

WH Smith PLC

Corporate Responsibility report 2011





Find out more at www.whsmithplc.co.uk/cr

Introduction by Kate Swann

Welcome to WH Smith PLC's 2011 Corporate Responsibility report.

This year, our Corporate Responsibility (CR) programme has continued to focus on managing the environment and social issues which are most material to our business, and most important to our stakeholders, in a way which is aligned to and supports our overall business strategy. Even in difficult trading conditions, we believe that our CR programme adds value to the business, whether helping the business to operate more efficiently by cutting waste and energy consumption, developing the skills of our staff or promoting our brand through charitable partnerships.

We define our responsibility under four key headings: environmental management, responsibility in the marketplace, workplace practice and community impact. This report details the progress made under each of these impact areas.

Last year, we published three-year targets for some of our key environmental and social impact areas and I am pleased to report that we have made a good start towards achieving those targets. In particular I would highlight the progress we have made in waste management with 60 per cent of waste now being recycled. We have also completed a trial of new store lighting and we are hopeful that this will help accelerate our energy efficiency work going forward. In our supply chain, our audit and engagement programmes continue to promote better labour standards. In terms of our staff, we held our biggest 'Learning at Work Week' ever with 12,000 colleagues taking the opportunity to develop their knowledge and skills. Our work to promote literacy has also continued, with High Street stores building links with local schools, staff in our Hospital stores donating books to support patient care, and a new partnership with Booktrust as part of the Richard and Judy Children's Book Club, which is exclusive to WHSmith.

In recognition of the progress we continue to make in managing CR, we were delighted to retain our Platinum ranking in the Business in the Community Corporate Responsibility Index. We have now held this ranking for four consecutive years.

In the year ahead, we will maintain our focus on making continuing improvement across all aspects of Corporate Responsibility in such a way that makes a positive contribution to our overall business strategy.

Kate Swann

Group Chief Executive, WH Smith PLC

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About WHSmith

- **WH Smith PLC, one of the UK's leading retailers, is made up of two core businesses – Travel and High Street.**
- **We have a presence in a wide range of locations including high streets, shopping centres, airports, train stations, motorway service areas, hospitals and workplaces, primarily in the UK, and with a growing international business.**
- **WHSmith reaches customers online via www.whsmith.co.uk and its specialist personalised cards and gifts website, www.funkypigeon.com.**
- **Overall WHSmith employs approximately 16,000 staff, primarily in the UK.**
- **WH Smith PLC is listed on the London Stock Exchange (SMWH) and is included in the FTSE 250 Index.**
- **A commitment to the principles of Corporate Responsibility is at the heart of WHSmith. We continue to be ranked highly in the Business in the Community's Corporate Responsibility Index in recognition of our performance.**

Travel – 2011 Highlights

Sales **£455m** (2010: £452m)

Profit¹ **£57m** (2010: £53m)

- Travel sells a tailored range of Newspapers, Magazines, Books and Impulse products for people on the move and a broader convenience range in hospitals and workplaces.
- Our objective is to grow the business by improving our customer offer, winning new contracts, and by developing new formats and channels.
- During the year, Travel delivered another year of record profit¹ performance, with further progress in developing our international business.
- The business operates from 561 units (2010: 516 units) mainly in airports, railway stations, motorway service areas, hospitals and workplaces. 32 units (2010: 17 units) are in non-UK locations.
- Units range from 90 square feet to more than 6,000 square feet, with a total of 0.5m square feet of selling space, excluding motorway service areas, as at 31 August 2011 (2010: 0.4m square feet).

High Street – 2011 Highlights

Sales **£818m** (2010: £860m)

Profit¹ **£52m** (2010: £51m)

- High Street sells a wide range of Stationery, Books, Newspapers, Magazines and Impulse products, as well as a small range of Entertainment products.
- Our objective is to be Britain's most popular stationer, bookseller and newsagent.
- During the year, High Street delivered a resilient performance as it continues with its strategy to focus on its core categories, whilst optimising margins, tightly controlling costs and delivering the retail basics.
- We have a total of 612 High Street stores (2010: 573 stores), located in almost all of the UK's major high streets.
- Stores range in size from 777 square feet to more than 23,000 square feet, with a total of 3.1m square feet of selling space as at 31 August 2011 (2010: 3.0m square feet).

¹ Group profit from trading operations and High Street and Travel operating profit are stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation.

Governance

At WHSmith, we are committed to Corporate Responsibility (CR). Our programme plays an important role in risk management, business development and meeting the expectations of our stakeholders. The different pillars of our CR programme enable the business to identify and manage risks in the areas of environmental responsibility, sourcing, managing our workforce and our impact on local communities. As a brand that has been trading in the UK for over 200 years, we are passionately committed to operating responsibly and meeting the expectations of our different stakeholder groups.

MANAGEMENT AND ACCOUNTABILITY

Our programme is comprised of four key areas of CR: Environmental Management, Responsibility in the Marketplace, Workplace Practice and Community Impact. Accountability for each area 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. Our CR strategy is underpinned by our four corporate values, Accountability, Drive for Results, Customer Focus and Value our People, and developed taking into account the expectations of our key stakeholder groups.

We use a range of CR 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/cr

AA1000 ACCOUNTABILITY PRINCIPLES STANDARD

We align our Corporate Responsibility programme and reporting with the AA1000 AccountAbility Principles Standard (2008). The principles are:

Inclusivity: Including stakeholders in developing our approach to Corporate Responsibility.

Materiality: Assessing the Corporate Responsibility issues most relevant for our business to act and report upon.

Responsiveness: Responding to the material concerns and issues relevant for our business and stakeholders.

Overleaf are descriptions of how we meet each of the three principles. These processes will be continuously improved in line and as part of our CR strategy.

STAKEHOLDER IDENTIFICATION, ENGAGEMENT AND INCLUSIVITY

We identify our stakeholders as those that we affect and those who affect us. Below is a table detailing our key stakeholder groups and how we have engaged with them throughout the year and will continue to do so going forward. We engage our stakeholders via a number of means from surveys and training to one-to-one meetings with investors and working groups. The key expectations or material concerns of our stakeholders collected through our engagement activities are explained below.

Stakeholders	Expectations	Engagement
Customers	Our customers expect that we manage our business responsibly, and in doing so, we will offer a good range of products at good value. Customers also expect that we respond to their needs and concerns.	We regularly listen to our customers and respond to their feedback. We also conduct an independent customer satisfaction survey twice a year during our busiest trading periods. To ensure that we remain in tune with customers' changing needs, we conduct additional research as required.
Investors	Our investors expect continued creation of shareholder value through good profit performance, investment and cash management, and the assurance that WHSmith operates with good governance and sustainable business development strategies.	We engage with investors in one-to-one meetings to discuss specific elements of the business and our CR programme. We also communicate with shareholders through our results presentation, Annual General Meeting and investor relations department. We continue to participate in the Carbon Disclosure Project.
Trade Bodies and Government Departments	Trade bodies and government departments expect that we will uphold our CR agenda, including managing our environmental impacts, responding to local communities and providing fair and family-friendly job opportunities. Government departments also consult our business on policies that affect our industry.	We are members of the British Retail Consortium and Business in the Community; organisations that work to address consumer, ethical and environmental issues that affect our industry. During the year, we have also engaged directly with a number of government departments on issues ranging from diversity in the workplace, to carbon emissions, to supporting UK high streets.
Non-Governmental Organisations (NGOs) and charities	NGOs expect WHSmith to take leading roles in CR issues, such as reducing carbon emissions, supporting sustainable forest sourcing and ethical trading. We work with numerous charities across the communities that we operate in. They expect WHSmith to understand their cause and support their efforts.	We regularly engage with various organisations, such as the Woodland Trust, the Employers Forum on Disability and the Ethical Trading Initiative to improve our performance across our CR programme. As a brand, we champion literacy, working with the National Literacy Trust and Booktrust to improve literacy levels across the UK.
Suppliers	Our suppliers expect fair business dealings with the opportunity to grow their business through our relationship.	We engage with our suppliers in a number of forums, including training programmes and one-to-one meetings. We work with key suppliers in Asia to improve health and safety standards and support the set-up of worker representative committees.
Employees	Our employees expect to be treated fairly, offered secure jobs with training and the opportunity to develop their careers. They expect WHSmith to look out for their well-being, offering a safe work environment.	We communicate regularly with employees via e-newsletters and regular updates. We provide head office CR updates at our Strategy Briefings, and everyone is encouraged to feedback on our CR performance.

Identifying material issues, risks and developing key performance indicators

In order to ensure that our CR programme remains relevant and addresses the most material environmental and social risks that face WHSmith, we carry out a full review of the CR strategy each year. As part of this process, we map risks and opportunities, a process which is informed by legislative and consumer trends, as well as key environmental and social issues. We also include the stakeholder concerns raised as part of our engagement programme. This then enables us to agree the focus of activity for the year ahead. Our Executive team is fully involved in this process and the Group Board agrees the final strategy and future targets. The Group Risk Committee then reviews our progress against these targets on a quarterly basis. We will continue to develop this approach to ensure the material issues for our business and stakeholders are included.

RESPONSIVENESS

It is important to us to understand and cover the material areas of relevance for our stakeholders within our CR activities and reporting. In order to do this we ensure the issues, concerns and interest areas of stakeholders directly feed into our CR strategy and programme. Where challenges or suggestions are raised we ensure we respond to them with actions and report upon these where applicable and possible to do so.

BENCHMARKING OUR PERFORMANCE

We aim to benchmark our CR performance against other companies and retailers to ensure that we are keeping pace with developments.

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 retain BitC's Platinum ranking for the fourth consecutive year.



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.



Corporate Responsibility report boundaries and scope

This report details the Group's CR performance for the year 1 September 2010 until 31 August 2011 referred to as the WH Smith PLC Corporate Responsibility report 2011. This is issued alongside the WH Smith PLC Annual report and accounts 2011. Some of the data reported is not exactly aligned to the year ended 31 August 2011 but is reported for a consistent period each year. The impacts resulting from franchise operations and international stores are excluded from this report. Other variances in reporting boundary are highlighted in the relevant section.

Environmental management

Board accountability:

Robert Moorhead,
Group Finance Director

Executive accountability:

Kevin Hall,
High Street Stores Director

Relevant policies:

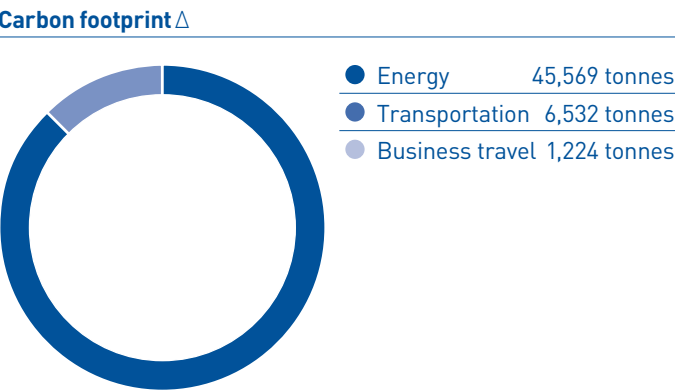
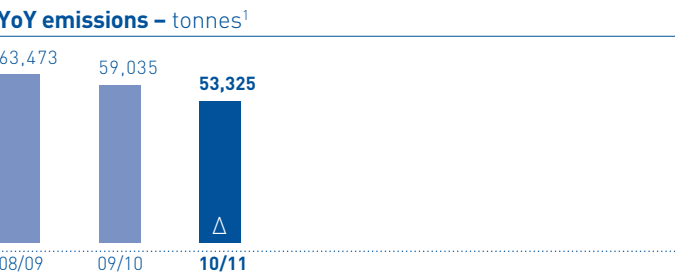
Environmental Policy

Our commitment

We are committed to responsibly managing the environmental impact of our operations and the products that we sell. Environmental management is important to our customers, employees and, most of all it is important to our business. Ensuring that we use resources efficiently and work to reduce our carbon footprint supports our commercial strategy. As a result, we continue to implement a progressive approach to environmental management in order to deliver gradual improvement year on year.

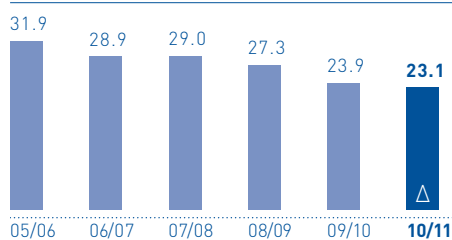
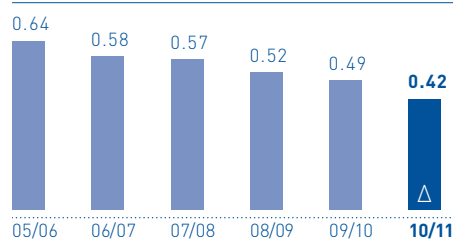
CARBON REPORTING

We calculate our Group CO₂ emissions (from transport, business travel and energy) using recommended DEFRA conversion factors. This year Group CO₂ emissions totalled 53,325 tonnes, a decrease of ten per cent from last year's emissions of 59,035 tonnes.



Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 27.

¹ During the year we updated our conversion factors to align with DEFRA best practice. We had not updated the factors in the prior year. This change would account for some of the reduction in CO₂ emissions from the previous year.

Energy consumption – YoY kwh per sq ft**Emissions – YoY CO₂ KG/Skip²****REDUCING ENERGY CONSUMPTION**

The energy used to light and heat our stores, distribution centres and offices is the greatest contributor to our carbon footprint and also represents a significant cost to the business. During the year, new legislation has also come into force in the UK, the Carbon Reduction Commitment, which has increased the costs associated with energy use, giving a further imperative to reduce the amount of energy used in our business.

In Travel stores, the requirements for in-store lighting and heating are set by our landlords, so we work in consultation with them on any changes we may want to make. During the year, we have been in dialogue with some of our largest landlords to better understand their approach to energy reduction and to identify ways to work together. Our Travel store teams have also been focusing on regular review of heating controls to ensure that our heating systems are at the right level for the weather conditions with no wastage. We have also increased the use of chiller blinds and introduced more energy efficient drinks chillers in some stores. We will continue to work with our landlords and to apply learnings from High Street where appropriate.

In our High Street stores, we set the requirements for in-store lighting and heating or cooling ourselves. We use a system of Automated Meter Readers to closely monitor the energy use in each store and to identify any discrepancies quickly. In recent years, our focus has been on making energy efficiency part of the culture of the business, giving our staff clear accountability for making savings wherever there is an opportunity to adjust lighting or heating levels, for example. This approach has enabled us to deliver consistent improvement year on year.

Lighting uses more than half of the energy of a trading store and, during the year, we have been trialling improvements to our lighting equipment in High Street. We conducted a trial of new LED lighting at our Newbury store and saw significant reductions in energy usage, with no impact to the levels of light within the store. The outgoing lights were recycled, and the new ones will last around ten years, reducing the environmental impact of disposing with old tubes. Based on our learnings from the Newbury trial, we plan to roll out similar lighting upgrades to other High Street stores during 2011/12 and would hope to accelerate our energy savings programme as a result.

IMPROVING TRANSPORT EFFICIENCY

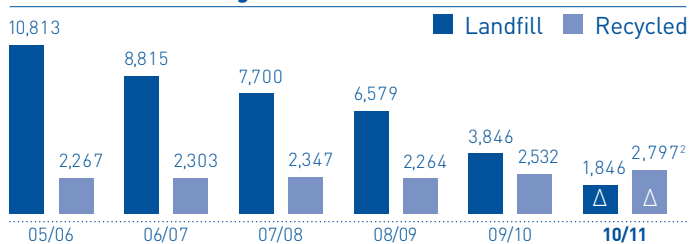
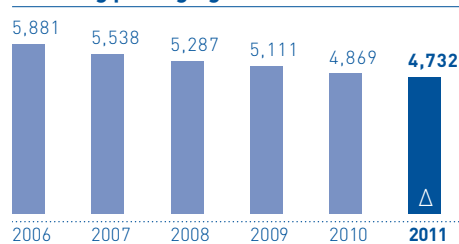
Operating over a thousand stores across the UK, our lorries have to cover significant ground to deliver our products to store. The CO₂ emissions associated with the transportation of our products are the second greatest contributor to our carbon footprint, as well as representing a significant cost to our business.

We continue to work with suppliers and other companies to improve transport efficiency, both for WHSmith and for our partners. Our Collection Service involves collaboration with suppliers and other companies where we share space in our lorries and reduce traffic on the roads. In the case of suppliers, we collect products from supplier sites when their premises are on or near our existing transport routes, again using spare capacity in our lorries and reducing the overall emissions associated with transporting our products. During the year, eleven new suppliers have joined the Collection Service, including Coca Cola, Nestlé and Harper Collins, and we have seen collections increase by over 25 per cent. Through this approach, we are able to eliminate 1,324,000 km from the transportation that our suppliers would use to move their products to our distribution centres.

In addition to our collaborative work with suppliers, we continually review the delivery routes and frequencies within our network, as well as looking at new fuels and vehicles. The result has been a 14 per cent reduction YoY in the CO₂ emissions per package moved.

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² A skip is a plastic tote used to transport products

YoY total waste arising – tonnes¹Reducing packaging – tonnes³

WASTE MANAGEMENT

We continue to work hard to reduce waste within our business. Waste created by inefficient use of resources and rising landfill tax represents a significant cost to the business. In response, we have been operating recycling and waste reduction initiatives for several years.

This year, we introduced a new recycling system for many of our High Street stores, known as dry mix recycling. This system of recycling will enable our stores to recycle most forms of waste, including plastics and metals that we could not previously recycle. As a result, we have seen a 10.5 per cent increase in the volume of waste being recycled, with consequent savings in landfill tax. We continue to look for opportunities to make further reductions in waste and, in the year ahead, plan to invest in more plastic skips as a way of reducing the number of cardboard boxes used, and then disposed of, in peak periods.

We also maintained our recycling programme at our Swindon Head Office. Stations to collect plastic and glass bottles, aluminium cans, newspapers and magazines are located throughout the office, and are supported by staff.

Reducing packaging

We regularly review our product packaging to minimise waste created by our own-brand products. Excessive packaging continues to be a concern of consumers and environmental stakeholders. We share this concern as unnecessary packaging represents a triple cost to our business: the cost of the packaging, paying for it to be transported to our distribution centres and stores and the waste disposal costs once the packaging is 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.

The graph shows that the total packaging handled in our business has fallen steadily in recent years, with this year's figures showing a fall of three per cent from last year.

Reducing carrier bags

We continue to work hard to reduce the number of plastic carrier bags we hand out. Across the whole of our business our staff habitually ask customers whether they need a bag. This simple procedure helps to raise customer awareness of the importance of carrier bag reduction. In addition, as part of our Think Twice campaign which operates in many of our stores, customers can choose to pay 1p for a single use bag or buy a good quality reusable bag, made from 100 per cent recycled materials. WHSmith also offers a range of reusable bags, some made of fabric and others made of 100 per cent recycled plastic. We have been encouraged to see the sales of these bags increase this year.

Case study

Cutting carrier bags, planting trees: WHSmith's partnership with the Woodland Trust



Profits from the sale of WHSmith carrier bags are donated to the Woodland Trust and this has enabled us to support the Woodland Trust's work to create new woodland for people and wildlife to enjoy. This year, we were able to fund free tree packs for schools. WHSmith's donation enabled the Woodland Trust to provide 700 schools across the UK with tree planting packs, each containing 30 saplings.

"It's so important that children get the opportunity to learn about trees and their environment so we were delighted that WHSmith sponsored our schools tree packs in spring 2011. Thanks to their support 700 schools received a free tree pack enabling 21,000 children to have an inspirational tree planting experience." Woodland Trust, 2011



△ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 27.

¹ Waste reported does not cover Travel stores as this waste is managed by landlords.

² Excluding Birmingham distribution centre.

³ Data is collected annually covering the period 1 March to 28 February.

Helping our customers to reduce waste

We want to make it as easy as possible for our customers to recycle the products that we sell when they reach the end of their lives. Collection points are in place in the majority of our stores for customers to recycle their old batteries. We also operate a recycling scheme for inkjet cartridges, working alongside our suppliers. Profits from the recycling

go to Tommy's the baby charity which funds medical research into the causes of premature birth, stillbirth and miscarriage. In WHSmith own-brand inkjet cartridges, the interior packaging on the cartridge is compostable. This initiative reduces the environmental impact of this packaging, ensuring that it will degrade naturally.

TARGETS

	2010/11 Targets		Progress	Future targets
Energy	Reduce Group energy consumption per square foot by ten per cent by 2013 (from 2010 levels).	➡	Group energy consumption per square foot has decreased by three per cent since 2010.	Reduce Group energy consumption per square foot by ten per cent by 2013 (from 2010 levels).
Transport	Eliminate 2,000,000 km from the transportation of our products to store by 2013 (from 2010 levels).	➡	1,324,000 km have been eliminated from the transport of our products since 2010.	Eliminate 2,000,000 km from the transportation of our products to store by 2013 (from 2010 levels).
Waste and Management	Ensure that at least 45 per cent of waste is recycled during 2010/11.	☑	60 per cent of waste was recycled.	Ensure that at least 68 per cent of waste is recycled by 2013.

☑ Achieved

➡ On track

✗ Not achieved

Responsibility in the marketplace

Board accountability:

Kate Swann,
Group Chief Executive

Executive accountability:

Stephen Clarke,
Managing & Commercial Director
– High Street

Relevant policies:

Ethical Trading Code of Conduct
and Human Rights Policy

Forest Sourcing Policy

Marketing Code of Practice

Our commitment

We are committed to meeting our customers' expectations to provide a good range of products while operating our business responsibly. Our customers expect that we provide them with choice, value for money and a good shopping experience. Customers also expect reassurance that our products are made with care for the environment and that factory workers are treated fairly. We have active programmes in place to work toward meeting our customers' expectations, in our stores, online and behind the scenes across our supply chains.

CUSTOMER FOCUS

'Customer Focus' is one of our four values and central to the way we operate our business. It is important to us that we understand our customers' needs so that we can meet their expectations in our service, product offer and operations.

Customer service

Customer service standards remain a key focus of WHSmith. To ensure we continue to deliver high standards and meet our customers' expectations, we carry out regular staff training on customer service standards. This year, 800 store managers took part in voice conferences led by Group Chief Executive, Kate Swann, and High Street Stores Director, Simon Marinker, which focused on the standards we expect all of our colleagues to deliver when serving customers.

We review our performance through an independently conducted Customer Satisfaction Monitor. This survey is conducted twice a year during our busiest periods. Each survey has a sample size of 500¹ and assesses performance in areas such as friendliness and helpfulness of staff, time spent queuing and store cleanliness and tidiness. During the year, our customer satisfaction score was 8.0 Δ, and our scores have remained consistently high over the last four years. Our overall score for satisfaction with the friendliness and helpfulness of staff ranks especially high at 8.7. We use the findings of these surveys to ensure that we continue to focus on the key elements of service that are most important to our customers.

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¹ High Street customers.

We know that queuing time is an important consideration for our customers and we continue to look at ways to improve our performance in this area. During the year, following extensive trials, we began the phased roll-out of self service tills in some of our larger High Street stores and airport units. The feedback from customers to date has been extremely positive, with improved queuing times and no detrimental impact to overall customer service.



We continue to implement a programme of improvements to our stores. The focus is on improving the store environment through changes to lighting and flooring, as well as making the stores easier to navigate so that customers can find what they are looking for easily and quickly.

Product choice

We seek to ensure that our product range offers our customers choice. As part of a varied offer of products, we provide customers with the opportunity to purchase products with a reduced impact on the environment as well as those that support charitable causes. These products include stationery products made of recycled content, such as lever arch files, notebooks and A4 paper, or pencils made from FSC-certified material.

Our charity partnerships also provide opportunities for customers to support specific causes. This year we worked with charities such as the British Legion, Marie Curie Cancer Awareness and the Breast Cancer Awareness Campaign, through the sale of poppies, pin badges and pink filofaxes. We continued to offer our 'Adopt an Animal' range of charity Christmas products, and a wide range of charity Christmas cards.

In terms of our books offer, we have a dedicated local books buyer to ensure that our stores have a range of books that are relevant to the area where they operate, for example publications on places of interest, local history, tourist guide books and work by local authors. We also promote books supporting charities, for example Comic Relief, and give high profile exposure to debut authors through the Richard and Judy Book Club launched in 2010 exclusively with WHSmith.

Case study

Discovering new authors with the Richard and Judy Book Club



Autumn 2010 saw the launch of the new Richard and Judy Book Club, exclusively with WHSmith.

Richard and Judy's personal book recommendations and reviews give lighter book readers the confidence to try a new author or a new genre. By bringing new authors to the fore, Richard and Judy's recommendations have played a big part in the success of authors including Kate Morton, Kate Mosse, Victoria Hislop, Audrey Niffenegger and David Mitchell. Since the launch of the Richard and Judy Book Club with WHSmith, we have seen that trend continue.

In Autumn 2010, the Richard and Judy Book Club broke WHSmith records when Richard and Judy's first recommendation, *Sister* by Rosamund Lupton made Number 1 paperback and became the fastest selling title by a debut author in WHSmith's 200-year history; while all eight of the reviewed titles went into the top 12 paperbacks in their first week of sales.

The Book Club made Rosamund Lupton a best-selling novelist overnight. Richard Madeley commented: "Sister was a fantastic novel. When we read it, Judy and I knew that we had read something very special and we're thrilled that readers shared our views. Rosamund becoming a best-selling author overnight was the icing on the cake for us." Rosamund Lupton was understandably delighted, describing how the Book Club has changed her life saying: "2010 was an extraordinary year and one that I never believed could have happened, having a debut novel become a Number 1 best-seller was hard to comprehend."

Improving access for customers

It is our aim to make our stores accessible to all customers. We pay particular attention to our disabled customers and are working to ensure that our stores can accommodate their needs. To meet this need, we continue to install customer service lifts, automatic doors and hearing loops. We are also updating many of our stores, and in doing so have widened aisles and created store environments that better accommodate customers who use mobility scooters or wheelchairs, as well as parents with push chairs. We offer information about the access features of all our stores on our website. These details include information on automatic doors and lifts in our stores. We also continue to provide diversity training and awareness using training guides designed and printed by the Employers' Forum on Disability, specifically for WHSmith.

Responsible retailing

We take seriously our responsibility for the products we sell, and we are committed to listening to our customers' feedback. Our Marketing Code of Practice sets out the standards we 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.

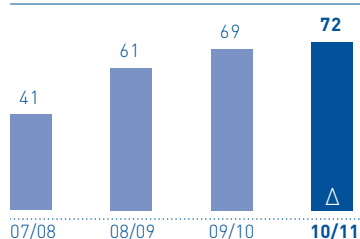
Case study

Making it easier for customers with hearing impairments to shop in our stores

During the year, we have been in dialogue with Action on Hearing UK (formerly known as the RNID) to discuss ways that we could continue to improve the customer experience for customers with hearing impairments. Following these discussions, our Property Maintenance team have commenced a heightened rollout programme to install induction hearing loops across the estate, where we anticipate installing new hearing loops in at least 60 new store locations each year. We have also started an enhanced maintenance programme to ensure that regular tests are undertaken on the hearing loops we have in place, to ensure they are working correctly and that appropriate signage is in place for customers.

We have purchased a consignment of personal listening devices, that have been distributed to various staff in our area teams, our group safety advisers, store auditors, regional maintenance staff and our property contractors, as a means of testing that induction loops are working correctly when they are visiting stores. These personal listening devices will also act as portable assistance devices for staff in stores to assist customers with hearing aids whilst walking around the store. The Group Risk Director is undertaking updated awareness training for store staff to ensure that they know about the system and are ready to assist customers who wish to use it.

% of recycled or certified forest sourced material¹



RESPONSIBLE SOURCING

Forest sourcing

As a leading retailer of books and stationery products, paper constitutes a significant part of our business. We are committed to minimising the environmental impact of the paper used in own-brand products, and to do so we work to a continuing objective that all virgin (i.e. non-recycled) material used in our products is from known, legal, well-managed and credibly certified forests.

In order to meet this objective, we work closely with our suppliers to understand their sourcing process and supply chain. All prospective and ongoing suppliers are required to complete a pre-order questionnaire, detailing information on the forest sources intended for own-brand products. Our compliance teams then assess the information to decide whether an order can be placed. Over the year we worked to improve the methodology used when assessing timber and paper sources. We require suppliers to provide information on the tree species and origin, even if the timber or end product is FSC/PEFC certified. We also operate a policy not to accept any species included in the Convention on International Trade in Endangered Species of Wild Fauna and Flora.

Suppliers of own-brand paper and wood based products provide information on products they supplied to us during the previous 12 months. The resulting report enables us to identify the risks in our supply chain, such as timber that might be sourced from contentious areas. The report also highlights suppliers that are making good progress in their own forest sourcing management and who we can work with to introduce new sustainable products.

For our 2010 survey, the volume of material from recycled sources and certified forests² improved to 72 per cent (2010: 69 per cent). This increase was achieved as a result of our ongoing programme of engagement with suppliers to help them better understand the issues around forest sourcing and the ways in which they can improve. More specifically, we continue to identify those suppliers who are providing products made from lower grade wood and to work with them as they find new sources of a higher grade.

Much of our forest sourcing work is carried out behind the scenes with little sign on product packaging to indicate which products are made from wood or paper from recycled sources or certified forests. We are working to address this and, this year, increased the number of products marked with the FSC logo by over 20 per cent, including products ranging from pencils and crayons to the promotional vouchers distributed at the till. In the year ahead, we are targeting a further 30 per cent increase in the number of FSC-labelled products to ensure that we give our customers as much information as we can about the products they are buying.

Ethical trading

We are committed to maintaining good labour standards across our supply chains. We engage with our suppliers to promote good labour standards in their factories. 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 ongoing engagement to agree when improvements are required.

WHSmith is a member of the Ethical Trading 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 together with ETI to meet our joint objectives. Specifically, we participate in the ETI China Forum in the UK and the ETI China Corporate Caucus in China which provide forums for members to learn and share experiences.

We have an integrated ethical and technical audit team based in our Hong Kong office. The combination of these two roles enables us to provide our factories with feedback on compliance with our code of conduct. It also ensures consistency in auditing over time as our follow up audits tend to be conducted by the same person. Our process begins before an order is placed with a new supplier, at this time 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, to ensure compliance and provide support.

△ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 27.

¹ Data covers the calendar year.

² 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 audit all our direct source suppliers in Asia at least every two years. This year, the team carried out audits across China, India and in a number of other countries in Asia. Every two years we undertake an independent benchmarking process to ensure our ethical audits remain in line with industry best practice.

Against the background of our audit programme, we continue to focus on engagement with key suppliers to support them as they seek to improve their performance. This engagement is currently focused on two projects, one looking at Occupational Health and Safety, and the other looking at Worker Representation. We have chosen these issues for two reasons: firstly, because they are regularly highlighted in our audits as areas where factories could improve their performance, but secondly, because improved performance in these two areas can also help factory management improve the overall commercial performance of their operation, providing a 'win-win' scenario which we hope will engage factory management more in the objectives of the projects. The Worker Representation project, for example, is being well received by our suppliers. Although the project seeks to address a challenging issue – the lack of formal worker representation in China – many factory managers are keen to get involved in the project, seeing it as an opportunity to improve staff morale and consequently improve staff retention rates in a competitive labour market. Our project toolkit, developed in consultation with the ETI, provides advice on how to set up a simple worker representative committee which can, in turn, give workers the feeling that they have a voice on issues which are important to them, for example, the type of food served in the canteen.

During the year, we held workshops for 20 suppliers as part of the Occupational Health and Safety and Worker Representative projects. We are now working with ten factories as they seek to make improvements and use the project toolkits, providing WHSmith with regular updates on progress. In the year ahead, we plan to run similar workshops for suppliers in northern China and broaden the scope of our engagement.

Case study

Insight into auditing and engagement

Our supplier audits cover all of the issues in our Supplier Code of Conduct. Whilst the kinds of issues identified by the WHSmith audit team vary from factory to factory, the table below gives some insight into improvement areas identified as part of a recent factory audit and the changes made as a result of our team's discussion with the factory management. The factory profiled manufactures notebooks for WHSmith and is based in south east China.

Before WHSmith audit	After WHSmith audit
No gloves worn by workers who use solvents	Mask and gloves worn by workers when using glue
Chemicals placed in unsheltered area	Industrial oil placed in sheltered area
Electricity control panel without switch labels	Inner cover and switch labels marked in the fuse box
Some concern over working hours	Working hours reduced by ten per cent

TARGETS

	2010/11 Targets		Progress	Future targets
Ethical Trading	Engage with 15 new factories by 2013.	➡	We are currently working with 10 factories Δ as part of our engagement projects.	Engage with 15 new factories by 2013.
	Further develop the buyer training programme to address supplier feedback.	✓	Ethical trading updates given to buyers undertaking supplier visits and training provided for Travel buying team.	Integrate ethical trading issues into core buyer training during 2011/2.
Forestry	Increase the amount of own-brand paper and timber product sourced from recycled sources and certified forests to 75 per cent by 2013.	➡	The amount of own-brand paper and timber sourced from recycled sources and certified forests increased to 72 per cent.	Increase the amount of own-brand paper and timber product sourced from recycled sources and certified forests to 75 per cent by 2013.
Products and Marketing	Continue to introduce products with environmental or charitable benefits which support the commercial strategy.	➡	Key promotions and product lines in Books and Stationery continue to raise funds for a number of charities.	Continue to introduce products with environmental or charitable benefits which support the commercial strategy.

☒ Achieved
 ☐ On track
 ☒ Not achieved

Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 27.

Workplace practice

Board accountability:

Kate Swann,
Group Chief Executive

Executive accountability:

Anthony Lawrence,
Group Human Resources Director

Relevant policies:

Code of Business Conduct
Suite of employee policies
Health and Safety Policy

Our commitment

People are the greatest resource of any business. At WHSmith we are committed to providing all of our employees with learning opportunities to help them develop their careers and ensuring that employees feel engaged in the business and its priorities.

ENGAGING WITH OUR STAFF

We provide a variety of communication to staff in order to ensure that everyone is engaged in our business strategy and objectives. We do this through clear communication cascaded by team briefings, large employee events, intranet sites and regular e-newsletters.

Each month, our executive directors deliver business briefings to the senior management team. These briefings provide updates on the company's performance and give managers the opportunity to ask questions. This information is then communicated out to all head office employees by directors and senior managers.

As part of our employee engagement programme, our directors also host informal meetings on a quarterly basis that are held over breakfast. This is offered to a small group of staff who are randomly selected from both our Swindon and London offices. They are given the opportunity to meet with one of our directors to discuss any subject they wish.

We want to ensure that all staff are regularly updated on activity across the business. To meet this aim, we circulate a fortnightly e-newsletter in head office and distribution centres that contains 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, briefing on our progress and the launch of new initiatives, as well as covering other topics including Corporate Responsibility. Once a year, conferences for stores are held to communicate messages that are pertinent to our total business strategy, performance and the running of WHSmith stores. These conferences offer detailed information on products and the direction of the business.

Last year, we carried out an extensive review of our head office internal communication programme, which identified five key areas where our staff felt there was scope for improvement. This year, our focus has been on implementing those five key commitments. Changes made as a result include increasing the number of forums where staff have the opportunity to speak directly to our Executive management team, providing more channels for staff to send their questions to management and also reviewing the content of our internal communications to ensure they are more tailored to the specific interests and needs of employees in different parts of the business.

We want our employees to feel engaged in the business from the very beginning, so this year, we launched an improved induction process for new starters across Travel and High Street Head Offices to ensure that it remains engaging and relevant.

Living our values

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

WHSmith values



VIP – Values in Practice

The WHSmith Values are actively pursued by employees across the business, and it is important that we recognise this work. To do so, we offer a 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 a colleague who has set a leading example in demonstrating one of 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 staff newsletter and the VIP winner is rewarded with free tea or coffee for a month and three extra days' holiday.

Store Heroes

Our store staff work tirelessly to deliver our business plans and strategies. In recognition of this work, we celebrate the achievements of our store staff through several awards programmes. During November, December and January, we run the WHSmith Store Heroes scheme. The scheme recognises hundreds of employees based on their accomplishments at work. We also offer an Annual Store Awards programme, including Most Improved Store, Store of the Year, Store Manager of the Year and Area Manager of the Year.

Valuing our people

As people's lifestyle patterns change, it is important that WHSmith provides a workplace and benefits to promote 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.

Case study

Employee engagement through Learning at Work Week

WHSmith has been running a Learning at Work Week event for the last five years, with more employees getting involved year on year, and the Week is now established as an important employee engagement event at WH Smith. This year we ran 36 master classes in our London and Swindon Head Offices with 671 places being filled. In Stores, 800 store managers took part in voice conferences led by two executive directors focusing on the subject of customer service; and a total of 12,000 customer facing staff took part in over 500 voice conferences. Master classes and voice conferences were led by our senior management and Executive management team with topics varying from Leadership to Report Writing to Interpersonal Impact. Dedicated intranet pages then provided a tool to communicate and share learning about Learning at Work Week across the business. The feedback from staff was overwhelmingly positive, with comments including 'Learning at Work week initiative is a really good one – it seems to put the experience and expertise of our senior colleagues to really effective use to provide genuine lessons and inspiration'; and 'The voice conferences were very beneficial, a very strong message and we should do more of these'.

LEARNING AND DEVELOPMENT

We are committed to supporting the learning and development (L&D) of our employees, both to support their own career development and to strengthen the levels of experience and skills within our workforce.

Our L&D programme is designed to appeal to all employees and ensure that they have equal access to the opportunities offered in the business. We regularly review the programmes on offer to ensure that they remain appropriate to the needs of our employees and of the business. During the year, we completed a strategic review of the L&D offer across the Group and refreshed and re-launched the offer in line with the findings. The refreshed offer saw improvements including a new core L&D offer for our Travel and High Street Head Offices focusing on technical and personal career development, and in addition to this, we continued our focus in stores enabling the development needs of potential Supervisors and Store Managers.

In addition to the L&D programme, WHSmith is also an active supporter of the Campaign for Learning's Learning at Work Week. More details on this are found under Employee Engagement.

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 aspire to 90 per cent internal succession rate across the business. In order to achieve this, 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.

Our succession planning process enables us to identify areas of the business where further investment is needed to build a pipeline of talent. One such need arose in our Travel head office and saw the establishment of a Graduate Development programme during the year.

Succession planning is also a key issue in our Distribution Centres. Responding to this, we successfully trialled a new apprenticeship programme within our Swindon Distribution Centre. The programme has now been expanded to include our Birmingham Distribution Centre. Going forward we hope to further expand the programme to our Dunstable Distribution Centre and that we will start to see the apprentices move on to take permanent roles within the Distribution Centre teams as they complete their training.

Case study

Using webinars as a Learning & Development tool

This year, we extended the use of Webinars across the estate as a key method for learning in stores, building on our use of voice conferences in the past. We have also started to use webinars to engage our teams in our international locations such as Australia and Hong Kong.

As a business we face a number of challenges when providing training to store teams. Geographical locations, expensive travel costs and in-store constraints all contribute to the difficulties we face in delivering face-to-face training.

From experience we have refined our webinar offer to encompass training on the technical systems that our stores need to be skilled in. We now run a monthly schedule of webinars that are hosted by subject matter experts. Using webinars as a tool for delivering more frequent and more targeted training sessions has enabled us to ensure consistency in content and reduced training costs. These sessions are aimed at new appointment Supervisors and Managers who use them as an extension to their corporate induction and also for existing staff who are changing role or responsibility within the business.

We are running on average 12 sessions per month with an average attendance of eight people on each session. No session lasts more than 90 minutes in order to keep the sessions focused and effective. All of the subjects that are offered would have been self taught in the past or the employee would have needed to travel to another store to be trained. The webinars are planned so that staff working early or late shifts can also attend – increasing the number of people in store who can benefit from training in these areas.

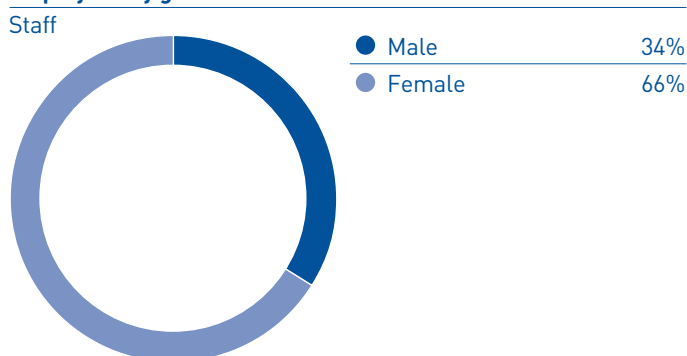
DIVERSITY

WHSmith is committed to equality and diversity through its policies, practices and procedures. All employees are given equal and fair treatment, and this applies to recruitment and selection, terms and conditions of employment, promotion, training and development opportunities and employment benefits. In order to ensure that we fulfil our commitment, we have systems in place to map the diversity profile of our workforce.

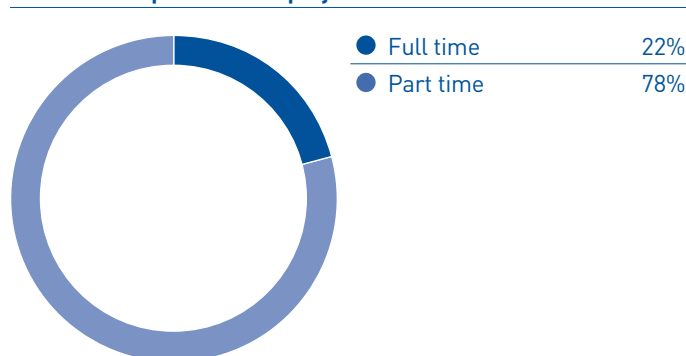
During the year we reviewed all of our diversity policies to ensure compliance with the Single Equality Act and created a company-wide diversity training programme, which will be rolled out during 2011/12. In the year ahead, we also plan to finalise our diversity strategy, underpinned by a benchmarking exercise to compare WHSmith's practices to those of other relevant retailers.

We continue to work on initiatives which support specific groups within our workforce. Examples include the extension of our flexible working schemes to support working parents and carers, and a new partnership with A4E, a 'welfare to work' organisation, to work exclusively on supporting stores recruitment.

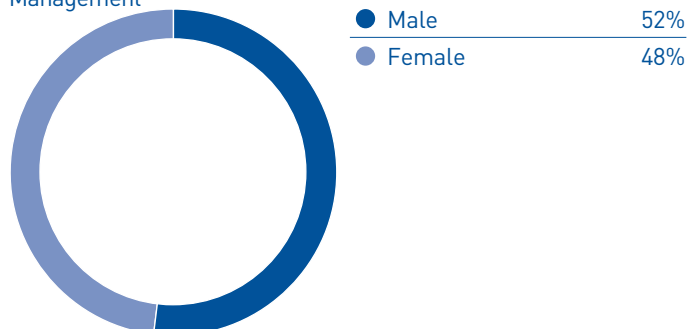
Employees by gender ^Δ



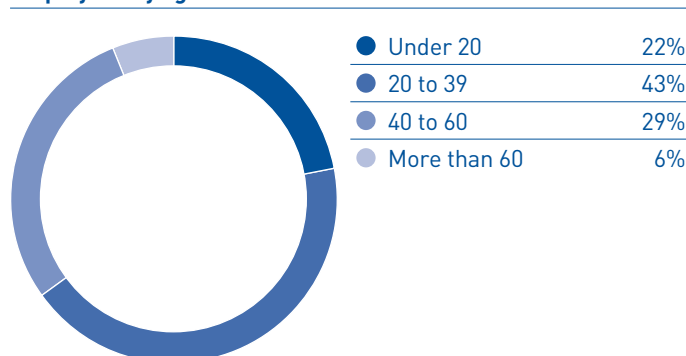
Full time and part time employees ^Δ



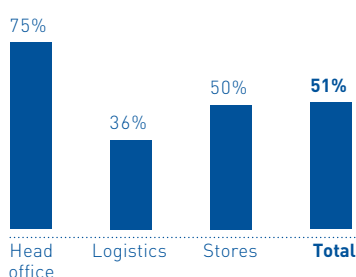
Management



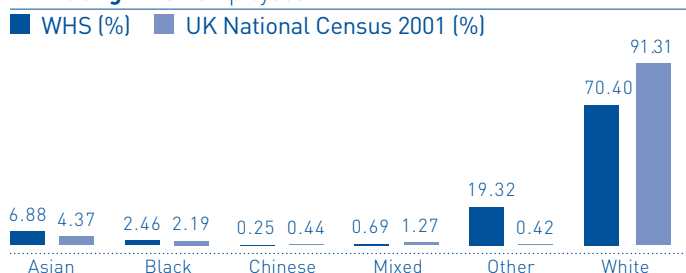
Employees by age ^Δ



Employees with more than three years experience ^Δ



Ethnic origin – all employees ^Δ



^Δ Reliability of the WH Smith totals for the selected CR performance data has been assured by KPMG, as described on page 27.

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.

While there has been a 7 per cent decrease in the number of reportable accidents this year versus last year, and a 27 per cent decrease in the number of major accidents, the number of total recorded accidents remained flat YoY. This is a result of a concerted communication programme by our Group Risk Department to ensure stores report all accidents, however minor. In spite of this we remain confident that by 2013 all accident stats can be reduced, (although the level in 2010 was the lowest for some time for minor accidents).

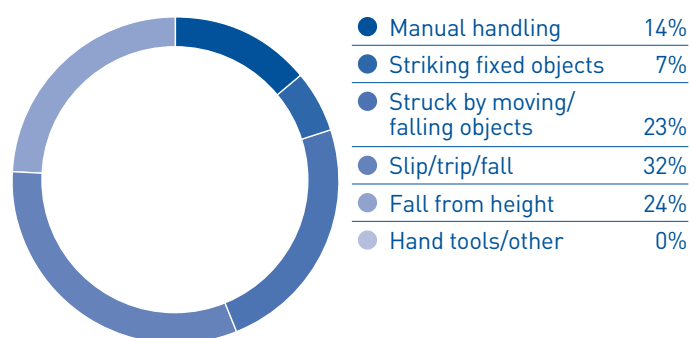
The Group Safety team continue to provide an ongoing training programme for staff in stores made up of 'modular' training programmes, focusing on key risk issues, including fire safety. In addition, the team run monthly training courses for the Travel business store staff on issues around food hygiene. Health and Safety also remains a core topic that is covered in the Management Development programme for new managers.

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 regularly to compare data and share best practice.

Accidents and Injuries

	2011 Δ	2010	2009	2008	2007	2006
Major injuries	8	11	13	16	16	22
Injuries resulting in over 3 days absence from work/hospitalisation	67	70	53	51	53	48
All RIDDORS ¹	75	81	66	67	69	70

Accidents by type – 2011 (all RIDDORS) Δ



Δ Reliability of the WH Smith totals for the selected CR performance data has been assured by KPMG, as described on page 27.

¹ Reportable under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations

TARGETS

	2010/11 Targets		Progress	Future targets
Learning & Development	Refresh L&D head office programme to reflect current business needs and increase usage by 15 per cent year on year.	➡	New L&D offer in place and fully marketed across the Head Office population. Encouraging signs of improved usage.	Continue to increase uptake by 15 per cent.
	Provide up to ten per cent of all permanent DC headcount places with Apprenticeships.	✓	Apprentices are now considered for any appropriate permanent DC roles in both Swindon and Birmingham DCs.	Provide up to ten per cent of all permanent DC headcount places with Apprenticeships.
Succession Planning	Continue to source 90 per cent of all store management appointments from internal candidates until 2013.	➡	Regular review of succession plans undertaken, currently on track to meet 90 per cent internal succession rate.	Continue to source 90 per cent of all store management appointments from internal candidates until 2013.
Diversity	Deliver a company-wide programme to advise line managers on ways to support disabled employees in the workforce.	✓	Raised awareness of diversity issues across the business.	Establish a Diversity Strategy.
Engagement	Implement the five key commitments from employee engagement research.	✓	The five improvements to internal communications requested by employees were implemented.	Focus on promoting better relations with Unite the Union and the RBA. Deliver a successful 2012 Learning at Work Week, with improved participation and positive feedback.
Health and Safety	Reduce reportable accidents recorded across the group by five per cent by 2013 compared to 2010 levels.	➡	The number of reportable accidents fell by seven per cent during the year.	Reduce reportable accidents recorded across the group by five per cent by 2013 compared to 2010 levels.

✓ Achieved

➡ On track

✗ Not achieved

Community impact

Board accountability:

Kate Swann
Group Chief Executive

Executive accountability:

Anthony Lawrence, Group Human
Resources Director

Relevant policies:

Community Engagement policy

Our commitment

WHSmith is a valued member of communities across the UK, and we are committed to making a positive impact wherever we operate our stores. Through our work to champion literacy and support good causes, our community programme enables us to contribute to local areas. We also want to provide customers with an opportunity to support their favourite charities through the products we sell.

SUPPORTING LOCAL HIGH STREETS

WHSmith has a store on 399 of the top 400 High Streets in the UK, as well as many smaller towns. We recognise that our business plays an important role in local communities up and down the country and we are committed to supporting those communities and helping to maintain a vibrant retail environment.

Our store teams are active members in their communities, with many store managers and staff giving their time to support local councils, town centre management and high street security groups to promote a positive business environment on their high streets.

Over the course of the year we opened 39 new High Street stores, many of them in small towns, such as Kingsbridge in Devon and Driffield in Yorkshire. This figure includes the stores which WHSmith acquired from British Bookshops and Stationers Limited, when that company went into administration. We opened 35 new stores in UK Travel locations, including nine new stores in hospitals. In total, these new High Street and Travel stores have created or sustained over 400 jobs in communities across the UK.

CHAMPIONING LITERACY

As the UK's leading bookseller and stationer, literacy remains the primary focus of our community programmes. Research findings consistently conclude that children who read for pleasure have better life chances, and promoting the love of reading is therefore the over-arching objective behind our literacy programmes.

Working in partnership with the National Literacy Trust

WH Smith PLC and the WHSmith Group Charitable Trust have been working in partnership with the National Literacy Trust for seven years now on projects to promote reading for pleasure. Last year, we piloted a new three-year project as part of the National Literacy Trust's Young Readers Programme for Families.

The Young Readers Programme for Families is the National Literacy Trust's programme to help parents support their children's literacy skills and discover the enjoyment of reading. The partnership with WHSmith has funded projects in 16 locations during 2010/11, taking place in locations stretching from Edinburgh and Dundee to Exeter and Lambeth.

Each project is made up of five workshops for parents with children who are either in Reception (age 4-5) or in Year 3 (age 7-8). Session topics include how to read with your children, helping your child select books, how to get the most out of library services and how to choose books to buy for the home. At the end of each session, children join their parents so they can build confidence reading together. The final session includes a visit to the local WHSmith store where the Children's Books Supervisor gives the families a tour around the store and WHSmith vouchers so that the children and parents can choose new books together. The school also receive WHSmith vouchers to buy books for the classroom.

Commenting on this year's programme, the National Literacy Trust said, "The National Literacy Trust's Young Readers Programme for Families allows schools to respond to an issue which is very high on the agenda, and gives them a fantastic opportunity to help the families they work with to support their children's reading in an informal, but informative way. Based on a shared objective to promote literacy and the love of reading, support from WHSmith in 2010-11 enabled us to develop the programme from the early stages of action research into a fully comprehensive delivery model, and to extend its reach to hundreds of families and children in areas of deprivation across the UK. Project coordinators felt it was "a wonderful opportunity to offer a course which really reached the most needy families... we would like to build on those achievements within the school." A key benefit of the partnership is the inclusion of a supported visit to a local WHSmith store – one parent told us this was "...a highlight of the course for me, because it gave me a bit of an insight into what is out there, and how I can broaden my son's horizons."

Case study

Measuring the impact of the Young Readers Programme on family literacy



Both WHSmith and the National Literacy Trust are keen to understand the impact these workshops have on attitudes to reading. Participating families are asked to complete an evaluation before and after the project. Results from the workshops which took place this year are set out below. We will continue to measure the impact of the workshops to understand their impact and look at ways we can improve.

As a result of taking part in a 'first wave' Young Readers Programme for Families programme:

- 69% of families who had not previously used the public library system signed up to become a member of their local library
- 100% of families felt they had learned practical strategies to support their child's reading
- 50% increase in the number of children reporting frequent (e.g. daily) reading at home
- 67% of parents said they saw their children reading more at home
- 66% increase in the number of children who said they share regular reading time with someone at home.

Part of the programme focused on increasing families' understanding of the importance of reading for enjoyment, in order to provide a good basis for supporting reading in the home. Parents were asked their opinion of the statement "Children who read for pleasure do better at school and have better chances in life than children who don't". Just over 45 per cent of parents agreed with this statement in the first session, but by the final session, more than 90 per cent agreed.

"Instead of watching TV he goes to read a book... Not just reading books, word searches, scanning books, re-reading to understand and working together to read which is great for his memory." Parent, Southampton

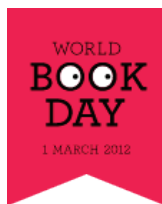
"Amazing – in five weeks attitudes were changed! One Mum just laughed to begin with when hopefully I said her son will 'enjoy his reading' – but by the fourth session her son was excited about books." Project coordinator, Exeter

"Since this course we have been spending five minutes more reading together at home every day and going to the library more. Sarah is coming to me more to ask about her reading if she doesn't know the words – I had to buy her a dictionary! Another mum who wasn't sure has heard about the sessions from me and said 'I wish I'd done that now!'" Parent, Glasgow

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, with a group of publishers, booksellers and interested parties all working together to promote the enjoyment of reading. This year, World Book Day in the UK was chaired by WHSmith Books Business Unit Director, Rachel Russell.

We supported the event across our High Street store estate with many holding World Book Day celebratory events for children from local schools. Events included face painting, treasure hunts, magic shows and story telling by authors including Anthony Horowitz and Jacqueline Wilson. This year, the teams from two of our hospital stores also helped bring World Book Day to those children who were patients at the time, with magic shows and the opportunity for the children to choose their free World Book Day book.



Richard and Judy Children's Book Club in partnership with Booktrust

Spring 2011 saw the launch of a new initiative focused on children's reading, the Richard and Judy Children's Book Club, exclusively with WHSmith. The Children's Book Club is made up of three categories with six book titles in each; Read Together, Read Yourself and Fluent Reader, and aims to help parents choose great books which children will love. We are working alongside Booktrust, an independent charity which aims to encourage people of all ages and cultures to enjoy books.



Rachel Russell, WHSmith Books Business Unit Director commented: "We're delighted to be bringing Richard and Judy's book recommendations to support children's reading. They are trusted by millions of UK book buyers. Having the advice and support of Booktrust to further support parental choice and encourage our younger readers to enjoy and share the experience of reading books is a fantastic endorsement."

Booktrust were also excited about the new initiative with Viv Bird, Booktrust Chief Executive, commenting: "The launch of the Richard and Judy Children's Book Club will raise confidence around sharing books at home and help to guide parents and carers in choosing the right books with, and for, their children. As one of the leading children's literature organisations, Booktrust aims to inspire children to read for pleasure – whether that's sharing a book with their family or enjoying it on their own – and we are delighted to lend our support and advice – as well as reviews of all 18 titles – to Richard and Judy and WHSmith on an initiative that will help people to choose books that children will love."

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 matches employee fundraising and volunteering, making around 50 grants worth over £29,000 during 2010/11. These employee-nominated charities range from big national campaigns such as Macmillan Cancer Support and the British Heart Foundation to small community based charities including brownie packs and hospital radio services.

The Trust also supports schools, with grants to employees who are on the PTA or Board of Governors, opportunities for employees to nominate a local school for a grant, and a monthly prize draw which any school is eligible to enter. In total, the Trust gave grants worth around £13,000 to support schools during the year.

Schools Giveaway

WHSmith's 612 High Street stores are at the heart of communities across the UK. Our store teams are keen to play an active part in those communities. One way they can do this is through the WHSmith Schools Giveaway. Now in its second year, the Giveaway is a partnership with the WHSmith Trust whereby High Street stores receive vouchers to give to a local school. This year, over 160 schools received a total of £25,000 in WHSmith vouchers. Schools were delighted to receive the donation, using the vouchers to purchase books for libraries and materials for the new school term. This programme has proven to be hugely successful, engaging our store teams with their local communities and creating even more enthusiasm to support local schools.



Books for Hospitals

WHSmith now has a strong presence in the hospital sector, operating stores in 111 hospitals across the UK. The staff within our hospital stores often become a core part of hospital life and well known to the hospital staff. Many of our store managers provide ad hoc support to the Hospital Trust for example donating penny stock or prizes to hospital fundraising activities, however we were keen to find other ways for WHSmith to support the Hospital Trusts. We discovered that books are often overlooked in hospital budgets, but that books can play an important role in patients' care, for example as a tool to distract young patients from treatment or to help an older patient to relax.

During the year, we worked in partnership with the WHSmith Trust to make book donations to eleven hospitals. As part of the programme, each hospital receives a donation of over 300 books. The book selection is tailored to the needs of the individual hospital, perhaps for children's ward or hospital school, or focused on the needs of elderly patients or for book trolleys. We work closely with play coordinators, nurses and other hospital staff to create individual book lists for each hospital.

This year's book presentations took place in hospitals from Glasgow to Truro, and were led by a number of members of the WHSmith senior management team, including Chairman, Walker Boyd, and WHSmith Travel Chief Operating Officer, Simon Smith. The book donations were well-received by the hospitals. Zoe Doherty, from Lister Hospital wrote to us, "May I say a big thank you for choosing Lister hospital to donate your books to, our patients will be delighted." Christine Barker from Darlington Hospital commented, "We have a new 'Teenage' room where some of the books will be placed. The nurses are very excited about the whole thing."

In the year ahead, we plan to make further book donations to another ten hospitals where WHSmith has stores.



PRODUCTS FOR CHARITABLE CAUSES

In addition to the fund raising 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 sales of these products 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 choose products that also benefit charities. This year our sales of charitable Christmas cards raised £116,000 for eight charities, which were chosen by our employees to receive support. These charities included Help the Hospices, The Childrens Society, Make a Wish, The Soldiers Charity, Age UK, Barnados and Children in Need. Our Christmas gifting range continued to support the Born Free Foundation through our 'Adopt an Animal' range.

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 Breast Cancer Pink Ribbons, Variety Club Gold Hearts and Charlie and Lola pin badges in aid of Marie Curie Cancer Research.

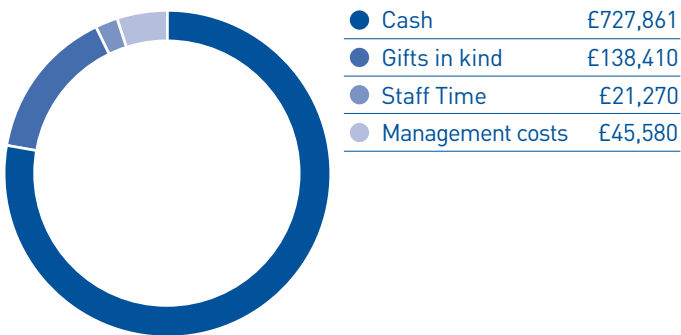
Our range of everyday cards provides an opportunity for charities to raise their profile with our customers. Our range now includes cards with images from National Trust, the Woodland Trust and the RSPB.

MEASURING OUR COMMUNITY INVESTMENT

We set and achieve an annual target 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.

WHSmith Community Investment 2010/11 ^Δ



^Δ Reliability of the WH Smith totals for the selected CR performance data has been assured by KPMG, as described on page 27.

TARGETS

	2010/11 Targets		Progress	Future targets
Promote Literacy	Promote literacy through the National Young Readers Programme for Families, working with over 3,000 people by 2013.	➡	During 2010/11, over 200 families took part in courses in 14 schools.	Promote literacy through the National Young Readers Programme for Families, working with over 3,000 people by 2013.
Charity Products	Continue to support good causes through our CR approach.	➡	Sales of charity cards, gifts and calendars continue to raise funds for a range of good causes.	Continue to support good causes through our CR approach.
Community Investment	Continue to invest one per cent of pre-tax profits in the community, through donations of cash, employee time and gifts in kind.	☑	Over one per cent of pre-tax profits invested in community projects.	Continue to invest one per cent of pre-tax profits in the community, through donations of cash, employee time and gifts in kind.
	Continue to build on the success of the WHSmith Trust Schools Giveaway and Books for Hospitals programmes.	☑	<p>WHSmith vouchers donated to over 160 store-nominated schools across the UK during 2011/12.</p> <p>Book donations made to eleven hospitals during 2011/12.</p>	<p>By 2013, donate WHSmith vouchers to 500 store-nominated schools across the UK (from 2010 levels).</p> <p>By 2013, make book donations to 30 hospitals (from 2010 levels).</p>

☑ Achieved

➡ On track

✗ Not achieved

Independent assurance report to WH Smith PLC

KPMG LLP (UK) ('KPMG') was engaged by WH Smith PLC ('WHSmith') to provide assurance over selected aspects of the WHSmith Corporate Responsibility report 2011 ('the Report') for the reporting year ended 31 August 2011.

What was included in the scope of our assurance engagement?

	Assurance scope	Level of assurance	Assurance criteria
A	The nature and extent of WHSmith's adherence to the AA1000 APS (2008) as described on page 3 with regards to Corporate Responsibility (CR) information presented within the Report.	Reasonable assurance	The criteria set out in AA1000APS (2008) for each of the principles of inclusivity, materiality and responsiveness.
B	Reliability of the WHSmith totals for the selected CR performance data for the year ended 31 August 2011 marked with the symbol Δ in the Report.	Limited assurance	Relevant reporting parameters for the selected CR performance data as set out in the Definitions of CR Key Performance Indicators, found at www.whsmithplc.com/cr .

The nature, timing and extent of evidence gathering procedures for limited assurance are less than for reasonable assurance as set out in ISAE 3000¹ but are planned to obtain a level of assurance that is meaningful to the intended user. A lower level of assurance is provided for the data and objectives under the limited assurance scope.

We have not been engaged to provide assurance over any data or information relating to the prior year presented in the Report.

Which assurance standards did we use?

We conducted our work in accordance with ISAE 3000¹ and by reference to a Type 1 assurance engagement under AA1000AS (2008)². A Type 1 Assurance Engagement covers the nature and extent of the organisation's adherence to the AA1000APS (2008)³.

Our conclusions are based on the appropriate application of the criteria outlined in the table above.

We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants (the 'Code'), which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

Responsibilities

The directors of WHSmith are responsible for the preparation of the Report and the information and statements within it. They are responsible for identification of stakeholders and material issues, for defining objectives with respect to CR performance, and for establishing and maintaining appropriate performance management and internal control systems from which reported information is derived.

Our responsibility is to independently express our conclusions in relation to the above scope. We conducted our engagement with a multidisciplinary team including specialists in CR assurance and AA1000APS/AS with experience in similar engagements.

This report is made solely to WHSmith in accordance with the terms of our engagement. Our work has been undertaken so that we might state to WHSmith those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than WHSmith for our work, for this report, or for the conclusions we have reached.

¹ International Standard on Assurance Engagements 3000: Assurance engagements other than Audits or reviews of Historical information, issued by the International Auditing and Accounting Standards Board.

² AA1000 Assurance Standard (2008), issued by AccountAbility.

³ AA1000 AccountAbility Principles Standard (2008), issued by AccountAbility.

What did we do to reach our conclusions?

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary in relation to the above scope. Our work included the following procedures using a range of evidence-gathering activities which are further explained below:

Scope A: The nature and extent of WHSmith's adherence to the AA1000 APS (2008) as described on page 3 with regards to CR information presented within the Report:

- Analysing and testing the nature and extent of WHSmith's stakeholder identification and engagement processes including:
 - Reviewing WHSmith's processes for stakeholder identification and engagement and the results of these processes over the year ended 31 August 2011.
- Analysing and testing the nature and extent of WH Smith's issue identification and materiality assessment processes including:
 - Reviewing WHSmith's process for identification of material issues, the results of this process over the year ended 31 August 2011 and their relation to business strategy; and
 - An independent review of WHSmith's materiality analysis by CR professionals based on media search, information reported by peers, and sector and company knowledge.
- Analysing and testing the nature and extent of WHSmith's response to the material issues identified including:
 - Reviewing the coverage of material issues within the Report against our own risk analysis, WHSmith's own assessment, the CR reports of WHSmith's peers and the results of stakeholder engagement.
- Reviewing drafts of the Report to ensure there are no disclosures that are misrepresented or inconsistent with our findings.

Scope B: Reliability of the WHSmith totals for the selected CR performance data for the year ended 31 August 2011 marked with the symbol Δ in the Report:

- Interviews with WHSmith management and staff to obtain an understanding of the CR performance data collection, aggregation and reporting processes and controls;
- Examining the systems and processes in place to collect, aggregate and report the CR performance data;
- Testing a selection of the relevant controls over the CR performance data;

- Review of a selection of the supporting documentation which supports the CR performance data for the year ended 31 August 2011;
- Performing analytical review procedures over the aggregated CR performance data, including a comparison to the prior year amounts having due regard to changes in sales volumes and changes in the business portfolio;
- Review of the presentation of the CR performance data in the Report to ensure consistency with our findings.

What are our conclusions?

Based on the work performed and scope of our assurance engagement described above:

Scope A: The nature and extent of WHSmith's adherence to the AA1000 APS (2008) as described on page 3 with regards to CR information presented within the Report.

- In our opinion WHSmith's description of their alignment to the AA1000 APS (2008) principles as described on page 3 with regards to the CR information presented in this Report is fairly stated, in all material respects.

Scope B: Reliability of the WHSmith totals for the selected CR performance data for the year ended 31 August 2011 marked with the symbol Δ in the Report.

- Nothing has come to our attention that causes us to believe that the selected CR performance data marked with the symbol Δ, in this Report are not fairly stated, in all material respects, in accordance with the relevant reporting parameters for the selected CR performance data as set out in the Definitions of CR Key Performance Indicators at www.whsmithplc.com/cr.

Observations

To assist WHSmith to continue to improve its reporting on CR performance, KPMG has provided recommendations with regard to the formalisation of processes for: stakeholder engagement; the formal integration of stakeholder responses within CR plans; reviewing the material CR issues; and consistent data collection and internal verification mechanisms. These have been outlined in a more detailed internal report presented to WHSmith's management and are presented without prejudice to our conclusions presented above.

KPMG LLP

Chartered Accountants
London

28 November 2011

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.