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Welcome to WH Smith PLC's 2008 Corporate Responsibility Report.

This year, environmental and social concerns have risen further up the public's agenda, as issues such as climate change, waste recycling and factory workers' conditions have all been the focus of media attention and public concern. At WHSmith, we have been engaging in Corporate Responsibility (CR) for many years and have long-established working practices which embed CR across 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 they pose.

This report outlines the progress we have made during 2007/08 towards meeting the objectives we set last year. We define our responsibility into four areas: Marketplace, Environment, Workplace, and Community. During the year, I am pleased to report that we have made progress in each aspect of our programme.

This year we have reduced our waste and encouraged customers to reduce the number of carrier bags they take from our stores. We are finding innovative ways to reduce the environmental impact from our transport fleet. We have reviewed and re-launched the suite of learning and development programmes we offer our store colleagues and re-designed our intranet site to make them more accessible. We actively support community and charity projects, which deliver clear benefits for the communities we support. We recognise that there is still more to do and have set new targets on each aspect of CR for the year ahead.

We aim 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 receive their highest accolade in recognition of our CR work; a Platinum ranking.

Environmental and social issues have become a permanent part of the economic landscape. At WHSmith 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', with a stylized, flowing script.

Kate Swann,
Group Chief Executive, WH Smith PLC

At WHSmith, we believe that good corporate responsibility (CR) is essential to the long-term success of our business. We remain committed to managing our impact on society and our environment, integrating this work into our day-to-day management of the business. As a consequence, our management of CR is effectively integrated within our core management of business risks.

Management and accountability

We recognise four key areas of CR: Marketplace, Environment, Workplace and Community. Accountability for each rests with named members of our Board, who in turn, are supported by senior executives responsible for delivering our objectives. In this way we ensure our CR work is embedded across our organisation. We use a range of policies and standards, which we review periodically to ensure they remain appropriate. Details of the relevant policies and the executives responsible for them can be found at the start of each section of this report. Our full suite of policies can be viewed on our website at: www.whsmithplc.co.uk

Identifying risks and developing key performance indicators

Every year we carry out a full review of our CR strategy, set business objectives and agree the focus of activity for the year ahead. As a part of this we map risks and opportunities, a process which is informed by legislative and consumer trends, as well as key environmental and social issues. Our Executive team is fully involved in this process and the Board agrees the final strategy and future targets. The Risk Committee reviews our progress against these targets on a quarterly basis.

Stakeholder engagement

Our stakeholders play an important role in shaping our approach to CR. We engage with them regularly to hear their views and understand their expectations. We interact with the following groups:

- *Investors* – we meet to discuss our strategy and answer their questions on specific elements of our CR programme. This year we have answered investor questions on issues such as our chemicals in products policy and the International Labour Organisation (ILO) conventions.
- *Trade bodies and government departments* – we are members of the British Retail Consortium and Business in the Community working to address consumer, ethical and environmental issues that affect our industry. We also consult with the Department for Environment, Food and Rural Affairs over the development of new policies for example, the forthcoming Carbon Reduction Commitment.
- *Non-Governmental Organisations and charities* – we have engaged with various organisations, such as the Woodland Trust, the Employers Forum on Disability and the Ethical Trade Initiative.
- *Suppliers* – we engage with our suppliers in a number of forums, including workshops, conferences and meetings. In addition we work with key suppliers in Asia to improve their health and safety standards and wider working practices.

- *Customers* – in addition to listening and responding to customer feedback we engage with customers in a number of ways. This year we have introduced store trials on carrier bag charging and will take into account the views of our customers when shaping our policy in this area.
- *Employees* – we communicate regularly on CR issues in our weekly newsletter and we provide detailed information via our intranet site. We also provide a progress update at our strategy briefings. Everyone is encouraged to give their views on our CR performance.

Benchmarking our performance

We aim to benchmark our CR performance against other companies and retailers to ensure that we are keeping pace with developments. We also submit applications for selected CR awards as the judges comments can be another useful external benchmark of how we are doing.

Business in the

Community

The annual Business in the Community (BitC) Corporate Responsibility Index enables us to benchmark our performance against other leading UK companies. This year, in recognition of our work, we were delighted to achieve BitC's highest accolade; a Platinum ranking.



WHSmith is also included within the FTSE4Good Index. This index measures the financial performance of companies that meet globally recognised standards of corporate responsibility. These standards are regularly reviewed and kept up-to-date, to ensure businesses stay on top of important social and environmental issues.

Every year we hold a 'Learning at Work' week at our central offices. This event forms part of a national awareness programme sponsored by Campaign for Learning, a national charity which aims to create a passion for learning. This year we were highly commended for their 'Business Improvement through Learning Award', which itself was sponsored by Investors in People UK.

A case study on this event can be found on page 13 of this report.

The Bookseller is a leading trade journal, which is published weekly to booksellers and publishers across the world. Every September they host the Bookseller Retail Awards. This year we were pleased to receive a total of five nominations, including a nomination for Green Retail Initiative of the Year. We won two awards, one of which being the Martina Cole General Retailer of the Year Award, where we were commended by the judges for our customer service and product choice.

Board accountability

Kate Swann, Group Chief Executive

Executive accountability

Stephen Clarke, Managing & Commercial Director – High Street

Relevant policies

Ethical Trading Code of Conduct

Forest Sourcing Policy

Marketing Code of Practice

Above all else, our customers expect us to offer them choice, value for money and a good shopping experience. Increasingly customers also expect reassurance that our products have been made with a care for the environment and that factory workers are fairly treated. We have active programmes in place to work towards delivering our customers' expectations, in our stores, online and behind the scenes across our supply chains.

Focus on customer service

'Customer Focus' is one of our core business values, which underpins everything that we do to improve the products and services that we offer. Like any retailer, customer satisfaction is a key driver of our business performance. To ensure we continue to meet our customers' expectations we regularly assess the service we offer by conducting regular reviews. Over the course of the year we performed 1,350 mystery shopper checks in our stores to assess the level of service customers received. We continue to deliver consistently strong scores. These surveys ensure we focus on the key elements of service highlighted by our customers, which include queue management, and polite, efficient and accurate transactions.

We also focus on maintaining stock levels of promoted and advertised products, to ensure we avoid disappointing customers. For example, our Books Excellence programme focuses the attention of our store teams on ensuring that all key titles are on display and that promoted items are available to purchase.

Responsible Retailing

We take the responsibility for the products we sell seriously and we are committed to listening to our customers' feedback. Our Marketing Code of Practice sets out the standards we will follow in our promotional activity, marketing and advertising. In practice this ensures we sell products that are safe, fit for purpose, meet legal standards and are never described in a misleading manner, particularly when marketing to children. At our High Street stores all our till points operate a strict system of 'product prompts' to remind staff to check that customers are of an age that is appropriate to the product they are buying, for example on our ranges of cigarettes, craft knives, DVDs and aerosols. In addition, staff are trained twice yearly to ensure we comply with this aspect of our code.

A number of the products we sell are constituted from recycled materials. For example the 'grey board' used to form the inner casings of our own-brand ring binders and lever arch files are made from recycled materials. By using product components sourced in this way we are working to 'close the recycling loop' by providing a market for post customer waste.

Responsible retailing is also about offering customers choice, to help reduce their impact on the environment and also to support charitable endeavours. This year, we have also continued to develop our range of stationery products and have increased our giving through our 'Adopt-an-Animal' range of charity Christmas gifts.

Reach ready

New EU legislation was introduced in 2007 to improve the protection of human health and the environment from the risks of using certain chemicals in the manufacture of products. The Registration, Evaluation and Authorisation of Chemicals (REACH) regulations state that these chemicals will have to be tested and registered. The regulations require that information is gathered on the properties of chemicals used in quantities of more than one tonne a year and registered on a central database. At WHSmith we are currently developing a process to understand how the registration process will affect us and planning to take the necessary actions needed to ensure our compliance.

Forest Sourcing

As a leading retailer of books and stationery products, one of our significant environmental impacts is the paper and wood used in many of our own-brand products. It is our continuing objective that all virgin (i.e. non-recycled) material used in our products is from known, legal, well-managed and credibly certified forests.

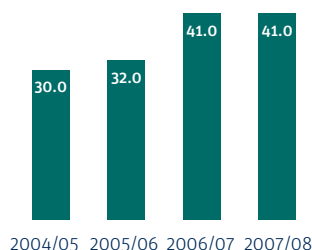
All prospective and ongoing suppliers are required to complete a pre-order questionnaire, which asks for detailed information on the forest sources intended for own-branded products. Our compliance teams assess the information and decide whether or not an order should be placed.

We contact our major suppliers of own-brand paper and wood based products requesting information on products they supplied to us during the previous twelve months. The resulting report enables us to identify any risks in our supply chain, such as timber that might be from areas of contention. The report also shows us which suppliers are making good progress in their own forest sourcing management and who we can work with to introduce new sustainable products.

For our 2007 survey we achieved 90% coverage of our supply base, by volume and improved the accuracy of our data gathering methodology. The volume of material from recycled sources and certified forests¹ was maintained at 41% year-on-year. While this represents a significant proportion of our total volume, we realise there is more work to be done to improve this performance. The improved methodology has led to a review of our sourcing process and changes in selection criteria. In addition we have targeted a number of key suppliers who we plan to work with over the coming year to generate improvements.

¹ 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.

Own-brand material from recycled sources and certified forests* % certified/recycled



* 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.

We provide our UK and Far East suppliers with guidance documents explaining the risks around forest sourcing and also our responsible sourcing policies. In addition we are planning training workshops for our UK buyers so they may better understand the risks and requirements of our forest sourcing policy and can work with their key suppliers to ensure our products are from well-managed sources.

Promoting ethical trading

We are committed to ensuring good standards among our suppliers and we engage with them to bring about improvement. We will only place orders with reputable suppliers and manufacturers who are committed to working towards complying with the conditions set out in our Supplier Code of Conduct and Human Rights policy. We work with our suppliers to bring about incremental change through a process of factory audits and agreeing future improvements.

WHSmith is a member of the Ethical Trade Initiative (ETI). The ETI is an alliance of companies, Non-Government Organisations and trade unions which promotes and improves the implementation of corporate codes of practice covering supply chains. Our supplier code is based on the ETI's own base code and we work in concert with them to meet our joint objectives. For example, we participate in the ETI China Working Group which provides a forum for members to learn and share experiences.

We have an integrated ethical and technical audit team based in our Hong Kong office. This combination of the two roles enables us to provide our factories with feedback that takes into account our whole compliance standards and which is also consistent over time as our follow up audits tend to be conducted by the same person. Before an order is placed with a new supplier, a member of our team will audit each factory to determine product quality, manufacturing processes, health and safety, treatment of workers and environmental conditions. During our ethical audits we meet with the factory management to discuss our findings and recommend necessary improvements. An action plan is agreed, with a specific timetable for completion. We then continue to visit the factory, on a regular basis, to ensure compliance and provide support. Every two years we undertake an independent benchmarking process to ensure our ethical audits remain in line with industry best practice.

We audit all our direct source suppliers in Asia every two years. This year, the team carried out 128 audits across China, India and the Far East. This figure is slightly lower than the previous year and reflects some seasonal fluctuations and also some improvement in compliance, leading to the need for fewer audits at suppliers where we have established, long-term relationships.

We continue to work in partnership with three of our larger Asian suppliers to develop better working practices to improve their general health and safety standards. Our objective is to build a closer relationship with these suppliers through working alongside factory managers and personnel to agree improvement plans. We are planning training workshops for our buyers so they may better understand the risks and requirements of our Supplier Code of Conduct to enable them to work closely with our suppliers and audit teams to improve compliance.

Case Study – Working with suppliers to improve health and safety standards

Since 2006 we have been working with three of our largest suppliers in Asia. The project is based on the Ethical Trading Initiative (ETI) health and safety project, which we had helped to develop through our membership of the ETI China Working Group.

We began the project by gaining an understanding of the current working conditions at each of the suppliers' factories. Questionnaires were sent to factory's workers to collect their opinions on current health and safety standards. Once we had their feedback, we analysed the data and used this to develop action plans and benchmark improvements. Regular follow up visits were made to check on progress and review the plan. Examples of improvements using this process include: improvements in air quality and noise pollution, warehouse workers trained in the proper lifting techniques of heavy objects, first-aid training, better understanding of how to identify and handle chemicals and the institution of health and safety committees.

The project has proven to be beneficial to all concerned. Our suppliers have the opportunity to build their health and safety management skills and also to build their confidence in involving workers on such issues. For WHSmith, the project has helped us to understand how to better engage with our suppliers to encourage improvements in their labour standards.

Looking forward to the future, we will be holding a supplier conference in the spring to report on the progress of our project and share best practice recommendations with other suppliers in the Far East, so they may also learn from this work.

Engaging with UK suppliers and agents

In addition to sourcing directly from suppliers overseas, we source a number of our own-brand products from Asia using UK agents. During the year ahead we plan to work with a selection of our agents to carry out ethical audits of their factories. To facilitate this we have enlarged our ethical audit team based at our Hong Kong office.

	2007/08 Targets		Progress	2008/09 Targets
Ethical trading	Continue focused engagement work with key suppliers to help them understand the business benefits of improved labour standards, targeting a 5% increase in engagement.	x	Fewer audits took place during 2007/08 as a result of some seasonal fluctuations and also some improvement in compliance, leading to the need for fewer audits at suppliers where we have established, long-term relationships.	Continue focused engagement work with key suppliers to help them understand the benefits of improved labour standards. Aim that 5 suppliers improve their ethical audit performance rating. Install a new integrated management tracking system at our Hong Kong office to improve the monitoring and evaluation of factory audits.
	Continue to work with key Far East suppliers. Deliver training for key suppliers giving practical advice on how to improve labour standards.	→	Our ethical audit team is continuing to work with our suppliers to deliver action plans which promote compliance with our Supplier Code of Conduct.	Carry out buyer training in the UK with regard to ethical sourcing and forest sourcing policies.
Engagement	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.	→	We have enlarged our ethical audit team at our Hong Kong office and plans are underway to begin UK FOB supplier audits.	Begin a rolling 24-month audit programme to assess labour standards at all UK FOB suppliers and agree action plans for improvement as required.
Forestry	Maintain at 41% or increase further the amount of own-brand paper and timber product sourced from recycled sources and certified forests.	✓	41% has been maintained.	Increase the amount of own-brand paper and timber product sourced from recycled sources and certified forests to 45%. Carry out training for personnel in the Far East sourcing office with regard to forest sourcing policies.
Products and Marketing	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.	x	We have continued to develop our range of stationery products and have increased our giving through our 'adopt-an-animal' range of charity Christmas gifts, however target of 15 new products not met.	Continue to introduce products with environmental or charitable benefits.

✓ Achieved
→ Ongoing
x Not achieved

Board accountability

Alan Stewart, Group Finance Director

Executive accountability

Robert Moorhead, Retail Finance Director

Relevant policies

Environmental Policy

At WHSmith we remain committed to reducing our environmental impacts as we recognise this is an important issue for our customers, employees and wider stakeholders. It is also good business management in that steadily reducing our impacts, for example energy and waste, results in a more efficient business and lower operating costs. Our main environmental impacts include the energy used in our stores, offices and distribution centres (DCs), the fuel consumed by our distribution networks and waste materials, in the form of plastic and cardboard outer packaging.

Our approach to managing our environmental impacts is governed by our environmental management system, which is based on the principles of the internationally-recognised ISO14001 scheme.

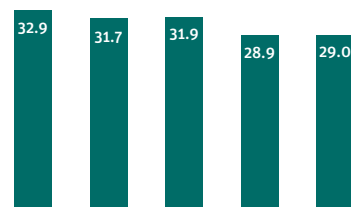
Energy and emissions

In 2007 we set a progressive energy target to reduce consumption by 15% per square foot by August 2010. During the year our overall energy consumption increased slightly, with the majority of the increase coming through in the winter months. While this makes achieving our 2010 target more challenging, we are still committed to this reduction. We are currently working on a number of store trials and initiatives to actively reduce energy consumption in the coming year. Our energy management and store operations teams are working together to investigate new ways we can heat and light our stores, to improve energy efficiency yet not diminish store performance. Members of our Executive team are taking an active role in this project and have been visiting our trial stores to understand the impact of the proposed changes and make recommendations.

We calculate our Group carbon dioxide emissions (from both transport and energy) using recommended Defra conversion factors. During the year, Defra made changes to these conversion factors, advising that 'green energy' could no longer be rated as zero carbon emissions and must be calculated using 'grid energy' conversion factors. Last year we reported our Group carbon dioxide emissions as 18,528 tonnes, as a consequence of sourcing hydro-electric and renewable energy. Using the new Defra conversion factors, the 2006/07 figure is restated as 63,235. This year, overall Group carbon dioxide emissions have increased 3.9% and is 65,719 tonnes.

Energy consumption

kWh per square foot



2003/04 2004/05 2005/06 2006/07 2007/08

Helping stores to reduce their energy consumption

With the opening of new stores each year and rapidly rising energy costs, the energy used to heat and light stores is a major focus to reduce our environmental footprint.

A number of our stores have a Building Management System, which centrally controls store temperatures and when the lights are switched on. In the remainder of stores we rely on our staff using these energy systems in the most efficient manner possible. We encourage our store employees to use the Energy and Environment section of our intranet site, which provides them with information on how they can help reduce consumption.

Our store managers are responsible for energy costs within their profit and loss accounts and are therefore motivated to be efficient in how they consume energy. Providing accurate measuring and reporting is a critical part of energy management. To help our stores manage this cost more closely, we have completed a roll out of Automated Meter Reading (AMR) systems to the majority of our High Street stores. This system enables us to monitor, both in store and at our central office, the energy consumption of individual stores throughout the day. The consumption pattern that AMRs produce can identify where lights have been left on overnight or when thermostats have been incorrectly set. To fully realise the benefits this system provides we have implemented a new reporting system with our Store and Area Managers. This will ensure we understand any unplanned energy spikes as they occur and can take immediate action to reduce energy wastage.

Transport

With over a thousand stores across the UK, our stock deliveries to stores and corresponding fuel emissions are a major environmental impact for us. We have continued to improve fuel efficiency this year, resulting in lower carbon dioxide emissions per package moved. This reduction has been achieved in part by the continuing benefit of improvements made last year, for example the introduction of double decker trailers leading to fewer delivery vehicles on the road, and also in part to new initiatives introduced this year. These new initiatives include a renewed focus on store delivery scheduling and maximising the stock fill of our delivery totes at the DCs. We have changed the way we pick stock for stores. Our new system ensures we place heavier items, such as books, at the bottom of our totes and smaller, lighter items at the top. In this way we have found we can increase the fill capacity of each tote and limit the amount of 'fresh air' we transport around the UK. These initiatives have resulted in reducing the need for daily stock deliveries to some of

our stores and consequently carbon dioxide emissions per package moved has reduced. We anticipate further improvements in the coming year as we plan to upgrade our fleet to more fuel efficient vehicles. In addition we have begun to work collaboratively with a small number of other retailers to share store deliveries to some of our more remote stores in Cornwall and Scotland.

Carbon dioxide emissions per package moved*

Carbon dioxide emissions (kg per skip)



*Data for 2005/06, 2006/07 and 2007/08 re-stated based on more accurate totes data

In 2007/08 we revised the way we calculate our carbon dioxide per packages moved, to incorporate a more accurate data for the number of totes we use across our High Street and Travel stores. On this basis we have re-stated our last 3 years emissions, resulting in the 2006/07 figure reducing from 0.71kg to 0.58kg.

Case study – Collection Service

As an example of how good environmental management can drive down costs, we have also begun working with our suppliers to reduce their transport emissions. Earlier this year we stepped up our 'Collection Service'. This collects stock from our suppliers, using spare capacity within our store delivery fleet, which would otherwise come back from stores empty to our distribution centres.

This initiative offers us and our suppliers significant benefits, such as more cost effective transport solutions, one point of contact for stock bookings and queries, better integration of suppliers into our supply chain as all proof of deliveries are now held centrally and, consequently, the development of closer working relationships. Our suppliers have welcomed this initiative and this year we have begun collaborating with some of our larger books and beverage suppliers.

This initiative brings a potential triple benefit of cost reduction for both parties, a reduction in vehicles on our roads and stock handling improvements at our distribution centres as the stock check-in procedure is made more efficient.

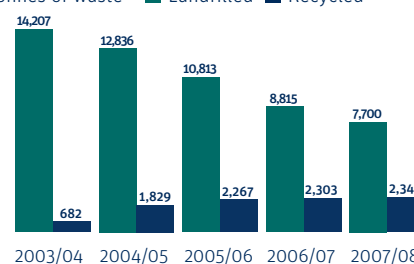
In considering the impact of our transport networks, we also consider the impact of emissions from our company car fleet. This year we set ourselves the target of reducing carbon dioxide emissions from company cars by 7% for a typical vehicle. To achieve this we have changed our company car policy. Previously, a company car driver had a free choice to choose any vehicle, now the list has been considerably shortened in both vehicle choice and engine size available.

Reducing waste

The majority of the waste generated by our business is product packaging in the form of cardboard and plastic shrink wrap and also damaged stock. This year we have enabled all our High Street stores, which can incorporate the facilities, to recycle their cardboard. However, we recognise that there is more to do and waste is a continued area of focus for us.

Total waste arisings*

Tonnes of waste – Landfilled Recycled



*Data for 2005/06, 2006/07 and 2007/08 re-stated using store square footage methodology

In 2007/08 we revised the way we calculate our Group waste, incorporating store square footage into our methodology to reflect our performance more accurately. Overall Group recycling rates for 2007/08 were 23% against a rate of 21% for the previous year.

In addition to the waste paper we recycle at our head office locations, during the year we introduced recycling stations across our Swindon site. These stations collect plastic and glass bottles, cans, newspapers and magazines. This recycling initiative has been very well supported by staff who regularly use these facilities.

Reducing packaging

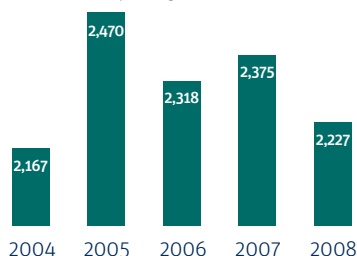
We are working to reduce our shipping and product packaging. Excessive packaging is an issue of concern to consumers, who are increasingly recycling conscious and concerned about the potential for councils introducing additional charging for consumer waste. Excessive packaging is also a concern for us as it represents a triple cost to our business, in terms of the cost of the actual packaging, paying for it to be transported to our distribution centres and stores and also waste disposal costs, once the packaging has served its purpose of protecting our products and is then discarded.

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

In 2007/08 we reduced our total packaging obligation by 6% to 2,227 tonnes, which in part was due to the reduction in our carrier bag consumption.

Packaging obligation

Tonnes (recovery obligation)



This year packaging specifications have been incorporated into our vendor buying agreements, which will increase our visibility of packaging materials and quantities used in our products and thus enable us to incorporate these factors into our negotiations.

Reducing carrier bag use

We are committed to reducing the environmental impact of our plastic carrier bags and this year we have reduced customers' consumption by 12%. In partnership with the Woodland Trust we have encouraged customers not to take a bag and rewarded this behaviour by making a donation for every carrier bag that was not taken, to support the Trust's work. As a result, we achieved our aim of funding the planting of 10,000 trees across the UK.

Reducing the impact of our carrier bags on the environment is an important issue for us. We have been working for a number of years to reduce the amount we consume each year and also to reduce the percentage of virgin plastic that makes up their content. In autumn 2007 we launched a trial of a new carrier bag, which was made up of 30% recycled plastic. Following the success of the trial we rolled-out this new bag as our existing stock of bags were used up in stores.

Case study – Think Twice

At WHSmith we are encouraging our customers to use fewer plastic bags. 'Think Twice' is a trial launched in a selection of stores to gauge customers' reaction to paying for carrier bags. The trials are taking place in the Midlands, North West, South West and South Wales. At these stores customers can choose to pay 1p for a single use bag or buy a good quality reusable bag, made from 100% recycled materials. All profits from the sale of bags are donated to the Woodland Trust. These trials have led to a significant reduction in the number of single use carrier bags we give to customers. We will continue to test customer reaction during our Christmas trading period, prior to making a decision on whether to roll this scheme out to all our stores in 2009.

Helping our customers to conserve our environment

Customers want to do their bit to reduce their own environmental impacts and want us to help make it easier for them take steps forward. We offer customers recycling facilities to return Christmas cards and also their empty inkjet cartridges and in so doing support the work of the Woodland Trust and Tommy's the baby charity.

Woodland Trust Christmas Card Recycling Scheme

Each year we work in partnership with the Woodland Trust to raise the profile of recycling amongst our customers. During January, customers across Scotland, England and Wales can take their old Christmas cards into our stores for recycling. In addition to raising the profile of recycling in the UK, the scheme also raises funds that allow the Woodland Trust to continue its conservation work. This year, we were one of four UK retailers to collect Christmas cards for the Woodland Trust, with our customers helping to recycle 74 million cards. The proceeds from the recycled cards raised enough money to enable the planting of 17,000 trees across the UK.

WHSmith's ongoing partnership with the Woodland Trust

We have developed a long-term partnership with the Woodland Trust, supporting their work for the last seven years. The Trust is the UK's leading woodland conservation charity dedicated solely to the protection of our native woodland heritage. Since their foundation in the 1972, the Trust has grown to care and protect over 1,100 sites across the UK. By acquiring woodland sites, the Trust protects woodland from the threat of development pressure or unsympathetic management and offers the space for public enjoyment. The Trust also uses its considerable experience to promote forestry conservation causes among the government and public.

"I would like to say a huge thank you to WHSmith. I know an enormous amount of work goes into collecting and sorting the cards in stores, as well as to the overall organisation of the scheme. Your efforts will help us plant thousands and thousands of trees. These trees will eventually grow into majestic woodland which will become a place people of all ages can enjoy."

Sue Holden, Chief Executive of the Woodland Trust



**WOODLAND
TRUST**

Registered charity number: 294344

Supporting Tommy's through inkjet cartridge recycling

For a number of years, WHSmith has offered our customers the opportunity to recycle their old inkjet cartridges when they come into our stores to buy a replacement one. As well as helping to reduce household waste, for every cartridge recycled, a donation is made to Tommy's charity, which funds medical research into the causes of premature birth, stillbirth and miscarriage.

	2007/08 Targets		Progress	2008/09 Targets
Energy	Continue to reduce energy consumption, targeting a 15% reduction by August 2010 (versus 2007 levels).	→	This target is ongoing. New initiatives to achieve the target are currently being trialled in our stores.	Implement actions arising out of the store trials work to reduce energy consumption, continuing to target a 15% reduction by August 2010.
	Offset the emissions from the electricity used in our Travel Airport stores by supporting clean energy developments across the world.	✓	Emissions from the electricity used in our Travel Airport stores has been offset by the offset charity PURE.	Further develop store and area reporting of the Automated Meter Reading system to drive reductions in energy consumption across the store estate.
Transport	Reduce carbon dioxide emissions per package delivered to stores to 0.67kg (resulting in a 5.6% reduction).	x	Carbon dioxide emissions per package delivered is 0.56kg. The data has been re-stated in 2007/08 to reflect the inclusion of more accurate totes data. This represents a 3.6% reduction over last year.	Reduce carbon dioxide emissions per package moved by 5%. Reduce the number of packages moved by 4% through container consolidation.
	Begin renewal of company car fleet to reduce carbon dioxide emissions by 7% of a typical vehicle.	→	We have changed our company car policy; the list has been considerably shortened in both vehicle choice and engine size available.	
Waste and Management	Ensure that at least 25% of Group waste is recycled during 2007/08.	x	Group recycling for 2007/08 was 23%.	Ensure that at least 28% of Group waste is recycled during 2008/09.

✓ Achieved
 → Ongoing
 x Not achieved

Board accountability

Alan Stewart, Group Finance Director

Executive accountability

Anthony Lawrence, Retail Human Resources Director

Relevant policies

Code of Business Conduct
Suite of Employee Policies
Health and Safety Policy

The quality of any business depends strongly on its people. To develop a good team it is essential to recruit the right people, keep them motivated and create the right environment for them to perform well. At WHSmith we provide all our employees with learning opportunities to help them develop their careers and we focus on engaging employees across our business.

Living our values

We share four key business values: Customer Focus, Drive for Results, Value Our People and Accountability.

WHSMITH VALUES

To keep these values alive amongst our teams, we celebrate the success of our colleagues who demonstrate these values on a day-to-day basis, through our Head Office 'Values in Practice' or 'VIP' scheme. Launched in 2004, this successful programme is an opportunity for any member of our team to nominate colleagues who have set a leading example in demonstrating the values. Each month a VIP nominee is selected as 'VIP of the Month' by the Executive team as an example of how to live our values. Each nominee's story is published in our weekly staff newsletter and the VIP winner is rewarded with free tea or coffee for a month, a special VIP mug and three extra days' holiday. In addition we celebrate the achievements of our store staff. These awards include Most Improved Store, Store of the Year, Store Manager of the Year and Manager's Manager of the Year.

Examples of VIP nominations this year:

'Adam demonstrated Customer Focus in managing the supply chain for Express Items in Travel during a particularly busy period. As a result of his work, availability of core products increased to 95%.'

Alistair was awarded a nomination for Making Life Easier for Stores. During the run up to Christmas he organised a series of procedural changes for stores to administer promotional and pricing amendments so these were always accurate for our customers.'

'Belinda has demonstrated Valuing Our People, recently supporting a High Street store manager when they were dealing with an extremely difficult situation. The store manager was really grateful to Belinda for her advice and the assistance she gave. The store manager said, 'Belinda's support was outstanding'.

Valuing our people

We recognise that people's lifestyle patterns are changing and so we offer our employees a range of benefits aimed at promoting a good work life balance. Our 'School Starter' scheme grants working parents half a day paid leave to take their child to their first day at school. We offer phased retirement plans to allow employees to voluntarily reduce their working hours as their retirement date approaches. 'V-Time Working' enables employees to voluntarily reduce their working hours for a defined period, to cope with life changing events and in so doing reduce the levels of stress they face, having to cope with full time work and issues at home. In addition, all our head office staff with 100% attendance during a six month period are rewarded with an additional day's holiday.

All WHSmith employees enjoy access to a variety of benefits, including pension and share save schemes, staff discount on WHSmith products plus a range of voluntary benefits and discounted goods and services, such as insurance, travel, health, leisure and retail.

Communicating with and engaging our staff

Everyone at WHSmith is responsible for delivering our strategy, so we understand the importance of regular communication on business performance, both issues and successes. We do this through clear communication cascaded through team briefings, large employee events, intranet sites and newsletters.

Our Executive Directors carry out monthly briefings to the senior management team, providing updates on business performance and an opportunity for questions. This information is then communicated out to all head office employees. In addition, every month, more informal gatherings are held over breakfast or afternoon tea, where a small group of staff, chosen at random at both our Swindon and London offices meet with one of our Executive Directors to discuss any subjects they wish. Our staff value the opportunity to meet the Executive team informally to discuss the business, as this comment shows: "An extremely useful session and great opportunity to meet a Director and people from other parts of the business. I enjoyed it immensely, especially getting answers to all questions raised. I would highly recommend attending."

Every week we circulate a newsletter to staff in head office and distribution centres containing articles on business activity, staff recognition and new recruits, policy updates and store promotions and events. Across the year we hold strategy briefings for head office and store employees to brief them on our progress and the launch of new initiatives such as our Christmas trading plans, as well as covering other topics such as Corporate Responsibility.

Employee engagement is a continuing focus for us and we have plans to develop our engagement levels further over the year. Last year we appointed Employee Engagement Champions at our Head Office to discuss how we improve our working environment.

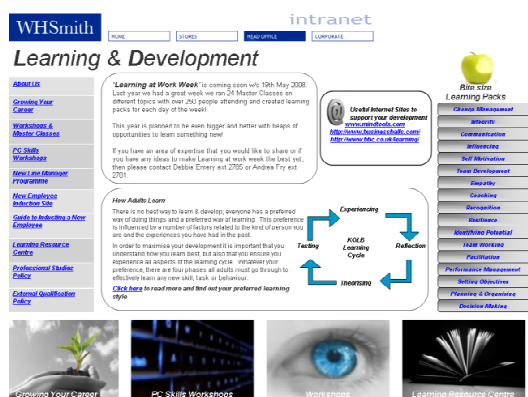
Two champion forums took place and these provided useful learning in the formation of our ongoing plans. As we expand our Travel business to include Post Offices and hospitals we take the time to engage those new employees with our values, culture and ways of working. We ensure everyone receives an introduction to WHSmith and this year we plan to review and revise our training programmes to specifically cater for the needs of these employees.

Learning and development

At WHSmith, we make learning and development accessible to all our employees, through a suite of learning methods. This year we re-designed our Learning and Development (L&D) intranet site, which now contains pages that integrate job roles with relevant L&D opportunities. Any employee interested in developing, for example, a career in buying, has the opportunity to view all related role profiles, understand what experience and behaviours are necessary to perform in that role and which training opportunities will help guide them to success.

Case study – redesign of Learning & Development intranet

The new look Learning & Development intranet site launched in March 2008 is designed to ensure our employees have easy access to L&D resources and development opportunities. The site is easy to navigate and includes 'bite size' learning packs on a range of topics and access to the 'Growing your Career Site', which is a step by step guide to managing your career development. Employees can find information about Workshops and Master Classes as well as browse our learning library to borrow development books.



Our L&D opportunities cover a range of learning styles to suit individual needs. Employees can take specific training courses to cover areas identified in their performance reviews. 'On the job' training is offered through a series of topic learning guides which can be worked on with line managers. Also, for those employees who prefer book based learning, we have a learning library, which we refreshed this year, with 30% new titles.

We are keen to develop our future managers from within WHSmith and so we work to ensure there is a pipeline of talent available for all managerial roles. We hold regular succession planning meetings for store, head office and distribution centre staff, where we identify those individuals who have the ability to develop themselves and our business.

For the 4th consecutive year we held our Fast Track Academy programme which prepares a small group of high potential candidates to be future business leaders. This programme is well received and we plan to hold another in the coming year.

This year, our succession planning for stores programmes included 135 store supervisors and 108 Store Managers. In addition, we held a senior store management 'development centre' to identify managers with the ability to progress to field management roles in support of stores. The development centre enabled us to develop specific training workshops to meet our managers' needs and create bespoke learning, such as Store Managers temporarily stepping up to cover field roles while those individuals took a holiday.

To keep our L&D opportunities relevant to the needs of our team, we periodically review our entire suite of training courses. This year we conducted a full review of our store training programmes and subsequently launched new learning guides in our High Street and Travel stores. In the coming year, we plan to repeat the exercise for our head office and distribution centre programmes.

Case study – Learning at Work week

Every year we hold a 'Learning at Work' week at our head office. This event forms part of a national awareness programme sponsored by Campaign for Learning, a national charity which aims to create a passion for learning. Thousands of organisations take part to promote business-related learning activities to help staff learn new skills which they can put into action at work. This year, to promote the week we sent staff daily 'learning handouts' and held a series of 31 Master Classes which were led by a senior member of staff who have many years experience in a topic. As an example, Chief Executive, Kate Swann ran a Master Class on 'Leadership' which was attended by 26 employees.

This year we were highly commended for Campaign for Learning's 'Business Improvement through Learning Award', which itself was sponsored by Investors in People UK.

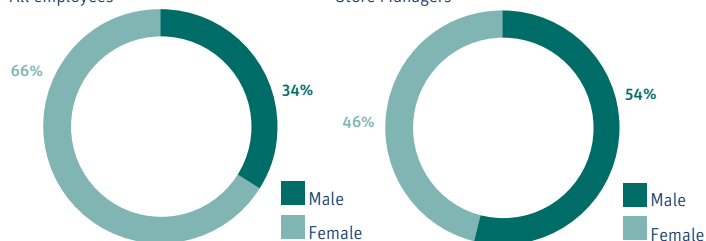


Valuing diversity

WHSmith's commitment to equality and diversity through its policies, practices and procedures means that all employees are given equal and fair treatment. This applies to recruitment and selection, terms and conditions of employment, promotion, training and development opportunities and employment benefits. We have worked to improve the quality of the data we have on the diversity of our staff, introducing new diversity sections to our Store Manager and head office job application forms, to capture relevant information. We are investigating ways to include this on all application forms and plan to develop a new recruitment management system that will allow us to easily manage and monitor our performance.

DIVERSITY PROFILE

All employees



Our Group Risk Department has also issued new training guides to staff in all stores on best practice when serving disabled customers. These guides have been produced by the Employers Forum on Disability, of which we are a member.

Improving access to our stores

It is our aim to improve the service we provide to our disabled customers, in compliance with DDA legislation. Our rolling programme of capital improvements has this year 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 train our store staff, issuing new training guides to all stores which were designed and printed by the Employers Forum on Disability. 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.

Health and safety

Our Board is committed to maintaining high standards of health and safety. 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 employees, management, trade union representatives and professional safety advisers.

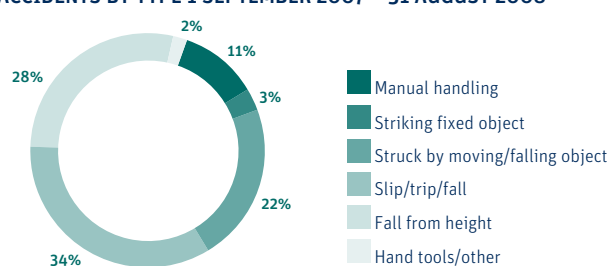
This year, we continued our downward trend in the number of reported incidents, with the total number of reportable accidents falling by 3%. Maintaining this trend is an ongoing area of focus over coming year.

Accidents and Injuries

	2008	2007	2006	2005
Major injuries	16	16	22	22
Injuries resulting in over 3 days absence from work/hospitalisation	51	53	48	57
ALL RIDDORS*	67	69	70	79

* Reportable under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations

Over 60% of accidents were due to slips and trips and falls from height. During the year we trained 1,000 Store Managers in these specific issues, to enable them to cascade safety training to their staff. In addition, specific health and safety training is incorporated into our Management Development Programme for new Store Managers.

ACCIDENTS BY TYPE 1 SEPTEMBER 2007 – 31 AUGUST 2008

We monitor all incidents at 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 9% during 2007/08. 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 during 2007/08, 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 achieved our target of reducing the number of notices by 2%.

We continue to benchmark our health and safety performance against our peers to ensure that we improve our approach in line with best practice. We do this through analysing their published performance against our own and also through collaborative working via the British Retail Consortium's Risk and Safety Policy Advisory Group, which meets quarterly to compare data and share best practice.

The Group Safety team has been working on streamlining various procedures and documentation, to make life easier for stores. During the latter part of the year, various risk assessments, accident reporting forms and 6-monthly health and safety audit returns have all been automated, so that these can be submitted by stores over the Intranet. This has made it easier for stores to complete and submit necessary legislative documentation, and for the Safety team to analyse all responses and ensure that any issues are swiftly addressed on a timely basis.

Case study – Health and Safety Training

During 2007/08 our Health and Safety advisors delivered safety training to all Store Managers. In previous years these training courses have focused on Fire Safety and Manual Handling. This year's training focused on Slips & Trips, as the largest cause of accidents sustained in the year.

Health and safety training was also a feature of our management development programme, where courses were held every quarter for all new managers. Further training programmes have been provided, firstly in respect of food hygiene for nominated staff across the Travel business. Secondly, for those stores trading on more than one floor, training was provided covering emergency evacuations and the use of specifically designed evacuation chairs. Feedback from these courses has been consistently positive.

Promoting well-being

Our work on employee health and safety extends beyond the management of accidents, as we seek to help employees improve their health. During the early months of 2008, we re-ran our WHSmith Healthy Living Campaign for staff in our Swindon site, designed to help promote a healthy lifestyle. This campaign featured a personal health screening, fitness classes and the promotion of healthy eating.

	2007/08 Targets		Progress	2008/09 Targets
Engagement	Continue to improve employee engagement levels using tools such as Directors' Breakfasts.	✓	Appointed Employee Engagement Champions at our head office and held two forums. Directors' Breakfasts were extended to include both our head office sites in Swindon and London.	Implement resourcing and training solutions to raise WHSmith brand awareness for internal and potential employees.
Learning and Development	Carry out a full review of existing suite of programmes for stores to ensure effective development of internal talent.	✓	Designed and launched a suite of Learning Guides across Travel and High Street stores.	Carry out a full review of existing suite of programmes for head office to ensure effective development of internal talent.
	Raise awareness of learning and development across the whole business and work with line managers to increase their accountability for performance.	✓	The Learning and Development intranet site was re-designed to include easier access to training opportunities. Published managers' guides to support line managers.	Continue to implement solutions to raise awareness of learning and development across the whole business and work with line managers to increase their accountability for improving performance.
Succession planning				Implement a Graduate programme across head office.
Diversity	Implement diversity monitoring for current, new and prospective employees.	✓	Store Manager application forms now include relevant diversity questions to enable the capture of this information.	Introduce a new recruitment management system and implement actions arising.
	Continue to review the accessibility of our stores for disabled customers.	→	Continued to train our store staff on disabled access issuing new training guides to all stores.	
Health and Safety	Health and Safety. By 2010, overall reportable accidents to be 10% of 2004 levels.	→	On track to achieve this by 2010. Reportable accidents in 2007/08 were 3% lower than the previous year.	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

Anthony Lawrence, Retail Human Resources Director

Relevant policies

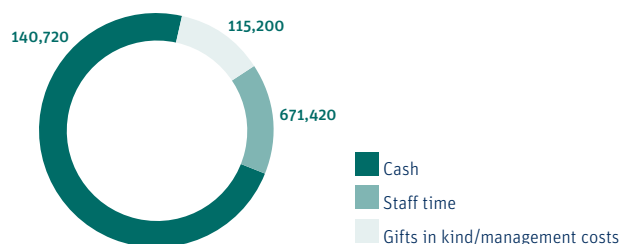
Community Engagement Policy

We value our community programme as an important tool through which we can support the local communities in which we operate. Our employees have the opportunity to support good causes and give their time to participate in fund raising activities. As a leading bookseller and stationer we focus our investment on education and life-long learning, notably through our partnership with the WHSmith Charitable Trust.

We set and achieve annual targets to invest at least one per cent of our pre-tax profits in support of charities and community projects. We use the London Benchmarking Group's (LBG) reporting model to calculate our community contributions which provides a standardised way of managing and measuring corporate community engagement.

The chart below presents a breakdown of our community contributions, using the LBG reporting model. We measure the direct contributions we make to the community, in the form of cash donations, gifts in kind and also staff time and management costs.

WHS community investment 2007/08

**Promoting Literacy****Encouraging Summer Reading**

This is the fourth year that we have worked in collaboration with the WHSmith Charitable Trust and the National Literacy Trust (NLT) on a summer reading project. The project forms part of the NLT's Reading is Fundamental programme (RIF), which promotes a love of reading among children in disadvantaged areas, and gives them the chance to choose and keep new books for themselves. The WHSmith Trust Summer Read campaign was developed to encourage children to keep reading during the long summer holidays, a time when literacy levels often fall. The children are typically from deprived communities where book ownership levels are low and are targeted as those most likely to benefit from the chance to choose and keep books for themselves.

"We're really pleased to be working with the WHSmith Trust. Our partnership enables us to keep many children excited about books and reading during the summer break and beyond."
Judith Parke, RIF director

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.

In 2008 we worked with RIF to hold 110 events reaching 3,600 children across 18 locations. In total, 7,200 books were given to children. The RIF team provided volunteer coordinators with training on how to run a successful project, and a specially-designed RIF/WHSmith handbook for each of the locations. Coordinators were given advice to help them order a selection of age-appropriate books for children to choose, along with ideas for hosting exciting events which ensure the children have a memorable experience when they receive their books.



This year, the events took place during July and August and were held in libraries, housing estates, play schemes and in other community settings up and down the country, where children from disadvantaged backgrounds are invited to attend two events, receiving a

free book at each one. At these events children are read stories, invited to choose and keep books and also receive a goody bag and WHSmith gift vouchers.

One of the events took place at Calderglen Park in Glasgow. Families spent the day at the mini-zoo and adventure playground and then chose books themed around the outdoors.

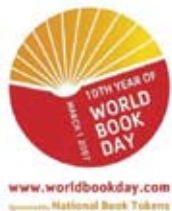
"The children had a fabulous day playing in the park and seeing the animals and loved choosing books related to this topic. Thank you for making this event possible and providing books to children, many of whom have never had their own book to choose and keep before."
Karen Robertson, project coordinator.

The Summer Read is an excellent opportunity to offer volunteering opportunities to our staff. This year's Summer Read event was officially launched by Chief Executive, Kate Swann, at an adventure playground in Swindon. In addition to Kate's visit, staff from our head office and local stores attended other events to meet the children and take part in story reading and helping the children to choose their books.

When all the events are complete, we ask each project coordinator to assess the confidence levels and interest in reading of the children who attend two events. In 2008 we found that overall 80% noted a positive effect on children's confidence, interest in reading and skill around choosing their book.

In addition to these measures we have funded a piece of research comparing attitudes towards reading of the children who have participated with those who have not. The report's findings are due to be complete before Christmas and we will provide a summary of these in our 2008/09 CR report.

Supporting World Book Day



World Book Day was designated by UNESCO as a worldwide celebration of books and reading, and is marked in over 100 countries around the globe. It is the biggest annual celebration of books and reading in the UK and is sponsored by National Book Tokens. World Book Day aims to give every child the opportunity to choose a book of their own and to promote the enjoyment

of reading. WHSmith has been supporting World Book Day for many years. 6 March 2008 was the 11th anniversary of this important event and many of our High Street stores helped local children celebrate by organising events and activities promoting the fun of reading.



We promoted the event in over 400 of our stores, 245 of them holding events which were attended by local school children and included fun things to do such as story telling, treasure hunts, author appearances and

behind the scenes tours of our stores. In some cases, we visited local children at their schools to promote World Book Day.

Over 100 stores held drawing and colouring competitions, displaying all the entries in stores during the week, before judging the winner.

One of the events took place at the West & Swimbridge Primary School in Barnstaple. The WHSmith store's team leader said "Helping a local school creates a positive reputation for the store in the area and creates a feel good factor for employees."

The WHSmith Group Charitable Trust



The WHSmith Group 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 principle objectives which focus its activities:

- 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.

We encourage our employees to be actively involved in their local communities and many of our staff are personally involved in work across their communities. To support and encourage staff involvement, the Trust match funds raised by employee fundraising up to £500 and team fundraising up to the value of £1,000. In 2007/08 the Trust made 45 grants worth £15,226 to employees in support of both national and local charities.

Each year, the Trust also runs a Christmas Giveaway where staff can apply on behalf of any charity they are involved with. This year 91 applications were received by the Trust from both store and head office staff. Each charity nominated received £230, resulting in over £20,000 being donated to charities ranging from Cancer Research, National Animal Welfare Trust, Alzheimer's Society, Wiltshire Air Ambulance, as well as many other local charities.

Case Study – Fundraising for the WHSmith Trust

This year's Flora London Marathon saw four WHSmith employees running the 26.2 mile course to raise money for the WHSmith Charitable Trust. Key members of our Executive team took part, including our Commercial and IT Directors, helping to raise the profile of the WHSmith Trust and its work both internally and externally. A total of £11,273 was raised for the Trust; a fantastic achievement.



Twice a year, the Trust makes a grant of £5,000 to a small charity local to our head office in Swindon, to support their work in the community. The money is funded from the proceeds of our charity shop based at our Swindon office and the organisation chosen to receive the grant is voted for by our head office staff. The first of these grants was awarded to CALM, the Children's Cancer and Leukaemia Movement, working within the Swindon and Marlborough area. CALM provides support to families to cope with the physical, emotional and often financial strain and to improve the quality of life for children going through treatment.

The second award was made during the summer to STEP, the Swindon Ten to Eighteen Projects. STEP is a voluntary service for vulnerable young people based in Swindon. They run a variety of projects throughout the week working with young people to build their skills in many areas, such as self-esteem, communication and providing a safe place for them to come and have fun.

"The donation will be used to fund our summer programme activities, ensuring young people have access to positive activities at a time when a lot of their support networks become reduced. We are very grateful to all WHSmith employees for their donation."
Paul Dobson, project coordinator

Recognising employee contribution around the UK

The WHSmith Community Awards is our way of recognising the contribution employees make to support their local charities, by building strong links with community organisations in the area which they work. This year, following a nominations process, twenty teams from around the UK received awards of £500 each to further support their charitable efforts. Of these, three won special Gold, Silver and Bronze prizes for making a particularly special contribution to a local organisation. Our Teeside Park store was awarded the Gold award for their work with Paillister Park Primary School in Stockton. The store's team leader describes the contribution WHSmith made in support of the school:

"The school we support is in the fifth most deprived district in England. We have donated 'penny stock' and prizes for attendance and fundraising activities. Staff visit the school in their own time for story-telling sessions and various classes visit the store to see how the business operates. We run competitions around promotional changes in store at times such as Easter and Christmas, which are then posted around the shop floor. We have had great feedback from customers when we post up thank you notes from the children."

"I have worked for WHSmith for 15 years and this is the best response I have had from a group of staff; they are really proud of what they have achieved together, along with the knowledge they have gained from visiting the school and knowing what parents are looking for to help their children. This has given them so much confidence. In addition, having school children in the store seeing how we work and how the product gets to them, makes them respect us more as a store."

Also to win prizes were; the Manchester Arndale store which won Silver for their work with Unsworth C.P. School and our store in Ayr, which won Bronze for their support of Prestwick Academy School.

Payroll giving

During the year we launched a new voluntary payroll giving scheme to raise awareness of the Trust amongst employees and enable them to contribute to its work. Called 'Pennies from Heaven', the scheme works by 'rounding up' the pennies on employee's salary to form a monthly donation. We plan to promote the scheme in the coming months, to encourage more store staff to get involved.

Enabling customers to support charitable causes

In addition to the fundraising activities of our staff, we have for many years supported good causes through product sales. As well as providing charities with a financial contribution, the products sales also raise consumer awareness of the work these organisations do and help them to gain new supporters. Christmas is a time when many of our customers like to give presents that also benefit charities. This year our sales of charitable Christmas cards and calendars raised £167,000 for six charities, who were chosen by our employees to receive support. These charities included Unicef, CLIC Sargent, The Samaritans, Barnado's, Hearing Dogs for Deaf People and Children in Need.

We have continued with our Christmas 'Adopt an Animal' range, which gives customers the opportunity to support the work of specific charities working to protect endangered animals. The charities are Born Free, Care for the Wild and the Aspinall Foundation. Together sales of this Christmas product range generated sales of £173,000 for animal conservation.

"Working with WHSmith is a great opportunity for The Aspinall Foundation whose animal conservation work around the world relies on donations. With the support of WHSmith the charity can continue to provide support such as regular monitoring by field staff and anti-poaching patrols in the reserve to ensure the animals continued safety." Sarah Tite, Head of Fundraising at The Aspinall Foundation

We also support charities all year round with the sale of products, such as the Breast Cancer pink filofax, and by giving customers the opportunity to buy charity pin badges at the till, including Variety Club Gold Hearts, Breast Cancer Pink Ribbons and British Legion Poppies.

Case Study – The Variety Club

For more than 50 years the Variety Club Children's Charity has been helping sick, disabled and disadvantaged children by providing Sunshine Coaches, electric wheelchairs, outings to exciting places and equipment for children's hospitals. The Variety Club Gold Heart Appeal has raised over £16 million.

In January this year, Becky Butler from WHSmith presented them with a cheque for over £90,000, which were the proceeds raised from the sale of 'Mr Men and Little Miss' themed Gold Hearts sold in WHSmith stores during 2007.



Other ways that our customers raise money for good causes is through the sale of Lottery tickets in our stores. WHSmith has raised over £200 million for Good Causes since the National Lottery launched in November 1994. In February, The Soho Family Trust in London was the latest to benefit and received £284,202 from the Big Lottery Fund. Child carers in London often face problems finding homes large enough for minding children. The Soho Family Centre Trust, which caters for many ethnic groups, provides a location for a number of carers to mind the children. The project helps carers secure regular jobs and offers parents re-entering the workforce lower childminding costs.



	2007/08 Targets		Progress	2008/09 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.	Continue to 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 major education and literacy projects.	✓	Partnership continued working with the National Literacy Trust to promote summer reading at 110 events, across 18 UK locations, with 3,600 children participating.	Continue partnership with WHSmith Trust and the National Literacy Trust to promote literacy. Develop a new community programme, or extend the scope of the Summer Read, to enable our hospital stores to make a positive contribution within the hospital environment.
Charity products	Continue to identify new products or promotions which support charity partners.	✓	Extended our range of charity products for Christmas 2007, which included our 'Adopt an Animal range'.	Continue to identify new products or promotions which support charity partners.

✓ Achieved
→ Ongoing
x Not achieved

Verification of WH Smith PLC's 2008 Corporate Responsibility Report

Objectives

Acona Ltd was engaged by WH Smith PLC to provide an independent review of its 2008 Corporate Responsibility (CR) and provide assurance that:

- Quantitative data are materially accurate and are supported by robust data collection systems and processes.
- Qualitative statements can be supported by evidence and properly represent activity across the Company.

Responsibility

The information and statements contained within the report are the responsibility of WHSmith. This statement is the responsibility of Acona Ltd and represents our independent opinion of the content the report.

Methodology and scope

In performing our work we adopted the following approach:

- Desk-top evaluation and detailed analysis of the raw data used to construct the report, including comparisons with previous years.
- Review of internal and external documents relating to CR management, including policies, procedures and stakeholder comments, particularly ensuring that evidence was made available to support substantive comments and claims made in this report.
- Detailed interviews with staff involved in compiling the report to test the accuracy of the data and underlying processes.

This review was undertaken during October 2008 and covered WHSmith's operations within the UK for its financial year 2007/08.

Opinion

The data and inferences drawn from them, and substantive statements are materially accurate and supported by a range of evidence from internal and external sources. Inaccuracies identified during the verification process were rectified and the report was amended accordingly. It is our opinion that the report succeeds in presenting an accurate picture of CR activity in WH Smith PLC.

Acona Ltd

Acona Ltd is an independent consultancy, based in London but with staff all over the UK. We have broad expertise and advise large, mainly corporate, clients on the full range of social, environmental and ethical matters. All of our team has extensive experience in the field and biographical information can be found on our website - www.acona.com/cr

Acona has provided consultancy support to WH Smith PLC during the year under review including advice on reporting. Acona is independent from WH Smith PLC, and is impartial from the organisation's major stakeholders. WHSmith's business with Acona represents less than 5% of the Company's revenues. This review was undertaken by members of our team who were not involved in advising on the structure or content of this report.

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:

Head of Corporate Responsibility

WH Smith PLC
Greenbridge Road
Swindon
SN3 3LD

Tel: 01793 616161

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.