

WH Smith PLC

Corporate Responsibility report 2013



Welcome to WH Smith PLC's 2013 Corporate Responsibility report.

About this report

This is our 8th published Corporate Responsibility report, covering our social, environmental and ethical performance for the year 1 September 2012 until 31 August 2013. It is an annual report issued alongside the WH Smith PLC Annual report and accounts 2013 and published in December 2013.

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 2013 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 ('KPMG') have been engaged to provide assurance over selected aspects of this report for the reporting year ended 31 August 2013. A copy of their independent assurance report can be found on page 28.

Your feed back

We welcome your comments and feed back 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 Stephen Clarke

Welcome to WH Smith PLC's 2013 Corporate Responsibility report.

Over the last year, WH Smith PLC has delivered a strong performance, despite the difficult trading conditions. We continue to manage the business tightly and to invest in new opportunities and, as a result, we have been able to deliver good profit growth. Our corporate responsibility (CR) programme has been designed to be closely aligned to our commercial objectives and continues to contribute towards the Group's performance, for example, by identifying environmental efficiencies which help cut operational costs, or by building strong relationships in the local communities in which we operate.

At WHSmith, we believe that good CR makes good business sense and we remain firmly committed to the principles behind our CR programme. We focus on managing the issues which are most material to our business and to our stakeholders 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.

In the year, we have made further progress cutting our carbon emissions, with the greatest contributor being through the installation of more efficient lighting in our stores and distribution centres. In recognition of the improvements made, WHSmith High Street received the Carbon Trust Standard.

We continue to focus on managing the impacts of the products we sell, this year achieving a four-fold increase in the number of Forest Stewardship Council-certified products sold. We have also seen measurable results from our engagement with suppliers over labour standards, with 15 of our largest suppliers having set up a worker representative committee to provide workers with a way to communicate their views to management.

Our staff are at the heart of our business success and we are therefore committed to investing in them and helping them reach their full potential. This year, we have developed new training programmes for store managers to give them the confidence to move to the next level within the business. We have also restructured training programmes to make them more accessible to part-time workers to ensure that all our staff have the opportunity to develop their careers.

With over a thousand stores, WHSmith is a core part of many communities across the UK and we want to play an active part. Our High Street store teams are encouraged to get involved with initiatives to promote vibrant high streets and town centres. We also reach out to hundreds of schools through our literacy programmes through our Schools Giveaway and our long-term partnership with the National Literacy Trust.

In recognition of what our CR programme has achieved, we were delighted to retain the Platinum ranking in the Business in the Community Corporate Responsibility Index, a ranking we have now held for six consecutive years.

We recognise that the challenges of better environmental and social performance are not short-term ones. Reflecting this long-term vision, this year our CR Report includes a new set of improvement targets, many looking forward to 2020. Against this new framework, 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.

Stephen Clarke

Group Chief Executive, WH Smith PLC

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

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 15,000 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 £460m (2012: £462m)

Profit¹ £66m (2012: £63m)

Stores 673 (2012: 619)

Average store size 1,000 sq ft (2012: 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 673 units (2012: 619 units) mainly in airports, railway stations, motorway service areas, hospitals and workplaces. 94 of these units (2012: 62 units) are outside the UK. 171 units are operated under franchise agreements.
- 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 2013 (2012: 0.5m square feet).

High Street

Sales £726m (2012: £781m)

Profit¹ £56m (2012: £54m)

Stores 615 (2012: 618)

Average store size 5,000 sq ft (2012: 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.
- The business operates from 615 High Street stores (2012: 618 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 3.00m square feet of selling space as at 31 August 2013 (2012: 3.05m 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 have a long-standing commitment to high standards of 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 CR programme and reporting with the AA1000 AccountAbility Principles Standard (2008). The principles are:

Inclusivity: Including stakeholders in developing our approach to CR.

Materiality: Assessing the CR 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.

In February 2013, we carried out a survey of our stakeholders to ask their views on the key issues for the environmental, social and economic sustainability of WHSmith's business. We contacted a sample of employees, landlords, suppliers, investors and non-governmental organisations to ask their views. In terms of environmental impact, stakeholders cited sustainable forest sourcing, carrier bags and waste recycling as the most important issues for WHSmith. Employee well-being, ethical trade, product safety and promoting literacy were deemed the highest priority social issues. In terms of economic issues, the stakeholders completing the survey felt that profitability and job creation were most important. We also asked what was most useful in WHSmith's CR reporting. Stakeholders told us that performance data and targets were most important to them. We will take all this feedback into account as we develop our CR programmes and reporting in the year ahead.

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 CR updates to head office staff at our Strategy Briefings, to store teams via the intranet and everyone is encouraged to feed back 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 also 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 worked with other retailers as we prepared for 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 Business Disability Forum 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. We work with community partners to develop our programmes, for example, taking feedback from medical professionals when developing our Books for Hospitals programme.
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 our Hospital and Schools Giveaways 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.



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



WHSmith High Street was awarded the Carbon Trust Standard this year in recognition of the progress made in energy efficiency. We are delighted with this achievement and are committed to retaining the Standard in future years through further energy efficiency improvements. Also, related to our carbon emissions, we continue to take part in the Carbon Disclosure Project, providing specific details to interested investors on our policies and performance in this key area of our CR programme.

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 sixth consecutive year.

Environmental management

Board accountability:

Robert Moorhead,
Chief Financial Officer and
Chief Operating Officer

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.

Global GHG emissions data for period 1 September 2012 to 31 August 2013 in tonnes of CO₂e

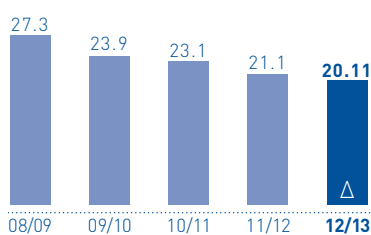
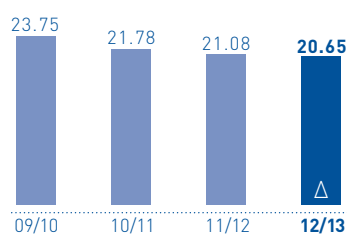
	2012/13	Percentage of carbon footprint
Scope 1 emissions		
Combustion of fuel for the transport of WHSmith products from distribution centres to stores using vehicles owned by third parties. Also combustion of gas to heat WHSmith stores, offices and distribution centres	9,243 ^Δ	22%
Scope 2 emissions		
Electricity purchased for WHSmith's own use (used to power, light and heat stores, offices or distribution centres)	32,616 ^Δ	76%
Scope 3 emissions		
WHSmith employee business travel (by air, rail and owned and non-owned motor vehicle)	1,011 ^Δ	2%
Total	42,870 ^Δ	100%
Intensity measurement		
Total emissions reported above normalised per 1,000 sq ft	7.89 ^Δ	

Scope & Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our consolidated financial statements. This data covers 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.

We have used data gathered to fulfil our requirements under the GHG Protocol, and recommended DEFRA conversion factors.

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

Group energy consumption – YoY kWh per sq ft**Transport emissions – YoY CO₂e 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. Our store managers are given responsibility for making savings wherever there is an opportunity, for example, by adjusting lighting or heating levels appropriate to weather conditions. The fact that energy is managed at store level means that our staff have high levels of awareness about the importance of energy efficiency, supported by regular updates and reminders.

Over the last few years, we have been implementing upgrades to our lighting equipment in-store. With lighting using more than half the energy of a trading store, we knew that any efficiencies would have a material impact on our overall carbon footprint. We have now rolled-out new LED lighting to all of our High Street store estate, all our distribution centres and some of our Travel stores. 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.

We have also been looking at other opportunities to reduce energy consumption. The replacement of our till systems enabled us to deliver further savings, and we have also been trialling the use of timers on drinks fridges in our Travel stores. In the year ahead, we will look at installing timers on fridges in the High Street stores too.

This year, we were delighted to receive recognition for the progress we have made in terms of carbon management with the award of the Carbon Trust Standard to WHSmith High Street.

Improving transport efficiency

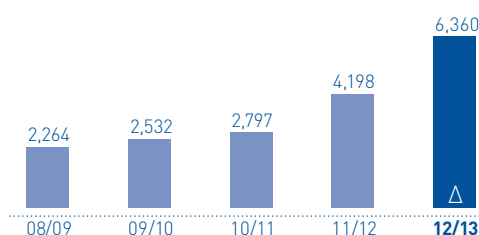
In terms of our carbon footprint, the second greatest contributor to our overall emissions is the CO₂e generated by the fleet of lorries which deliver products to over a thousand WHSmith stores around the UK. High fuel prices also give us further incentive to maximise the efficiency of our fleet wherever we can.

We continue to review our delivery routes and frequency to ensure that stores get product when they need it, whilst keeping carbon emissions to a minimum. We have also been able to achieve further transport efficiencies through new agreements with third parties which will see us sharing vehicles for deliveries to remote areas, such as the Scottish highlands. These developments have contributed to a further reduction in the CO₂e emissions per pallet moved, down by at least two per cent year-on-year.

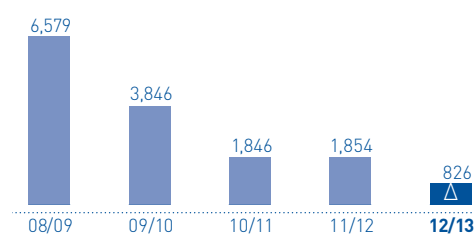
Another way we are reducing the impact of our transport operations is through our Collection Service. This involves collaboration with suppliers and other companies where we share space in our lorries and reduce traffic on the roads. In the case of suppliers, we collect products from supplier sites when 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. Seventeen new suppliers joined the Collection Service in the year.

Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

Recycled waste arising – tonnes



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 regularly review and seek to improve our recycling and waste reduction programmes to minimise the volume of waste going to landfill.

In 2012, we made significant changes to our store recycling system with the introduction of a 'dry mix' recycling system which enables our High Street stores to recycle most forms of waste, including plastics and metals. Regular communication to stores and the engagement of trading teams in clear product markdown and exit processes has helped us to use the dry mix system to deliver further improvements to recycling levels. 87 per cent^Δ of High Street waste is now being recycled, up from 69 per cent last year.

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, recycling programmes are operated by our landlords. This year, we have analysed the recycling levels in these stores in order to make some assumptions about the levels of recycling, so that our overall waste volumes reflect the waste managed in all of our High Street stores. We do not capture the waste recycling carried out in our Travel stores where waste management is handled by our landlords.

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 4,325 tonnes^Δ, a decrease of 10 per cent from last year's figure of 4,792 tonnes, reflecting changes including a significant reduction in the number of single-use carrier bags being distributed.

Reducing carrier bags

Compulsory carrier bag levies are now in place in Wales and Northern Ireland and due to be introduced in Scotland in 2014 and in England in 2015. Against this background, we continue to work hard to reduce the number of single-use 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 now operates in all of our stores, customers can choose to pay 1p for a single-use bag or buy a good quality reusable bag. The result of both the new compulsory levies and the awareness-raising efforts of WHSmith store staff has been a 24 per cent year-on-year reduction in the number of single-use bags we have distributed. We continue to use a proportion of the profits from our reusable bag charges to fund the Woodland Trust's school tree-planting programmes. Since 2007, WHSmith's partnership with the Woodland Trust has seen over 100,000 trees planted in UK woodland.

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

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

To help reduce our effect on the environment, we now charge for carrier bags

WHSmith gives a donation to the Woodland Trust for each reusable carrier bag sold.

WOODLAND TRUST
The Woodland Trust Registered No: 294344 & SC038885

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 almost seven tonnes of batteries for recycling, up from 4.5 tonnes last year.

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

	2012/13 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 16 per cent since 2010.	By 2020, reduce CO ₂ e emissions from stores and distribution centres by 40 per cent per square foot (from 2007 baseline).
Transport	Reduce CO ₂ emissions per pallet by eight per cent by 2015 (from 2012 levels).	🔄	CO ₂ e emissions per pallet have reduced by two per cent (from 2012 levels).	By 2020, reduce CO ₂ e emissions from transport by 20 per cent per pallet (from 2007 baseline).
Waste and management	Ensure that at least 80 per cent of waste is recycled by 2015.	☑	87 per cent of waste was recycled.	By 2020, we will send less than five per cent of waste to landfill.

☑ Achieved

🔄 On track

X Not achieved

Responsibility in the marketplace

Board accountability:

**Stephen Clarke,
Group Chief Executive**

Executive accountability:

**Phil McNally,
Commercial Director – High Street**

Relevant policies:

**Ethical Trading Code of Conduct
and Human Rights Policy**

Forest Sourcing Policy

Marketing Code of Practice

Our commitment

We are committed to meeting our customers' expectations to provide a good range of products while operating our business responsibly. Our customers expect that we provide them with choice, value for money and a good shopping experience. Customers also expect reassurance that our products are 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 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. Our High Street stores continue to achieve high overall customer satisfaction scores of 8.3 out of 10^Δ. 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.

Providing staff with regular customer service training and rewards for good performance is key to maintaining high standards. During the year, around 10,000 High Street staff received training on customer service and selling standards. In addition, all store managers attended workshops to help them improve their staff coaching and observation skills to support the training that had been provided. Staff in 250 Kobo store within a stores also received specialist training so that they could support and advise customers buying eReaders.

We believe it is important to recognise staff who deliver excellent customer service. As part of our new mystery shopper visits, employees in both our High Street and Travel stores who get a score of 100 per cent receive a £25 reward. We have also introduced a gold badge recognition scheme awarded by Regional Business Managers during their store visits and to staff named in any compliment letters from customers. In some of our Travel stores, we are trialling a system whereby the store manager and store staff in receipt of a 100 per cent mystery shopper score will then see a £1 per hour increase on their hourly pay rate for the next week.

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.



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 offer information about the access features of all our stores on our website, that includes information regarding the existence of features such as customer lifts, elevators and automatic doors.

We continue to provide diversity training and awareness to store staff, using training guides designed and printed for WHSmith by the Business Disability Forum.

During the year, we have continued to work in liaison with Action for Hearing Loss (formerly known as the RNID) towards improving the customer experience for customers with hearing impairments. As part of this programme we have continued our ongoing programme of installing induction hearing loops across the estate, where we anticipate installing hearing loops in at least 70 new store locations each year. An enhanced maintenance programme has also 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.

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.

We carry out regular reviews of products' ranges, displays and promotions to ensure that products meet our responsible marketing guidelines. We also carry out regular benchmarking against other convenience retailers and newsagents. We rotate our promotions on a regular basis so that they include water and non-food products, in addition to confectionery lines. In the year ahead we plan to trial an extended healthy food range, including products such as fruit and nuts.

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.

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 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. This year, we have developed a chemicals policy to guide our buying teams and suppliers. As part of the process of developing this policy, we commissioned the REACH Centre to carry out a GAP analysis of the draft policy statement. The feedback from this analysis is being used as we finalise the policy.

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.

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 included under Forest sourcing on page 13.

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 and Children in Need wristbands and calendars. We continued to offer a wide range of charity Christmas cards. We also sell a range of Fairtrade 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 support debut authors through the Richard and Judy Book Club, which is exclusive to WHSmith, and have helped to boost the profile of 36 debut authors since the Book Club launched in September 2010. The authors receive high profile in-store promotion during their review period and digital exposure through the successful Book Club podcast and new Richard and Judy website. The new website, which launched in summer 2013, offers the authors a forum to exchange thoughts directly with their readers and engage with an ever-increasing digital audience. Lucy Clarke, whose debut novel *The Sea Sisters* was picked for the Summer 2013 Book Club, said: "It was so exciting to be told that *The Sea Sisters* had been selected for the Book Club. I loved meeting Richard and Judy in person. It was surreal sitting on the sofa with them both chatting about books and hearing them talk about the characters in *The Sea Sisters*. Definitely a favourite moment of my summer!"

Another books promotion, this time for children's books, has seen WHSmith working in partnership with McDonald's on an initiative to encourage children to read more at home. See the following case study for more details.

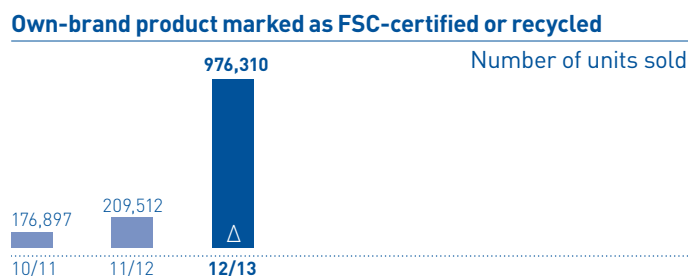
Case study

Working with McDonald's to create 'happy readers'

WHSmith has been working in partnership with McDonald's on a campaign, supported by the National Literacy Trust (NLT), which encourages families to enjoy reading together. The 'Happy Readers' book giveaway offers children a series of non-fiction books from DK Books' *Amazing World* series, including *Stars and Planets*, *Big Cats* and *Oceans*. By the end of 2014, the fast-food retailer will have handed out at least 15 million fiction and non-fiction books to Happy Meal eaters.

Once children have received their free book, they are then encouraged to extend their interest in reading through special offers at WHSmith to buy selected titles for only £1. In the last year, WHSmith has sold over 650,000 titles to children who are beginning to develop an interest in reading for pleasure as a result of the campaign.

Highlighting the importance of the Happy Readers initiative, Jonathan Douglas, director of the NLT, said: "Our research tells us that there is a very clear link between book ownership and children's future success in life, so it is very concerning that one in three children in the UK doesn't own a book, and half of kids don't really enjoy reading. Initiatives like McDonald's Happy Readers campaign play an important role in getting more books into the hands of children, and inspiring families to read together as a fun and interactive pastime."



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.

New EU timber regulations to eliminate the trade in illegal timber came into force in March 2013. The regulations require all UK retailers to provide a far greater level of documentary evidence and verification of the forest sources used in their own-brand products. In preparation for the new regulations, we had developed a new forest sourcing approach which provides an in-depth and rigorous assessment of suppliers' forest sourcing systems, consistent with the requirements of the new regulations. The implementation of the new system has been supported by extensive supplier training and engagement as we help our suppliers to understand what is expected of them.

In terms of our corporate responsibility objectives around forestry, we are working to increase the volume of forest material in our own-brand products which is from certified or recycled sources. This year, 68.5%¹ of forest material fell into this category, an increase of nine per cent from last year¹. In the year ahead, we will continue to work closely with our suppliers to deliver further improvements in forest source traceability and standards of sustainability.

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 a Forest Stewardship Council (FSC) certified or recycled product. We continue to focus on making our forest sourcing work visible to customers by labelling own-brand products with FSC logos where there is the opportunity. We have made further strong progress, with over 976,000^Δ FSC-marked units sold in the year, up from 209,000 units last year. New FSC-marked products include key stationery lines such as calendars and diaries. FSC-labelling will remain a key area for improvement and we expect to make further progress, with a number of high volume core own-brand stationery lines to be FSC-labelled next year, such as A4 refill pads.

At present the data we report on FSC-labelled products only covers own-brand stationery lines. We are however conscious that this does not give the full picture of the FSC-certified products being sold by WHSmith, notably FSC-certified books. In the year ahead, we plan to change our reporting scope to include the full range of FSC-certified products sold across the business.

Alongside our work around forest sourcing, we also continue to work with the Woodland Trust taking practical steps to combat deforestation through the funding we provide for tree-planting schemes for schools. Between 2007 and 2012, WHSmith's funding has enabled the Woodland Trust to plant over 100,000 trees. We are committed to continuing to provide this support going forward.

Case study

Labelling WHSmith own-brand diaries as FSC-certified



All WHSmith own-brand diaries are now clearly marked as coming from FSC-certified sources.

As part of our work to increase the number of FSC-marked products we sell, we regularly review key suppliers and product lines to identify the areas where there would be an opportunity to label products as FSC-certified. In 2012, we identified such an opportunity to work with own-brand diary supplier, Charles Letts. Charles Letts already held FSC accreditation and was therefore potentially capable of marking product with the FSC logo. We began a series of meetings with the suppliers, firstly securing their agreement to work towards FSC-labelling, then supporting them as they sourced FSC-certified papers, and working with the WHSmith design team to change the product artwork. Finally, the product required approval from the FSC accreditation bodies, representing the end of a 12-month process. The outcome of this work was the FSC-labelling of all WHSmith own-brand diaries, 150 separate products in total, and another good step towards our objective to label more product as FSC-certified.

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.

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

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 compliance with the conditions set out in our Supplier Code of Conduct and Human Rights Policy. Our objective is then to work with our suppliers to bring about incremental change through a process of factory audits and ongoing engagement.

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. We audit all our direct source suppliers in Asia at least every two years. Every two years, we also undertake an independent benchmarking process to ensure our ethical audits remain in line with industry best practice.

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. A factory must meet certain minimum standards if we are to trade with them, and demonstrate commitment to working towards full compliance with our Code of Conduct. 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.

Following the recent factory accidents in Bangladesh, we have reviewed our audit processes to look more closely at building safety and evacuation procedures. Whilst WHSmith does not source from Bangladesh, we want to ensure that factory safety issues are high on the agenda for all the suppliers we work with.

Our supplier engagement work continues to focus on improving worker representation as this is a key issue in China, with a potential business benefit through improving staff satisfaction and thereby retention rates. We offer suppliers a project toolkit, developed in consultation with the Ethical Trading Initiative, which provides advice on how to set up a simple worker representative committee. The aim is for these committees to give workers the feeling that they have a voice on issues which are important to them. 15 suppliers^Δ have now used our worker representation toolkit to set up a worker representative committee.

In March 2013, we conducted a survey of workers' satisfaction levels within the factories taking part in the worker representation (WRI) project. The objective was to provide a benchmark to measure the success of the project. We plan to conduct another survey next year to provide comparison data and give a clear sense of the impact of the project on worker satisfaction levels.

To date, we have already seen numerous changes made to factory conditions as a result of discussions and suggestions at the worker representative committees. Some of the improvements relate to health and safety issues such as providing better personal protective equipment and training. Other are more focused on improving the quality of life for workers, many of whom would usually live in dormitories within the factory grounds. Examples include providing washing machines in the dormitories building and hot water throughout the day, or providing sporting facilities, such as basketball or badminton and even setting up a tug-of-war competition for workers! Food quality continues to be a focus for workers, with committee members requesting more spicy food for migrant workers and less salty food. More information on the project is provided in the case study below.

Case study

WHSmith audit team attend a factory worker representative meeting

There are 15 active participants in our WRI project. All of them have set up their worker representative committee or labour union. They hold meetings at least quarterly, and some of them even have meetings monthly.

In July 2013, we attended the worker representative meeting of one of the project participants. Four worker representatives took part, together with the factory's general manager. The worker representatives had canvassed their fellow workers before the meeting and they reported their views and concerns. One suggested adding one additional break in the morning and afternoon respectively due to the hot weather, and purchasing a drinks machine with a refrigeration function. There was also discussion of a possible staff outing at the end of the summer period. The worker proposals were discussed and later agreed upon and approved by the general manager.

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

In addition to the WRI project, we have also been working to improve communication of the WHSmith Code of Conduct. New posters and handouts have been developed and distributed to ensure workers are aware of their rights. We are also working with a key supplier to trial a confidential worker hotline, giving workers the opportunity to report any concerns over labour standards.

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. Core training courses for buyers include modules on ethical trade and the way these issues should be considered as part of negotiations with suppliers.

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.

Targets

	2012/13 Targets		Progress	Future targets
Ethical trading	Engage with 15 new factories by 2013.	✓	We are currently working with 15 ^a factories as part of our engagement projects.	By 2015, we will have worked with our Top 10 own-brand suppliers to achieve measurable improvements in worker representation.
	Improve communication of our Code of Conduct to suppliers and workers, translating documents as appropriate to make them more accessible.	✓	Posters and handouts distributed to supplier factories to improve communication of WHSmith's Code of Conduct.	
Forestry	Increase the number of products sold which are marked as FSC-certified or recycled by 20 per cent by 2013.	✓	Sales of FSC-certified products up from 209,512 to 976,310 ^a , representing more than a four-fold YoY increase.	In the decade to 2020, we will have sold 75 million units of FSC-marked books and stationery products. In the decade to 2020, we will have worked in partnership with the Woodland Trust to plant over 250,000 trees in UK woodlands.

✓ Achieved

○ On track

X Not achieved

Workplace practice

Board accountability:

**Stephen Clarke,
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.

Case study

Giving staff the opportunity to get to know new WHSmith Chief Executive, Stephen Clarke

In June 2013, Stephen Clarke became the Chief Executive of WH Smith PLC. Although Stephen had been with the business for nine years and was well-known by many staff, there were inevitably questions about how Stephen would approach his new role as Chief Executive and what this would mean for staff and the Company. It was important to create a forum for staff to chat to Stephen and ask any questions they may have. Staff from our Travel and High Street head offices were invited to meet Stephen over an informal breakfast. During a relaxed and wide-ranging

discussion, attendees asked about Stephen's career history, about his aspirations as CEO and what he wants his legacy to be. Attendees were also interested in Stephen's view of WHSmith and the business strategy as well as his views on the wider economy. The feedback following the session was positive with employees feeling that they had a much better understanding of Stephen's approach to his new role and managing the business.

Living our values

We have four key business values: Customer focus, Drive for results, Value our people and Accountability. These values are at the heart of the way we assess the performance of all our staff. Each employee has regular performance appraisals, looking at how they have performed in terms of really living the four WHSmith values. This performance against the values then forms part of each employee's end of year performance grading and any bonus awarded.

In addition, for head offices employees, the VIP or 'Values in Practice' scheme recognises those employees who have set a leading example in demonstrating one of the values. During the year, we have re-launched the scheme to encourage all departments to ensure that they are using the scheme to recognise excellent performance through the scheme. Each quarter, a number of VIPs are selected 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 winners are rewarded with free tea or coffee for a month and three extra days' holiday.

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 operate 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. In the year ahead, we will be introducing a Store Community Award, recognising stores which have built strong links in their local community.

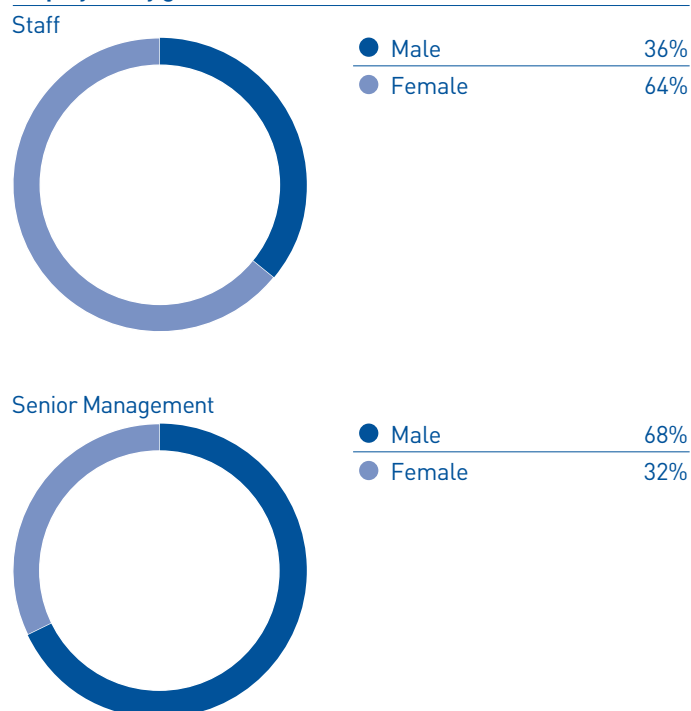
Valuing our people

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. Our Holiday Trading Scheme enables staff to buy additional holiday. We also offer a Cycle to Work scheme offering staff the opportunity to purchase bicycles at discounted prices. During the year, we also launched a Dental Health Scheme.

Diversity

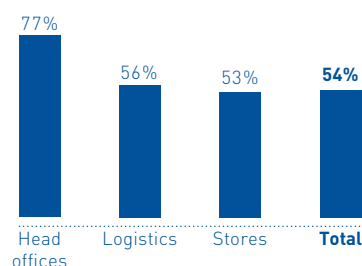
Talented people are core to the success of our business, whatever their age, race, religion, gender, sexual orientation, or disability. WHSmith is committed to equality and diversity through its policies, practices and procedures. All employees are given equal and fair treatment, and this applies to 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 continue to monitor our diversity profile versus other relevant retailers and the national average to ensure that WHSmith complies with good practice. In terms of gender diversity, we measure our performance across the Group, looking at Board level, where 29 per cent of Board directors are female, at our senior management, where 32 per cent^Δ are female and across our store management population, where 44 per cent of store managers are female. We also monitor our diversity performance in terms of supporting our staff from different ethnic backgrounds, our LGBT (Lesbian, Gay, Bisexual, Transgender) colleagues and staff with disabilities.

Employees by gender^Δ



^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

Employees with more than three years' experience^Δ

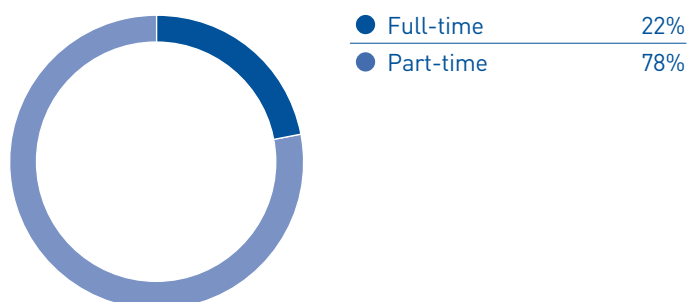


This year, for our diversity reporting, we are using a new definition of senior management, consistent with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We define a senior manager as an employee who has responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company.

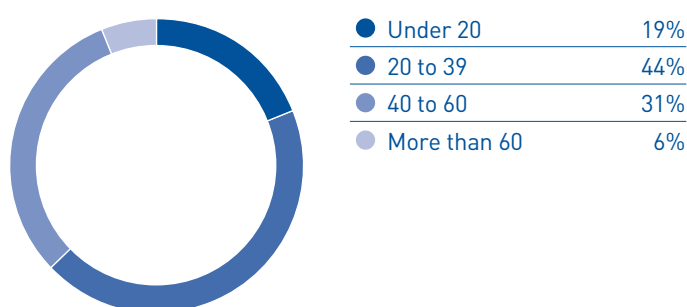
We continue to work on initiatives which support specific groups within our workforce. In terms of recruitment, our apprenticeship programmes are designed to support the employment and upskilling of young people. We now employ apprentices in our Birmingham and Swindon distribution centres and ensure that these apprentices have the opportunity to apply for suitable permanent vacancies as they arise. In addition, we continue to work in partnership with A4E to ensure that WHSmith store vacancies are advertised to a diverse range of groups who are looking to return to the workplace, including groups such as ex-offenders and ex-armed forces personnel.

In order to create the right environment to promote diversity among our employees, our flexible working schemes are designed to support working parents and carers. In the year, we have also re-structured our High Street store learning and development programmes to make them more accessible to part-time workers, so that a wider range of staff are able to take part and develop their careers this way.

Full-time and part-time employees^Δ

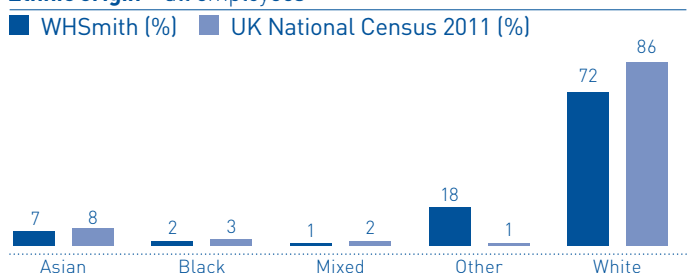


Employees by age^Δ



We are 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.

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 28.

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.

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.

In our head office, we continue to focus on developing a pipeline of talent in key areas of the business. The Assistant Buyer Programme is just one example which runs in both our High Street and Travel head offices. In addition to these targeted

programmes, we launched a new head office training programme offering a mix of workshops, master classes and guest speakers, with the introduction of shorter sessions to make training more accessible.

Last year, we launched our Retail Academy for store staff. The purpose of the Academy is to improve the internal succession into store management roles within our business, focusing on the technical and behavioural elements required to be successful within WHSmith. This year, the Academy has continued to support supervisor and first appointment manager development within our High Street stores. We introduced two new levels of self-managed development targeting managers of medium-size stores with a view to preparing them for larger store management and regional roles. More detail on the outcomes from this programme is provided in the case study.

Case study

Supporting store managers as they develop their careers

We continually review the learning and development provision offered at all levels of the Company. This year saw the introduction of two new development programmes for store managers. The existing SMDG (Self-Managed Development Group) was split into two levels with Level 1 aiming at our first appointed store managers to get them ready for a medium-size store and then Level 2 aiming at our medium store managers to get them ready for a large store role and to be a senior manager presence within the region.

Both these programmes have been extremely successful, with the focus being on self-managed development. A personal development plan has been key and the programme has also delivered various workshops to assist with the delegates' development. These workshops include topics such as Personal Impact, Influencing and Leadership & Coaching. The Level 2 group also had to complete a business project within teams which was then presented back to an executive panel. These projects are now being explored by the business for potential roll-out.

25 delegates attended Level 1 SMDG of which 16 delegates have either been promoted or have taken on extra responsibility within the region. 12 delegates attended Level 2 of which during the programme three delegates took on larger roles.

Feedback from delegates gives a sense of how store managers responded to the course:

"The main thing I got from the course was confidence, knowing that someone had belief in my ability really ignited my passion for the business. Prior to SMDG I really thought I was happy where I was and that I did not really want to progress, my RBM obviously thought different and I am so glad she did as the course made me realise that I was capable of so much more. We all have the basic tools to lead and manage but become settled and do not use them as much as we should, this course refreshed my way of thinking and behaving. The course changed my career prospects as it gave me the confidence to step up to a larger store which is something I really don't think I would have done had it not been for SMDG."

"The programme has re-energised me and made me think of the way I approached my earlier roles. I am now a lot more determined to progress and to go after new challenges."

"Last month I completed the Store Manager Development Programme. It has left me brimming with self-confidence and has totally refocused how I look at my role within the Organisation and just as importantly in my day-to-day role as well. Since returning to the 'normal day job' I have given more time to the people side of my role. This has manifested itself in many ways from sitting down with staff individually and taking my management team out of the business, spending two whole days refocusing and planning the future. Therefore people are now seeing a refreshed, positive leader and I feel that the programme has helped me prepare for any future career opportunities."

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. Approximately 830 employees participate in the scheme.

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 has a properly constituted Health and Safety Committee that comprises employees, management, trade union representatives and professional safety advisers.

There has been a seven per cent decrease in the number of reportable accidents this year versus last year, where we continue to target ongoing reductions as part of our CR programme. As the number of reportable accidents has reduced by 20 per cent this year compared to base levels in 2010, we have significantly exceeded our previously stated three-year target of reducing the level of reportable accidents by five per cent over this period. There has also been a nine per cent reduction in the number of minor accidents reported this year versus last year.

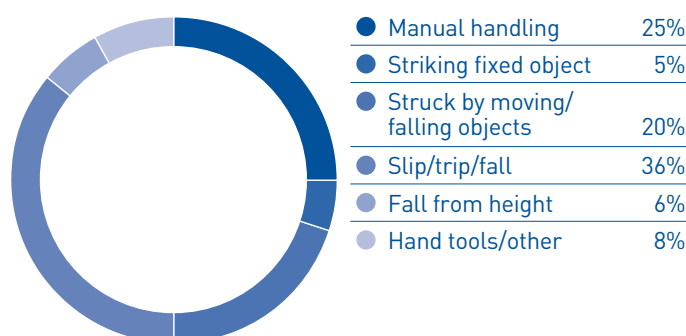
The Group Safety team continue to provide an ongoing training programme for staff in stores, consisting of 'modular' courses focusing on key issues such as fire safety, manual handling and slips, trips and falls. In addition, the team run an ongoing programme of training for the Travel business on food hygiene. The Group Risk Department has also been working closely with the HR team during the year, developing a new e-learning platform that is currently being trialled in a number of areas. This new learning platform provides an opportunity for certain key areas of health and safety training to be available to staff to access and complete in-store, using an office-based PC or automated till and we anticipate that this new tool will enable us to provide a more extensive level of training and support going forwards.

We continue to benchmark our health and safety performance against our peers to ensure that we continue to adopt best practice. We do this through analysing other organisations' published performance data against our own and also through collaborative working via the British Retail Consortium's Risk and Safety Policy Advisory Group, which meets regularly to review health and safety issues and share best practice.

Accidents and injuries

	2013 ^Δ	2012	2011	2010	2009
Major injuries	13	7	8	11	13
Injuries resulting in over 7 days' absence from work/hospitalisation ¹	51	62	67	70	53
ALL RIDDORS¹	64	69	75	81	66

Accidents by type – 2012/13 (all RIDDORS)^Δ



^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

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

Targets

	2012/13 Targets		Progress	Future targets
Learning and development	Continue to increase uptake for Learning & Development programmes in head office, targeting increase usage in Travel head office by 15 per cent year-on-year.	✓	Participation in Learning & Development programmes in Travel head office up by around 15 per cent year-on-year.	By 2020, increase by 60 per cent the number of senior executives that have worked their way up through the Company (from 2010 levels).
	Continue to source 90 per cent of all store management appointments from internal candidates until 2013.	✓	90 per cent of all store managers appointments from internal candidates.	Continue to source 90 per cent of all store management opportunities internally.
Diversity	Continue to review diversity profile of the business to ensure that WHSmith complies with current good practice.	✓	A diversity working group has been set up to regularly review the Company diversity profile, ensure compliance with best practice, conduct external benchmarking and identify opportunities to raise awareness and engage the business with diversity related issues.	By 2020, ten per cent increase in senior management positions held by women (versus 2010 levels). By 2020, 20 per cent increase in proportion of store management teams working flexibly (versus 2010 levels).
Engagement	Review employee benefits to create a more flexible total reward package which can be tailored to the needs of each employee.	✓	Key employee benefits such as holiday trading and cycle to work schemes were re-launched. Additionally we launched a dental health scheme. We also launched store incentives to increase employee engagement.	
Health and safety	Reduce reportable accidents recorded across the Group by five per cent by 2013 compared to 2010 levels.	✓	Group reportable accidents reduced by 20 per cent compared to 2010 levels.	

✓ Achieved

🔄 On track

X Not achieved

Community impact

Board accountability:

**Stephen Clarke,
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

With over 600 stores on high streets across the UK, WHSmith is an important part of many local communities. Vibrant high streets and town centres are good for the community and for our business, so we want to support where we can and help to maintain a vibrant retail environment. Over the course of the year we opened 66 new High Street and Travel stores, helping to create new jobs in communities across the UK.

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 Poole, where the WHSmith store manager works closely with the local town council management and shopping centre management on issues including security awareness, charity fundraising and raising high street awareness to bring trade to the town. In Hayes, our store manager has supported the roll-out of Hayes Town Business Watch, also working closely with the local police and a drug and alcohol team to improve safety in the town centre.

In June, WHSmith's High Street Stores director, Kevin Hall, was one of 15 senior business leaders taking part in one of the Prince's Seeing is Believing visits organised by Business in the Community. The visits give senior executives from different businesses the opportunity to come together to discuss a specific social or environmental issue and talk about ways of working together to make improvements. Kevin attended the session focusing on the need for high street regeneration across the UK, using the example of Croydon Old Town, a Portas Pilot area. Delegates heard from the Chief Executive of the British Council of Shopping Centres about the state of the UK high street and then spent time in Croydon's Old Town to meet community stakeholders and hear their experiences of the high street and their aspirations for the local area. The day ended with a discussion of the role business can play, the business case for engagement and how Business in the Community can support big business to take action.

Following the Seeing is Believing visit, Kevin shared his learnings and thoughts with the WHSmith senior management team and held follow-up meetings with Business in the Community. We have recently carried out a review of our store community engagement approach and Kevin has issued a personal message to our store managers, giving them revised guidance on how and when to get involved in local community initiatives and the support which is available from head office.

At this year's Store Awards, we will also be introducing a new category recognising those stores which make an outstanding contribution to their local community. This may be through involvement with town centre or high street initiatives, or through links with schools or charities, for example as part of the Schools Giveaway or National Literacy Trust events. The winning stores will receive a donation to the community partner, plus a contribution towards a team celebration. We hope that this will help to showcase best practice and encourage more store managers to take active roles in their local communities.

Championing literacy

As the UK's leading bookseller and stationer, literacy remains the primary focus of our community programmes. One person in six in the UK still struggles with their reading, with 20 per cent of children leaving primary school reading below the expected level. Research findings consistently conclude that children who read for pleasure have better life chances, and promoting the love of reading is therefore the overarching objective behind our literacy programmes.

Working in partnership with the National Literacy Trust (NLT)

WH Smith PLC and WHSmith Group Charitable Trust have been working in partnership with the NLT for nine years now on projects to promote reading for pleasure.

Over the last three years, we have been supporting the NLT's Young Readers Programme for Families. The WHSmith funding

has enabled the NLT to pilot a new approach, working closely with parents to help them develop practical tools to support their child's literacy development. Since 2010, the partnership with WHSmith has funded projects in 20 locations across the UK, with projects taking place in areas of disadvantage where it has been identified that children were more likely to struggle with their reading. Over 700 families have taken part during the course of the project, involving mums and dads, grandparents, children and siblings.

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 receives 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. Key findings include:

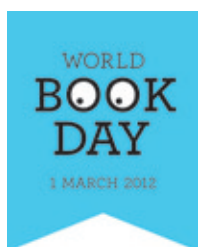
- 92 per cent of parents said they spent more time supporting their child's reading in the home;
- 94 per cent of parents said they saw their child reading more;
- 74 per cent of families joined their local library as a result of taking part in the programme. 61 per cent made a return visit within two weeks.

One project coordinator from Middlesbrough observed, "The best thing... is the impact it has on the whole family. Brothers and sisters reading together, parents reading with their children, bedtime stories being renewed, families who had never been to the library before becoming members and making regular visits and enjoying reading."

"P.S. I bumped into a grandmother who had participated in the programme last year, and she said her grandson has never stopped reading since the course! Isn't this fantastic, as before the course he very rarely read, and was miles behind. He is now reading *The Hobbit*!"

The excellent results of the pilot project in terms of changing attitudes to reading have enabled the NLT to secure further funding to continue the project in some areas of the UK. We are delighted that WHSmith's funding has helped to establish a new way of supporting literacy.

We will continue our partnership with the NLT in the years ahead and are currently in the final stages of planning a new project aimed at changing the literacy culture in schools.



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.

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 and appearances by children's authors. 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.

Case study

Working with British Land to help promote literacy



School children tour the WHSmith store at Teesside Park

For the second year running, we worked with one of our key landlords, British Land, to support the National Literacy Trust's Young Readers Programme. The programme helps children to develop a love of reading and improve their literacy. This year, British Land expanded the programme from four sites in 2012 to 12 this year. This enabled 3,000 children to participate in reading activities across British Land shopping centres and retail parks in Barnstaple, Basildon, Edinburgh, Glasgow, Leicester, London, Oldham, Peterborough, Plymouth, Rotherham, Speke and Stockton-on-Tees.

Children were shown how to make good book choices and then use their new skills to choose three new books to keep. At the eight sites with a WHSmith, WHSmith store managers hosted visits for the children and their teachers to the stores and showed the children how to choose books at the right level and of interest to them. WHSmith store managers hosted visits and donated vouchers to each of the participating schools to boost their library resources. A variety of reading events were also organised featuring guest readers and children's characters.

Charles Maudsley, Head of Retail for British Land, commented: "Following the success of the 2012 programme, we were delighted to be able to reach 3,000 children this year working with one of our key tenants WHSmith and the National Literacy Trust. We hope that helping children develop a love of reading at a young age will give them a lifetime of pleasure and opportunity."

Following the school visit to WHSmith's Teesside Park store, store manager Dave Brown talked about how successful the event had been: "We really enjoy hosting the school visits and this year included a behind-the-scenes tour of the shop which the children loved. This initiative helps to lift the profile of the store in the community in a positive way. My staff tell me they are proud to say they work at WHSmith Teesside Park."



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 38 grants worth over £30,000 during 2012/13. These employee-nominated charities range from big national campaigns such as Kidney Research UK, Alzheimer's Society, Diabetes UK and Parkinson's UK to small community-based charities including scout groups, hydrotherapy pools, hospices and air ambulances.

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.

Donations to hospitals

WHSmith has a strong presence in the hospital sector, operating stores in 119 hospitals across the UK. The staff within our Hospital stores often become a core part of hospital life and are well known to the hospital staff. Many of our store managers provide ad hoc support to the Hospital Trusts, 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, and for three years running we have made donations of over 300 bestselling books to 10 hospitals where WHSmith has a store.

After visiting many of the hospitals that received the donations and discussing our programme with the nursing staff, doctors and play specialists, we learned that there was a real need for more arts and crafts supplies to help occupy children who may be in hospitals for long periods. Responding to this feedback, this year we decided to trial donating art and craft materials in place of books. As before, we worked in partnership with the WHSmith Trust to make donations to ten hospitals where we have a store. As part of the programme, each hospital receives a donation of hundreds of products, from paint-by-numbers boards to entertain patients confined to their beds, to craft kits for activity sessions in the hospital play rooms. This year's donations took place in hospitals from Glasgow to Southampton, and were led by the store managers to help them to build lasting relationships with the hospital staff.

Lorna Clarke, Head of Corporate Partnerships at the Bristol Children's Hospital charity Above & Beyond said: "Play is so important in providing fun, stimulation and distraction for children at what can be a difficult time. We are so grateful to WHSmith for this generous donation, this will make a real difference to so many children from across the South West who are cared for at the hospital."



Nursing staff and patients at Lister Hospital with the arts and crafts supplies donated by the WHSmith hospital store team.



Waterlooville schoolchildren with their free book vouchers

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 fourth 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 110 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 Princes Risborough store where the store team invited local schoolchildren to write book reviews, as well as offering to participate in 'career days' and encouraging work experience placements with some of the older pupils. Store manager Tamara McLaughlin visited Princes Risborough Secondary School to award them with a certificate and the £200 vouchers.

In Exeter, the WHSmith store manager commented, "our Schools Giveaway event was a complete success and more than 40 children all left the store very happy. They picked up two books each and the teachers all chose several more for their library. The head teacher was very pleased with the morning and it looks as though we will do lots more activities together in the future."

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. This year, we also sold the exclusive Countryfile calendar in aid of BBC Children in Need.

In the spring, we established a new partnership with Breakthrough Breast Cancer linked to women's fiction. The promotion featured a range of fiction titles with particular appeal to women. We worked in partnership with the publisher, Penguin,

Case study

Working with Penguin to support Breakthrough Breast Cancer

In May 2013, WHSmith partnered with Penguin to launch a new summer reading campaign to raise money and awareness for Breakthrough Breast Cancer. Breakthrough Breast Cancer is the UK's leading charity dedicated to saving lives through improving early diagnosis, developing new treatments and preventing all types of breast cancer.

The campaign featured 30 Penguin women's fiction titles from high-profile authors such as Sarah Blake, Jane Green, Catherine Alliot, Jojo Moyes, Elizabeth Noble, Lesley Pearse, Marian Keyes and Sue Townsend. WHSmith and Penguin gave a combined 50p to Breakthrough Breast Cancer for every copy sold.

Sarah Blake, author of the top ten bestseller *The Postmistress*, said "I am so thrilled to have *The Postmistress* join in the Breakthrough Reads campaign. The fight towards a cure, and towards new possibilities for women, is very close to my heart. Thank you Penguin, WHSmith and Breakthrough Breast Cancer for doing this good work!"

Author of 14 bestselling novels, Jane Green, was also keen to lend her support to the initiative, commenting, "I'm thrilled, once again, to be involved with Breakthrough. All of us have been touched in some way by breast cancer, and knowing that charities like Breakthrough are doing such important work makes all the difference."

Commenting on the campaign, Kath Abrahams, Director of Engagement and Income Generation at Breakthrough Breast Cancer, said: "We are thrilled to be working alongside Penguin and WHSmith. This is a fantastic opportunity for these much-loved companies to join us in

making a difference to the lives of the 50,000 women diagnosed with breast cancer each year in the UK. With their support we can work to create a world freed from breast cancer."



and donated 50p to the charity for every title sold. See case study on page 26.

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 the 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 £115,000 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 then 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. In addition, many teams around the country, in our stores, head offices and distribution centres, took the opportunity to run their own fundraising events.

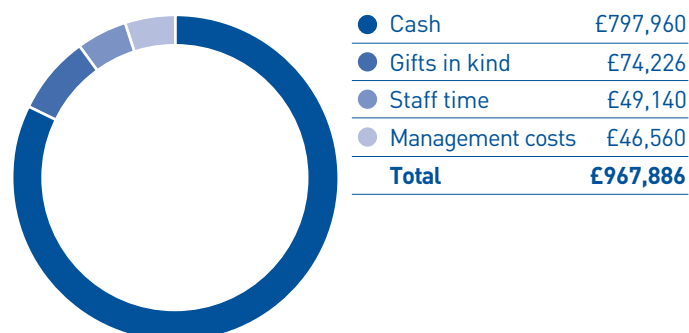
In addition to these charities, our stores also help fundraise for a range of other good causes, for example, selling poppies for the Royal British Legion and pin badges for a number of other charities.

Measuring our community investment

We 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 presents a breakdown of our community contributions, using the LBG's 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 2012/13^Δ



Targets

	2012/13 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 three years, over 700 families have taken part in Young Readers Programme for Families courses, including parents, children, siblings and grandparents, so reaching over 3,000 people in total.	In the decade to 2020, we will have worked in partnership with the WHSmith Trust to help over 20,000 children discover the joy of reading.
	By 2013, donate WHSmith vouchers to 500 store-nominated schools across the UK (from 2010 levels).	✓	WHSmith vouchers donated to 500 store-nominated schools across the UK since 2010.	In the decade to 2020, staff and customer fundraising will have raised over £1.25m to support partner charities.
	By 2013, make book donations to 30 hospitals (from 2010 levels).	✓	Book donations made to 31 hospitals since 2010.	
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.	✓	In the year, WHSmith invested £967,886 ^Δ in community projects.	In the decade to 2020, we will have invested £10m in local communities.

✓ Achieved ➡ On track X Not achieved

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

Independent assurance report of KPMG LLP to WH Smith PLC

KPMG LLP was engaged by WH Smith PLC ('WHSmith') to provide assurance over selected aspects of the WHSmith Corporate Responsibility Report for the year ended 31 August 2013 ('the Report').

Assurance scope, level of assurance and reporting criteria

Assurance scope	Level of assurance	Reporting criteria
1 The reliability of selected corporate responsibility ('CR') performance data for the year ended 31 August 2013 marked with the symbol ¹ in the Report.	Limited assurance	WHSmith's reporting guidelines for the selected performance data as set out at www.whsmithplc.co.uk/cr .
2 The description of WHSmith's adherence to the AA1000 AccountAbility Principles Standard ('AA1000APS') (2008) principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report.	Reasonable assurance	The GRI reporting principles for defining report quality.

Assurance standards require that we must be able to point to the reporting criteria we used to form our judgements. For the reliability of selected CR performance data, WHSmith has developed a number of its own guidelines for reporting its CR data. WHSmith's guidelines, which are available at www.whsmithplc.co.uk/cr, are the criteria for our first scope. For the description of adherence to AA1000APS, we use the GRI reporting principles for defining report quality. AA1000APS aims to ensure that reporters do not leave out anything important whether measured by business significance or the interests of a particular class of stakeholder. Inclusivity implies identifying and engaging with stakeholders to understand all the issues fully. Materiality is used to assess the relative importance of issues. Responsiveness is the measure of both how the reporter has responded to issues and how they have reflected these in the Report.

This engagement only relates to the above scope for the year ended 31 August 2013 and does not cover other information that may be displayed in the Report or on the WHSmith website for the current year or for previous periods.

Applicable professional standards and independence

We conducted our work in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we obtain sufficient, appropriate evidence on which to base our conclusion.

When we are engaged to provide limited assurance, assurance standards allow us to collect less evidence than for a reasonable assurance engagement provided we collect sufficient for a negative form of expression of our conclusion. We achieve this ordinarily by performing different types or fewer tests than those required for reasonable assurance or using smaller selection sizes for the tests performed.

We conducted our engagement with a multidisciplinary qualified and experienced team in non-financial assurance. The team included Chartered Accountants and specialist professionals in auditing financial, environmental and non-financial information and with many years' experience in similar engagements.

We complied with KPMG's independence policies which address the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

Respective responsibilities of WHSmith and KPMG and use of our assurance report

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

Our responsibility is to express our conclusions in relation to the assurance scope.

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 that 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 any responsibility to anyone other than WHSmith for our work, for this independent assurance 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.

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 accuracy and 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. It is important to read the selected CR information contained within the Report as set out in the assurance scope in the context of WHSmith's reporting guidelines.

In particular, inherent limitations affect the conversion of electricity and fuel used to calculate carbon emissions. Conversion of electricity and fuel data to calculate carbon emissions is based upon, inter alia, information and factors derived by independent third parties, as explained in WHSmith's reporting guidelines. Our assurance work has not included examination of the derivation of those factors and other third party information. Our assurance work has not included challenging the scientific work undertaken by independent third parties when calculating these emissions factors.

Work performed

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

Assurance Scope 1: Limited assurance over the reliability of selected CR performance data for the year ended 31 August 2013 marked with the symbol ^A in the Report

We:

- Interviewed WHSmith management and staff to obtain an understanding of the CR performance data collection, aggregation and reporting processes, systems and controls;
- Examined the processes, systems and controls in place to collect, aggregate and report the CR performance data;
- Reviewed a selection of the source documentation which supports the CR performance data for the year ended 31 August 2013;

- Performed 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
- Reviewed the presentation of the CR performance data in the Report to ensure consistency with our findings.

Assurance Scope 2: Reasonable assurance over the description of WHSmith's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report

- **Inclusivity:** We analysed and tested 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 2013.
- **Materiality:** We analysed and tested 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 2013 and their relation to business strategy; and
 - Performing an independent review of WHSmith's materiality analysis based on media searches, information reported by peers, and sector and company knowledge.
- **Responsiveness:** We analysed and tested 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.

Conclusions

The following conclusions are based on the work performed and the scope of our assurance engagement described above.

Assurance Scope 1: Limited assurance over the reliability of selected CR performance data for the year ended 31 August 2013 marked with the symbol Δ in the Report

Nothing has come to our attention to suggest that the performance data marked with the symbol Δ in the Report, is not, in all material respects, fairly stated in accordance with WHSmith's reporting guidelines.

Assurance Scope 2: Reasonable assurance over the description of WHSmith's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report

In our opinion the description of WHSmith's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, marked with the symbol + in the Report, is fairly stated, in all material respects in accordance with the GRI reporting principles for defining report quality.

KPMG LLP

Chartered Accountants
London

15 October 2013