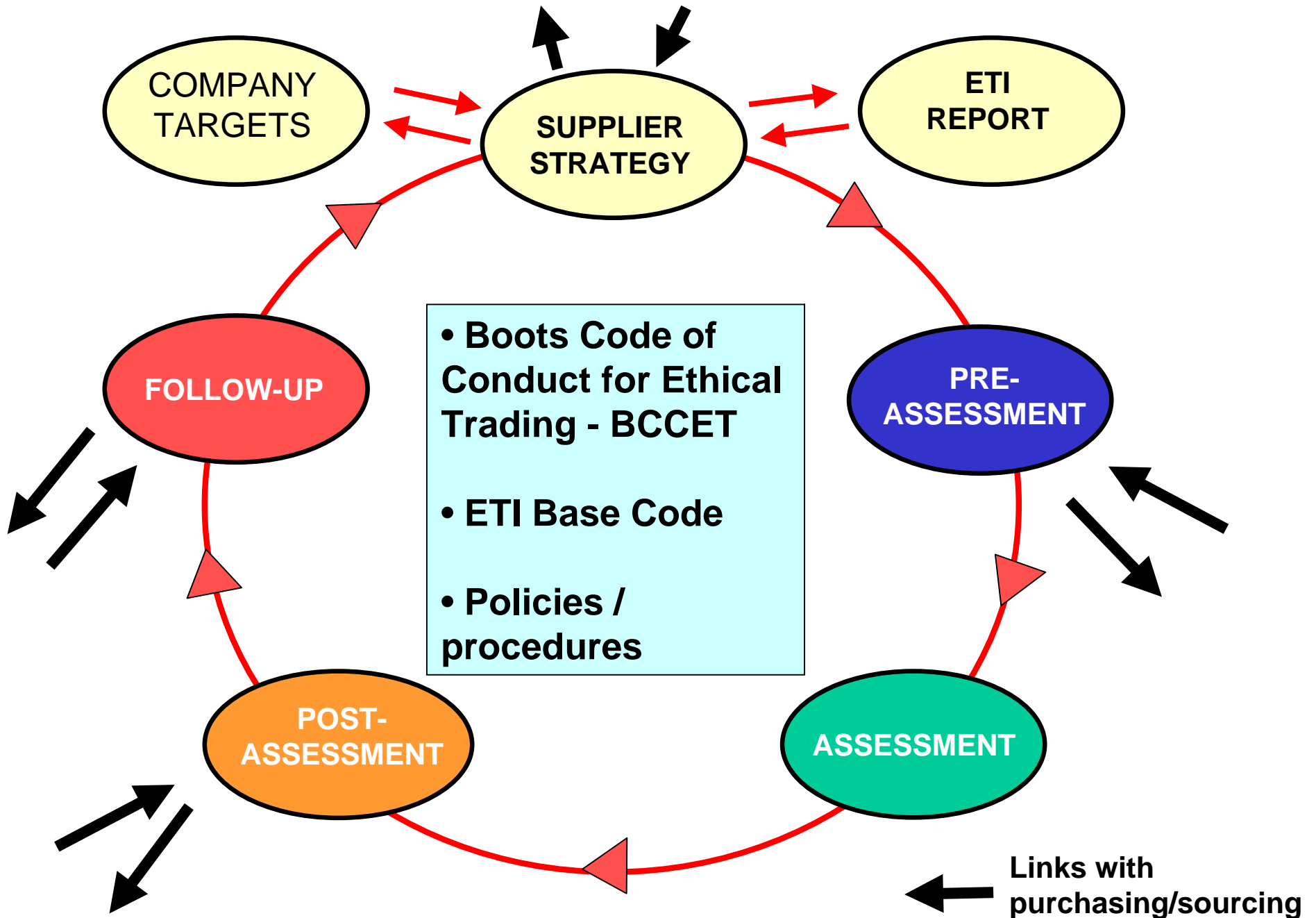


Managing Boots Supply Chain

- **A global Boots Code Of Conduct For Ethical Trading**
- **A global Supplier verification programme**
- **Dedicated team of trained assessors**
- **Policies, procedures and guidance**
- **Main Board commitment and approval**
- **Stakeholder engagement**



BOOTS SUPPLIER ASSESSMENT PROCESS



SRI engagement - Historical

- Talk to SRI community – Not really.
- One way communication through reporting
- First Social Report – 1977 !
- First Environment Report – 1998
- Uncoordinated approach to questionnaires
- Huge amount of experience within the business –
“ why do we need to talk to anyone else?”



SRI engagement - Current

- Talking to SRI community – Yes, 9 visits in 2004
- Two-way communication
- Recognition of benefits of SRI investment
- Stakeholder engagement
- Coordinated approach to SRI engagement
- Developing new ways of reporting our impacts
 - ETI Reporting Tool



SRI engagement - Future

- Talking to SRI community – Essential, part of company CSR strategy
- Aim to increase benefits of SRI investment
- Increasing transparency, materiality and openness – Nike, Reebok & GAP.
- Interactive reporting.
- Minimum requirements - OFR and GRI.
- OFR impact requires a crystal ball



Developing Indicators – ETI Annual Reporting Group

Aims

- The challenge is to make annual reports on companies' current levels of activity more useful, transparent and credible.
- Report on companies progress against each of the 9 provisions of the ETI Base code



Developing Indicators – ETI Annual Reporting

Objectives

- Improve monitoring and verification.
- Setting and measuring progress towards objectives
- Benchmarking the performance expected from corporate members.

Let's have a look at the new ETI reporting tool...



Summary

- Worthwhile indicators are not easy to develop in isolation.
- SRI community, NGO's will need to work closely with companies to meet mutual needs.
- OFR will drive change based around materiality

