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Welcome to WH Smith PLC's 2007 Corporate Responsibility Report.

Over the last year, we have seen environmental and social issues rise higher on the agenda for our customers, as well as for politicians and the media. At WHSmith, we have continued our long-established work to embed our Corporate Responsibility (CR) principles within the way that we manage every aspect of our business. We believe that managing CR in this way enables us to understand and effectively manage the key impacts of our business, as well as the related risks and opportunities.

This report outlines the progress we have made during 2006/07 towards the objectives we set last year. As ever, we divide our CR programme into four areas: marketplace, workplace, environment and community. I am pleased to report progress in all areas of our programme.

Notable achievements include further increases in the amount of paper we source from sustainably-managed sources and the delivery of training and development programmes which have achieved clear results to help our staff further their careers with us. We have also continued to make progress to reduce our environmental footprint and to support our staff as they take an active role in the communities we operate in. More detail on these and many other initiatives can be found in the Report.

We are always keen to benchmark our CR performance against other leading UK companies as this can help us identify ways to further improve our programmes. The annual Business in the Community Corporate Responsibility Index provides just such an opportunity and, this year, we were delighted to improve our performance for the fourth successive year, achieving a Gold ranking.

In the year ahead, we will continue our work to manage our impact on society and the environment, whilst also exploring opportunities to use corporate responsibility to enhance our business performance.

A handwritten signature in dark ink, appearing to read 'Kate Swann', written in a cursive style.

Kate Swann,
Group Chief Executive, WH Smith PLC

At WHSmith, we believe that good corporate responsibility is essential to the long-term success of our business. We have therefore integrated the governance of CR into our core management systems to ensure that CR risks and opportunities are given the correct level of attention and factored into business planning decisions.

Management and accountability

Accountability for corporate responsibility sits at the highest level within our business, with a named Board Director responsible for each of the four key CR areas (Marketplace, Environment, Workplace and Community). Details of these Directors are in the relevant sections of this report, together with details of the senior executives tasked with ensuring that we deliver on our CR objectives on a day-to-day basis.

Identifying risks and developing key performance indicators

Each year we carry out a full review of our CR strategy. As part of this process, we map the risks and opportunities related to CR, a process which is informed by legislative and consumer trends, as well as key environmental and social issues.

This review and risk analysis shapes our CR strategy and the key performance indicators and improvement targets we set for the next 12 months and further into the future. The Executive team is fully involved in this process and the Board agrees the final strategy and targets each year. The Risk Committee reviews progress quarterly.

Stakeholder engagement

Our approach to corporate responsibility is shaped by the views and expectations of our stakeholders. We engage with key stakeholders on a regular basis.

- Investors – we meet with investors to discuss our CR strategy and to answer their questions on specific elements of our CR programme.
- Non-Governmental Organisations – we are members of the WWF-UK Forest Trade Network and the Ethical Trade Initiative. We submit annual performance reports to both groups and use their feedback to inform our management of forestry and ethical trading issues.
- Suppliers – we engage with our suppliers in a number of forums, including workshops, conferences and meetings. This year, such engagement included a conference providing a forum for our key Chinese suppliers to understand and give their feedback on our approach to ethical trading.

- Customers – customers often contact us to let us know their views on aspects of our corporate responsibility programme. We ensure that we respond to customers individually and take their comments into account as we develop our approach going forward. We also directly seek out customer views on how we are performing on CR issues. This year, we carried out a survey, asking customer views on our CR approach and how this influences the range of products in our stores.
- Employees – we communicate regularly on CR issues in our weekly newsletter and we provide detailed information on CR on a dedicated intranet site. Staff are encouraged to give their feedback on our CR programme.

Benchmarking our performance

We regularly benchmark our performance in all the key CR areas against other companies and retailers to ensure that we are keeping pace.

Business in the

Community

The annual Business in the Community Corporate Responsibility Index provides an opportunity for us to benchmark our CR performance against other leading UK companies. We were delighted to improve our performance for the fourth successive year, achieving a

Gold ranking. Business in the Community made particular note of WHSmith's "outstanding performance" in the management of our social impact and of marketplace issues, such as responsible forest sourcing and ethical trading. We remain committed to managing our impact on society and the environment, whilst exploring the ways in which corporate responsibility can enhance our business performance.



WHSmith continues to meet the social, ethical and environmental criteria set out by the FTSE4Good Index so we have retained our place in the Index for another year. FTSE4Good measures the financial performance of companies that meet globally recognised standards on corporate responsibility.

Board accountability

Kate Swann, Group Chief Executive

Executive accountability

Stephen Clarke, Commercial & Marketing Director

Relevant policies

Ethical Trading Code of Conduct

Forest Sourcing Policy

Marketing Code of Practice

Customers are increasingly concerned about the social and environmental impact of the products in their shopping baskets. They want to be reassured that products they buy have not been made at the expense of the environment or of the workers who made the product, and we have an active programme to work with our suppliers to address any issues. Amid an increasingly competitive retail environment, we are also working to improve the shopping experience at WHSmith, with a focus on delivering high-quality products and excellent service to our customers.

Customer focus

Customer Service continues to be one of our core business values underpinning everything that we do.

Delivering excellent customer interaction is a key focus within the overall WHSmith customer experience. Throughout this year we have performed over 2,800 mystery shopper checks on our stores to test the customer experience. We have delivered consistently high scores against our key criteria for customer experience at the till point. These include indicators such as a polite greeting and close to transaction with eye contact made and accurate and efficient processing of the transaction. Most recent results show a performance of over 97% in this area and this has been consistent throughout the year.

Another focus for us is on delivering high levels of availability and consistent standards for our customers in every store. In stationery, for example, our Stationery Excellence programme works to ensure maximum on-shelf availability of our key lines in all stores. Similarly, in books, our Books Excellence programme focuses the attention of our store teams on ensuring that all the key titles are on display for our customers and that the latest pricing and promotions are always on offer.

Responsible marketing

At WHSmith, we take our responsibility for the products we sell very seriously. Our customers are a diverse group and they often have strongly differing views about the products we sell. We are committed to offering our customers choice but also recognise that we have a responsibility to ensure that we sell our products in a responsible manner.

Reaching an appropriate balance involves listening to our customers and thinking about the products that we sell and the way in which we sell them. For example, we sell a wide-range of magazines, some of which might be unsuitable for our younger customers. We therefore have strict guidelines about how and

where we display our magazines, taking care to maintain a distance between magazines aimed at younger people and those aimed at older audiences. We also take care to place magazines with more mature content so that they remain out of sight and out of reach of younger hands.

We take a similar approach to other products, such as entertainment products or some stationery items such as glue or craft knives, making sure that they are either out of reach of children or are kept in an area of the shop where our staff can keep an eye on them.

Our till points also operate a strict system of “product prompts” to constantly remind staff to check that customers are of an age that is appropriate to the product they are buying.

Our Marketing Code of Practice sets out the standards we follow in all aspects of promotional activity, marketing and advertising. These standards also apply to the design and development of our products. We operate according to strict internal guidelines regarding the responsible retailing and marketing of our products and, during the year, we have trained our buyers on the Code of Practice and explained how the Code should influence their day-to-day work. Following the training, we have seen an increase in the number of buyers that are actively referring to the guidelines during the design and development of product ranges.

Forest sourcing

As a leading retailer of books and stationery products, one of the significant environmental impacts of our business is the paper and wood sources used in many of our own-brand products.

It is our long-term aim that all virgin (i.e. non-recycled) material used in our products should come from known, legal, well-managed and credibly certified forests. The issues around forest sourcing are complex and it will take us time to reach this position. As a minimum, therefore, we expect our suppliers to know where the forest material used in their production came from and to be able to provide evidence that it has been legally harvested.

Training key stakeholders

Forest sourcing is a key risk area for our business and the risks are particularly high when sourcing from countries where forestry standards can be poor; many of these countries are in the Far East. With more of our products coming from this region, it is vital that our Hong Kong buying office fully understand the issues. This year we provided training to our Hong Kong team to enable them to better understand the risks and requirements of forest source management, so that they can, in turn, explain this to suppliers with the aim of ensuring that the paper and wood products we buy in the region are from well-managed sources.

To help both our UK and Far East suppliers, we have developed a series of guidance documents that explain the risks around forest sourcing and what WHSmith is looking for in terms of responsible forest sourcing policies. We also provide country-specific risk reports, which detail any issues in a supplier's source country or region.

Each year, following our annual forest source survey, we give feedback to each supplier on their performance, suggesting areas for improvement, typically as part of an ongoing dialogue to help them develop products with better environmental credentials.

Monitoring forest sources

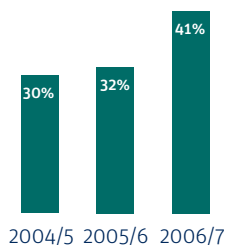
All prospective and ongoing suppliers are required to complete a pre-order questionnaire, which asks for detailed information on the forest sources intended for WHSmith products. Our compliance team assess the information and decide whether or not the order should be placed. The advantage of this approach is that it reduces the risk of unwanted material entering our supply chain.

WHSmith continues to be a member of the WWF UK Forest Trade Network (FTN). Members are committed to tracing timber and paper products back to the forest source and providing an annual report to the FTN detailing those sources. The annual reporting allows the FTN to monitor trends in forest sourcing whilst also providing members with feedback and practical advice on further improving their forest sourcing.

As part of our membership commitments, we contact our major suppliers of own-brand paper and wood-based products requesting information on every forest-based product that they supplied to us over the previous 12 months. Suppliers complete the survey using the WHSmith Forest Source Calculator, which helps suppliers fill in the very detailed information that we require.

The resulting report allows us to identify any risks in our supply chain, such as timber that might be from environmentally contentious areas, and complements our pre-order questionnaire process. The report also allows us to identify those suppliers that are making good progress in their own forest source management and whom we can work with to introduce new, sustainable product lines.

OWN-BRAND MATERIAL FROM RECYCLED SOURCES AND CERTIFIED FORESTS



This year's survey covered 90% of all WHSmith's own-brand products, up from 78% last year. This is important because it gives us greater visibility of the risks in our supply chain. Of note is the fact that all of our key Far East own-brand suppliers returned data. As this is a high risk region in terms of forest sourcing standards, we were particularly pleased at this achievement. In the year ahead, we aim to maintain or further increase this level of coverage.

The volume of material from recycled sources and certified forests* rose from 32% to 41%, a significant year-on-year increase. But we know there is more work to be done and we will be working hard to make further increases in the year ahead.

* Certified forests are managed in accordance with the requirements of specific certification bodies setting out the steps that must be taken to ensure the long-term sustainability of the forest. The certification schemes our suppliers use include the Forest Stewardship Council (FSC) scheme, Programme for the Endorsement of Forest Certification (PEFC) scheme and Sustainable Forestry Initiative (SFI). The approach taken by each certification scheme varies. We encourage suppliers to move towards certification under the FSC scheme, which is recognised by WWF as an indicator of a well-managed forest.

Product stewardship

Managing the environmental and social impact of our products

Much of our work to improve labour standards or forestry standards in our supply chain is behind the scenes. However, we are working hard to make more of this work visible to our customers, so that it is easier for them to see which products have environmental or social benefits. This year, we have continued to increase the number of stationery products made from recycled materials, notably through the introduction of a new Core Stationery line for Back to School. Other products range from correspondence paper to photocopier paper and magazine files. Our Corporate Responsibility team work closely with our buyers to look at opportunities to further expand our recycled product range and we are already working on new product lines to be introduced next year, some made from recycled materials, others helping to raise awareness of environmental issues such as climate change.

Our products can also help to support charities and we have continued to expand our successful Adopt a Box range which raises money for partner charities working on conservation issues. More detail can be found in the Community section of this report.



Developing products to meet the needs of a diverse customer base

With stores on almost every high street across the UK, our customer base reflects the diversity of the UK population. During May and June, WHSmith took part in Books for All, a pilot promotion with the Arts Council England's diversity initiative specifically targeting African, Asian and Caribbean customers. Research carried out by *The Bookseller* in 2006 found that there was a "fear factor" within the book industry when it came to marketing books to Britain's black and minority ethnic population. Books for All was an attempt to address this lack of confidence and to help make our stores an appealing option for readers from every background. The promotion ran in our London and Birmingham stores and involved devoting space to allow for the promotion of books by black and Asian writers.

Responsible disposal of waste electrical products

Each year in the UK, people throw away over 1.2m tonnes of electrical and electronic waste – the equivalent of 150,000 double-decker buses! Electrical equipment contains chemicals that can be harmful to the environment and to human health. It is therefore important that these products are disposed of safely.

This year, the UK implemented the Waste Electrical and Electronic Equipment Regulations (WEEE), which aim to increase the amount of electrical waste that is sent for recycling. It places requirements on UK retailers to help give members of the public the opportunity to deposit their old electrical items for recycling.

WHSmith is working with other retailers to help upgrade local Civic Amenity sites across the UK where customers can take their old electrical items for a safe, free-of-charge disposal.



All electrical products from WHSmith now carry a symbol of a crossed-out wheeled bin to remind customers that the product should be disposed of carefully and not thrown out with general household waste. Our stores also offer guidance to help customers find out how and where to recycle electrical and electronic products when they reach the end of their lives.

Promoting ethical trading

In addition to the environmental impact of our products, we also have a responsibility for the way in which our products are made. WHSmith is committed to ensuring that standards are maintained across our supply chain, regardless of where in the world our products are made. Our aim is that suppliers should, at a minimum, meet the standards set out in our Supplier Code of Conduct. To reach that goal, we are working with our suppliers to bring about incremental change, through training, advice and by showing suppliers that they too can benefit from improved labour standards and better supply chain management.

WHSmith has been a member of the Ethical Trade Initiative (ETI) for a number of years. The ETI is an alliance of companies, NGOs and trade unions that all work together to promote and improve the implementation of corporate codes of practice covering supply

chains. Our own Code of Conduct is based on the ETI Base Code. We also participate in the ETI China Working Group, which provides a forum for members to learn and share experiences from one of our key supplier countries.

Before an order is placed with a new supplier, our specialist Hong Kong social compliance team visit the supplier factory to assess the labour standards against the standards set out in our Code of Conduct. On-site, the team examine everything from factory production records to fire exits and worker dormitories. The workload is considerable and often involves forensic accounting when monitoring wages and working hours. This year, the team carried out 157 audits across China, India and the Far East.

At the end of the team's visit, the WHSmith team meet with the factory management to discuss their findings and recommend any necessary improvements. An action plan is agreed with a specific timetable for each improvement to be completed. We will then follow up with the factory as necessary to ensure that all actions have been completed. Another full audit is carried out no more than 24 months later.

It is this improvement process which is core to our approach, although it can often be a time-consuming process as our team work with suppliers to convince them that improvements in labour standards can benefit the business as a whole, as well as the workers. This year, we have increased the size of our Social Compliance team which has in turn increased our capacity to work with suppliers on improvements. We have also been able to carry out in-depth engagement with one key supplier, focusing on improvements to health and safety, and we hosted a supplier conference to provide suppliers with practical advice on how to make improvements (see case studies).

Engagement with UK suppliers

Our UK-based compliance team have responsibility for maintaining standards in our UK own-brand suppliers. Many of our UK suppliers also source components from around the world and it is important that they too have systems in place to monitor standards.

This year, our UK compliance team have been working with key UK own-brand suppliers to ensure that they have robust systems in place to audit labour standards and forest sourcing practices in their supply base.

We contacted our Top 20 UK own-brand suppliers asking for detailed information on the approach to managing these issues and ensuring compliance with WHSmith's policies. We held meetings with the Top 5 suppliers to discuss their policies and procedures in depth. This helped us to understand the challenges our suppliers face when implementing ethical trading policies, for example, and we took the opportunity to give advice on how to implement robust systems. At each meeting, we agreed a timebound action plan for the supplier to complete any improvements necessary. The UK Compliance Team have then followed up with each supplier at regular intervals and will continue to do so in the year ahead. We know from our own

experience that improving labour and forestry standards in the supply chain can be challenging and that commitment is required over the long-term to achieve real improvements. We will continue to support our suppliers as they follow this path.



Case study – Working to improve occupational health and safety

In July 2006, we began to work with one of our key Chinese suppliers, a manufacturer of photograph albums, to look at ways to work together to improve the management of health and safety (H&S).

The project was based on the Ethical Trading Initiative (ETI) H&S Project which we had been part of developing through our membership of the ETI China Working Group. Our objective was to build a close relationship with this key supplier to look in detail at one aspect of labour standards. In return, we hoped the project would assist them to build their understanding of best practice in the management of H&S issues.

The WHSmith team worked alongside factory management to agree the best approach and factory personnel were closely involved at each stage. The first step was a full risk assessment involving air and noise tests and the identification of potential hazards. We then worked with the factory management to review their H&S policy, train key personnel and advise on the establishment and election of a worker H&S committee.

The project provided useful learnings for all involved. For our supplier partner, there was the opportunity to develop their H&S management skills and build confidence in involving workers in dialogue on such issues. For WHSmith, the project helped us to better understand the best ways to encourage improvement in labour standards and persuade suppliers of the mutual benefits of such improvement.

Case study – Listening to supplier views

In June 2007, WHSmith held a conference in Guangzhou, China, for 40 of our key Chinese suppliers. The conference was run in partnership with the ETI China office and CSR Asia, a non-profit organisation working in Hong Kong and China to promote CSR issues.

The conference was intended to provide our suppliers with a clear understanding of our expectations around labour standards and to underline the benefit to suppliers and to WHSmith of working together to tackle these issues. The conference was also intended to support a more open and transparent dialogue-based relationship with suppliers. CSR Asia staff conducted closed group sessions where suppliers were encouraged to talk openly about the challenges they face. After the closed sessions, a series of workshops covered industry best practice in Human Resource Management, Health and Safety, Communication and Social Accountability, setting out the benefits of improved practices, both in terms of worker well-being and overall business productivity.

Post-conference feedback was positive with many suppliers appreciating WHSmith's efforts to engage. Many found the workshops useful and insightful, while others felt they better understood why WHSmith was interested in improving labour standards. One comment which came from a number of suppliers was that they would like more guidance on how to improve the working conditions within their factories. As a result of this feedback, we plan to increase the amount of training and guidance we provide.

	2006/07 Targets		Progress	2007/08 Targets
Ethical trading	<p>Increase engagement work with Far East own-brand suppliers by 10% to give greater visibility of potential risks and to encourage improvement from the highest risk suppliers.</p> <p>Continue our work with two Far East suppliers on health, safety and welfare issues.</p>	<p>✓</p> <p>→</p>	<p>Total number of audits and post-audit follow-ups was 157 visits, up by 10% from last year and resulting in a significant increase in the number of completed corrective actions.</p> <p>H&S Project completed with one supplier. See case study for details.</p>	<p>Continue focused engagement work with key suppliers to help them understand the business benefits of improved labour standards, targeting a 5% increase in engagement.</p> <p>Continue to work with key Far East suppliers. Deliver training for key suppliers giving practical advice on how to improve labour standards.</p>
Engagement	<p>Ensure that key UK stationery suppliers who provide us with own-brand product from the Far East have robust systems in place to audit labour standards and forest sourcing practices in their supply chain.</p>	<p>→</p>	<p>Dialogue initiated with 5 key suppliers to emphasise the importance of robust systems to manage labour standards in the supply chain and to communicate WHSmith's requirements. Action plans agreed as part of each meeting.</p>	<p>Continue to work with key UK FOB stationery suppliers, following up points from mutually-agreed actions plan to ensure continued development of systems to audit labour standards and forest sourcing practices in their supply base.</p>
Forestry	<p>Maintain at 32% or increase further the amount of own-brand paper and timber product sourced from recycled sources and certified forests.</p>	<p>✓</p>	<p>41% of own-brand timber and paper is now from recycled sources or forests certified as being sustainably managed.</p>	<p>Maintain at 41% or increase further the amount of own-brand paper and timber product sourced from recycled sources and certified forests.</p>
Products & marketing	<p>Continue to identify new product opportunities through our CR approach. Aim to introduce at least 3 further recycled or FSC-certified product lines.</p> <p>Develop internal guidelines that specify the actions buying and marketing teams should take to ensure that Marketing Code of Practice is effectively implemented.</p>	<p>✓</p> <p>✓</p>	<p>New recycled and charity product lines introduced e.g. extended Adopt an Animal range, wider range of recycled core stationery lines.</p> <p>Internal guidelines developed and training provided to key buyers to ensure they understand how to implement the guidelines in their day-to-day work.</p>	<p>Continue to identify new products through our CR approach (i.e. products with improved environmental credentials or which support charity). Aim to introduce at least 15 new product lines.</p>

✓ Achieved
→ Ongoing
x Not achieved

Board accountability

Alan Stewart, Group Finance Director

Executive accountability

Robert Moorhead, Retail Finance Director

Relevant policies

Environmental Policy

WHSmith is committed to reducing the impact our business has on the environment. Environmental issues are also an increasing concern for our customers and staff and we want to help them do their bit to help the environment. Responsibly managing our environmental impact also makes good business sense. Electricity, fuel, water and raw materials all represent a cost to our business, so the less we use, the lower our costs will be.

Our main environmental impacts include:

- The energy used in our stores, offices and distribution centres.
- The fuel consumed by our vehicle fleet in getting product to stores.
- The waste, mainly cardboard and plastic, generated in stores and at our distribution centres.

We also have a responsibility for the environmental impact of the products we sell, although these are often harder to manage. We discuss some of these issues in our Marketplace chapter.

Environmental management

Our approach to managing our environmental impacts is governed by our environmental management system (EMS). This is based on the principles of the internationally-recognised ISO14001 scheme. During the year, we have carried out a full review of the EMS, looking at our key environmental impacts, the personnel responsible for managing each aspect of the system and the way we set objectives and targets and monitor performance. The review provided an opportunity to ensure that key staff around the business have a full understanding of their responsibilities with regard to environmental management and are focused on the actions they need to complete to meet our environmental targets. Our objective is to repeat this process annually to ensure that our EMS continues to support further improvement in our environmental performance.

Energy and emissions

We have continued to reduce energy consumption across the Group in line with our targets. In September 2004, we set a target to reduce energy consumption by 5% per square foot by August 2008. We have exceeded this target, delivering a 9% reduction in energy consumption during the period.

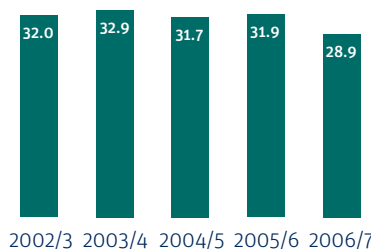
Overall Group carbon dioxide emissions (from both transport and energy) reduced by over 55% year on year, from 41,493 tonnes last year to 18,528 tonnes this year. A significant factor in our emissions is the amount of energy we are able to source from generation sources with lower carbon emissions, such as hydro-electric

power or renewable energy. This year, we were successful in sourcing most of the electricity for our High Street stores from hydro-electric sources, contributing to a reduction in carbon emissions. It can be difficult to secure supply of these lower emission forms of energy, but we will endeavour to purchase our energy from low emission sources again next year.

Next year, we will focus on carbon emissions in our Travel airport stores, working with Pure, the Clean Planet Trust, to offset the emissions from the electricity used in these stores by supporting clean energy developments across the world.

ENERGY CONSUMPTION*

KWh per square foot



*Data from previous years re-stated based on more accurate square footage data.

Improving energy awareness

Energy conservation is often about lots of people making very small changes. Encouraging people to make these small changes involves raising awareness of the simple steps that people can take. With over 16,000 members of staff spread across over 700 sites around the UK, there is an opportunity to make significant energy improvements through greater awareness of environmental issues.

During September and October, we launched a SWITCH IT OFF! campaign in our High Street and Travel businesses, aimed at promoting awareness of environmental best practice and delivering reductions in energy consumption and waste. All stores received a set of eye-catching posters and stickers that remind staff of the simple steps they can take. As part of the campaign, we held an Energy Awareness Week with daily tips on saving energy. Staff were also encouraged to use the Energy and Environment section on our intranet, which provides staff with information on how they can help reduce energy consumption. Coupled with the fact that store managers are accountable for energy costs within their profit and loss accounts, this heightened awareness is making an important contribution to delivering overall reductions in energy consumption.

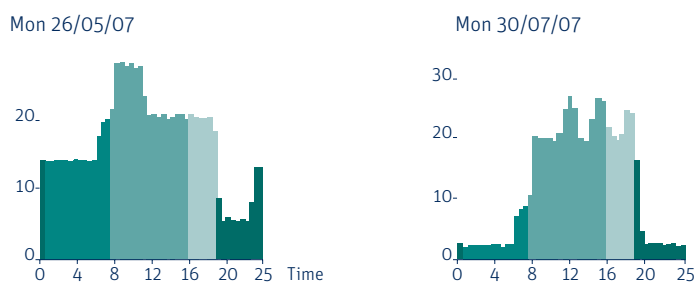
Spotting energy wastage quickly

Accurately measuring and reporting on our environmental impact is a critical part of energy management. However, monitoring consumption across 700 sites – sites that include airport stores, railway stations and older high street buildings – is a difficult and time-consuming exercise.

This year, we completed the rollout of Automated Meter Readers (AMRs) across our High Street stores. AMRs allow us to monitor, locally or centrally, the energy consumption of an individual store

throughout the day. The consumption pattern that AMRs produce can identify where lights or PC monitors have been left on overnight or where thermostats have been wrongly set.

The graphs below show the actual electricity consumption of the same store taken on different days. Under ideal energy management, the graph should take the form of a 'top hat', with minimal consumption during non-trading hours.



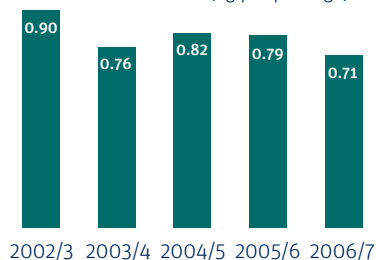
The chart dated 26 March shows abnormal non-trade consumption, with electricity use remaining high throughout the day. The chart led us to identify that an override function on the store air-conditioning system had been left permanently on. Correcting the settings led to a considerable improvement, resulting in the ideal 'top hat' pattern of consumption shown in the chart dated 30 July and a nighttime energy saving of around 75%.

With the AMRs already having identified significant savings in individual stores, used across our portfolio of stores should help us achieve substantial savings in energy consumption.

Transport

CARBON DIOXIDE EMISSIONS PER PACKAGE MOVED

Carbon dioxide emissions (kg per package)



With a store network running the length and breadth of the UK, the transport of product to store is a major environmental impact for WHSmith. This year, we have introduced a new way of measuring and reporting the impact of our transport network, looking at the volume of carbon dioxide for each package moved from our distribution centres to our stores.

We have continued to work with our logistics contractors to further improve the fuel efficiency of our distribution fleet. A key driver of further efficiencies is the ongoing programme of refinements to our ideal delivery frequency schedule, which takes account of how

full a vehicle is before making a delivery, rather than simply basing it on a daily schedule. As well as reducing fuel consumption, these refinements improve the service levels provided to our stores. We have also continued to introduce double deck trailers on our trunk routes.

In order to further reduce emissions from our fleet, we are upgrading our delivery fleet with cleaner and more fuel-efficient vehicles. We are also trialling bio-diesel in some vehicles, and we will be closely monitoring the efficiency and environmental impact of the alternative fuel.

In addition to the impact of our distribution fleet, we are also looking at other aspects of our transport impacts. Following the introduction of a new company car policy this year, next year, we will begin the renewal of our company car fleet to reduce carbon dioxide emissions by 7% of a typical vehicle.

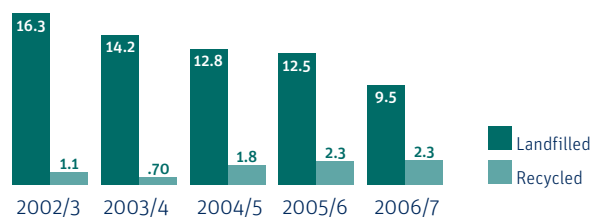
Reducing waste

The majority of the waste generated by our business comes from our stores and distribution centres and is mostly made up of cardboard, plastic shrink wrap and damaged stock.

The focus for our waste reduction programme is to increase recycling in our stores. However, our large estate made up of many small sites, often with limited vehicular access, means that this is a challenging task. During the year, we have increased the number of stores recycling their waste to 216 of our sites. While this represents an improvement, we have fallen a fraction short of making the improvement we targeted in terms of percentage of waste recycled across the Group. Group recycling rates are 19.5%, against a target of 20%, and next year we will work hard to improve on this figure, targeting 25%.

TOTAL WASTE ARISING

Thousand tonnes of waste



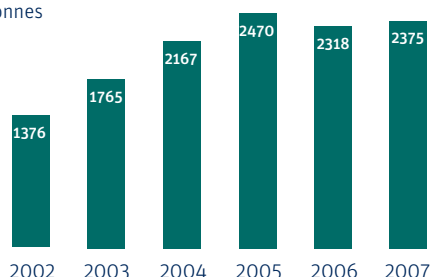
Reducing packaging

In recent years, packaging has become a major focal point for consumers concerned about waste and the environment. Excessive and unnecessary packaging is also a source of cost to our business. It adds to transportation costs, takes up room in our stores and it adds to our waste disposal costs.

Each year, we are required to report to the Environment Agency figures for the amount of packaging we handle and ensure that a set percentage of this material has been recycled. This percentage is known as our packaging obligation.

PACKAGING OBLIGATION

Tonnes

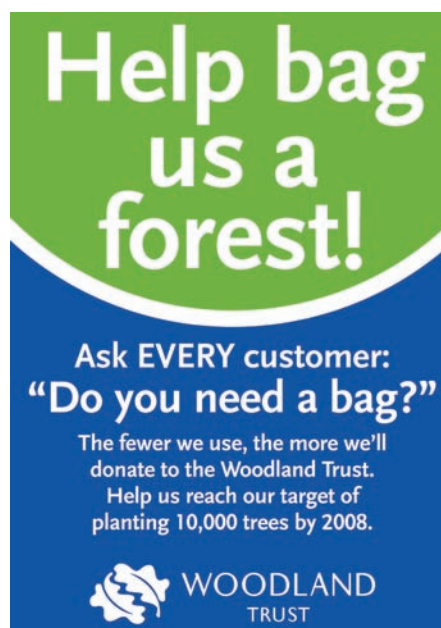


Much of the waste generated at WHSmith is from the packaging used to protect our products in their journey from factory floor to shopping basket. From next year, we will require all our suppliers to provide detailed information for all the packaging used in WHSmith products. This will allow our commercial teams to see at a glance the different materials and quantities of packaging used in our products.

Another focus on packaging has been in reducing the amount that is sent out to stores. Collecting our transit packaging at our distribution sites allows it to be more easily recycled. We have also begun a trial with some of our book publishers which involves distributing books to stores using totes, which can be reused, thereby eliminating the cardboard and shrink wrap that is currently used to protect books on their journey to stores.

Carrier bags

We have been working hard in recent years to reduce the environmental impact of our carrier bags. We joined with other leading retailers also wanting to tackle this issue, signing up to the British Retail Consortium's commitment to reduce the environmental impact of our carrier bags by 25% by 2008, also targeting further reductions to be achieved by 2010.



The new bag designs we introduced in 2006 have already delivered a 28% reduction in the amount of plastic used.

We know that our customers are concerned about the impact carrier bags have on the environment. In the spring, we launched a scheme to work with our customers to reduce carrier bag use. In partnership with the Woodland Trust, the UK's leading woodland conservation charity, every time a customer chooses not to take a carrier bag, we will make a donation to support the Woodland Trust's work. Our target is to fund the planting of 10,000 trees by the end of 2008 to create new woodland across the UK.

Helping our customers to protect the environment

Environmental conservation is often about individuals taking small steps to reduce their own environmental impact. With millions of customers passing through WHSmith stores every day, we have a real opportunity to engage with our customers and to help make them aware of their role in environmental conservation.

Woodland Trust Christmas Card Recycling Scheme

For a number of years, WHSmith has been working in partnership with the Woodland Trust to raise the profile of recycling among our customers. During the month of January, customers across Scotland, England and Wales could take their old Christmas cards into their local WHSmith store for recycling. As well as raising the profile of recycling in the UK, the scheme also raises funds that allow the Woodland Trust to continue its valuable work in restoring and conserving the UK's natural woodland. This year, our customers helped to recycle almost 93m cards that would otherwise have ended up in landfill. The proceeds from the recycled cards also raised enough money for the planting of 22,000 trees across the UK.

Supporting Tommy's through inkjet cartridge recycling

Our inkjet cartridge recycling scheme continues to provide customers with an opportunity to recycle their old cartridge when they come into WHSmith to buy a replacement one. Recycling rates increased significantly this year, with 31% of the own-brand inkjet cartridges sold being recycled at the end of their lives. This is up from 18% last year. As well as helping to reduce waste, for every cartridge recycled, a donation is made to Tommy's – the baby charity.

WHSmith's partnership with the Woodland Trust

The Woodland Trust is the UK's leading charity dedicated solely to the protection of the UK's native woodland heritage. The Trust acquires woodland sites, which it then manages in a manner sympathetic to both wildlife and public enjoyment. The Trust also uses its considerable experience to promote forestry conservation causes among government and public.

Sue Holden, Chief Executive of the Woodland Trust, said: "WHSmith's support of the Woodland Trust over the last six years has been fantastic. Together we've planted thousands of trees and reached millions of customers with environmental messages such as recycling."

	2006/07 Targets		Progress	2007/08 Targets
Energy	Carry out environmental awareness campaign across all stores, offices and distribution centres.	✓	SWITCH IT OFF! campaign held covering all locations to promote awareness of environmental best practice and encourage reductions in energy consumption and waste.	Continue to reduce energy consumption, targeting a 15% reduction by August 2010.
	Continue to reduce energy consumption, targeting a further 3% reduction by August 2008.	✓	Group energy consumption reduced by 9% YoY.	Offset the emissions from the electricity used in our Travel Airport stores by supporting clean energy developments across the world.
	Roll out Automated Meter Reading systems across High Street stores to provide accurate meter readings which will enable fast identification of high energy users.	✓	Automated Meter Reading system rolled out to all High Street stores.	
Transport	Continue to target logistics contractors to improve fuel efficiency of distribution fleet by maintaining fuel consumption at 9.9mpg.	✓	Fuel efficiency increased to 10.5mpg.	Reduce carbon dioxide emissions per 'skip' delivered to store to 0.67kg.
				Begin renewal of company car fleet to reduce carbon dioxide emissions by 7% of a typical vehicle.
Waste and Management	Ensure that at least 20% of group waste is recycled.	x	19.5% of group waste recycled.	Ensure that at least 25% of Group waste is recycled during 2007/8.

✓ Achieved
→ Ongoing
x Not achieved

Board accountability

Alan Stewart, Group Finance Director

Executive accountability

Tanith Dodge, Group Human Resources Director

Relevant policies

Code of Business Conduct

Suite of employee policies

Health and Safety Policy

Attracting and retaining the best employees is crucial to the success of our business. With employees seeking greater levels of fulfilment in their own lives, and amid a highly competitive employment market, remaining an employer-of-choice requires a continuous investment in our workforce. 'Value Our People' is one of our core business values and we aim to provide all our staff with suitable training and the opportunity to develop their career at WHSmith. We also aim to be clear about what we expect of staff and that everybody shares and understands our business across all our locations.

Living our values

In 2004 we adopted four key business values: Customer Focus, Drive for Results, Value Our People and Accountability. Over the past few years we have focused on engaging with our staff to ensure they understand the values and on celebrating the success of staff who demonstrate the values on a day-to-day basis.

WHSMITH VALUES

The values form a key part of every employee's lifecycle, from recruitment, personal objectives and appraisals, to training and development programmes. Our Head Office Values In Practice or 'VIP' scheme was launched in 2004 and is an opportunity for any member of staff to recognise colleagues who have set a leading example of demonstrating the values. This year we added Making Life Easier for Stores to the VIP scheme to encourage staff to focus on removing or simplifying a task or activity for our store teams. Each month one VIP nominee is selected as 'VIP of the Month' by the Executive team as an exceptional example of how to live our values, and they receive three extra days' holiday.

Thus year, we reviewed the scheme through a short feedback questionnaire to staff. The findings confirmed the positive impact of this scheme, with comments such as "the scheme is a great way of recognising colleagues who make the extra effort" and "what makes this really special for me is finding out I was nominated by members of my team".

Examples of a VIP nomination:

Jan demonstrated Customer Focus and was nominated following an email from a customer to thank Jan for the help she gave him. He wrote: "I spoke to Jan Cookson in the Customer Service Centre and what a breath of fresh air she is. She was attentive and I felt that someone was actually taking me seriously. Jan dealt with this superbly and kept in contact until resolution. I cannot commend her highly enough. What a great ambassador for WHSmith. What an absolute star!"

"Michelle has demonstrated great Accountability as she worked with suppliers to help improve sales performance following a range review and promotion. She worked tirelessly to chase orders, instigated weekly meetings and implement improved working practice. This resulted in improved availability and improved sales."

Claire has demonstrated Value Our People, recently supporting a High Street store manager when they were dealing with an extremely difficult customer complaint. The store manager was really grateful to Claire for her calming influence, plus the advice and reassurance she gave. She also contacted the store manager after the complaint had been dealt with to ensure he was OK. The store manager said, "Claire's support was outstanding and it meant a lot to me that Claire took the time to check my welfare, thank you again and keep up the good work".

The Head Office VIP scheme continues to be popular with staff, with over 100 Head Office staff being recognised last year for living our values.

Each year we also celebrate the successes and achievements of our store staff, with awards being presented to recognise the commitment staff have to the business, the contribution they make and how they overcome challenges. These awards include Most Improved Store, Store of the Year, Store Manager of the Year and Manager's Manager of the Year.

Communicating with and engaging our staff

We understand the importance of communicating with our staff on a regular basis – that's weekly, monthly and annually, to keep them updated and informed on current business activity, performance and progress.

Every week we circulate a newsletter to staff in head offices and distribution centres containing articles on business activity, staff recognition and new people joining, policy updates, and store promotions and events. The last survey revealed that this newsletter was read by 95% of staff.

The Executive Directors carry out briefings every month to the senior management team, providing an update on business performance. Department briefings then follow so all head office staff are updated and have an opportunity to ask questions. Another monthly session is a more informal group called a Director's Breakfast, where a small group of staff, chosen at random, have an opportunity to talk to one of the Executive Directors and raise any subjects they wish. The suggestions made at these events are taken away by the Directors to follow up.

Twice a year the Executive team hold a strategy briefing to update staff on key priorities for the forthcoming months. The last briefing was held in April and we contacted a sample of staff for their feedback. Comments included "I thought the session as a whole was very interesting" and "a really informative session". All staff questioned said they understood the business priorities "very well" as a result of the briefing.

Once a year all Store Managers attend a conference for their area. This event provides a review of performance during the previous year and looks at priorities and focus for the current financial year, especially the Christmas trading period. This is also an opportunity for staff recognition.

In order to understand how successful we are in keeping our staff engaged, this year we carried out an employee survey. We will use the results to further improve our employee engagement going forward.

Training and developing our staff

We have continued to strengthen our training and development support to ensure all employees, whether in head office, stores or distribution centres, can access the appropriate development tools.

This year saw the launch of a new training and development intranet site, with one version aimed at head office staff and another designed specifically for store staff. Both sites support staff with career development, highlighting all the different training and development solutions available, as well as helping our staff drive their own self-development by learning new skills.

Case study – 'Learning at Work' week

We took part in the annual awareness campaign 'Learning at Work' week, when thousands of organisations organise business-related learning activities to help staff learn new skills they can put into action at work. During the week, master classes were held, with over 250 staff attending.

Following the classes we asked staff for their comments:

"I went to two master classes, **Assertiveness** and **Negotiation**, which were both excellent and provided some great top tips that I can put into immediate practice in a range of business situations."

"The bite size courses were fantastic and have helped me look at where I need to develop. I took away lots from each course and am surprised how much was covered in just one hour."

Our training and development programmes are focused on delivering measurable results, both for the individual members of staff taking part and for the business. At head office, in addition to our Fast Track Academy which prepares a small group of high potential candidates for future senior management roles, we have introduced programmes focused on a specific function. For example, the Buying and Merchandising Foundation Course was introduced this year to support individuals in the keys areas of Buying and Merchandising and aims to develop the technical and behavioural abilities of the delegates.

Within the store environment, our Supervisor and Manager Development Programmes continue to deliver excellent results, creating a pipeline of talent to fulfil these key roles and giving staff the opportunity to progress up through the business. Both of these programmes provide potential Supervisors and Managers with the commercial, operational and behavioural skills and knowledge they would need to be promoted into the more senior role. This year, we have increased the reach of both of these programmes by over 20%. We measure the success of the training by looking at how many candidates are promoted into a supervisor or store manager role once they have completed the course. In 2006/07, 60% of participants on the Supervisor Development Programme were promoted at the end of their training period and for the Manager Development Programme, the promotion rate was 73%. The store development programme does not stop at store managers, but gives staff the opportunity to continue right up the career ladder. Our Senior Store Manager Development Pool, for example, comprised 15 individuals identified to have the potential to become District or Area Managers in two moves. This year 50% of candidates achieved promotions.

Supporting work/life balance

Having an appropriate work/life balance is very important to our staff, and we want to do more to help them achieve this. We also recognise that people's lifestyle patterns are changing and they increasingly want to have flexibility in their working conditions.

In the last 12 months, we have launched a number of new employee benefits, including:

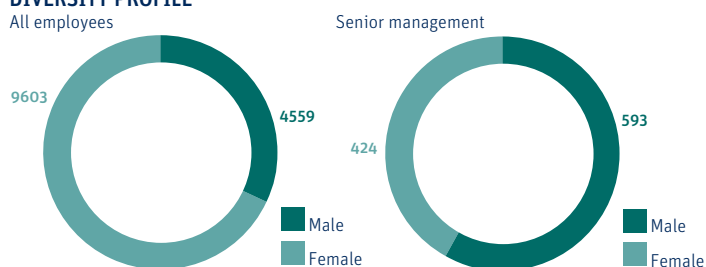
- School Starter Scheme granting working parents half a day paid leave to accompany their child on their first day of school
- Phased Retirement allowing employees to voluntarily reduce their working hours as their retirement date approaches
- V-Time Working allowing employees to voluntarily reduce their working hours for a defined period of time in order to balance their work and personal commitments without having to leave the organisation or permanently reduce their working pattern
- Rewarding Attendance Scheme giving staff with 100% attendance record during a six-month period, an additional day holiday.

Valuing diversity

Diversity is an integral part of our corporate responsibility. We want inclusion to be the norm at WHSmith, where diversity and equality are valued by everybody. Following the establishment of a diversity working group last year, this group has continued to meet during the year to review progress against our diversity action plan. We are making progress with the implementation of this plan. Actions carried out during the year include the integration of our diversity principles into the store recruitment strategy and also the provision of training programmes on diversity, disability and discrimination issues for all managers within the business, both within stores and head office. In addition, we have trialled sign language courses for store staff to help them to communicate better with customers with hearing difficulties. These courses have been well received and we will look at offering them to more staff next year.

We continue to work to improve the quality of data we have on the diversity of our own staff and this will be a focus in the year ahead.

DIVERSITY PROFILE



Maintaining a safe and healthy working environment

The Board is committed to maintaining high standards of health and safety in the business. The Management team, supported by professional safety advisers, monitors key safety performance indicators and an annual report detailing trends, performance and recommendations is presented to the Board. The business also has a properly constituted Health and Safety Committee that comprises employee representatives, management, trade union representatives and professional Safety advisers.

Accidents and Injuries

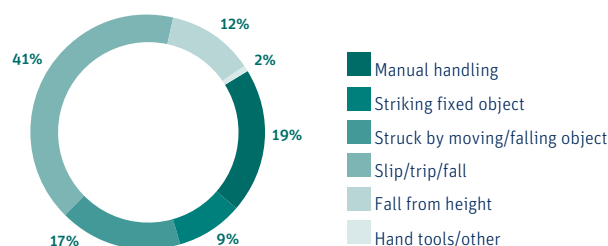
	2007	2006	2005
Major injuries	16	22	22
Injuries resulting in over 3 days' absence from work	53	48	57
All RIDDORs*	69	70	79

* Accidents reportable under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations.

This year, the total number of reportable accidents reduced by 1%, while the number of major accidents reduced by 27%. This will continue to be an area for focus in the coming year.

As shown in the pie chart below, over 60% of accidents are due to slips and trips and manual handling. During the year over 1,000 managers have been trained so they can cascade safety training to their staff, with a particular emphasis on these two areas. Specific Health and Safety training has also been incorporated into our Management Development Programme for new Store Managers.

ACCIDENTS BY TYPE 1 SEPTEMBER 2006 – 31 AUGUST 2007



We monitor all incidents at all our sites, irrespective of how minor they may be, so that we can understand the cause and identify any trends. This year, our target was to reduce these minor accidents by 5% and we exceeded this with a reduction of 11% during 2006/07. We will target a further 5% reduction next year. In addition, we track the contacts made by local Environmental Health Officers and the issues raised. Our target is to have no fines or penalties imposed and this was achieved for 2006/7, as it had been in the previous year. We also monitor the number of formal notices received from Environmental Health or Fire Officers. This year, we targeted a 2% reduction in the number of notices received and we were pleased to exceed this target, achieving a 4% reduction. Over the next three years, we aim to reduce the number of formal notices by 6%.

We continue to benchmark our Health and Safety performance against our peers to ensure that we improve our approach in line with best practice.

Healthy Living campaign

Our work on employee health and safety extends beyond the management of accidents as we seek to help employees improve their health both inside and outside the workplace. During the early months of 2007, we launched the WHSmith Healthy Living Campaign designed to give head office staff the opportunity to start a healthier way of life, perhaps especially relevant in the new year after the excesses of Christmas. The campaign included the following activities:

- Personal Health Screening (taken up by over 25% of head office and distribution centre staff)
- Clinics to help give up smoking;
- Healthy Eating weeks in the staff restaurant;
- Head, foot, back and shoulder massage clinics; and
- Fitness and running classes.

The campaign proved popular with our staff and we will look at further similar initiatives in the future.

Making our stores accessible for all

The business is continuing to work towards improving the services that it provides to disabled customers, in compliance with Disability and Discrimination Act legislation. In particular, this includes;

- A rolling programme of capital improvements that we have continued to undertake across our estate during the year. This has included a number of installations of customer service lifts, automatic doors and hearing loops. We have also invested in new evacuation chairs for disabled customers, as part of our fire protection programme.
- We have continued to undertake ongoing training of our store staff; and
- We continue to subscribe to the website service operated by Direct Enquiries, that provides information to disabled customers on the specific facilities at each of our stores and enables us to review feedback on the quality of service. We are also members of the Employers Forum for Disability.

Case study – WHSmith Post Offices: providing a service for the whole community



In April, WHSmith announced an agreement with Post Office Limited to open Post Offices in 77 High Street stores. This agreement safeguards the future of Post Office services in these 77 communities. As well as ensuring the service levels are maintained or improved, we have an active programme

to ensure that the new Post Offices will be accessible to all the members of the community wishing to use the services.

Long before the Post Office opens, a detailed survey of the store is carried out, looking specifically at the entrance way, doors, fire safety and evacuation procedures and, in split level stores, the suitability of existing lifts, stairs or escalators. Following this assessment, we begin a programme of upgrading facilities as required. For example, the existing lift may be upgraded to include mirrors and a handrail, or, if it is deemed necessary, a new lift may be installed. As part of the Post Office rollout programme, we are installing new lifts at nine stores.

Rigorous maintenance schedules are designed to ensure that lifts remain in service at all times. However, in the unlikely event that a lift is unavailable, alternative arrangements for serving customers unable to access usual serving positions will be put into action on the ground floor in the form of a freestanding Post Office counter that offers essential products and services, respecting customer confidentiality, fully conforming to FSA regulations.

	2006/07 Targets		Progress	2007/08 Targets
Engagement	Use our training & development programmes to strengthen the skills managers have to consult with their teams and increase employee engagement.	✓	Employee Lifecycle tools updated to improve visibility of training materials to support staff performance and engagement through objective setting.	Continue to improve employee engagement levels using tools such as Directors Breakfasts.
		✓	Delivered Coaching workshops to Leadership Group in stores and head office.	
Training & development	70% of attendees on store manager development programme to be in store manager role within one year.	✓	73% of attendees were promoted to a store manager role.	Carry out full review of existing suite of programmes for stores to ensure effective development of internal talent.
	Maintain current levels of internal success with at least 60% High Street store manager vacancies to be filled by internal candidates.	✓	Over 60% of High Street store manager vacancies filled by internal candidates.	Raise awareness of training and development across the whole business and work with line managers to increase their accountability for performance.
Diversity	Provide training for all store managers on diversity, disability and discrimination issues.	✓	Training was provided to all managers within the business, both in stores and also in our offices and distribution centres.	Implement diversity monitoring for current, new and prospective employees.
	Integrate diversity into store recruitment strategy.	✓	All policies updated and fed through into our store recruitment strategy.	Continue to review the accessibility of our stores for disabled customers.
Health & safety	By 2010, overall reportable accidents to be 10% of 2004 levels.	→	RIDDOR rate reduced by 38% from 2004 levels and we remain focused on maintaining this performance to meet our 2010 target.	By 2010, overall reportable accidents to be 10% of 2004 levels.

✓ Achieved
→ Ongoing
x Not achieved

Board accountability

Kate Swann, Group Chief Executive

Executive accountability

Tanith Dodge, Group Human Resources Director

Relevant policies

Community Engagement Policy

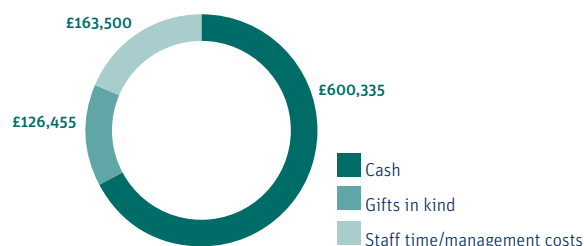
As an employer of over 16,000 people, and with retail stores, distributions centres and offices in over 700 locations, WHSmith plays an important role in many communities throughout the UK.

We encourage our employees to be involved with local communities, with our community investment focusing on education and life-long learning. As a leading bookseller and stationer, this is an area where we can use our knowledge and resources to make a real difference.

As members of the Per Cent Club, we set an annual target to invest at least 1 per cent of our pre-tax profits in support of charities and community projects. We use the London Benchmarking Group's reporting model to calculate our community contributions which provides a standardised way of managing and measuring corporate community engagement.

The chart below gives breakdown of our community contributions, using the London Benchmarking Group reporting model to calculate our investment.

We measure the direct contributions we make to the community, in the form of cash donations, gifts in kind and staff time and management costs.

WHSMITH COMMUNITY INVESTMENT 2006/07**WHSmith Charitable Trust**

The WHSmith Charitable Trust is an independent registered charity (registered charity no. 1013782) that actively supports employees that are involved with charitable organisations in their local community. The Trust has two principal objectives:

- To support the local communities in which WHSmith staff and customers live and work; and
- To support education and lifelong learning, helping people of any age to achieve their educational potential.

Our staff are great ambassadors for WHSmith across the communities in which we operate and many of our staff are involved in their community on a personal basis. To support and encourage staff involvement, the Trust will match employee fundraising up to £500 and team fundraising up to the value of £1,000. In 2006/07, the Trust made more than 30 grants worth over £17,000 to organisations that ranged from national charities such as Cancer Research and the Big Issue to local charities such as Essex Air Ambulance and the Earl Mountbatten Hospice. Each year, the Trust also runs a Christmas Giveaway where staff can apply on behalf of any charities they are involved with. This Christmas, over £20,000 was distributed to a wide range of charities and local organisations. Twice a year, grants are also



made to small charities local to our head office in Swindon. The charities are chosen by staff at our head office and receive a grant of £5,000 to support their work in the local community.

The Trust also works with WH Smith PLC to promote education and lifelong learning. This year, support was given to two major projects with the National Literacy Trust and Ty Newydd, both of which are profiled elsewhere in the Community section of this report.

Getting involved in local communities around the UK

The WHSmith Community Awards were launched in 2006 and are our way of recognising the contributions that WHSmith teams throughout the business have made to local charities and good causes across the UK.

As part of the 2007 Community Awards, 20 teams from around the business received awards recognising the leading example they had set by building strong links with community organisations in their local areas. Each team received a £500 donation for their partner charity or school with Gold, Silver and Bronze prizes for the three teams who had made a particularly special contribution to a local organisation. These teams also received a donation towards their staff social fund.

We were delighted to see the number of Community Awards entries up by 50% this year, indicating that this initiative is helping to raise the profile of community involvement within the Group.

Our Glasgow Central Travel store was awarded the Gold award for their work with the Erskine Hospital. The Erskine Hospital provides nursing and medical care for veterans of the British Armed Forces. The Glasgow team had helped out by reading to patients and providing entertainment at Burns Suppers and at Christmas time. The hospital posted a huge photo of the store team at the entrance to say thank you to WHSmith.

Newbury High Street store won Silver for providing work experience for special needs children. The store team also won a local employer award for their efforts. The Bronze award went to Chelmsford High Street store where the store team have been busy fundraising for the local Shopmobility which provides electric powered scooters to help those with mobility difficulties. Their entry read: "It provides an opportunity for the team to unite on something outside of work. Supporting Shopmobility enables more people to shop in Chelmsford."



Case study – Working locally to promote reading: Cheshire Oaks store and ReadWrite

Over the last year, our Cheshire Oaks store has been working with ReadWrite. ReadWrite is a charity that collects unwanted and unused books and redistributes them free of charge to charities and voluntary organisations working with people who are disadvantaged or socially marginalised; people who in many cases simply cannot afford or even borrow books through the usual channels like public libraries.

ReadWrite made a presentation to our store team in recognition of the tremendous help the store has given to the charity. Store manager Jenni Ripley and her store colleagues are great examples of the important work done by WHSmith teams in the community. They have helped ReadWrite in a number of ways, from donating their own unwanted books to arranging for the company to make a donation of shop fittings for ReadWrite's new warehouse and training facility. The Cheshire Oaks team also successfully nominated ReadWrite for WHSmith's 2006 Community Awards, winning a grant of £500 for the charity. ReadWrite spent the grant in the Cheshire Oaks store on books which were donated to local charities.



Case study – WHSmith staff raising money for charity: 3 mountains + 6 teams = £34,000

One Saturday afternoon last September, six teams assembled at the bottom of Ben Nevis to start the WHSmith Three Peaks Challenge. The objective was to raise funds for the WHSmith Trust and the Mitchemp Trust.

The Mitchemp Trust (registered charity no: 1019493) works with vulnerable young children enabling them to experience the outdoors, build their self-esteem and improve their self-reliance and make a real difference to their lives – www.mitchemptrust.org.uk.

After this point, there was no rest until Sunday evening when the last weary teams completed their descent of Snowdon, having travelled and walked through the night to climb the three highest mountains in Scotland, England and Wales.

Four teams from WHSmith took part, joined by teams from two Smiths News houses with active support from the WHSmith

Executive in the shape of two Directors leading two of the teams up the mountains.

The challenge required real endurance to keep going despite sore feet and aching legs and only having slept a few hours in a bumpy minibus. But perhaps the most important thing was teamwork as everyone worked together to help each other through the highs and lows. Most importantly, the challenge raised over £34,000 for the WHSmith Trust and the Mitchemp Trust.

Shortly after the event, we were delighted to hear from the Mitchemp Trust that the funds raised were already being put to good use through their outdoor programme for disadvantaged young people.



Promoting Literacy in partnership with the WHSmith Charitable Trust

**National
Literacy
Trust**

The National Literacy Trust is an independent charity that changes lives through literacy. The NLT aims to build a society in which everyone has the reading, writing, speaking and listening skills that they need to fulfil their own, and ultimately, the nation's potential.

Third year of the WHSmith Summer Read

2007 saw the third year of our partnership with the National Literacy Trust. WH Smith PLC and the WHSmith Trust worked with the National Literacy Trust's Reading is Fundamental programme to promote the love of reading. The Summer Read was developed to encourage children to keep reading during the long summer holidays, a time when literacy levels often drop. In the UK's most deprived communities up to 60% of 11-year-olds fail to reach basic standards in reading and writing, with many never having owned books of their own. Research also shows that children who read for pleasure have substantially better life opportunities than those who don't.

This year's Summer Read events encouraged children, typically from deprived communities where book ownership is not a feature, to take part in fun, book-related activities such as story-telling or making bookmarks or masks of characters from their favourite books. Each child then chose two books to take home and keep along with a WHSmith goody bag. The aim of the event was to promote the fun of reading, the importance of book ownership and the benefits to families of sharing books at home.

In 2007, we were delighted to be able to expand the scope of the programme, reaching 3,500 children in 17 locations around the UK. We also improved the way we communicate the programme to our customers through leaflets in participating stores, which told them about the Summer Read and also gave them the opportunity to donate to the National Literacy Trust's work.

The events were well supported by staff from across the business, with members of our Executive management team also attending several events, including Chief Executive Kate Swann, Commercial Director Stephen Clarke, and Human Resources Director Tanith Dodge. The teams from local WHSmith stores attended many events, giving store staff a valuable opportunity to get involved in the local community.



Measuring the impact of the Summer Read

	2007	2006	2005
Hold events in at least 15 locations to benefit at least 2,500 children	Events in 17 locations Over 3,500 children took part	Events in 15 locations Over 2,700 children took part	Events in 15 locations Over 2,600 children took part
Over 70% of project coordinators assess project as "very important"	93% rated WHSmith Summer Read as very important	75% rated WHSmith Summer Read as very important	86% rated WHSmith Summer Read as very important

Local projects delivered:

Improvement in children's attitude to reading	89% improvement	90% improvement	76% improvement
Increased project coordinators' knowledge of children's books	86% increased project coordinators' knowledge of children's books	59% increased project coordinators' knowledge of children's books	69% increased project coordinators' knowledge of children's books
Additional fun element to children's experiences of reading	93% additional fun element to children's experiences of reading	97% additional fun element to children's experiences of reading	83% additional fun element to children's experiences of reading

Nurturing the creative writers of the future

This year, WH Smith PLC and the WHSmith Trust have also been working with Ty Newydd, the National Writers Centre for Wales, as part of our work to support education and literacy. Ty Newydd provides young people with a unique and often life-changing experience by giving them the time, space and confidence to develop confidence in creative writing. The children work in small groups with published writers and poets to explore their potential, with an aim of nurturing the young writers and readers of the future.

A substantial grant enabled Ty Newydd to double the number of writing courses it runs for school children, bringing its writing courses to pupils from schools in disadvantaged areas and also financing writer visits into schools. In all, around 1,000 pupils were given the opportunity to work alongside some of Wales' best-known writers.

Sally Baker, Executive Director of Ty Newydd, said: "At Ty Newydd we believe we can give young people a unique and often life-changing experience by giving them the time, space and confidence to explore their potential as writers. The grant from the WHSmith Trust has enabled us to offer this experience to schools throughout Wales."

Case study – Visit to Ty Newydd inspires Bangor primary school children

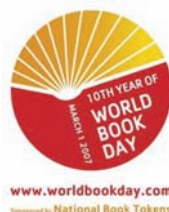
On a rainy day in July a group of pupils from year 6, Cae Top Primary School in Bangor came to Ty Newydd to write poetry in both Welsh and English. Cae Top Primary School is in a poor area of Bangor and these pupils had never worked with writers before and would never have had the opportunity to do so without the grant from WHSmith. They worked alongside two of Wales' most practised creative writing tutors to write their own poetry. The pupils love the experience. Some had limited language skills but all produced something that they were proud to perform, many creating work way beyond their expected capabilities. By taking the children out of the school environment and giving them the help and guidance to explore their creativity, it was clear that they had grown in confidence and had become individuals who believed they had something worthwhile to say. The pupils later visited WHSmith's Bangor store to read some of their poetry.



At the beginning of the project with Ty Newydd, we agreed targets for the impact we wanted to achieve. These targets and our progress against them, are set out below. The project runs until early summer 2008, by which time both we and Ty Newydd are confident that all targets will have been achieved.

	Original numbers	Target with WHSmith grant	Numbers achieved to date
Residential schools courses	12	24	22
Schools from deprived areas	0	6	4
Individual pupils supported	0	6	9
Writer visits into schools	0	4	32

Supporting World Book Day



March 2007 saw the 10th anniversary of World Book Day. World Book Day aims to give every child the opportunity to choose a book of their own and to promote the enjoyment of reading.

Many WHSmith High Street stores helped local children celebrate by organising their events. Activities focused on promoting the fun of reading and included dressing up in costume, holding storytelling sessions, face-painting, competitions and activity sheets for children.

Products to promote and support charity and education

For many years, WHSmith has been supporting good causes through its charity Christmas card range, having raised hundreds of thousands of pounds for national and international charitable organisations. This year, our charity Christmas cards raised over £140,000 for five charities which were chosen by our staff: British Heart Foundation, Children in Need, Guide Dogs for the Blind, Childline and Macmillan Nurses.

Christine Renouf, Director of Listening Services, for one of our charity partners, Childline, told us, "we are extremely grateful to WHSmith for their support of the ChildLine service in 2006. The money raised

through sales of WHSmith charity Christmas cards helped us to answer hundreds of calls from children in desperate need."



ChildLine is a service provided by the NSPCC
NSPCC registered charity numbers 216401 and 5037717

Christmas is a time when many of our customers like to give a present to a loved one which also benefits charity. Last year we introduced our 'Adopt a Box' range which gives customers the opportunity to support the work of a specific charity, for example helping to fund the care and protection of an endangered animal or contributing to the funds required to build a school in Africa. Last year, this range raised over £130,000 for our partner charities Born Free, Care for the Wild, Send a Cow, Blue Cross and the Woodland Trust. In addition to the financial contribution, these products also raise consumer awareness of the work these organisations do and help them gain new supporters. In the year

ahead, we will be expanding the range further and hope to raise even more for charity. Charity isn't just for Christmas either – we also support charities all year round, for example through products such as Breast Cancer Pink notebooks and filofaxes.



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Another way in which we give our customers the opportunity to support charity is through the charity pin badges we sell at our tillpoints. Every year, we sell Pink Ribbons in support of the Breast Cancer campaign and Variety Club Gold Hearts. This year, WHSmith was also the exclusive retail partner for the Prostate Cancer Research's "Give-a-Few-Bob" campaign to raise awareness and funds for vital research into prostate cancer.

Lottery sales at WHSmith raise over £200m for good causes

This year also saw a remarkable milestone in WHSmith's support of the National Lottery. Sales of tickets in WHSmith during the year raised over £17m for National Lottery good causes, taking the total amount raised by WHSmith customers since the start of the National Lottery to a staggering £200m.



The National Lottery returns a higher proportion of lottery money to society than any other major lottery in the world. It is currently raising money for the 2012 Olympic Games and Paralympic Games in London in addition to benefiting good causes in the arts, heritage, health, education, sport, environment, voluntary and charity sectors.

	2006/07 Targets		Progress	2007/08 Targets
Community involvement	Invest 1% of pre-tax profits in the community through donations of cash, employee time and gifts in kind.	✓	Over 1% of pre-tax profits invested in community projects.	Invest 1% of pre-tax profits in the community through donations of cash, employee time and gifts in kind.
WHSmith Charitable Trust	Continue partnership with WHSmith Trust to deliver two major education and literacy projects.	✓	Partnership continued, working on two major projects with the National Literacy Trust and Ty Newydd.	Continue partnership with WHSmith Trust to deliver major education and literacy projects.
	Continue to raise awareness of the WHSmith Trust by raising the profile of charity fundraising activities.	✓	Awareness raising activity included WHSmith 2007 Community Awards and WHSmith Three Peaks Challenge.	
Charity Products	Continue to identify new products or promotions, which support charity partners.	✓	Range of charity products in store has been expanded e.g. Adopt an Animal range, Breast Cancer pink products, Children in Need calendars and cards.	Continue to identify new products or promotions which support charity partners.

✓ Achieved
→ Ongoing
x Not achieved

Verification of WH Smith PLC's 2007 Corporate Responsibility Data Objectives

Acona Ltd was engaged by WH Smith PLC to provide an independent review of the 2007 corporate responsibility data. The objective was to verify that data contained within this report is materially accurate and calculations fairly represent activity across the business.

Responsibility

The data and its presentation within the report are the responsibility of WHSmith. This statement is the responsibility of Acona and represents our independent opinion of the data.

Methodology and scope

We reviewed mechanisms in place for collecting the 2006/07 data and traced reported figures back to source. We examined the calculations behind the reported figures and all assumptions made. Figures from previous years were also sampled to ensure that reported trends were a fair representation of business performance.

We met with individuals responsible for data provision and held extensive discussions with staff from across the business. We also audited databases and spreadsheets used in the collation of quantitative data.

Opinion

We found that data comes from well-founded systems and underlying trends in reported figures are robust. Any errors found during the verification process were rectified and appropriate adjustments made.

On the basis of our approach, the scope of work and the information provided by WHSmith staff, it is our opinion that data included within WHSmith's 2007 Corporate Responsibility report is materially accurate and a fair reflection of the company's performance.

Simon Thresh

Senior Partner, Acona Ltd

26 October 2007

Contacts and feedback

We welcome feedback on this report. If you have any comments regarding this report or any aspect of WHSmith's corporate responsibility work, please contact:

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For more information on our corporate responsibility work, or if you would prefer to email us with your comments, please visit our **website at www.whsmithplc.co.uk/cr**.