

# WH Smith PLC

Corporate Responsibility report 2014



# Welcome to WH Smith PLC's 2014 Corporate Responsibility report

## About this report

This is our 9th published Corporate Responsibility report, covering our social, environmental and ethical performance for the year 1 September 2013 until 31 August 2014. It is an annual report issued alongside the WH Smith PLC Annual report and accounts 2014 and published in December 2014.

### Scope of this report

This report focuses primarily on the continuing activities undertaken by our retailing operation in the UK 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 2014 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/corporate\\_responsibility](http://www.whsmithplc.co.uk/corporate_responsibility), 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 2014. A copy of their independent assurance report can be found on page 28.

### Your feedback

We welcome your comments and feedback on our corporate responsibility performance, either through our website [www.whsmithplc.co.uk/corporate\\_responsibility](http://www.whsmithplc.co.uk/corporate_responsibility) or by writing to Head of Corporate Responsibility, WH Smith PLC, Greenbridge Road, Swindon SN3 3LD.

## Contents

### 1 Governance

|   |   |
|---|---|
| About us                                  | 2 |
| Management and accountability             | 3 |
| AA1000 AccountAbility Principles Standard | 3 |
| Our stakeholders                          | 3 |
| Continuous improvement                    | 5 |
| Benchmarking our performance              | 5 |

### 2 Environmental management

|                                  |   |
|----------------------------------|---|
| Managing our carbon emissions    | 6 |
| – Reducing energy consumption    | 7 |
| – Improving transport efficiency | 7 |
| Waste management                 | 8 |
| Targets                          | 9 |

### 3 Responsibility in the marketplace

|                      |    |
|----------------------|----|
| Customer focus       | 10 |
| Responsible sourcing | 13 |
| – Forest sourcing    | 13 |
| – Ethical trading    | 14 |
| Targets              | 15 |

### 4 Workplace practice

|                          |    |
|--------------------------|----|
| Engaging with our staff  | 16 |
| Learning and development | 17 |
| Diversity                | 18 |
| Health and safety        | 20 |
| Targets                  | 21 |

### 5 Community impact

|                                      |    |
|--------------------------------------|----|
| Supporting local high streets        | 22 |
| Championing literacy                 | 23 |
| WHSmith Group Charitable Trust       | 25 |
| Products for charitable causes       | 26 |
| Fundraising with staff and customers | 26 |
| Measuring our community investment   | 27 |
| Targets                              | 27 |

### 6 Assurance

|                              |    |
|------------------------------|----|
| Independent assurance report | 28 |
|------------------------------|----|



Find out more at  
[www.whsmithplc.co.uk/corporate\\_responsibility](http://www.whsmithplc.co.uk/corporate_responsibility)



# Introduction by Stephen Clarke

## Welcome to WH Smith PLC's 2014 Corporate Responsibility report

The last year has seen WH Smith PLC deliver further profit growth, demonstrating the continued success of our strategy in both our High Street and our Travel businesses. I am pleased to report that, at the same time, we have also made good progress with our corporate responsibility strategy. At WHSmith, we believe that a commitment to the principles of corporate responsibility makes good business sense and naturally complements our core business strategy, and our recent results provide clear evidence of this.

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. Our approach continues to evolve, informed by and responding to key issues, ranging from climate change to deforestation and from healthy lifestyles to factory safety.

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, together with the progress we have made towards our 2020 targets.

Climate change is a key focus for WHSmith, as it is for so many other businesses, and we are taking steps to reduce our carbon emissions where we can. A series of incremental changes to lighting and refrigeration are helping us to deliver material savings. Since 2007, we have achieved a 38 per cent reduction in our CO<sub>2</sub>e per square foot. Another global issue which is central to our CR work is deforestation. Since 2010, WHSmith has sold over 44m units of Forest Stewardship Council-certified books and stationery, giving our customers reassurance that these products are from sustainably managed sources. We are also proud to have funded the planting of over 150,000 trees with the Woodland Trust, funded through our carrier bag reduction scheme.

As one of the UK's leading stationers and booksellers, another major theme for us is literacy, which continues to be at the heart of our community investment strategy. This year we started a new project with our long-term partner, the National Literacy Trust, which has seen WHSmith stores partnering with schools in a project which uses peer learning to help change the school's literacy culture. It is an exciting project, both for the impact on literacy levels, as well as the strong links we are beginning to develop between local WHSmith stores and the partner schools.

In the year ahead, we will continue to work towards further improvement in all aspects of our CR performance, listening carefully to the expectations of our stakeholders and making a positive contribution to our overall business strategy.

### Stephen Clarke

Group Chief Executive, WH Smith PLC

## 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 airports, train stations, motorway service areas, hospitals and UK high streets, with a growing international business.
- WHSmith reaches customers online via [www.whsmith.co.uk](http://www.whsmith.co.uk) and its specialist personalised greetings cards and gifts websites, [www.funkypigeon.com](http://www.funkypigeon.com) and [www.funkypigeon.ie](http://www.funkypigeon.ie).
- Overall WHSmith employs approximately 14,000 staff.
- WH Smith PLC is listed on the London Stock Exchange (SMWH) and is included in the FTSE 250 Index.

### WHSmith Travel



Travel sells a range of products to cater for people on the move or in need of a convenience offer.

Our strategy is to be the leading retailer in convenience, books and news for the world's travelling customer.

As at 31 August 2014, the business operated from 725 units (2013: 675 units) mainly in airports, railway stations, motorway service areas, hospitals and workplaces. 129 of these units (2013: 94 units) are outside the UK.

#### Sales

£477m

(2013: £460m)

#### Profit<sup>1</sup>

£73m

(2013: £66m)

#### Stores

725

(2013: 673)

### WHSmith High Street



High Street sells a wide range of Stationery, Books, Newspapers, Magazines and Impulse products.

Our strategy is to be Britain's most popular high street stationer, bookseller and newsagent.

As at 31 August 2014, the business operated from 604 High Street stores (2013: 615 stores), located in almost all of the UK's major high streets.

#### Sales

£684m

(2013: £726m)

#### Profit<sup>2</sup>

£58m

(2013: £56m)

#### Stores

604

(2013: 615)

<sup>1</sup> Trading profit is stated after directly attributable share-based payment and pension service charges and before allocation of central costs, interest and taxation.

<sup>2</sup> High Street and Travel trading profit are 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 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/corporate\\_responsibility](http://www.whsmithplc.co.uk/corporate_responsibility).

### AA1000 AccountAbility Principles Standard<sup>+</sup>

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.

We seek views from our stakeholders to help us shape our individual initiatives as well as our overall approach. This includes a wide range of groups including customers, staff, local communities, suppliers, policy makers and non-governmental organisations. We have a two-way dialogue with the majority of these groups, which enables us to build a clear understanding of our stakeholders' views, explain the rationale for WHSmith's approach, and discuss appropriate ways for us to change our approach to respond to their feedback.

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.

## Governance

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 conduct an independent customer satisfaction survey during our busiest trading periods. Our dedicated customer service team are in constant dialogue with our customers, as are our store teams, and we ensure that customer feedback is communicated to the relevant parts of the business and taken into account as we develop our policies and product ranges.   |
| 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 feedback on our CR performance. This year, we ran a quiz to see how much our staff know about our CR programme. We work closely with the GMB 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). During the year, we have participated in BRC working groups on Chemicals and on Timber and contributed to the BRC document <i>A Better Retailing Climate</i> . We also work with government departments on specific initiatives, for example, promoting the 'Stoptober' stop smoking campaign to all our staff.   |
| 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 Business in the Community, the Business Disability Forum and the Ethical Trading Initiative, to take their feedback on specific aspects of our CR programmes and help improve our performance. During the year we have taken part in The Prince of Wales' <i>Seeing is Believing</i> visits, organised by Business in the Community, where senior executives from a number of companies share experiences on a specific sustainability issue. 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, working with the National Literacy Trust to identify areas of greatest need in terms of literacy, and then working with the charity on a project to pilot an innovative technique based on peer reading. |
| 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 reducing transport emissions through 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 and Manchester Airport Group on initiatives to promote literacy in schools.  |
| 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. Our store teams are involved with town centre initiatives to promote vibrant high streets. The WHSmith Trust encourages fundraising for local charities by matching what staff raise. Our literacy projects, such as our Schools Giveaway, reach out to promote reading in schools across the UK.<br><br>This year, we worked with Post Office Limited on public consultation exercises around the relocation of 16 Post Offices to WHSmith stores. This involved open dialogue with members of the local community as well as MPs, local councillors and special interest groups.  |

## 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. This is informed by legislative and consumer trends, as well as considering current and emerging issues around sustainability, such as climate change, water scarcity or obesity. We consider how these issues have the potential to impact and be impacted by our business and approach. We also include the stakeholder concerns raised as part of our engagement programme.

Our executive team is fully involved in this process, as are the Group Board, who carry out a review of our risk and stakeholder analysis and then discuss and agree the final CR strategy and future targets. Our non-executive directors bring extensive experience of sustainability issues and this helps to inform and shape these discussions.

On a quarterly basis, the Group Risk Committee reviews the progress made towards achieving our long-term sustainability targets, together with any emerging issues which need to be considered.

## Benchmarking our performance

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



FTSE4Good

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.



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. WHSmith High Street was awarded the Carbon Trust Standard in recognition of the progress made in energy efficiency.



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 seventh 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.

## Managing our carbon emissions

Global greenhouse gas emissions for period 1 September 2013 to 31 August 2014 in tonnes of CO<sub>2</sub>e

|   | 2013/14 <sup>Δ</sup> | Percentage of carbon footprint | 2012/13       |
|---|----------------------|--------------------------------|---------------|
| 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 | 8,191                | 19.2%                          | 9,243         |
| Scope 2 emissions   |                      |                                |               |
| Electricity purchased for WHSmith's own use (used to power, light and heat stores, offices or distribution centres)   | 33,418               | 78.4%                          | 32,616        |
| Scope 3 emissions   |                      |                                |               |
| WHSmith employee business travel (by air, rail and owned and non-owned motor vehicle)   | 1,028                | 2.4%                           | 1,011         |
| <b>Total</b>  | <b>42,637</b>        | <b>100%</b>                    | <b>42,870</b> |
| Intensity measurement   |                      |                                |               |
| Total emissions reported above normalised per 1,000 sq ft   | 8.19                 |                                | 7.89          |

### Scope and methodology

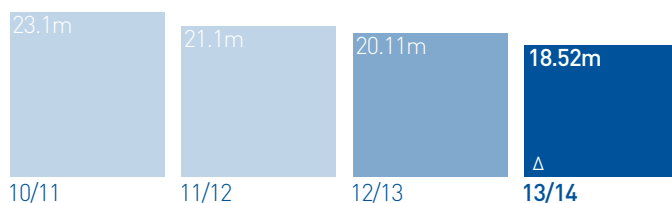
We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our consolidated financial statements. This data covers the continuing activities undertaken by our retailing operation in the UK and Ireland. The impacts resulting from franchise operations are excluded from this report as we are not responsible for the operations of these stores. The impacts resulting from international stores are also excluded from this report.

We have used data gathered to fulfil our requirements under the GHG Protocol, and recommended DEFRA conversion factors. We do not believe there are any material omissions.

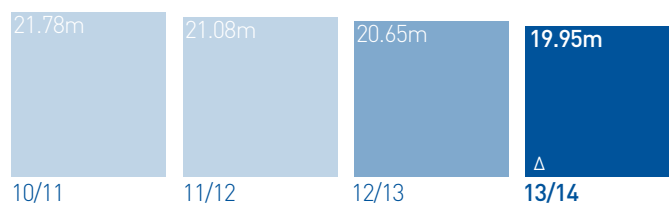
<sup>Δ</sup> Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.



## Group energy consumption – YoY kWh per sq ft



## Transport emissions – YoY CO<sub>2</sub>e 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 use a system of automated meter readers to closely monitor the energy use in each store and to ensure that any discrepancies are identified 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. This year, these initiatives have been supported by increased central monitoring of energy usage in stores through a new building management system. Whenever the building management system identifies a store with energy use patterns outside what would be expected, our central team are available to provide support to address any issues.

With lighting using more than half the energy of a trading store, this has been a recent focus for our energy efficiency programme. Following the rollout of new LED lighting to all of our High Street store estate and our distribution centres, this year we have extended the programme and installed LED lighting in more 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 believe that there are still further savings to be made from lighting replacement work and, in the year ahead, this programme will focus on back of house and stockroom lighting.

Other areas of activity include upgrades to air conditioning systems where appropriate to achieve further efficiencies. We have also been looking at ways to make our drinks and food fridges more efficient. Last year, we introduced temperature control timers on drinks fridges in our Travel stores and we have now completed a similar process in High Street. The rollout covered 524 stores, and produces annual energy savings in excess of 2.5m kWh.

## Improving transport efficiency

In terms of our carbon footprint, the second greatest contributor to our overall emissions is the CO<sub>2</sub>e 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.

Our transport operations continue to be planned to optimise routing and delivery frequency, for example, changing supplier to give us better-located delivery hubs, achieving more efficient stem mileage and also more efficient radial deliveries. We continue to share vehicles with third parties in more remote areas such as the Scottish highlands and North Wales. These developments have contributed to a further reduction in the CO<sub>2</sub>e emissions per pallet moved, down by three 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. Over 100 suppliers are currently taking part in our Collection Service, with the number growing every year.

From September 2014, we are introducing a new transport management system which will provide real-time data on fuel consumption to monitor driver behaviour and identify further opportunities to maximise efficiency. New double-deck trailers have also been added to the fleet, giving around eight per cent more capacity, and we are trialling our first Euro 6 compliant lower-emission radial vehicles ahead of a partial fleet renewal in 2015/16. Together, these various initiatives should contribute to further reductions in CO<sub>2</sub>e emissions in the years ahead.

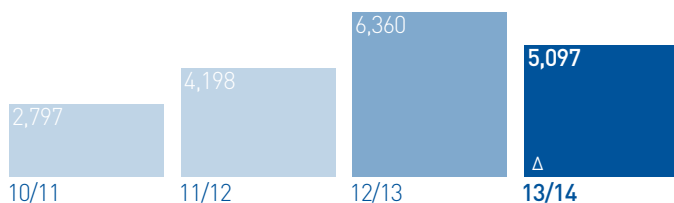


New double deck trailers will increase capacity and help reduce transport emissions

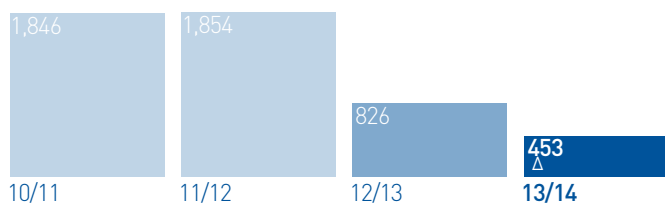
Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by KPMG, as described on page 28.

## Environmental management

### Recycled waste arising – tonnes



### Landfill waste arising – tonnes



## Waste management

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.

Our High Street stores operate a 'dry mix' recycling system, which enables the stores to recycle most forms of waste, including plastics and metals. Store teams receive regular updates and training to ensure that they are separating their waste correctly and maximising the amount of waste they recycle. We are currently achieving recycling rates of around 92 per cent and our focus is now on targeting those waste streams which are not currently being recycled. Food waste is one of these waste streams and we are introducing new markdown processes and working closely with suppliers to ensure that food waste is kept to a minimum.

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. For these stores, we 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.

Our distributions centres have systems in place to recycle as much waste as they can. In our Swindon distribution centre we have recently implemented an improved system for recycling packaging waste. The new system allows us to create mill-sized bales where the cardboard is produced which are then moved to the compactor. This has reduced the number of trips required to the recycling holding area from two or three per day to two or three each week from each area. The solution has led to lower labour costs and higher volumes of waste being recycled, all helping towards our long-term waste management targets.

### Reducing packaging

We regularly review our product packaging to minimise waste created by our own-brand products. Excessive packaging continues to be a concern for 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. The majority of our consumer packaging is our Stationery category and the buying team have an ongoing programme to work with our design team and our suppliers to improve the way we package our products.

### Reducing carrier bags

Compulsory carrier bag levies are now in place in Wales and Northern Ireland, and due to be introduced in Scotland in October 2014 and England in 2015, gradually creating a culture where single-use bags are no longer expected. 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. Customers can choose to pay 1p for a single-use bag or buy one of our range of good quality reusable bags. This simple procedure helps to raise customer awareness of the importance of carrier bag reduction.

We have a long-standing relationship with the Woodland Trust, whereby donations from sales of reusable carrier bags and the compulsory carrier bag levies fund the Woodland Trust's tree planting programme for schools. Through our partnership with charity, we have been able to fund the planting of over 157,000 trees in UK woodland since 2010. Our objective is to reach a target of 250,000 trees in the decade to 2020.



WHSmith partnership with the Woodland Trust continues to fund tree planting packs for schools

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

## 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 six tonnes of batteries for recycling.

We also operate a recycling scheme for inkjet cartridges, working alongside our suppliers. Profits from the recycling go to Tommy's, the baby charity which funds medical research into the causes of premature birth, stillbirth and miscarriage. In WHSmith own-brand inkjet cartridges, the interior packaging on the cartridge is compostable. This initiative reduces the environmental impact of this packaging, ensuring that it will degrade naturally.

In order to improve facilities for customers to recycle waste electrical and electronic equipment (WEEE), we are members

of the Distributor Takeback Scheme. The scheme provides funding for local authorities to enhance the WEEE takeback facilities in their civic amenity sites. We provide signage in-store which informs customers about the importance of recycling the valuable components within these products and directs them to their local civic amenity site with WEEE recycling capability.

## Conserving water resources

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

## Targets: Environment

| Target  | Baseline                              | Baseline year | Current status                       | Proportion of target met |
|---|---------------------------------------|---------------|--------------------------------------|--------------------------|
| By 2020, reduce CO <sub>2</sub> e emissions from stores and distribution centres by 40 per cent per square foot (from 2007 baseline). | 13.19 t CO <sub>2</sub> e/1,000 sq ft | 2007          | 8.18 t CO <sub>2</sub> e/1,000 sq ft | 95%                      |
| By 2020, reduce CO <sub>2</sub> e emissions from transport by 20 per cent per pallet (from 2007 baseline).                            | 24.9 kg CO <sub>2</sub> e/pallet      | 2007          | 19.95 t CO <sub>2</sub> e            | 99%                      |
| By 2020, we will send less than 5 per cent of waste to landfill.  | n/a                                   | n/a           | 8% to landfill                       | 97%                      |
| In the decade to 2020, we will have worked in partnership with the Woodland Trust to plant over 250,000 trees in UK woodlands.        | n/a                                   | 2010          | 157,450 trees planted                | 63%                      |

# 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 8.27 out of 10<sup>A</sup>. This year, we were particularly pleased to achieve high satisfaction levels on two key indicators: satisfaction with time spent queuing at the checkout was 8.76 out of 10 and satisfaction with the friendliness and helpfulness of checkout staff was 9.08 out of 10. 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, all High Street store staff received refresher training on customer service and selling standards. As part of this we launched our training about empathising with customers and using common sense to judge the best way to handle situations to ensure that customers' needs are our absolute focus at all times.

We believe it is important to recognise staff who deliver excellent customer service. Employees who score well in a mystery shopper visit receive a cash reward or increase in their pay that week. We also operate a gold badge recognition scheme in our High Street stores awarded to store staff by our Regional Business Managers during their store visits and to staff named in any compliment letters from customers.

<sup>A</sup> 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. In addition, we provide diversity training and awareness to store staff, using training guides designed and printed for WHSmith by the Business Disability Forum.

We continue 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. 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.

During the year, as part of our partnership with Post Office Ltd, a further 16 Post Offices moved into locations within WHSmith High Street stores. In each case, the move followed a six-week public consultation, during which Post Office Ltd and WHSmith hosted public customer forums to discuss the proposals. Feedback was taken from customers, town councillors, MPs and groups focused on disabled access and other specific issues.



WHSmith is committed to making its stores accessible for all its customers and access was a priority during the design of the new Post Offices. In Witney, which was one of the 16 Post Office opened during the year, the store layout was reviewed, in consultation with members of the District Council, customers and local interest groups to ensure good levels of accessibility. As a result of this consultation, improvements were agreed, including installing new automatic doors, making walkways wider and removing free standing display units on the shop floor. In addition, our Post Office staff received additional training to ensure that, wherever possible, they meet customers' individual needs, for example, ensuring customers in wheelchairs can access the end counter position and do not have to enter the queuing system. Since opening the new Post Offices, customer feedback has been positive and we continue to meet with local representatives to review all feedback and look for opportunities to make further improvements and ensure that the needs of our disabled customers are met.

## 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, or notebooks, pencils or books 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 BBC Children in Need wristbands and calendars. We offer a wide range of charity Christmas cards and this year we tripled the number of charity cards on offer. We also sell a range of Fairtrade and organic food and drink 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. Our stores regularly host book signing events by local authors to promote their work in the local community.

We also support debut authors through the Richard and Judy Book Club, which is exclusive to WHSmith. These new 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. Over 30 debut authors have been included in the Richard and Judy Book Club since its launch in 2010.

## Responsibility in the marketplace

There are differing opinions over the environmental impact of printed books versus eBooks over the full life cycle of the product. WHSmith has taken the decision to offer our customers the opportunity to choose which format they prefer. Through our partnership with Kobo, we offer eReaders and eBooks, with 250 Kobo stores within our larger High Street stores, in addition to the wide range of printed books available in-store and online.

### 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 a wide range of products, ranging from mineral water and new book releases to seasonal items like adhesive or stamps, as well as confectionery lines. Our most popular promotion continues to be a free bottle of mineral water when you buy a copy of *The Telegraph*.

This year we have extended our healthy food range and expanded our fresh food offer. Customers can now choose from a range of fresh fruit, fruit pots, granola pots, smoothies, health food bars and balanced 'meal deal' options from our sandwich and salad range.

We have been working with our key suppliers to review the portion sizes of confectionery products. Our leading three suppliers of confectionery have committed that all single serve confectionery products will have less than 250 calories by the end of 2014, and this will in turn be reflected in WHSmith ranges.

We have also been working with suppliers to review the pack sizes of crisps. We have replaced some larger pack sizes with smaller single serve packs in store and have reduced the average weight of products by 10 per cent year-on-year. We will continue to review our ranges and work with landlords and suppliers over the coming year.

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. We have also developed a chemicals policy to guide our buying teams and suppliers.

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.

### Case study

#### Working with the Royal Free Hospital to promote healthy eating

The government has recently launched the 'Healthy Living Award' across England, Scotland and Wales to ensure that healthier ingredients and cooking methods are used to keep fat, salt and sugar to a minimum, and that water, low fat dairy options and fruit and vegetables are always available in catering outlets. As a key hospital retailer operating the WHSmith, M&S and SOHO brands, and with food ranges from fruit, sandwiches, wraps and soup to chocolate and cakes, we are taking a proactive approach to ensure that we become a pioneer of the new legislation. We have been working closely with the Royal Free Hospital in London. As part of our discussions with the Royal Free, we are reviewing our products ranges to take account of the government's healthy eating criteria and looking at ways to promote and advise customers on making healthier choices when shopping in WHSmith hospital stores.

We have already made changes to our food and drinks offer, for example, giving more space to water and fruit juices and fresh fruit within the range and reducing the space given to higher sugar lines. Our sandwich range has changed to ensure that more of the lines meet the government's guidelines on sugar, salt and fat content. We are also working with our suppliers to reduce the pack weights of confectionery items.

In the year ahead, we will continue to work with the Royal Free, promoting the Change for Life campaign to customers, devising a healthy-eating trolley service to go round the wards and creating healthy eating bays within our stores to make it easy for customers to see which is the healthier option. We will work with the public health team based at the Trust to evaluate these changes from a customer satisfaction and behaviour change perspective and understand how these initiatives could be extended to other hospitals.

44 million

units of Forest Stewardship Council  
certified books and stationery sold  
since 2010.

## 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 high level of documentary evidence and verification of the forest sources used in their own-brand products. In line with the requirements of the EU timber regulations, we carry out an in-depth and rigorous assessment of supplier forest sourcing systems. We have set Forest Stewardship Council (FSC) certification as a minimum standard for imported timber, which gives additional assurance that pulp is from low risk sources. Our forestry work continues to be supported by extensive supplier training and engagement by both our UK and our Far East teams. 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.

As well as improving forest sourcing behind the scenes, we also want to improve the forest source information we provide on product packaging so that we can give our customers the opportunity to make an informed choice whether to buy a FSC-certified or recycled product. We have been working on this area for a number of years, working in partnership with our stationery suppliers to find opportunities to label own-brand products with FSC logos. This year, we have made further strong progress, with over four million<sup>Δ</sup> FSC-marked units of stationery lines sold in the year, up from 900,000 units last year. This improvement was due, in the most part, to work with a key notepad supplier which has enabled us to display the FSC mark on some high volume core stationery lines, like A4 refill pads. This is an area we will continue to work on in the year ahead.

As well as Stationery, another area of our business where sustainable forest sourcing is a key issue, is Books. The UK publishing industry has been doing a great deal of work in recent years to improve the traceability and sustainability of its supply

chain. We contacted the top 20 publishers supplying books to WHSmith to understand how many titles carry the FSC mark. We were delighted to learn that many of the major publishers supplying books to WHSmith are already sourcing much of their paper from FSC-certified sources, and they have been able to include the FSC mark on the covers. For example, 80 per cent of Bloomsbury's titles are FSC-marked, 78 per cent of Penguin's, 100 per cent of Random House's and 98 per cent of Little Brown's. Since 2010, over 40 million of the books we have sold have been FSC-certified. We will continue to keep in close contact with the publishers and measure the number of FSC-marked books sold, as a way of capturing and communicating the volume of WHSmith's timber-based products which come from sustainable sources.



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

## Responsibility in the marketplace

### 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.

Our process begins before an order is placed with a new supplier. At this time, a member of our in-house ethical audit 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 encourage further improvement in working conditions. We aim to audit all our direct source suppliers in Asia at least every two years. We also carry out unannounced audits where we have concerns about a specific issue. Every two years we carry out an independent benchmarking process to ensure our ethical audits remain in line with industry best practice.

During the year, we have worked to improve the communication of our Code of Conduct and ensure that the workers understand WHSmith's policies. Following feedback from suppliers that our Code of Conduct poster was not always read by workers, new posters have been designed including colour photographs to illustrate issues for workers. The new posters were given out to a sample group of suppliers and received positive feedback and have now been distributed to all suppliers. We have also developed business card-sized cards which are given to all workers taking part in interviews during audits. The cards summarise their rights and the WHSmith Code of Conduct. Feedback has been positive with workers clearly pleased to receive the card and keen to read it immediately.

We continue to focus on engagement with key suppliers to support them as they seek to improve their performance. For a number of years, we have focused on improving worker representation in supplier factories in China. We have chosen this issue for two reasons: firstly, because it is regularly highlighted in our audits as an area where factories could improve their performance, but secondly, because improved performance in this area can also help factory management improve the overall commercial performance of their operation, providing a 'win-win' scenario which we hope will engage factory management more in the objectives of the projects.

### Case study

#### Trialling a confidential worker hotline

We have a close relationship with one of our largest suppliers of refill pads and notebooks, a family-owned firm based to the west of Shanghai, China. We have been in dialogue with the factory for several years, on issues ranging from quality systems to working hours. The factory also takes part in WHSmith's worker representation project, with an elected worker representative committee holding regular meetings.

We wanted to trial a new way for workers to highlight any concerns they may have over working standards, a confidential worker hotline. After several discussions, the factory management agreed to work with us on the trial. The hotline is managed by a third party who endeavours to resolve issues on the call, or refers to WHSmith if no immediate resolution can be provided. Calls can be made through a popular social media network. The third party made three visits to introduce the service to workers and provides posters to promote the scheme. We are now working with the factory management to help them analyse the calls being made, identify trends and provide support. To date, call volumes are low and it looks like many workers are looking for guidance on personal health, family and financial issues, rather than reporting any concerns related to their working conditions. We will continue to monitor the trends in terms of call volume and issues and work with the factory management on the appropriate response. Going forward, we will be reviewing the opportunity to expand the confidential hotline to other factories.



Posters around the factory site promote the confidential hotline to workers



Twelve factories<sup>Δ</sup> are actively using our worker representative project toolkit. All 12 suppliers have elected a worker representative (WRI) committee and are holding regular meetings, with WHSmith representatives attending some of these meetings as an observer. We continue to review the project toolkit with factories to ensure it gives them the guidance they need. In spring 2014, following various meetings with participating factories, it became clear that there was scope to improve the way that workers were engaged in the process, for example by finding innovative ways to gather suggestions from workers (suggestion boxes don't work for all factories, and social media is a popular alternative) and improve the way that WRI meeting outcomes are communicated. We have updated the project toolkit, providing a suggested template agenda for WRI meetings to ensure that key topics are always covered (for example, health and safety, freedom to express opinions, working hours) as it was not clear that all factories follow a consistent agenda. Similarly, we provided templates for meeting minutes and actions and we suggested that meeting minutes and actions are posted in a prominent location for all workers to see, for example in the canteen. In October 2013, we carried out a survey of worker satisfaction in the factories participating in the project and we were pleased to see improved satisfaction in many of the factories. We also saw examples of worker suggestions having been adopted by management, demonstrating that the WRI committees are beginning to deliver a measurable change in conditions for workers.

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. During buyer visits to the Far East, buyers receive a briefing on each factory they are visiting with key commercial details on the supplier. This has been updated to include the ethical audit rating and a summary of the key improvements we are looking for from the supplier. This information will then be discussed with the buyer at the start of the visit so they are aware of the supplier's ethical trade performance and can ask questions during factory visits.

WHSmith is a member of the Ethical Trading Initiative (ETI). The ETI is an alliance of companies, non-government organisations and trade unions, which promotes and improves the implementation of corporate codes of practice covering supply chains. Our supplier code is based on the ETI's own base code and we work together with ETI to meet our joint objectives. We participate in the ETI China Corporate Caucus, which provides a forum for members to learn and share experiences. We also work with ETI to define our ethical trade strategy and objectives and to report our progress, with ETI providing feedback to help us further develop our approach.

## Targets: Marketplace

|                 | Targets   | Baseline | Current status  | Proportion of target met   |
|-----------------|---|----------|---|--|
| Ethical trading | By 2015, work with our top ten own-brand suppliers to achieve measurable improvements in worker representation. | n/a      | 12 suppliers taking part in worker representative project | On track, improvements made in 100 per cent of participating factories |
| Forestry        | In the decade to 2020, we will have sold 75 million units of FSC-marked products.                               | 2010     | 44.8 million FSC-marked units sold                        | 60%  |

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

## 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.

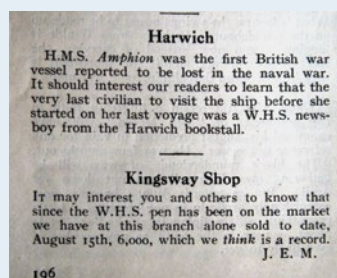
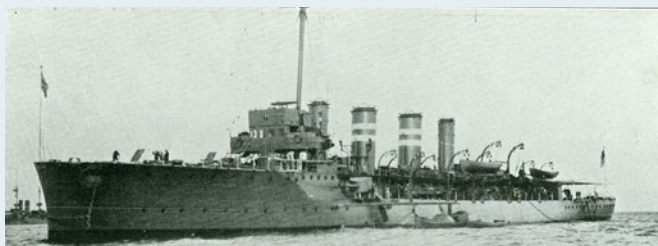
In the year ahead, we plan to launch an employee satisfaction survey trial. The survey across a cross section of employees will allow us to gain more feedback and a greater understanding of areas to focus on improving employee engagement across the organisation

## Case study

### Commemorating the anniversary of World War One

WHSmith is one of very few retailers still on the high street today that traded through the war years, and as such our archive of documents from the time charts the events and changes to lives nationally and for those who worked for us. To commemorate those past members of staff, who were either called up to service or made changes and worked for us during the war, in August 2014 we launched an initiative to share pieces of the archive with staff in head office and in stores.

Each month staff receive an update with the timeline of what happened, both in the war and at WHSmith. Full stories are available on a new mini intranet site, which also features the Roll of Honour of staff who served, enabling existing employees to look for staff who joined up from their location or team or who share the same name.



*HMS Amphion was the first ship of the Royal Navy to be sunk in the First World War. The last civilian on board HMS Amphion before she sailed was a newsboy from the WHSmith Bookstall in Harwich.*

## 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 achieve a 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. Following the creation of a talent 'pool' within our Travel head office, we are following a similar process within the High Street head office, consisting of a number of high performing individuals across all grades where we are working to create tailored development plans to support their career progression.

In Travel head office, we are proud to have promoted more than ten per cent of the entire team through bespoke development planning and focusing on key skills gaps needed to progress. Clear progression pathways have been created in commercial teams to increase opportunity for development and progression among employees at all levels, from buyer's administrative assistant up to head of buying roles.



Graduates from the 2014 WHSmith Retail Academy, with Stores Director Kevin Hall

As part of our long-term succession planning we have also begun to offer cross-functional development pathways for high potential employees allowing them to broaden their skills in different functions to prepare them for a senior manager or director role in the future. A good example of our talent management process being successful on a global scale is a recent case of a graduate who joined five years ago, progressing through the Graduate scheme to assistant buyer level and then, having been identified as a high potential employee, being appointed to the role of buyer and merchandiser for WHSmith Australia.

We continue to provide core training across our head offices, offering a mix of workshops, masterclasses and guest speaker events. Within our High Street stores, 'service and selling' training has been delivered and we intend to roll-out this training to our Travel stores in the year ahead. We also successfully launched an e-learning training course across all stores to help support the delivery of core training such as Staying within the Law and Food Safety.

There has been continued success with our Retail Academy within stores. 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. We have also implemented a Senior Management Development Group programme for more senior store managers which has proved successful, with all delegates having been promoted to more senior roles following completion of the programme.

Within our Swindon Distribution Centre we have recently launched a development programme for our shift co-ordinators, which has been well received, and we have plans to implement this at our other Distribution Centres during the next financial year.

## Workplace practice

### 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.

### 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's paid leave to take their child to their first day at school. We also 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 doing so 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 and a Dental Health Scheme. This year we launched an Employee Assistance Programme, which is available to all employees across the business providing support on a wide range of issues such as legal, financial and medical issues.

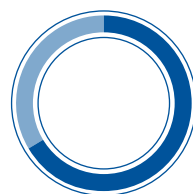
### Diversity

Talented people are core to the success of our business, whatever their age, race, religion, gender, sexual orientation, age or physical disability. WHSmith is committed to promoting a culture of equality and diversity through its policies, practices and procedures in all divisions of the WHSmith Group. We want to ensure that all our employees receive 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 commitments, we monitor our diversity profile versus our peers and the national average to ensure that WHSmith's employee profile, and the profile of our management team, reflect our commitment to equality and diversity. In terms of gender diversity, we measure our performance across the Group, looking at Board level, our senior management and store management populations. 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.

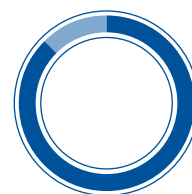
### Employees by gender

#### Board



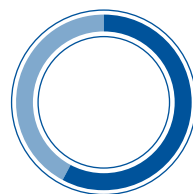
|          |       |
|----------|-------|
| ● Male   | 66.7% |
| ● Female | 33.3% |

#### Senior Management team\* <sup>Δ</sup>



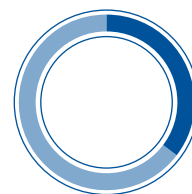
|          |       |
|----------|-------|
| ● Male   | 87.5% |
| ● Female | 12.5% |

#### Management team\*\* <sup>Δ</sup>



|          |       |
|----------|-------|
| ● Male   | 58.0% |
| ● Female | 42.0% |

#### Employee mix across the Group <sup>Δ</sup>



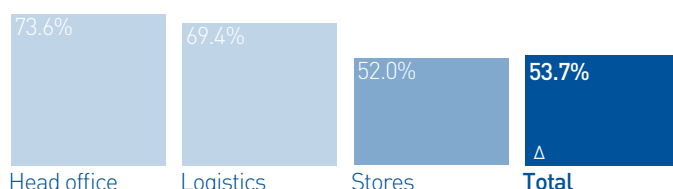
|          |       |
|----------|-------|
| ● Male   | 35.3% |
| ● Female | 64.7% |

\* This group comprises employees who are members of the senior executive committees (who are not also members of the Board).

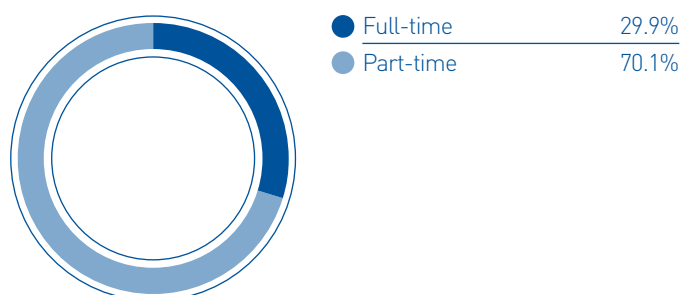
\*\* This wider group includes store managers and senior Head Office staff (who are not also members of the senior management team).



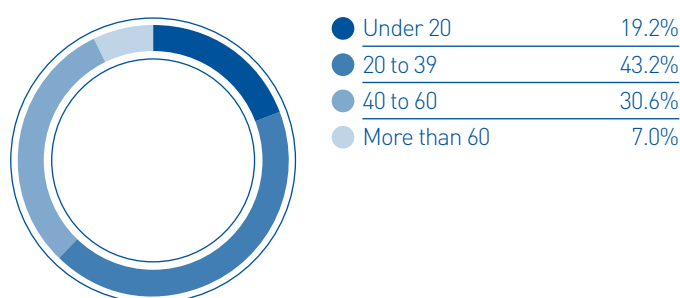
### Employees with more than three years' experience <sup>Δ</sup>



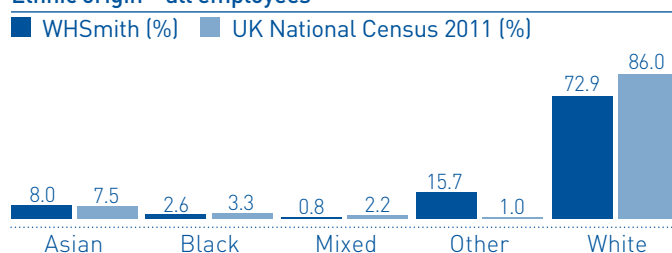
### Full-time and part-time employees <sup>Δ</sup>



### Employees by age <sup>Δ</sup>



### Ethnic origin – all employees <sup>Δ</sup>



We recognise the opportunity we have from achieving greater diversity within our business. In September 2013, the Group Board agreed targets as part of our CR strategy to increase the number of women in senior roles and also the proportion of women working flexibly. Over the year, we have taken a number of steps to increase our focus on this area and work towards those targets. A 'bringing diversity to life' session was held for our HR team to increase engagement and up skill the team. We also met with the diversity experts at Business in the Community and from other businesses to benchmark our performance and gain feedback on our approach to tackling diversity.

Our diversity strategy is led by a diversity working group and we have recently appointed a 'Diversity and Inclusion' sponsor to champion diversity within the senior management team.

In order to better understand the challenges faced by under-represented groups in WHSmith, we have held meetings with women and those from other underrepresented groups within the organisation to gain feedback on their experience of WHSmith as an employer and any other ideas they may have around what could be done differently to support them. In the year ahead, we plan to offer a mentoring programme by role-model women in the organisation to support other women at all levels, creating a support network for women, and offer them confidential coaching on a one-to-one basis. Our objective is to attract, develop and engage women at all levels to 'grow our own' female leaders from new graduates up to senior management level.

In terms of recruitment, we want to ensure that we attract candidates from a wide variety of backgrounds. For example, we work with a number of organisations and charities to ensure that our vacancies are advertised to a diverse range of groups who are looking to return to the workplace, including groups such as ex-armed forces personnel.

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 order to create the right environment to promote diversity among our employees, our flexible working schemes are designed to support working parents and carers.

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.

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

## Workplace practice

### 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 720 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 20 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.

The Group safety team continues 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 for 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.

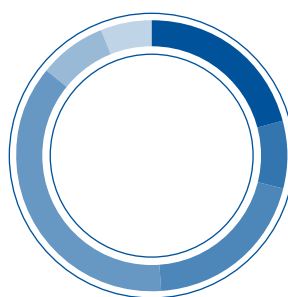
Employee well-being continues to form part of our health and safety work. This year, we partnered with the Department of Health to promote the Stoptober stop smoking campaign to all our staff. On a matter connected to employee and also public well-being, we have recently been working with the London Ambulance Service and agreed to fund and provide a site for defibrillators in two of our High Street stores. Our staff will be trained on how to use the devices to provide assistance if they need to be used.

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

|   | 2014 <sup>Δ</sup> | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-------------------|------|------|------|------|------|
| Major injuries  | 4                 | 13   | 7    | 8    | 11   | 13   |
| Injuries resulting in over seven days' absence from work/hospitalisation <sup>1</sup> | 47                | 51   | 62   | 67   | 70   | 53   |
| All RIDDORS <sup>1</sup>  | 51                | 64   | 69   | 75   | 81   | 66   |

#### Accidents by type<sup>Δ</sup>



|                                 |     |
|---------------------------------|-----|
| Manual handling                 | 21% |
| Striking fixed object           | 8%  |
| Struck by moving/falling object | 20% |
| Slip/trip/fall                  | 37% |
| Fall from height                | 8%  |
| Hand tools/other                | 6%  |

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

<sup>1</sup> Reportable under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations.

## Targets: Workplace

| Targets  | Baseline | Baseline year | Current status   |
|--|----------|---------------|--|
| By 2020, 10% increase in senior management positions held by women*.               | 14%      | 2010          | 18% of senior management positions held by women                                   |
| By 2020, 20% increase in proportion of store management teams working flexibly.    | 16%      | 2010          | 17% working flexibly   |
| By 2020, 60% of senior executives to have worked their way up through the Company. | 38%      | 2010          | On track; 61% of current Executives appointed through internal promotions          |
| Continue to source 90% of all store management opportunities internally.           | n/a      | n/a           | On track; c. 95% of store management vacancies continue to be recruited internally |

\* Senior management includes Board.

# 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 at the heart 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 604 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.

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 thriving business environment. In addition, around 70 per cent of our stores regularly support local schools and charities through donations of depreciated stock.

Stores Director, Kevin Hall, continues to take part in the Business in the Community High Street Champions initiative and, during the year, Kevin has championed community engagement with High Street store teams, emphasising the importance of even small scale involvement in community initiatives. Community engagement has been defined as one of the 'four C's' we ask stores to follow to create the correct culture – Customers, Colleagues, Commercial and Community.

The WHSmith Community Awards were held in autumn 2013 to further emphasise the importance of community engagement by celebrating the work of those WHSmith store teams which have successfully built strong community links. The awards also helped to share good practice and encourage more stores to engage in their local community. After a rigorous selection process, 12 stores from across the UK were chosen to receive WHSmith Community Awards, with three of these stores then chosen to receive the national community awards. Each winning store received a cash prize to donate to a local school or charity. The overall winning store was WHSmith Elgin. The award nomination read as follows:

"Liza the manager from Elgin has a huge vision of how her store can be an active participant within the community she trades in. This has then been brought to life through some of the activities she and her team participate in. Some examples from last year... Lisa runs the local primary school book club, she is active within the secondary school with reading events and activities, the store supports both schools during fundraising and fayres, and they were invited onto the BBC Children in Need TV show as they had raised so much for the charity. The store also supports the local hospital charity, supports Dyslexia Scotland within the







town, takes part in the WHSmith Trust Schools Giveaway... the list goes on. However, what this does do is make WHSmith Elgin a clear part of the community in a positive way and creates a great team feeling within the store."

## Championing literacy

As the UK's leading bookseller and stationer, literacy remains the primary focus of our community programmes. Research findings consistently conclude that one of the most effective ways of helping children to reach their potential is to engage them in reading for pleasure. Children who read for pleasure make more progress in maths, vocabulary and spelling between the ages of 10 and 16 than those who rarely read and young people who read regularly are significantly more likely to attain a professional or managerial position than those who do not read. Promoting the love of reading is therefore the overarching objective behind our literacy programmes.

### Working in partnership with the National Literacy Trust

WH Smith PLC and WHSmith Group Charitable Trust have now been working in partnership with National Literacy Trust since 2005 on projects to promote reading for pleasure. Last year, we confirmed another three-year partnership. The national partnership should see over 20 schools and around 7,500 children aged 6 to 9 taking part in the National Literacy Trust's Young Readers Programme, which gives children the opportunity to discover the pleasure of reading and choose their own books to keep. The new project is also allowing the Young Readers Programme to pilot an exciting new programme model that encourages children from several year groups to take part in peer reading promotion activities, including recommending books to friends and the local community, and sharing reading time together. The children will earn badges and certificates as 'peer reading champions.'

In the first year of the project, 21 schools across the UK took part, all in deprived areas where a high proportion of the children receive free school meals. Almost 2,500 children took part in the project. More than 800 free new books were sent out to children in Year 2 and children in Years 3 and 4 were able to choose from more than 2,500 new books to keep as part of dozens of fun school-based events.

Each participating school is partnered with a local WHSmith store and the project includes opportunities for children to visit their local WHSmith, enabling children likely to have had fewer experiences of book-related environments to learn about bookshops and the wider world of work. Many of the participating WHSmith stores have come up with creative ideas to ensure that the children really enjoy their visit. There were storytelling sessions, treasure hunt games where the children had to find different books in the shop and learn about how a bookshop is organised, and, most popular of all, 'behind the scenes' tours where the children got to learn about the world of work, visiting the stockrooms and practising their maths in the cash office. More than 50 class visits were hosted by local WHSmith store

managers, with children choosing books to the value of more than £11,000. All of the participating stores said that they valued the opportunity to be involved in the project and 75 per cent said it had a positive impact on staff development.

In addition to the store visits, each school wrote reviews of their favourite books and designed a display unit to go in the local WHSmith store. Seeing these reviews on display in the shop was a real highlight for the children, many of whom brought friends and family in to see them, and also popular with our other customers.

At the end of the first year of the project, all of the participating schools report children reading more with each other, and at home, as a result of their involvement with the project. One school found that the number of children reading at home more than doubled after children chose their first book, and reported an unprecedented 100 per cent improvement in reading levels in one participating class.

Comments from teachers show the value of the project to children in their schools:

"One of our classes really took the project on board and were massively inspired to start reading regularly. At the start of the year, they had the lowest rate of reading at home each evening and have increased to consistently about 90 per cent reading at least three times a week since they chose their book. One child, from a book-poor home, never took a book unless he was made to but now carefully carries his personal reading book to and from school each day, reading a bit more every night. It's David Walliams of course. The child used to suffer through reading time and flick between pictures, quickly returning books to the shelf. He now reads and enjoys chapter books from start to finish and is making good progress in reading." *Quote from primary school teacher, Gillingham*

"My Year 4s are really into their special reading times with the younger children. We have a special selection of books from new books we have acquired that make up a special collection just for this purpose. My children are even giving up their own free time to make the experience a really great one, with some even making up reading games to help their reading partner with any particular issues with individual sounds. They have amazed me with their enthusiasm and persistence. I had so many volunteers, including a lot of my boys. I am really looking forward to next year, because I'll be able to build on this year's experiences." *Quote from primary school teacher, Wigan*

"Child R always struggled with reading; is from a deprived background and has low self esteem. Reluctant reader does not really do him justice. He frequently commented 'I can't read' despite the fact that he had some ability. After the programme I saw he had helped himself to a book from the book box and was quietly reading away. I sat beside him and said (tongue in cheek,) 'I thought you couldn't read?' His reply was 'I can't but I'm trying.'" *Quote from primary school teacher, Tamworth*

## Community impact

### Books to hospitals

Over the past three years we have worked with the WHSmith Trust to donate thousands of books and craft kits to over 30 hospitals across the UK. The books and craft kits are being used by hospitals trusts to supplement existing patient resources, or to create new libraries, for both children and adults. These items are often overlooked in hospital budgets, but can play an important role in the recovery and care of patients.

Birmingham Children's Hospital was the latest hospital to receive a donation of over 500 books from the local WHSmith. The donation included a huge selection of well loved children's titles such as *The Gruffalo*, *Diary of a Wimpy Kid* and *The Hunger Games*, along with many interactive books. This means that there will be something for all ages to enjoy for years to come.

The staff and patients at the hospital were very appreciative of the donation and the exciting range of books, as like many hospitals across the UK they rely heavily on donations and fundraising to be able to offer their patients such a selection of books. Michelle McLoughlin, Chief Nurse at Birmingham Children's Hospital said: "We are delighted that WHSmith has chosen Birmingham Children's Hospital to make this donation. It is a fantastic initiative and we know the books will be used and enjoyed by many of our children and young people and their families, as well as members of staff from our play team."



Nursing staff and patients receive the book donation from WHSmith's hospital store manager

### 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. This year, around 150 of our High Street stores organised special events to celebrate World Book Day, including competitions, fancy dress, author signing sessions and workshops. 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. Other stores held larger scale events, notably WHSmith Teeside, where the store team organised a 'Book Day' at nearby Middlesbrough Football Club in the Family Zone area where around 650 children had a chance to join in the World Book Day fun.

This year also saw a number of new partnerships around World Book Day. One of these partnerships saw us working alongside Manchester Airport Group, one of our key Travel landlords, on our shared objective to encourage children to read and develop reading skills at a young age. To coincide with World Book Day, staff from the airport, and WHSmith, visited five schools in the Manchester area to explain the importance of literacy. WHSmith worked with publishers to donate books for each school classroom and the airport volunteers read one of these chosen books to the children during their visit.

£1 World Book Day vouchers were distributed to the schools which the children could then exchange for a £1 World Book Day book, or redeem against any book or audio book. In addition,



WHSmith staff join Manchester Airport staff to promote reading in local schools

WHSmith donated WHSmith Achievement Reward vouchers to all of the participating schools to help boost their library resources. Paula Sawyer, Community Relations Assistant at Manchester Airport, commented: "The event was a great success and I have received very positive feedback from teachers at the five schools and the volunteers who read to the children. We really appreciate the support WHSmith gave us."

We also worked with Age UK Leicestershire & Rutland this year to encourage people in the local community to mark World Book Day by donating one of their old books to Age UK. The books were collected at WHSmith stores and then sold by the charity. The event was promoted in our stores, by Age UK and press releases and posters to local media, primary schools and hospitals. Over 700 books were donated and a fantastic £1,100 was raised from the event, which will help the charity to continue to provide valuable services to the elderly.

## Promoting a love of reading internationally

WHSmith now has 138 international stores, including several stores in Qatar, and we are keen to promote literacy and a love of reading in these locations as well as at home. This year we had the opportunity to partner with Maktaba, a local literature group promoting the reading of Arabic and English to children, who took over the books corner space in our flagship store in Doha to hold a reading event.

The area was covered with carpet and pillows to create a warm and inviting space for children and three reading sessions took place during the two-hour event. Over 100 children attended the sessions which were highly publicised through social media and we received encouraging feedback. We will continue to look for opportunities to promote literacy in our other international locations.



WHSmith's Qatar store hosts a storytelling session for local families

## 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 47 grants worth over £38,000 during 2013/2014. These employee-nominated charities range from big national campaigns such as Cancer Research UK, Alzheimer's Society, Macmillan Cancer Support and Brake, to smaller community-based charities including scout groups, music groups, 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.



## Community impact



A Nottingham school based a reading project around the books from their Schools Giveaway donation

### 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 fifth year, the Giveaway is a partnership with the WHSmith Trust whereby High Street stores nominate themselves to receive a share of the £20,000 in WHSmith vouchers available to give to local schools. This year, over 130 of our stores received vouchers to give to their chosen schools. Feedback from WHSmith staff and school teachers involved in the Schools Giveaway has been very positive, also helping WHSmith stores to build stronger relationships with local schools and the community.

One example is WHSmith's Princes Nottingham store, where the store team invited local schoolchildren to visit the store and collect their vouchers. Store manager Denise Condon commented: "Our Schools Giveaway this year was a great success. The school was so grateful to receive the vouchers and to visit the store. The school is situated in a deprived area of Nottingham, so they were really excited to receive the vouchers and to invest in new books. The school even based a reading project around the books they bought with the donation."

The WHSmith Hanley store manager also commented on the success of this year's Schools Giveaway and the difference it made to their local school, "The school children and teachers were extremely grateful for the vouchers. As well as new books the school also chose to buy eReaders to support children that have learning difficulties or disabilities."

WHSmith Uckfield presented vouchers and raffle prizes to Bonners Primary school. The head teacher said, "Bonners children and staff are extremely grateful for this wonderful opportunity from WHSmith. Not only did WHSmith donate vouchers but also a selection of books, a raffle prize for our summer fayre and a Kobo! We are always encouraging reading at Bonners and this will make a lovely addition to our library and extends the opportunities for the children, thank you WHSmith."



Pritt Sticks run the Sports Relief Mile at WHSmith's Swindon head office

### Products for charitable causes

WHSmith continues to support a broad range of charities through the products we sell. Charity Christmas cards are increasingly popular with customers wishing to support their favourite charity during the festive season. This year, we responded to this trend with a significant increase in the size of our charity card range. We tripled the range and, as a result, overall donations to our charity partners went up by over 50 per cent. We continue to support a wide range of charities, this year helping raise funds for good causes ranging from Cancer Research UK to Battersea Cats and Dogs to Help for Heroes. Our exclusive Children in Need Christmas card also continues to be a key part of our range with 100 per cent of profits going to support BBC Children in Need fundraising. This year, continuing our long-standing partnership with Children in Need, we also stocked a wider range of BBC Children in Need products, including wristbands and the popular *Countryfile* calendar.

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, helping to raise over £120,000 for a range of charity partners in the last year.

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 WHSmith Trust shop in our Swindon head office.



WHSmith has been a supporter of BBC Children in Need for many years. 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.

Our stores also help fundraise for a range of other good causes, for example selling poppies for the Royal British Legion.

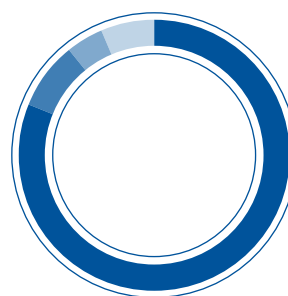
Our London and Swindon head offices regularly host charity fundraising events, usually driven by groups of employees who are really passionate about supporting a particular cause. This year, we enjoyed a ballroom dancing show put on by one of our books buyers to raise money for Prospect Hospice, and saw staff across head office wearing their favourite Christmas jumper to raise money for Macmillan Cancer Support. In March, over 150 staff braved strong winds and grey clouds to run or walk the WHSmith Sport Relief Mile near to our Swindon head office. We had a mix of runners and walkers from across the business, with all of the executive management team taking a break from meetings to come and join in. The prize for the best costume went to two Pritt Sticks! The event raised over £2,000 for Sport Relief.

## 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 2013/14<sup>Δ</sup>



|                    |          |
|--------------------|----------|
| Cash donated       | £817,321 |
| Gifts in kind      | £81,755  |
| Staff time donated | £43,743  |
| Management costs   | £63,750  |

## Targets: Community

| Target   | Baseline year | Current status                                       | Proportion of target met   |
|--|---------------|--|--|
| In the decade to 2020, we will have invested £10m in local communities through donations of cash, employee time and gifts in kind.         | 2010          | £3,917,270   | 39%  |
| In the decade to 2020, staff and customer fundraising initiatives will have raised over £1.25m to support partner charities.               | 2010          | £464,000   | 37%  |
| 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. | 2010          | 25,500 children have taken part in literacy projects | 128%<br>Target met, so new target to be set to help over 40,000 children by 2020 |

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

# Independent Limited Assurance Report to WH Smith PLC

KPMG LLP ('KPMG' or 'we') were engaged by WH Smith PLC ('WHSmith') to undertake a limited assurance engagement over selected aspects of the WHSmith Corporate Responsibility report (WHSmith's report as a whole is referred to below as 'the Report') for the reporting year ended 31 August 2014.

## Assurance scope, level of assurance and reporting criteria

|   | Assurance scope   | Level of assurance | Reporting criteria   |
|---|---|--------------------|--|
| 1 | The presentation of selected Corporate Responsibility ('CR') performance data for the year ended 31 August 2014 marked with the symbol <sup>A</sup> in the Report.  | Limited assurance  | WHSmith's reporting guidelines for the selected CR performance data, as set out within WHSmith's Definitions of Corporate Responsibility Key Performance Indicators <a href="http://www.whsmithplc.com/cr">www.whsmithplc.com/cr</a> . |
| 2 | The presentation of WHSmith's description (marked with the symbol <sup>+</sup> in the Report) of its adherence to the AA1000 Accountability Principles Standard ('AA1000APS') (2008) principles of inclusivity, materiality and responsiveness. | Limited assurance  | The Global Reporting Initiative ('GRI') G4 reporting principles for defining report quality, as set out at <a href="http://www.globalreporting.org">www.globalreporting.org</a>  |

We have not performed any procedures with respect to other information included in the Report and, therefore, no conclusion on the Report as a whole is expressed

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

The directors of WHSmith are responsible for the proper preparation and presentation of a Report that is fairly stated in accordance with the applicable criteria and for the content and statements contained therein. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of a Report that is free from material misstatement, whether due to fraud or error. It also includes selecting and/or developing the reporting guidelines to be used as the criteria against which to evaluate the elements of the Report that are within scope and maintaining appropriate records from which the reported information is derived.

Our responsibility is to examine the Report prepared by WHSmith and to report in the form of an independent limited assurance conclusion in relation to the above scope based on the procedures performed and the evidence obtained.

This assurance report is made solely to WHSmith in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to WHSmith those matters we have been engaged to state in this assurance report, and to facilitate the presentation by WHSmith of matters relating to the WHSmith Corporate Responsibility report and for no other purpose. Our assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than WHSmith for any purpose or in any context. Any party other than WHSmith who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part of thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than WHSmith for our work, for this independent limited assurance report, or for the conclusions we have reached.

## Applicable professional standards and independence

Our assurance engagement has been conducted in accordance with two International Standards issued by the International Auditing and Assurance Standards Board. The component of our engagement relating to Greenhouse Gas data has been conducted in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410): *Assurance Engagements on Greenhouse Gas Statements*. Our assurance engagement on all other elements of the scope has been conducted in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. Both these Standards require that we comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which sets out ethical requirements, including independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and plan and perform our procedures to enable us to express a limited assurance conclusion in relation to the above scope.

A limited assurance engagement in accordance with ISAE 3410 or ISAE 3000 involves assessing the risks of material misstatement of the elements of the Report that are within scope, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances of the engagement and evaluating the overall presentation of those elements. The nature, timing and extent of procedures selected depend on our understanding of the Report and other engagement circumstances, and our consideration of areas where material misstatements of the elements of the Report that are in scope are likely to arise.

In developing our understanding of the Report, we developed an understanding of internal control over the preparation and presentation of the Report in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of WHSmith's internal control over the preparation and presentation of the Report.

Limited assurance is less than absolute assurance and reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the evidence-gathering procedures performed in response to the assessed risks, which vary in nature from and are substantially less in scope than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

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

## 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. Greenhouse gas quantification is unavoidably subject to inherent uncertainty as a result of both scientific and estimation uncertainty and for other non-financial performance information 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 corporate responsibility information contained within the Report as set out in the assurance scope in the context of the reporting criteria, set out in the WHSmith Definitions of Corporate Responsibility Key Performance Indicators.

## What we did to reach our conclusions

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above scope. The procedures we performed, which are set out in more detail below, were based on our professional judgement and included, as appropriate, inquiries, observation of processes

performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies and agreement or reconciliation with underlying records. We believe that the procedures we have performed and the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

## Assurance Scope 1: Limited assurance over the presentation of selected CR performance data for the year ended 31 August 2014 marked with the symbol <sup>Δ</sup> in the Report

With regard to the presentation of selected CR performance data marked with the symbol <sup>Δ</sup> in the Report, we:

- Assisted in the development of, and agreed with WHSmith management the scope of work that the WHSmith Internal Audit team would perform at head office on a risk basis, and the extent of the testing over each aspect of the CR performance data. This involved agreeing the internal audit programme and testing methodology for CR performance data, as the WHSmith Internal Audit team performed a significant element of the data testing, which included:
  - Interviewing WHSmith management and staff to obtain an understanding of the CR performance data collection, aggregation and reporting processes, systems and controls;
  - Examining the processes, systems and controls in place to collect, aggregate and report the CR performance data at head office;
  - Testing a selection of the source documentation which supports the CR performance data for the year ended 31 August 2014;
  - Performing analytical review procedures over the aggregated CR performance data, including a comparison to the prior year amounts having due regard to changes in sales volumes and/or in the business portfolio;
- Assessed the level of skills and experience of the WHSmith Internal Audit team members who performed the work, and their independence from the CR performance data preparers;
- Evaluated the work performed and conclusions reached by the WHSmith Internal Audit team by:
  - Reviewing all their workpapers and findings for consistency with our understanding and other findings;
  - Re-performing a selection of their work;
- Performed selected testing in addition to that performed by the WHSmith Internal Audit team by testing a selection of the source documentation which supports the CR performance data for the year ended 31 August 2014;

## Assurance

- Assessed the appropriateness of the reporting criteria for the CR performance data;
- Assessed the disclosure of the CR performance data in the Report against the reporting criteria, and for consistency with our findings; and
- Read the Report and narrative accompanying the selected CR performance data for consistency with our findings.

### **Assurance Scope 2: Limited assurance over the presentation of WHSmith's description (marked with the symbol <sup>+</sup> in the Report) of its adherence to the AA1000APS principles of inclusivity, materiality and responsiveness**

With regard to the presentation of WHSmith's description of its adherence to the AA1000APS principles marked with the symbol <sup>+</sup> in the Report, we:

- Assisted in the development of, and agreed with WHSmith management the scope of work that the WHSmith Internal Audit team would perform at head office on a risk basis, and the extent of the testing over the presentation of WHSmith's description of its adherence to the AA1000APS principles. This involved agreeing the internal audit programme and testing methodology, as the WHSmith Internal Audit performed a significant element of the testing, which included:
  - Analysing and testing the nature and extent of WHSmith's stakeholder identification and engagement processes, including reviewing WHSmith's processes for stakeholder identification and engagement and the results of these processes over the year ended 31 August 2014;
  - Analysing and testing the nature and extent of WHSmith's issue identification and materiality assessment processes, including reviewing WHSmith's process for identification of material issues, the results of this process over the year ended 31 August 2014 and their relation to business strategy;
  - Analysing and testing the nature and extent of WHSmith's response to the material issues identified, including reviewing the coverage of material issues within the Report against our own risk analysis, WHSmith's own assessment, the CR reports of WHSmith's peers and the results of the work done by the WHSmith Internal Audit team;
- Assessed the level of skills and experience of the WHSmith Internal Audit team members who performed the work, and their independence from the Report's preparers;
- Evaluated the work performed and conclusions reached by the WHSmith Internal Audit team by reviewing all their workpapers and findings for consistency with our understanding and other findings;

- Performed a review of the completeness of WHSmith's materiality analysis based on media searches, information reported by peers, and sector and company knowledge;
- Assessed the appropriateness of the reporting criteria for the presentation of WHSmith's description of its adherence to the AA1000APS Principles;
- Assessed the disclosure of WHSmith's description of its adherence to the AA1000APS Principles in the Report against the reporting criteria, and for consistency with our findings; and
- Read the Report and narrative accompanying the WHSmith's description of its adherence to the AA1000APS Principles for consistency with our findings.

### **Our conclusions**

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

#### **Assurance Scope 1: Limited assurance over the presentation of selected CR performance data for the year ended 31 August 2014 marked with the symbol <sup>Δ</sup> in the Report**

Nothing has come to our attention to suggest that the selected CR performance data marked with the symbol <sup>Δ</sup> in the Report, is not, in all material respects, fairly stated in accordance with WHSmith's reporting guidelines, as set out within WHSmith's Definitions of Corporate Responsibility Key Performance Indicators [www.whsmithplc.co.uk/corporate\\_responsibility](http://www.whsmithplc.co.uk/corporate_responsibility).

#### **Assurance Scope 2: Limited assurance over the presentation of WHSmith's description, marked with the symbol <sup>+</sup> in the Report, of its adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness**

Nothing has come to our attention to suggest that the description, marked with the symbol <sup>+</sup> in the Report, of WHSmith's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, is not, in all material respects, fairly stated in accordance with the GRI G4 reporting principles for defining report quality, as set out at <https://www.globalreporting.org>.

#### **KPMG LLP**

Chartered Accountants  
London

20 October 2014