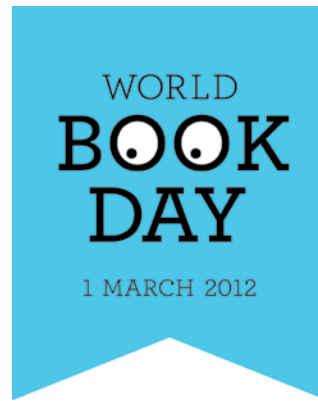


WH Smith PLC

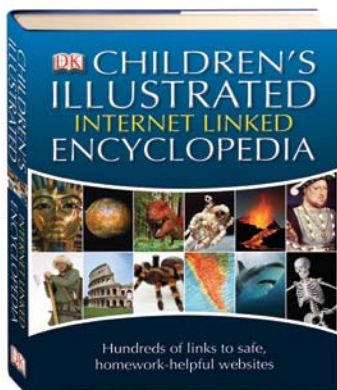
Corporate Responsibility report 2012



FTSE4Good



WOODLAND TRUST



ACTION ON HEARING LOSS



WE ARE MACMILLAN. CANCER SUPPORT



Welcome to WH Smith PLC's 2012 Corporate Responsibility report.

About this report

This is our 7th published Corporate Responsibility report, covering our social, environmental and ethical performance for the year 1 September 2011 until 31 August 2012. It is an annual report issued alongside the WH Smith PLC Annual report and accounts 2012 and published in December 2012.

Scope of this report

This report focuses primarily on the continuing activities undertaken by our retailing operation in the United Kingdom and Ireland. The impacts resulting from franchise operations and international stores are excluded from this report. Some of the data reported is not exactly aligned to the year ended 31 August 2012 but is reported for a consistent period each year. Other variances in reporting boundary are highlighted in the relevant section.

Who is the report written for?

Our report is written to provide information to a wide audience, which is interested to understand how WHSmith is performing in terms of managing the social, environmental and ethical impacts of our business.

We have aimed to provide both general information for our stakeholders who want to understand how we manage our performance as a responsible company, as well as more detailed technical data for those requiring more in-depth information. The report is published on our website at www.whsmithplc.co.uk/cr, where it is also available as a PDF. In addition, a summary of the report and the PDF of the full report are also available to our employees via our intranet.

Assurance of report content

KPMG LLP (UK) ('KPMG') have been engaged to provide assurance over selected aspects of this report for the reporting year ended 31 August 2012. A copy of their independent assurance report can be found on page 26.

Your feedback

We welcome your comments and feedback on our corporate responsibility performance, either through our website www.whsmithplc.co.uk/cr or by writing to Head of Corporate Responsibility, WH Smith PLC, Greenbridge Road, Swindon SN3 3LD.

Introduction by Kate Swann

Welcome to WH Smith PLC's 2012 Corporate Responsibility report.

The economic climate has not lessened the imperative for business to focus on high standards of corporate responsibility (CR). Stakeholders continue to expect companies to demonstrate strong business ethics and environmental and social good practice remain a focus for government and consumers, to name just a few of our key stakeholder groups. Of course, good corporate responsibility also makes good business sense, and in challenging trading conditions, it is more important than ever that we continue to look for environmental efficiencies which may in turn reduce costs, and community partnerships which build our reputation with future customer groups. At WHSmith, we therefore remain firmly committed to the principles behind our corporate responsibility programme, managing the issues which are most material to our business and seeking to deliver gradual but continuous improvements in performance every year.

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.

During the year, I am pleased to report that we have made good progress towards our corporate responsibility targets. In terms of our environmental impact, we have reduced our overall carbon footprint, notably through a programme of renewing the lighting in our High Street stores which has already delivered savings in energy consumption, and we hope will deliver further savings as it is rolled-out to different parts of the Group.

With over one thousand stores across the UK, WHSmith plays an important role in many communities up and down the country. We are keen to make a positive contribution and continue to focus on literacy with our Schools Giveaway project helping hundreds of schools to boost their library resources and our Books for Hospitals programme providing reading material for patients, a resource which is highly valued by medical staff but very often beyond the reach of hospital budgets. This year, we have also started to measure the fundraising we carry out with our customers and our staff, recognising what we achieve together to support the WHSmith Group Charitable Trust and other causes like BBC Children in Need.

Investment in our staff and their development remains a priority and we have taken steps this year to make training programmes as accessible as possible to a wide range of staff. For example, the introduction of bite-size training programmes should make it easier for more staff to take time out of their day job to build their knowledge and ultimately advance their careers.

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 five consecutive years.

In the year ahead, we will maintain our focus on continuous 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



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

Contents

About us	2	1 Governance
Management and accountability	3	
AA1000 AccountAbility Principles Standard	3	
Our stakeholders	3	
Continuous improvement	5	
Benchmarking our performance	5	
Carbon reporting	6	2 Environmental management
Reducing energy consumption	7	
Improving transport efficiency	7	
Waste management	8	
Targets	9	
Customer focus	10	3 Responsibility in the marketplace
Responsible sourcing	12	
Targets	14	
Engaging with our staff	15	4 Workplace practice
Learning and development	16	
Diversity	17	
Health and safety	18	
Targets	19	
Supporting local high streets	20	5 Community impact
Championing literacy	21	
WHSmith Group Charitable Trust	23	
Products for charitable causes	24	
Fundraising with staff and customers	24	
Measuring our community investment	25	
Targets	25	6 Assurance
Independent assurance statement	26	

About us

- WH Smith PLC is one of the UK's leading retailers and is made up of two core businesses – Travel and High Street.
- WHSmith has 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 greetings cards and gifts websites, www.funkypigeon.com and www.funkypigeon.ie.
- 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

Sales £462m (2011: £455m)

Profit¹ £63m (2011: £57m)

Stores 619 (2011: 561)

Average store size 1,000 sq ft (2011: 1,000 sq ft)

- 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.
- The business operates from 619 units (2011: 561 units) mainly in airports, railway stations, motorway service areas, hospitals and workplaces. 62 units (2011: 32 units) are outside the UK.
- 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 2012 (2011: 0.5m square feet).

High Street

Sales £781m (2011: £818m)

Profit¹ £54m (2011: £52m)

Stores 618 (2011: 612)

Average store size 5,000 sq ft (2011: 5,000 sq ft)

- 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.
- We have a total of 618 High Street stores (2011: 612 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 3.0m square feet of selling space as at 31 August 2012 (2011: 3.1m square feet).

¹ Profit from trading operations is stated after directly attributable share-based payment and pension service charges and before allocation of 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.

Our stakeholders: identification, engagement and responsiveness

We identify our stakeholders as those that we affect and those who affect us.

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.

Below is a table detailing our key stakeholder groups, their key expectations or material concerns, and how we have engaged with them throughout the year and will continue to do so going forward.

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 during our busiest trading periods. To ensure that we remain in tune with customers' changing needs, we conduct additional research as required.
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. We work closely with Unite and the RBA whose members participate in our health and safety committees.
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 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 (BRC) and Business in the Community; organisations that work to address consumer, ethical and environmental issues that affect our industry. During the year, we have participated in BRC working groups on Chemicals and on Timber where we supported the development of guidance on a possible approach to compliance with the EU Timber regulations.
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 who 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 World Book Day and the National Literacy Trust to improve literacy levels in 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 on specific issues, for example, forest sourcing or our Collection Service. We work with key suppliers in Asia to improve labour standards for workers.
Landlords	Landlords expect WHSmith to deliver financial performance in line with their expectations, as well as managing environmental and social issues in line with best practice.	We work closely with our landlords to ensure that our policies on environmental issues meet their own objectives and often work collaboratively, for example, to develop more energy efficient lighting. This year, we have also worked with British Land to promote literacy in conjunction with the National Literacy Trust.
Local communities	Local communities expect WHSmith to play an active part on the local high street and to act as a good corporate citizen.	We are committed to supporting vibrant high streets as well as creating new jobs through new store openings. The WHSmith Trust encourages fundraising for local charities by matching what staff raise. Our literacy projects, such as Books for Hospitals and Schools Giveaway reach out to support literacy across the UK.

Identifying our key impacts and driving continual improvement

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 reviews our risk and stakeholder analysis and then goes on to agree the final CR strategy and future targets. The Group Risk Committee 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.

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 fifth consecutive year.



FTSE4Good

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.

We continue to take part in the Carbon Disclosure Project, providing specific details to interested investors on our policies and performance in these two key areas of our CR programme.

Environmental management

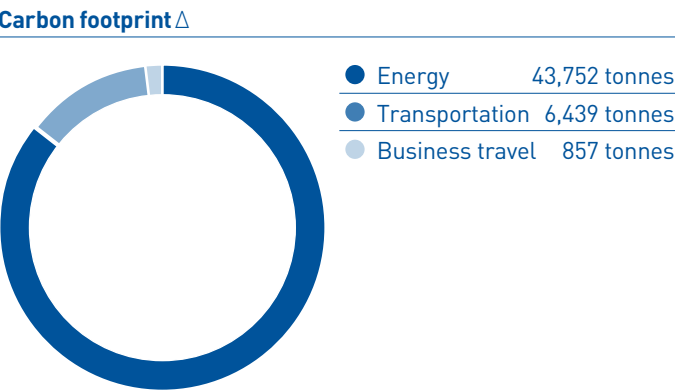
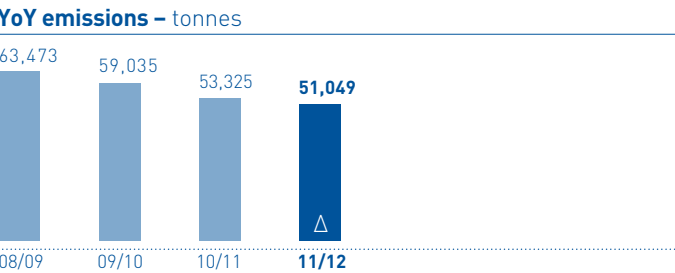
Board accountability:
Robert Moorhead, Group Finance Director
Executive accountability:
Kevin Hall, High Street Stores Director
Relevant policies:
Environmental Policy

Our commitment

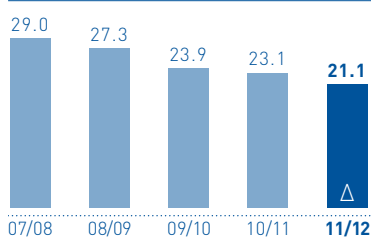
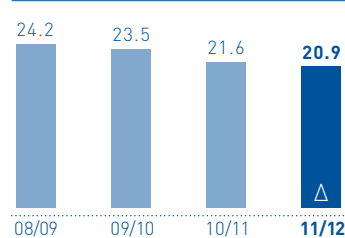
We are committed to responsibly managing the environmental impact of our operations and the products that we sell. Environmental management also makes good business sense. Ensuring that we use resources efficiently and work to reduce our carbon footprint helps reduce costs. As a result, we continue to 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 consumed in our premises) using recommended DEFRA conversion factors. This year Group CO₂ emissions totalled 51,049 tonnes, a decrease of four per cent from last year's emissions of 53,325 tonnes. As well as reporting our carbon footprint in this publication, we also provide data on our carbon footprint to institutional investors as part of the Carbon Disclosure Project and to government as part of our obligations under the Carbon Reduction Commitment.



Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

Energy consumption – YoY kwh per sq ft**Transport emissions – YoY CO₂ per pallet moved****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. As a result, we continually look for ways to reduce the amount of energy we use.

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. We have made good progress in recent years to make all our staff more energy-aware, including giving store managers clear accountability for making savings wherever there is an opportunity to adjust lighting or heating levels, for example.

Last year, we also started to trial upgrades to our lighting equipment in store. With lighting using more than half the energy of a trading store, any efficiencies would have a material impact on our overall carbon footprint. Following a successful trial, we have rolled-out new LED lighting to the majority of the High Street store estate. The LED lighting is more efficient than our previous lighting system, but still provides the appropriate level of illumination for the stores to remain bright and appealing to our customers. As part of the project, the outgoing lights were recycled, and the new ones will last around ten years, reducing the environmental impact of disposing of the old tubes. In the year ahead, we will complete the lighting project in High Street and also look for opportunities to apply the learning in our distribution centres.

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. Following the success of our lighting project in High Street, we are conducting trials in a number of Air and Rail stores to assess whether LED lighting could be used in Travel stores. If the trials are successful, we would hope to introduce more LED lighting in a range of our Travel stores as well.

Improving transport efficiency

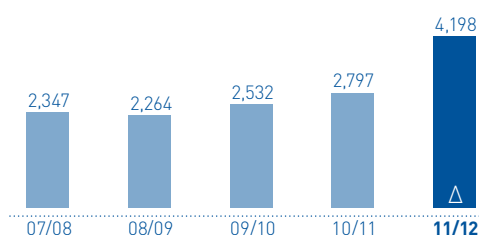
In terms of our carbon footprint, the second greatest contributor to our overall emissions is the CO₂ generated by the fleet of lorries which deliver products to over a thousand WHSmith stores around the UK. High fuel prices also give us further incentive to maximise the efficiency of our fleet wherever we can.

This year, we have made further improvements to routing and also to delivery frequency. New delivery schedules have been designed to ensure that stores still get the stock they need when they need it, but changes in frequency have enabled us to cut the number of deliveries made by around 17,000 in the year. These developments have contributed to a further reduction in the CO₂ emissions per pallet moved, down three per cent year-on-year.

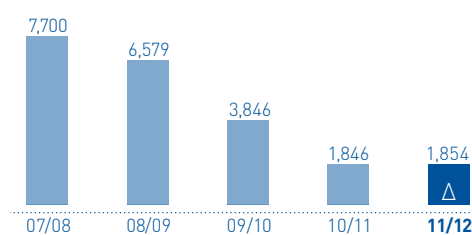
We continue to look for opportunities to collaborate with suppliers and other companies to improve transport efficiency, both for WHSmith and for our partners. Our Collection Service involves collaboration with suppliers and other companies where we share space in our lorries and reduce traffic on the 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. Through this approach, since 2010, we have eliminated 2.4 million km from the transportation that our suppliers would use to move their products to our distribution centres.

Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

Total recycled waste arising – tonnes



Total landfill waste arising – tonnes



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.

Last year, we introduced a new recycling system for many of our High Street stores, known as dry mix recycling. This system of recycling enables our stores to recycle most forms of waste, including plastics and metals that we could not previously recycle. The new system enabled us to deliver a nine per cent increase in recycling volumes, with 69 per cent of waste now being recycled compared to 60 per cent last year. We continue to carry out regular checks to ensure that stores are segregating their waste correctly to maximise the amount of waste being recycled.

The waste recycling data we collect covers our distribution centres, offices and those High Street stores where WHSmith has direct control of the waste management contracts. For our High Street stores in shopping centres, where we know that our landlords operate recycling programmes, this year we have started to make assumptions about the volume of waste being handled in these stores. For this reason, the overall waste volumes have gone up, however the percentage of waste being sent to landfill continues to fall. We do not capture the waste recycling carried out in our Travel stores where waste management is handled by our landlords. In the year ahead, we hope to work with our landlords to better understand the waste management processes they operate and start to include some of these stores in our waste management reporting.

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 obligation¹.

This year, the total packaging handled in our business was 4,792 tonnes^Δ, a slight increase from last year's figure of 4,732 tonnes, reflecting changes including increased purchasing of the reusable plastic totes we use to transport our products around the business.

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.

During the year, we have also seen the introduction of a compulsory carrier bag charge in Wales. This has led to a reduction of around 40 per cent in the number of single-use carrier bags we distributed in Wales. The proceeds from the compulsory charge in Wales and also from the sale of the single use and reusable bags goes to the Woodland Trust to fund their conservation work. This year, funds from WHSmith helped to fund the Woodland Trust's Jubilee Woods project, paying for 600 school packs each containing 60 trees and an oak sapling.



WOODLAND
TRUST

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

¹ 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 and this year we have collected 4.5 tonnes of batteries for recycling.

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.

In order to improve facilities for customers to recycle waste electrical and electronic equipment (WEEE), we are members of the Distributor Takeback Scheme. The scheme provides funding for local authorities to enhance the WEEE takeback facilities in their civic amenity sites. We provide signage in store which informs customers about the importance of recycling the valuable components within these products and directs them to their local civic amenity site with WEEE recycling capability.

Conserving water resources

Water resources are in increasingly high demand in many parts of the world and this trend looks likely to continue. WHSmith stores do not use large quantities of water, on average far less than an average household would use, however we are taking steps to ensure that we use this resource efficiently. Many of our stores have water meters in place to monitor the water we use and identify any possible savings. New stores and any store refurbishment work include water saving sanitaryware as part of the specification.

Targets

	2011/12 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 ten per cent since 2010.	Reduce Group energy consumption per square foot by ten per cent by 2013 (from 2010 levels).
Transport	Eliminate 2 million km from the transportation of our products to store by 2013 (from 2010 levels).	☑	2.4 million km have been eliminated from the transport of our products since 2010.	Reduce CO ₂ emissions per pallet by eight per cent by 2015 (from 2012 levels).
Waste and Management	Ensure that at least 68 per cent of waste is recycled during 2011/12.	☑	69 per cent of waste was recycled.	Ensure that at least 80 per cent of waste is recycled by 2015.

☑ Achieved ➡ On track X Not achieved

Responsibility in the marketplace

Board accountability:
Kate Swann, Group Chief Executive
Executive accountability:
Stephen Clarke, Managing 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 safe and 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. We review our performance through an independently conducted Customer Satisfaction Monitor which assesses performance in areas such as friendliness and helpfulness of staff, time spent queuing and store cleanliness and tidiness. The survey for High Street customers is conducted twice a year during our busiest periods, with each survey having a sample size of 500. The survey for Travel customers is carried out in May and September covering Rail, Airport and Hospital locations, with an overall sample size of 1,000 customers.



Both our High Street and Travel stores continue to achieve high overall customer satisfaction scores with High Street scoring 8.2 out of 10^A and Travel scoring 8.1 out of 10^A. Our overall score for satisfaction with the friendliness and helpfulness of staff ranks especially high at 9.0 in High Street and 8.6 in Travel. 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.

We continue to look at ways to improve the experience for our customers, for example, through improvements to store navigation or lighting. We also recognise that queuing time is an important consideration for our customers. Following extensive trials last year, we have rolled-out self service tills to over 130 High Street and Travel stores and the feedback from customers has been positive.

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 and notebooks, or pencils made from Forest Stewardship Council-certified material. More information on our work in this area is under Forest sourcing on page 12.

Our charity partnerships also provide opportunities for customers to support specific causes. This year we worked with charities such as the British Legion and BBC Children in Need, through the sale of poppies, wristbands and pin badges. We continued to offer a wide range of charity Christmas cards. We also sell a range of fair-trade and organic confectionery products.

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 give high profile exposure to debut authors through the Richard and Judy Book Club launched in 2010 exclusively with WHSmith. *Before I go to Sleep*, the debut novel from SJ Watson, was the first title reviewed by Richard and Judy as part of their 2012 Spring Book Club, and leapt straight to the top of the paperback chart. Indeed, it became, not only the number one paperback, but the nation's number one ahead of all other books in its launch week, hardback and paperback, fiction and non-fiction – an incredibly rare achievement for a debut novel. SJ Watson commented, "I'm absolutely thrilled that *Before I go to Sleep* is the number one bestselling book this week. For as long as I can remember my ambition was to see a novel of mine published, but to see it finding such an audience is amazing and beyond even my wildest dreams!"

Improving access for customers

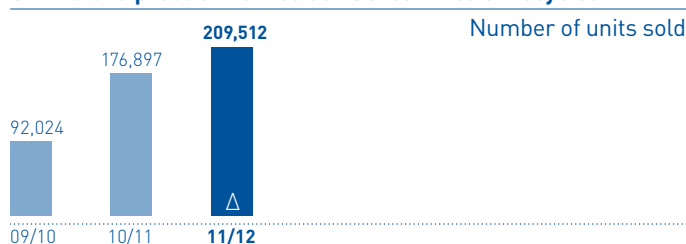
It is our aim to make our stores accessible to all customers. We pay particular attention to our disabled customers and are working to ensure that our stores can accommodate their needs. To meet this need, we operate a rolling programme of installing new customer lifts, as well as replacing lifts that needed overhauling, and installing new automatic doors at certain sites. We continue to update 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 continue to provide diversity training and awareness using training guides designed and printed by the Employers' Forum on Disability, specifically for WHSmith.

During the year, we have been working with Action for Hearing Loss (formerly known as the RNID) to discuss ways that we could continue to improve the customer experience for customers with hearing impairments. As part of this programme we have commenced a heightened roll-out programme to install induction hearing loops across the estate. We anticipate installing new hearing loops in at least 70 new store locations each year. An enhanced maintenance programme has been put in place 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 large 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.

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

Own-brand product marked as FSC-certified or recycled



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.

Some of the products we sell carry age restrictions, for example, some adhesives, tobacco and lottery products. All staff take part in training sessions at least twice a year to ensure they are informed on the latest legislation and selling guidelines. We also have a system of till prompts to remind staff to check the age of the customer. During the year, in order to comply with new regulations around the display of tobacco products in England and Wales, we have modified the way these products are displayed in our larger stores, moving the products into cabinets and away from clear view.

Product safety is one of our key priorities. Our Quality teams in the Far East and the UK conduct a rigorous quality and safety assessment process to ensure that products are safe, fit for purpose and meet legal standards and also our exacting brand standards. We pay particular attention to products for vulnerable groups such as children. We closely monitor developments in legislation to ensure that products are compliant and have an established product recall process in place to ensure that we act quickly should a product be found not to meet our high standards of safety and performance.

We closely monitor the chemicals used in our own-brand products, specifically with regard to the European legislation known as REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals). We are working with our suppliers to ensure that they understand their obligations under the legislation and are providing us with the information we need to ensure compliance and product safety.

Wherever we operate, we are committed to offering customers convenience and value for money and we always have a variety of offers and promotions across our whole range. Our Travel stores run different promotions and offers at different times to the High Street, tailored to reflect the needs of each specific customer base. We regularly monitor our prices to ensure that we offer our customers excellent value for money.

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.

In March 2013, the European Union's Timber Regulations come into force. These regulations will make it an offence to place illegally harvested timber or timber products on to the EU market. In preparation for the new regulations, we have participated in the British Retail Consortium working group on Timber where we supported the development of guidance on a possible approach to compliance with the EU Timber regulations.

During the year, we have implemented a strengthened due diligence system and now require that suppliers provide a far greater level of documentary evidence to prove the forest source for timber used in own-brand products. Using this new due diligence system we have been able to verify that 58 per cent^Δ of the timber used within our own-brand timber products originates from recycled or certified forest sources¹.

We have been working closely with our key suppliers to ensure that they have a full understanding of the new forestry regulations and WHSmith's specific requirements. In recent months, we have carried out extensive supplier engagement and training. In the year ahead, we are focused on working with our suppliers to deliver material improvements in performance and ensure that we continue to drive improvement in this key area.

For a number of years, we have been working to improve the forest source information provided on product packaging so that our customers can make an informed choice whether to buy an FSC-certified or recycled product. As the chart illustrates, we have made good progress in this area in recent years. The range of products marked with the FSC logo now extends from pencils and crayons to calendars and greetings cards. In the year ahead, we are targeting a further 20 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.

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

¹ Data covers the calendar year. 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.



While we have always focused our forest sourcing work on our own-brand products as this is the area where we can have the greatest direct influence, we are also aware that many of the book publishers have been doing a great deal of work to improve forest sourcing standards within the publishing industry.

We contacted the major book publishers supplying WHSmith to ask about their forest sourcing policies and were pleased to learn that around 80 per cent of the paper used by the top four publishers is from FSC-certified sources, with all the larger publishing houses moving towards greater use of certified papers. We will continue to monitor the progress made in this area, but are pleased that so many of the books stocked in our stores are already bearing the FSC logo.

Ethical trading

We are committed to maintaining good labour standards across our supply chains. 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.

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.

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 improving worker representation in factories. 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. We have developed a project toolkit in consultation with the Ethical Trading Initiative, which 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. More information on the project is provided in the case study on page 14.

During the year, we held workshops for suppliers in northern China to introduce the worker representative project to them and explain the benefits of taking part. We are now working with 11 factories^Δ as they seek to make improvements and use the project toolkits, providing WHSmith with regular updates on progress. More information is provided in the case study.

We want to ensure that our buying team in the UK are engaged in our ethical trading objectives and understand the role they have to play in helping to meet those goals. During the year, we have developed modules on ethical trade within training courses for assistant buyers and also as part of negotiation skills training for senior buyers.

WHSmith is a member of 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 Plastic Toys Working Group in the UK and the ETI China Corporate Caucus in China which provide forums for members to learn and share experiences.

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

Case study

Improving worker representation in our Chinese factories

At the moment, we have 11 factory participants in our Worker Representative project, nine of which have already used the project toolkit to help set up their own worker representative committees or labour unions. These committees or unions hold meetings at least quarterly, some of them even have meetings monthly.

The aim of the committees is that they deal with the issues which are of concern to factory workers. As a result, the type of issue raised can vary. Food quality in the canteen is a common issue raised, with one factory committee having assigned a representative to monitor the food supplier, and the factory management have agreed to increase the budget for the food.

Another common concern is how to prevent heat stroke in the summer months. Most of the committees or unions have worked with management to find solutions, for example, with management agreeing to provide herbal drinks regularly and to reduce the temperature in the workplace by providing more fans.

Standards of hygiene in the toilets or dormitories have been raised as a concern by some committees, prompting management to improve cleaning regimes.

On a lighter note, some of the committees have also wanted to organise sports or recreational competitions to increase workers' cohesion. One of the participants organised a picnic for workers.

As part of the project, WHSmith's audit team have interviewed workers to understand their views on the committee at their factory. Workers expressed that they were free to elect the representatives they trusted. In daily work, workers felt that they were free to talk to the representatives and express their grievances or suggestions. In general, workers agreed it is a good channel for them to communicate with the management and felt that most of the reasonable suggestions were given fair consideration.

Targets

	2011/12 Targets		Progress	Future targets
Ethical trading	Engage with 15 new factories by 2013.	➡	We are currently working with 11 factories as part of our engagement projects.	Engage with 15 new factories by 2013.
	Integrate ethical trading issues into core buyer training during 2011/12.	☑	Ethical trade elements incorporated into Negotiation Skills and Assistant Buyer training courses.	Improve communication of our Code of Conduct to suppliers and workers, translating documents as appropriate to make them more accessible.
Forestry	Increase the amount of own-brand paper and timber product sourced from recycled sources and certified forests to 75 per cent by 2013.	➡	Using our new due diligence system we have been able to verify that 58 per cent of the timber used within our own-brand timber products originates from recycled or certified forest sources.	Increase the amount of own-brand paper and timber product sourced from recycled sources and certified forests to 80 per cent by 2015. Increase the number of products sold which are marked as FSC-certified or recycled by 20 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 X Not achieved

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 communications 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.

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.

Many of our staff, particularly in store and in our distribution centres, are members of a trade union. During the year, we have focused on strengthening our engagement with the trade unions representing our staff and we have created an Employee Communications Group for those employees who choose not to participate in Union activities.

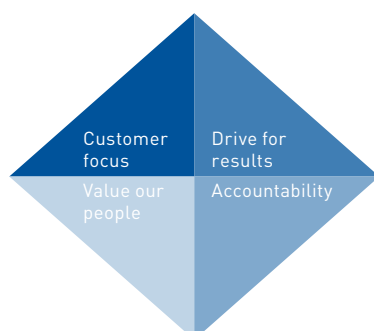
Living our values

We share four key business values: Customer focus, Drive for results, Value our people and Accountability.

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

WHSmith values



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, Area Manager of the Year and a Special Recognition Award.



Store Heroes awards for 2011 were presented by WHSmith Chief Executive, Kate Swann

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. During the year, we also relaunched our Holiday Trading Scheme which enables staff to buy additional holiday, and also our Cycle to Work scheme. In the year ahead, we will develop a more flexible total reward package which can be tailored to the needs of each employee.

Employee share ownership

WHSmith operates a HM Revenue & Customs Approved Save-As-You-Earn share option scheme ('Sharesave Scheme'). The scheme, which we have operated for many years, provides employees with the opportunity to acquire shares in the Company on favourable terms. At the end of the savings period, the participant has the opportunity to buy the shares at a special option price that is fixed at the start of the scheme and at a discount to the share price at the time. 829 employees participate in the scheme.

Learning and development

We are committed to providing learning and development (L&D) opportunities for our employees, both to support their personal career development and to raise the capability and skill within our team.

Throughout the year we provide an L&D programme that is designed to engage our employees in learning, which is reviewed annually to continuously improve the Group L&D offer.

In 2012 we continued to refresh our core L&D offer enabling it to become accessible to more members of our team across the Group. In head office we saw the introduction of ½ day workshops to allow a more bitesize approach to learning. In stores we continued the growth of technology learning by strengthening our webinar offer and introducing e-learning.

Internal succession is key to the success of WHSmith. We are keen to develop our internal talent to be successful for us and continue to aspire to 90 per cent internal succession rate across the business. Keeping talent development top of our L&D agenda we introduced new programmes across stores and head office in 2012.

For stores we launched our Retail Academy. The purpose of our Retail Academy is to improve the internal succession into store management roles within our business. The Retail Academy focuses on the technical and behavioural elements required to be successful within WHSmith.

For Head Office we launched the Assistant Buyer Programme, again focusing on the technical and behavioural aspects required to become a Buyer within WHSmith. This programme identified 16 employees with the future capability to progress into a Buyer role and supported them to improve their performance. Currently nine employees on the programme have been promoted.

For distribution centres we have designed, and are currently implementing a programme to improve the capability of Shift Coordinators focusing on management skills. Shift Coordinators act as first line management support and it is important that we ensure they are provided with the appropriate skills to effectively manage resource within the distribution centre.

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.

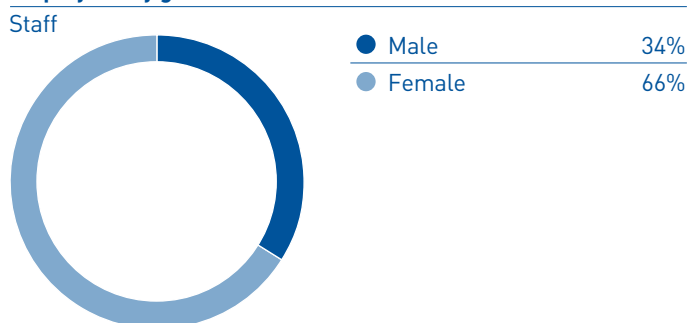
During the year we have continued to monitor our diversity profile versus other relevant retailers and the national average to ensure that WHSmith complies with good practice.

We continue to work on initiatives which support specific groups within our workforce. Examples include our flexible working

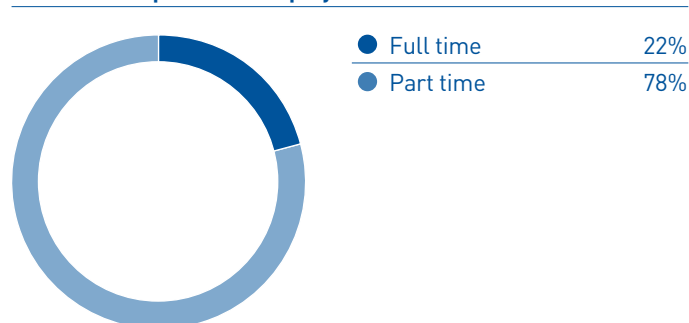
schemes to support working parents and carers and our apprenticeship programmes to support the employment and upskilling of young people. We now employ apprentices in our Birmingham and Swindon distribution centres and ensure that these apprentices have the opportunity to apply for suitable permanent vacancies as they arise.

We are also members of Changing Faces, the leading UK charity that supports and represents people with disfiguring conditions. The charity's Face Equality at Work initiative is a membership scheme that encourages organisations to promote equality for all staff and customers regardless of their appearance. As members, WHSmith have been working with Changing Faces to raise awareness of the impact that a disfiguring condition can have on a person's life.

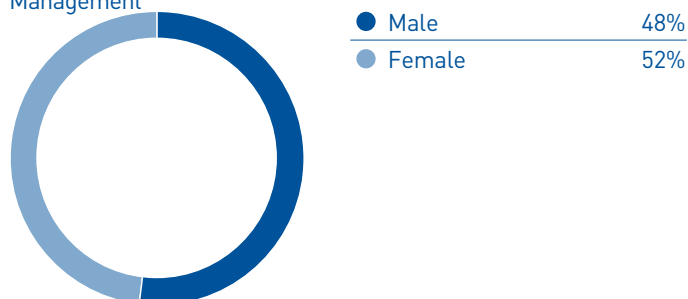
Employees by gender ^Δ



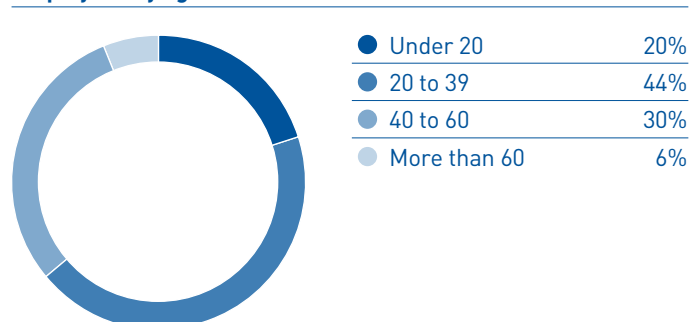
Full time and part time employees ^Δ



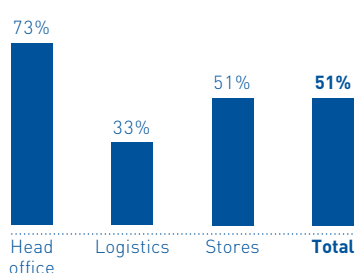
Management



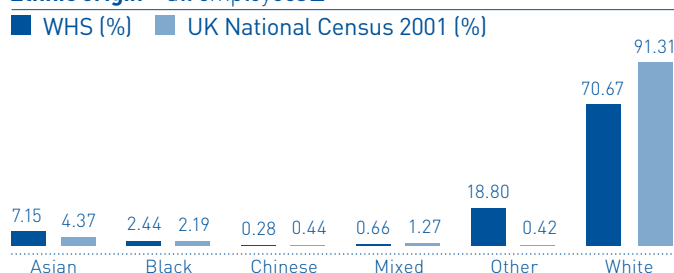
Employees by age ^Δ



Employees with more than three years experience ^Δ



Ethnic origin – all employees ^Δ



^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

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.

There has been a eight per cent decrease in the number of reportable accidents this year versus last year, and a 13 per cent reduction in the number of major accidents. We have seen a small increase in the number of minor accidents, up two per cent year-on-year. We believe this is a continuing result of a concerted ongoing communication programme by the Group Risk Department to ensure stores report all accidents, however minor, as a means of ensuring we are monitoring all risks.

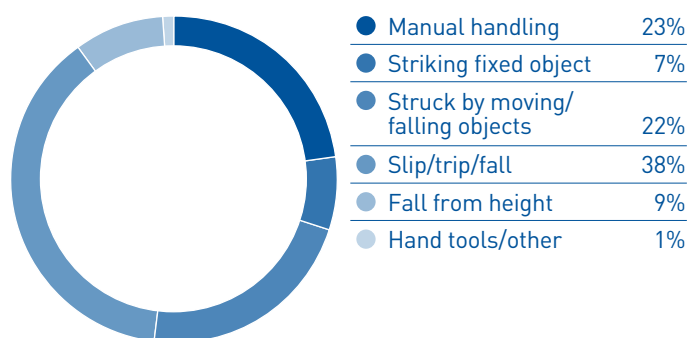
The Group Safety team continue to provide an ongoing training programme for staff in stores made up of 'modular' training programmes, focusing on key risk issues, including fire safety. In addition, the team run monthly training courses for the Travel business store staff on issues around food hygiene. 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

	2012 ^Δ	2011	2010	2009	2008
Major injuries	7	8	11	13	16
Injuries resulting in over 3/7 days absence from work/ hospitalisation ¹	62	67	70	53	51
All RIDDORS ²	69	75	81	66	67

Accidents by type – 2011/12 (all RIDDORS) ^Δ



^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 26.

¹ During the course of the year being reported, the HSE amended the requirement for reporting accidents under the terms of the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995. From 6 April 2012, the requirement to report accidents resulting in staff being absent from work was changed, from reporting any accident resulting in absence from work of more than three days, to a requirement to report any accident resulting in absence from work of more than seven days.

² Reportable under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations.

Targets

	2011/12 Targets		Progress	Future targets
Learning and development	Refresh Learning and development head office programme to reflect current business needs and increase usage by 15 per cent year-on-year.	➡	Learning and development offer refreshed and uptake increased by 10 per cent.	Continue to increase uptake by introducing shorter sessions to make training more accessible. Target 15 per cent increase year-on-year in uptake in Travel head office.
	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.	
Succession planning	Continue to source 90 per cent of all store management appointments from internal candidates until 2013.	➡	Regular review of succession plans undertaken, 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	Establish a diversity strategy.	➡	Reviewed diversity profile of the business and ensured that WHSmith complies with current good practice.	Continue to review diversity profile of the business and ensure that WHSmith complies with current good practice.
Engagement	Focus on promoting better relations with Unite the Union and the RBA.	☑	Strengthened engagement with trade unions representing our staff. Created Employee Communications Group for employees who choose not to participate in Union activities.	Review employee benefits to create a more flexible total reward package which can be tailored to the needs of each employee.
	Deliver a successful 2012 Learning at Work week, with improved participation and positive feedback.	X	Change in focus from annual Learning at Work week activity to all-year round improved core training programmes and a wider range of self-managed learning.	
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 eight 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

X 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. Examples include Kilmarnock, where the WHSmith store manager works closely with the local town council development representative and town planning community, recently working on various initiatives to encourage people to visit the high street more. Projects include creating a monthly market day in the town, offering free parking at weekends and running a competition with schools and the council to decorate the windows of empty shop units to brighten up the high street. In Bradford, our store manager takes part in the local market trading project to help children understand how to run a business, whilst in Rotherham, our store manager chairs the Rotherham Business Against Crime partnership working with police and retailers to help drive business crime down in the town centre.

Over the course of the year we opened 12 new High Street stores, many of them in small towns, such as Ludlow and Lyme Regis. We opened five new stores in UK Travel locations. These new High Street and Travel stores have created new jobs in communities across the UK.



The ribbon is cut as WHSmith's new store in Nailsea opens

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 eight years now on projects to promote reading for pleasure.

We are currently supporting the National Literacy Trust's Young Readers Programme for Families and are in the second year of a three year programme. The programme provides workshops for parents which give parents practical tools to support their child's literacy development. The partnership with WHSmith has funded projects in 17 locations during 2011/12, taking place in locations up and down the UK, with a total of 250 families taking part.

Each project is made up of five workshops for parents with primary school age children, with sessions covering 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.



Over the three years of the programme, we are measuring performance against three key performance indicators to ensure that the project delivers a positive and sustainable impact on literacy levels and attitudes to reading. As a result of taking part in the programme in 2011/12:

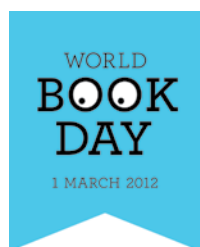
- The number of families spending time reading together at home at least once or twice a week rose from 40 per cent to 100 per cent. The number reading together every day rose from 31 per cent to 87 per cent.
- 68 per cent of parents reported seeing their children reading more at home. The percentage of children asking to share stories every day rose from 68 per cent to 88 per cent.
- 53 per cent of families who were not currently accessing library services chose to join their local library. 67 per cent of families made a return visit within a fortnight of their programme visit.

One project coordinator from Newport observed, "it was interesting to see how attitudes changed by the end of the course. Parents no longer felt that they should choose books for their children and they also acknowledged the importance of reading at home. Some said they were now reading more themselves!" The project coordinator from Middlesbrough also remarked on the positive impact on parents and their confidence about being involved in their children's education: "Parents from the first project have continued to meet every Thursday morning. Three have become school governors and two are now regular parent helpers."

Parents also noted the change in their children's attitude to reading. A parent who attended the workshops in Newport commented, "my daughter used to watch DVDs in bed but now she chooses to read a book instead. This helps her settle more and get a better night's sleep. She also takes a book on bus and car journeys."

The workshops during the summer term also gave families the opportunity to try using a Kobo eReader to illustrate the different ways of reading books. The Kobos were popular with the children with 80 per cent of the children giving feedback that the Kobos looked good, were easy to use and made reading more exciting.

In the final year of the programme, we hope to build on the success of this year's programme, reaching some new locations and also inviting teachers to give feedback on the reading attainment of some of the children taking part in the programme.



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. WHSmith continues to take a leading role in the overall organisation of the UK's World Book Day initiative. This year, Jackie Wing, Category Director for Fiction and Digital, acted as vice-president of World Book Day.

World Book Day is always a big event in our High Street stores with many holding themed events for children from local schools. Events included face painting and storytelling, Where's Wally and Winnie the Witch activities and also appearances by children's authors, this year including Jacqueline Wilson. Many stores also invite local schools into store so that they can take part in the special events and use their £1 World Book Day vouchers. This year, we also worked in partnership with one of our landlords, British Land, to host World Book Day events in four locations. More detail can be found in the case study.

Case study

Working with British Land to find 3,000 novel ways to support the National Literacy Trust



Schoolchildren receive their book vouchers from the local mayor accompanied by WHSmith and British Land teams

In Spring 2012, we started a new partnership with one of our key landlords, British Land, to support the National Literacy Trust's Young Readers Programme. In all, 11 schools participated from four communities close to British Land shopping centres and WHSmith stores in Glasgow (Glasgow Fort Shopping Park), Speke (New Mersey Shopping Park), Rotherham (Parkgate Shopping) and Stockton-on-Tees (Teesside Shopping Park). Over 1,000 children made bespoke visits to the shopping parks to take part in reading events featuring guest readers and children's characters. At the events, the children were shown how to make good book choices and then use their new skills to choose three new books to keep.

WHSmith store teams at each of the four shopping parks hosted visits for the children and their teachers, encouraging the children to explore the £1 books produced exclusively for World Book Day 2012, as well as the wide variety of children's reading available. WHSmith also donated vouchers to the participating schools to help them boost the school's library resources.

Ben Grose, Head of Asset Management for British Land, commented: "As the UK's largest retail landlord, British Land is delighted to be working with one of our key tenants, WHSmith, and the National Literacy Trust to encourage children to fall in love with reading. The three key ingredients of the programme are enjoyment, choice and ownership. The programme was delivered with the active involvement of the local centre management teams and is great for helping families see how accessible books can be and show them that children can buy and enjoy books for themselves at an early age, giving them lifelong pleasure and opportunities."

Rachel Russell, Books Director for WHSmith, also welcomed the new partnership, commenting: "WHSmith has been a supporter of the National Literacy Trust for many years and we were pleased to have the opportunity to extend our work with the Young Readers Programme through this new partnership with British Land. Our staff were delighted to welcome the 1,000 schoolchildren into our stores to join in the World Book Day celebrations and start to discover the pleasure of reading."

The National Literacy Trust were supportive of the new partnership approach between WHSmith and British Land with Caroline Sence, who manages the programme for the National Literacy Trust commenting, "One in three children in the UK does not own a book of their own. Our nationwide programme, with support from British Land and WHSmith, aims to tackle this deprivation in the most practical way."



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 principal 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 25 grants worth over £18,000 during 2011/12. 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.

Schools Giveaway

WHSmith's 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 third 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 120 of our stores shared more than £20,000 in WHSmith vouchers with local schools. The feedback from schools was overwhelmingly positive, with store managers helping teachers to take advantage of the latest offers and promotions to get the most for their school in terms of new books and stationery supplies. Our store managers also used the Giveaway as an opportunity to make a positive difference in the wider community.

One example is WHSmith's Bradford store where the store team collaborated with the local shopping centre to run a competition for a child or school to come forward and demonstrate their efforts to support the Positive Bradford scheme. Store Manager, Angela Fawcett visited local school Lidget Green Primary to award them with a certificate and the £200 prize for creating a poster and promoting friendship and respect in their local community.

In Teeside, our store team host regular school visits and storytelling events as well as a school book review scheme where local schoolchildren review new titles and have their reviews displayed in store. The store use the Schools Giveaway vouchers to run an annual literacy award competition in three schools and sponsors a shelf of books in two schools where children can borrow a reference book to help with work or just a fiction book to read.



Whitehaven schoolchildren with their free book vouchers

Books for Hospitals



Representatives from the WHSmith hospital store and head office present a book donation to nursing staff at Lewisham Hospital

WHSmith now has a strong presence in the hospital sector, operating stores in 114 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 discontinued stock or prizes to hospital fundraising activities; however we were keen to find other ways for WHSmith to support the Hospital Trusts. We discovered a few years ago that books are often overlooked in hospital budgets, but can play an important role in patients' care, for example as a tool to distract young patients during treatment or to help an older patient to relax.

For the third year, we worked in partnership with the WHSmith Trust in 2012 to make book donations to ten hospitals where we have a store. As part of the programme, each hospital receives a donation of over 300 books, perhaps for the children's ward or hospital school or for library trolleys operated by volunteers. To assist with the needs of patients with impaired vision we also included magnifying sheets and some Kobo WiFi eReaders, which offer a variety of font sizes to make reading more comfortable. This year's book presentations took place in hospitals from Kirkcaldy to Plymouth, and were led by a number of members of the WHSmith senior management team, including WHSmith Travel Stores Director, Andrew John, and Mark Sabin, Group Director of Audit, Risk and Communications.

At Derriford Hospital in Plymouth, volunteers from the WRVS operate the patient library service and Pat Hamilton, Derriford Hospital library co-ordinator for the WRVS, said: "This donation is incredibly important to us. We get a lot of books from patients and staff but these are brand new and they are invaluable to us". Amanda Whitlock, the WRVS South West Service Delivery Manager, said: "These books will be used for our hospital trolley service, which provides a really important service for those who have to stay in hospital. Our volunteers also spend time with the people who use the service, offering friendship and support to make their time in hospital pass a little bit quicker".

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

Products for charitable causes

WHSmith continues to support a broad range of charities through the products we sell. This is particularly popular at Christmas time when we offer a range of Christmas cards for charities including Help for Heroes and Macmillan Cancer Support, gifts such as our Adopt an Animal range, and calendars. This year, we sold the exclusive Countryfile calendar in aid of BBC Children in Need, a product which proved very popular with customers.

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.

Fundraising with staff and customers

Every year, WHSmith staff and customers provide excellent support for fundraising activities in store, helping to raise over £120,000 for charity in the last year alone.

The WHSmith Trust is one of the main beneficiaries, with the fundraising supporting the Trust's work to promote literacy and the support the charities in the local communities WHSmith operates in. Our customers provide fantastic support for the Trust by dropping their spare change into the collection tins in our High Street and Travel stores. Our staff also provide support for the Trust through sporting challenges, like the London Marathon and Great North Run, and support for the charity shop in our Swindon head office.

WHSmith has been a supporter of BBC Children in Need for many years through the sale of Christmas cards and calendars for the charity. The BBC Children in Need

Christmas cards were in store again this year, along with a Countryfile calendar for BBC Children in Need which proved to be very popular with our customers. We also sold wristbands and pin badges in aid of BBC Children in Need. This year, we also gave store teams around the country, as well as our head office and distribution centre staff, the opportunity to run their own fundraising events during the weeks before the BBC Children in Need TV appeal. Many stores enthusiastically planned fancy dress events, tombolas, cake sales and auctions, creating a real buzz in store and raising all important funds for BBC Children in Need. We hope to do more of the same this year.

In addition to these charities, our stores also help fundraise for a range of other good causes, for example, selling poppies for the Royal British Legion and pin badges for a number of other charities.

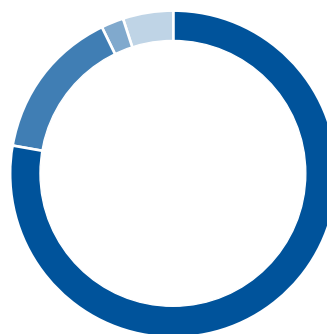


Measuring our community investment

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 to the right 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 2011/12 ^Δ



● Cash	£854,349
● Gifts in kind	£73,305
● Staff time	£35,480
● Management costs	£46,560
Total	£1,009,694

Targets

	2011/12 Targets		Progress	Future targets
Promote literacy	Promote literacy through the National Young Readers Programme for Families, working with over 3,000 people by 2013 (from 2010 levels).	➡	In the last two years, over 450 families have taken part in Young Readers programme courses, reaching around 1,800 parents and children in total.	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.	✓	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.	✓	WHSmith vouchers donated to over 160 store-nominated schools across the UK during 2011/12. Book donations made to eleven hospitals during 2011/12.	By 2013, donate WHSmith vouchers to 500 store-nominated schools across the UK (from 2010 levels). By 2013, make book donations to 30 hospitals (from 2010 levels).

☒ 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 26.

Independent assurance report of KPMG LLP to WH Smith PLC

KPMG LLP ('KPMG') were engaged by WH Smith PLC ('WHSmith') to provide assurance over selected aspects of the WHSmith Corporate Responsibility report 2012 ('the Report') for the reporting year ended 31 August 2012.

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 AccountAbility Principles Standard (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 inclusiveness, materiality and responsiveness.
B	Reliability of the WHSmith totals for the selected CR performance data for the year ended 31 August 2012 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.

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, as described on pages 3 to 5 of the CR report.

Our responsibility is to independently express our conclusions, based on the work performed, 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 independent assurance 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.

We were engaged to provide both limited and reasonable assurance over the relevant information, as agreed with the directors. A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give reasonable assurance over the information. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Report whether due to fraud or error.

In making those risk assessments, we considered internal control relevant to the preparation of the Report in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of WHSmith's internal control over the preparation of the Report. Our engagement also included: assessing the appropriateness of the information, evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of the Report and the reasonableness of estimates made by WHSmith.

Scope A: In respect of the nature and extent of WHSmith's adherence to the AA1000 AccountAbility Principles Standard (2008) as described on page 3 with regards to CR information presented within the Report, over which we provide reasonable assurance, the procedures performed included, but were not limited to.

- 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 2012.
- Analysing and testing the nature and extent of WHSmith'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 2012 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; and
- Reviewing drafts of the Report to ensure there are no disclosures that are misrepresented or inconsistent with our findings.

A limited assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give limited assurance over data. The procedures selected depend on: our judgement; on our understanding of the data and other engagement circumstances; and, our consideration of areas where material misstatements are likely to arise.

Scope B: In respect of reliability of the WHSmith totals for the selected CR performance data for the year ended 31 August 2012 marked with the symbol Δ in the Report over which we provided limited assurance, our work included:

- 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;
- Reviewing a selection of the supporting documentation which supports the CR performance data for the year ended 31 August 2012;
- 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; and
- Reviewing the presentation of the CR performance data in the Report to ensure consistency with our findings.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

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 for the year ended 31 August 2012 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 2012 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 for the year ended 31 August 2012 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, found at www.whsmithplc.com/cr.

KPMG LLP

Chartered Accountants
London

10 October 2012

KPMG observations

Following our recommendations in the prior year, noted progress has been made with regard to formalisation of stakeholder engagement plans and the review of related material issues for WHSmith. To further assist WHSmith in improving its reporting on CR performance, KPMG has provided additional recommendations with regard to: providing further detail in documentation of materiality decisions; setting objectives for stakeholder discussions; and continued to recommend 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.