

WH Smith PLC



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Celebrating 225 years

Corporate Responsibility report 2017

Welcome to WH Smith PLC's 2017 Corporate Responsibility report

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About this report

This is our 10th published Corporate Responsibility report, covering our social, environmental and ethical performance for the year 1 September 2016 until 31 August 2017. It is an annual report issued alongside the WH Smith PLC Annual report and accounts 2017 and published in October 2017.

SCOPE OF THIS REPORT

This report focuses primarily on the continuing activities undertaken by our retailing operations in the UK and Ireland under the WHSmith brand, also under other WHSmith brands including the Funky Pigeon and Card Market brands. The impacts resulting from franchise operations are excluded from this report. The impacts resulting from directly-run international operations are included in some cases, and this is made clear in the definitions for each key performance indicator. Our international operations now account for nine per cent of turnover. Some of the data reported may not be exactly aligned to the year ended 31 August 2017 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, 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

Corporate Citizenship have been engaged to provide assurance over selected aspects of this report for the reporting year ended 31 August 2017. A copy of their independent assurance report can be found on page 32.

YOUR FEEDBACK

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



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WHSmithDirect

Introduction by Stephen Clarke



“Our 225th anniversary celebrations have really brought the business together and we hope that our three charity partners will see the benefit of our fundraising for many years to come.”

Stephen Clarke, Group Chief Executive

WELCOME TO WH SMITH PLC'S 2017 CORPORATE RESPONSIBILITY REPORT

2017 is a very special year for WHSmith, marking the 225th anniversary of the first WHSmith railway newsstand in 1792. To celebrate this anniversary, we wanted to make a lasting difference to charities which our employees care about and this Report gives a flavour of the huge amount of activity which our employees have been undertaking as they work together to reach our £2m fundraising target. Some of my personal highlights have been joining with hundreds of other WHSmith employees to run Race for Life in aid of Cancer Research UK, taking part in a charity spinathon, and seeing our Waterloo store completely 'wrapped' in MIND logos and messaging to mark Mental Health Awareness Week. It has been a fantastic year so far, really bringing the business together in a shared objective, and we hope that our three charity partners, Cancer Research UK, MIND and the National Literacy Trust, will see the benefits for many years to come.

Another highlight of the year has been our continued work to raise awareness and reduce the stigma around mental health. In February 2017, I was pleased to sign the Time to Change pledge on behalf of WHSmith. As we rollout our training programmes, we are getting ever closer to our goal to have as many mental health first aiders as physical first aiders and really beginning to change attitudes to mental health within our business. In light of all the progress made, I was particularly delighted when our Head of Strategic Projects, Alison Garbutt, who has been the driving force behind our mental health programmes, was awarded an everywoman Retail Ambassador Award. Alison's passion and commitment has been key to our achievements so far and I could not be more proud of her.

Sustainable timber remains one of our key environmental impacts. In July, WWF released the results of their 2017 Timber Scorecard, a survey of retailer timber sourcing policies. WHSmith was praised for making very good progress and we were one of a group of companies awarded WWF's top "three trees" ranking in the survey. There is a lot of hard work that goes into making sure that the paper and wood products we buy use pulp from sustainably managed forests. More than 85 per cent of the pulp used in our own-brand stationery products now comes from certified sustainable forest sources, and we have set a target to get to at least 90 per cent by 2020. It was very pleasing to get recognition from WWF for the progress we have been making.

Our CR programmes stretch across a much wider range of issues than those I have been able to mention here. During the year, we have continued our focus on managing those social and environmental issues which are most material to our business and to our stakeholders. I am pleased to say that, across each of these pillars, we are making good progress towards meeting our 2020 corporate responsibility goals. In this Report, we outline the progress we have made under each of our CR pillars: Environment, Marketplace, Workplace and Community. We will maintain our focus on successfully meeting our 2020 CR targets over the coming year.

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. Our goal is to be:

- The leading retailer in convenience, books and news for the world's travelling customer.
- Britain's most popular high street stationer, bookseller and newsagent.
- WHSmith Travel has a presence in a wide range of locations including airports, train stations, hospitals and motorway service areas with a growing international business.
- WHSmith High Street is present on most of the significant high streets in the UK.
- WHSmith reaches customers online via www.whsmith.co.uk and its specialist personalised greetings cards and gifts websites, www.funkypigeon.com and www.funkypigeon.ie.
- WHSmith employs approximately 14,000 colleagues.
- WH Smith PLC is listed on the London Stock Exchange (SMWH) and is included in the FTSE 250 Index.
- A commitment to the principles of corporate responsibility is a key focus for WHSmith.

Find out more about WHSmith at www.whsmithplc.co.uk.



Group at a glance

TRAVEL

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

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

As at 31 August 2017, the business operated from 815 units (2016: 768 units) mainly in the UK in airports, railway stations, motorway service areas and hospitals. 233 of these units (2016: 192 units) are outside the UK and mainly in airports.

Travel delivered another strong profit¹ performance, up ten per cent year on year. We made good progress in Travel's growing international business, winning an additional 41 units, bringing the total number of units won to 273 units.

HIGH STREET

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

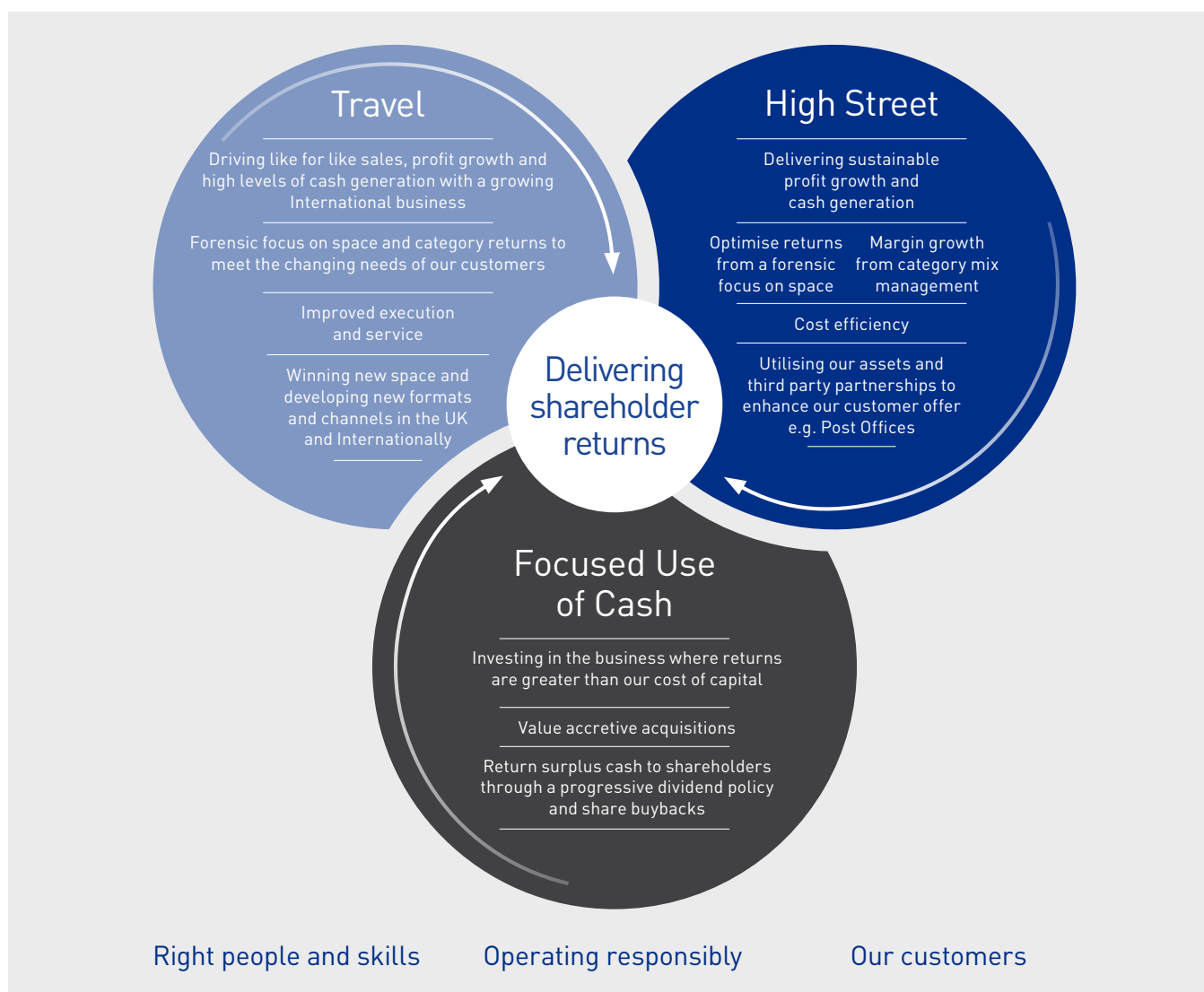
Our goal is to be Britain's most popular high street stationer, bookseller and newsagent.

As at 31 August 2017, the business operated from 611 High Street stores (2016: 612 stores), located on most of the UK's significant high streets.

Our digital business operates through two websites: www.whsmith.co.uk and www.funkypigeon.com.

High Street delivered a good profit performance, matching the strong performance from last year.

Our business model and strategy to create value



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 where we believe that WHSmith's business has the greatest impact: 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.

OUR STAKEHOLDERS

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 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 continued

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 wellbeing, offering a safe work environment.	We communicate with employees via regular written updates and face-to-face briefings. We provide CR updates to head office staff at our Quarterly Briefings, to store teams via the intranet and everyone is encouraged to feedback on our CR performance. Our new careers website has a whole section dedicated to CR, given its rising importance for prospective candidates. We conduct annual employee engagement surveys to gather staff views on working for WHSmith. We work closely with the GMB and the RBA, whose members participate in our health and safety committees. We have extensive programmes to promote employee wellbeing, for example through our mental health first aider programme and annual Wellbeing at Work week.
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 the Environment and Timber. We also work with government departments on specific initiatives, for example, we are in close dialogue with both the NHS advising group and the government on delivering health and wellness initiatives in Scotland. We also work at a local level with constituency MPs in the Swindon area to look at local causes which would benefit from support from our business.
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. As a brand, we champion literacy, working with World Book Day and the National Literacy Trust to improve literacy levels in the UK. As part of our 225th anniversary year, we have developed close partnerships with our three charity partners to identify areas of their work in need of funding and then working together on an extensive programme of fundraising and employee engagement activities.
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 and to engage with them regarding modern slavery risks.
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 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.	Our store teams are involved with town centre initiatives to promote vibrant high streets. As part of our 225th anniversary year, our store teams have held extensive community fundraising activities in support of our partner charities. The WHSmith Trust encourages fundraising for local charities by matching what staff raise. Our literacy projects and schools giveaways reach out to promote reading in schools across the UK.

Governance continued

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. Our executive team is fully involved in this process, as are the Group Board, who 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.

We are currently working towards the completion of targets which go to 2020 and we are making good progress towards these objectives. As we near the end of the target timeframes, we are considering our next set of targets and will report further on this in our 2018 Corporate Responsibility Report.

As part of our CR strategy review process, we map risks and opportunities and identify those issues which are most material to our business. This is informed by analysis of 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. As a result of these reviews, we are able to map our key CR risks and to assess which CR issues are most material to our business and therefore require the greatest focus.

This exercise enables us to confirm that some CR issues remain a high priority for us year-on-year, and helps us to identify new areas where we need to increase our focus. Issues which remain high on our agenda on an ongoing basis include sustainable forestry, labour standards, reducing emissions, supporting literacy and promoting diversity. In our latest review, we also identified issues which have become more material to our business in recent years, either due to national trends, changes in legislation or stakeholder feedback.

Mental health has been a key priority for us this year, receiving a high level of focus from senior management teams as we roll out training and awareness raising programmes. As our business expands internationally, it has been a priority for us to ensure that our CR policies are implemented across our global operations. We have been working to ensure that key policies around issues like ethical trade, modern slavery policies and forestry are being effectively implemented and we are also working with our management teams across the globe to help them develop programmes around community engagement, diversity and emissions reductions.

Our CR agenda continues to be strongly influenced by our stakeholders, and our employees are one of our most important stakeholder groups. Following our employee engagement surveys in 2015 and 2016, we continue to recognise the importance of strong employee engagement. Our 225th anniversary celebrations have been a key employee engagement tool, seeking to bring together employees from across the business as we celebrate this milestone achievement and work together to give something back to the community through our charity partnerships.

The narrative within the body of this Report discusses our management of each of the CR issues which we consider to be of greatest materiality to our business and to our stakeholders.

Benchmarking our performance

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



We 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 was featured in WWF's 2017 Timber Scorecard, a survey of retailer timber sourcing policies. WHSmith was praised for making very good progress and we were given their highest ranking in the survey, Three Trees, up from Two Trees in the previous survey.



This year, our schools literacy programme in partnership with the National Literacy Trust was entered for a Corporate Engagement Award. We were delighted to receive a Bronze Award in the Most Effective Long Term Programme category.



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.

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 2016 to 31 August 2017 in tonnes of CO₂e.

	2016/17 ^a	Percentage of carbon footprint	2015/16
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 and cool WHSmith stores, offices and distribution centres.	8,537	27%	8,320
Scope 2 emissions			
Electricity purchased for WHSmith's own use (used to power, light and heat stores, offices or distribution centres).	21,419	69%	25,582
Scope 3 emissions			
WHSmith employee business travel (by air, rail and owned and non-owned motor vehicle).	1,210	4%	1,374
Total	31,166	100%	35,276

Intensity measurement

Total emissions (Scopes 1, 2 and 3) reported above normalised per 1,000 sq ft.	7.28	8.03
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^a Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

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, as well as Scope 3 emissions which are reported on a voluntary basis. 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 because it is not possible to collect the base emissions data at the current time.

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.

Environmental management continued

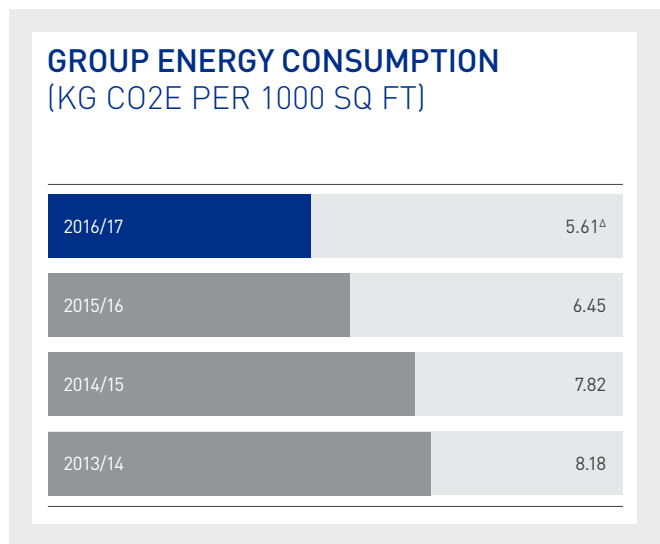
REDUCING ENERGY CONSUMPTION

As a business, we use energy to light and heat our stores, distribution centres and offices. We have been working for many years to reduce the amount of energy we use, recognising the opportunity both to reduce our overall carbon footprint and also to reduce operating costs for the business. Our current targets run to 2020 and we are on track to meet our objective to cut CO₂e emissions from stores and distribution centres by 45 per cent per square foot from our 2007 baseline. We are already beginning to look ahead to our next targets, and will report further on this in next year’s Report.

Over the last ten years, we have worked hard to establish a culture where energy efficiency is part of business as usual. The ownership for energy consumption sits with our store managers who have direct accountability for energy costs, therefore driving high levels of awareness and engagement among our store teams. Store teams are supported by our central building management system which monitors energy consumption through a network of automated meter readers in our High Street stores and smart meters in many Travel stores. These meters enable us to identify any discrepancies quickly and take appropriate remedial action.

During the year, we have been working on a project to roll out energy efficiency best practice to ensure that stores are working towards the best achievable performance in terms of energy use. The project involves, firstly, understanding what energy a store should be using, and then making changes to the settings of key energy using systems on sites, and, in larger sites, the installation of additional control equipment and automation to ensure things are controlled efficiently. The best practice standards being implemented as part of the project cover all the areas where energy is used in a store, and vary from site to site depending on plant, air conditioning, refrigeration, energy using equipment, the energy utilisation, operational hours and landlord supplies. These improved energy efficiency measures have now been implemented in 220 High Street stores and 430 Travel units. On average we expect to see a saving of around five per cent in a typical store.

Emissions from lighting make up a significant part of our carbon footprint and improving the efficiency of our lighting therefore remains a priority. During the year, trials have been carried out for new lighting schemes using next generation, even more efficient LED lighting fittings. Our Birmingham distribution centre has had lighting upgraded to more efficient LED lights including a wireless control system. In the year ahead, we plan to begin rolling out the new lighting schemes within our High Street estate.



^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

Over the last ten years, we have worked hard to establish a culture where energy efficiency is part of business as usual.

Environmental management continued

IMPROVING TRANSPORT EFFICIENCY

WHSmith's transport delivery network is a long and complex one, covering well over a thousand stores across the length and breadth of the UK. The emissions from our fleet of lorries make up a significant part of our carbon footprint and we work hard to maximise efficiency wherever we can. Since 2007, we have reduced our CO₂e emissions per pallet moved by 21 per cent.

We work with our transport providers to carry out regular and in-depth reviews of our transport operations to help us to optimise routing and delivery frequency. The recent addition of double deck trailers which are suitable for both High Street and Travel distribution centres has helped achieve greater efficiencies by creating a more integrated fleet across the Group. In addition, our transport management system provides real-time data to monitor driver behaviour. All full-time drivers are trained on defensive driving to reduce harsh braking and acceleration and reduce time spent with the engine idling, all contributing to reductions in overall fuel consumption for the fleet.

Where we can, we look for opportunities to collaborate with our suppliers and other companies to reduce emissions, for example, sharing vehicles with third parties in more sparsely-populated areas like North Wales. Another initiative is our Collection Service where we share space in our lorries and reduce traffic on the roads. If a supplier site is near to one of our transport routes, we collect products from their site, using spare capacity in our lorries and reducing the overall emissions associated with transporting our products.

We monitor the emissions associated with our business travel and report this as part of our GHG footprint above. Business travel is a small proportion of our overall carbon footprint, however we continue to look at ways to reduce our business travel emissions, using tools like video conferencing to reduce travel where possible. The expansion of our international business continues to result in more air travel by our teams, and this is reflected in our emissions data.

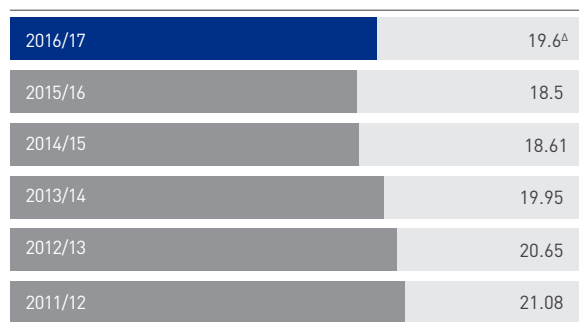
WASTE MANAGEMENT

Waste is not only damaging to the environment but also costly for our business, so we are focused on reducing waste and maximising recycling wherever we can. In our High Street stores, we 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. Waste is also carefully separated in our distribution centres and offices, again to maximise the volumes which are recycled.

We have seen a slight increase in the amount of waste going to landfill year on year. This is due, in part, to increased sales of Stationery products, which come with more packaging than Books, as well as a large refresh of window point of sale which resulted in more waste paper being generated. At the same, the proportion of waste recycled in High Street has increased year on year, partly due to the shift in sales mix from books to stationery, and also as a result of our work to reduce the contamination of collections through better locks on bins. Overall 89 per cent of our waste was recycled during 2016/17.

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.

GROUP TRANSPORT EMISSIONS (TONNES CO₂E PER PALLET MOVED)



^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32. 2017 figures based on estimated data.

Environmental management continued

Eliminating food waste is a priority for our Travel business. This is however a complex area, and we need to develop different strategies for chilled food versus ambient food. We have made good progress in improving our forecasting of chilled food sales, so that we only stock the chilled food that we expect to sell, and therefore reducing waste volumes. We have been able to deliver a 28 per cent reduction in sandwich waste, and we are targeting further reductions in the year ahead. We have also been trialling markdown strategies for our chilled food, again to reduce waste volumes as far as we can. For the chilled food waste which cannot be avoided, we continue to look for ways to donate this to foodbanks and charities, however this is currently proving challenging due to the safety concerns associated with these products.

We have been able to deliver a 28 per cent reduction in sandwich waste, and we are targeting further reductions in the year ahead.

In our M&S Simply Food stores, we are working to reduce the amount of short life food products unsold at the end of each day. Currently our target is for these products to make up less than five per cent of our daily food waste. This is the same target that the main M&S estate use as part of their Plan A. In one month, we have been able to reduce our waste costs by over £15,000 by focusing on this area, and we are planning to continue this work into 2017/18 to make further reductions.

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 within 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

Reducing the number of single-use plastic carrier bags we hand out has been a focus for many years, with our staff habitually asking customers whether they need a carrier bag and promoting the use of re-usable bags. Following the introduction of the single-use carrier bag levies across the UK, we saw single-use bag consumption reduce by around a third as first Wales and Northern Ireland, then Scotland and then England introduced their 5p single use bag levies. This year, we introduced a Bag for Life which is available in all of our High Street and Travel stores and has resulted in a dramatic further drop in single-use bag consumption, down by around 90% year on year.

For the single-use bags that are still used, we donate the proceeds from the levy to good causes. During the year, we have donated almost £220,000 to our charity partners. This is down on last year, reflecting the significant drop in the number of single-use bags we have given out. In our Travel business, this money goes to Shelter to support the charity's vital work with individuals and families affected by homelessness. In our High Street business, the levy proceeds go to the WHSmith Community Fund, which makes grants to hundreds of customer-nominated schools and charities across the UK. Many of the grants go to schools, with the other grants going to support a wide range of charities from local hospices, to brownie packs, and air ambulance services. More information on the criteria for these grants is available at www.whsmith.co.uk/communitygrants.



TOTAL WASTE ARISING (TONNES)

Recycled		Landfill	Total
2016/17 ^A	4,305 ^A	530 ^A	4,835
2015/16	4,438	574	5,012
2014/15	5,066	540	5,606
2013/14	5,097	453	5,550
2012/13	6,360	826	7,186

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

Environmental management continued

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 nearly six tonnes of batteries for recycling.

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 ₂ e emissions from stores and distribution centres by 45 per cent per square foot (from 2007 baseline).	13.19 t CO ₂ e/1,000 sq ft	2007	5.61 kg CO ₂ e/1,000 sq ft ^A	On track
By 2020, reduce CO ₂ e emissions from transport by 20 per cent per pallet (from 2007 baseline).	24.9 kg CO ₂ e/pallet	2007	19.6 kg CO ₂ e ^A	On track
By 2020, we will send less than five per cent of waste to landfill.	n/a	n/a	11% to landfill ^A	94%

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

Responsibility in the marketplace

BOARD ACCOUNTABILITY:

Stephen Clarke,
Group Chief Executive

EXECUTIVE ACCOUNTABILITY:

Carl Cowling,
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

We are committed to maintaining high customer service standards across the Group.

In High Street, our independently conducted Customer Satisfaction Monitor, assesses performance in areas such as friendliness and helpfulness of staff, time spent queuing and store cleanliness and tidiness. This intensive survey of High Street customers is conducted during the busy Christmas periods. Our High Street stores continue to achieve a high overall customer satisfaction score of 8.2 out of 10.

We recognise and reward staff who deliver excellent customer service, as part of commitment to make excellent customer service a core part of our business. We use mystery shoppers to monitor customer service standards and reward employees who perform well with 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.

In addition to the ongoing independent Customer Service Monitor we have recently significantly enhanced this by introducing some additional areas of data capture. A leading independent specialist team of experts in this new field conduct visits to stores as customers and capture staff interactions. Our senior managers have received enhanced training to coach them on this process and recognise what they could do more to improve the customer's experience. This approach is focused on six key behaviours of being friendly, enthusiastic, professional, interested, attentive and helpful. Stores are assessed independently and rated against this criteria. Store teams are rewarded in recognition of their success.

In our Travel business, we continue to build upon and grow our Customer First initiative to drive a culture of excellent customer service standards throughout the business. Our senior management team continue to visit each and every store to check that they are 'Customer Ready', scoring the store on a specific set of criteria focused on customer service and store standards. We are reinvigorating our Mystery Shopper programme to better understand our store experience from the customer's perspective and provide us with actionable feedback that can be incorporated into our best practices.

Our people are critical to delivering our customer service vision, therefore, we continue to deliver training to all staff. In 2018 we plan to update and enhance the standards that we expect our members of staff to follow when serving customers and will update our training materials accordingly. Furthermore, as we launch specialist stores, for example, Bookstores and TechExpress, either as standalone stores, or as a 'store-in-a-store', we have adjusted our recruitment policies to focus on individuals with expertise and passion for the products they will be selling. Finally, we will celebrate success and share best practice through the launch of our 'Customer Hero' programme where we will reward and recognise those colleagues that truly go above and beyond to deliver excellent customer service.



Responsibility in the marketplace continued

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.

We carry out disability access audits across all of our stores and have an ongoing capital development programme that works at prioritising ongoing improvements. This covers the installation of various equipment and access features such as new customer lifts, internal ramps, automatic doors and the installation of other adjustments such as induction hearing loops. We conduct an ongoing mystery shopper process and liaise with a number of local access groups to understand their needs and ensure that these are taken into account.

We want to ensure that our staff know how they can best assist customers with disabilities. We provide training guidance to all of our staff, using training materials and guidance provided by the Business Disability Forum (BDF), of which WHSmith has been a long-standing member. BDF produce all the training guides that we issue to our stores and regularly provide us with updated guidance for training staff to deal with all forms of disability.

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

In the last year, healthier snacking has grown by over 30 per cent in WHSmith Travel

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.

Our healthy ranges continue to grow, giving our customers a wider choice when they buy food or drink from WHSmith. We launched our *Munch Better* chilled food range in October 2016. We now have 10 lines under the sub brand that account for nearly a quarter of our chilled food sales and we are continuously innovating in this area. All of our *Munch Better* lines are under 400 Kcals and amber or green on the nutritional traffic light system. Our queuing system now features a range of protein bars, *Graze* products and own brand *Munch* lines that span across raw nuts and fruit. Initiatives like this, together with our improved ranges, have contributed to healthier snacking growing by over 30 per cent within Travel last year.

We have moved fresh fruit to front of store in all hospital sites, which has seen sales grow by 65 per cent in the last year. Outside of hospitals we have also increased the amount of prepared fruit range we carry in our chilled range, up 50 per cent year on year, and increasing overall stocking points by over 40 per cent.

Within Hospitals we have fully complied with the CQUIN criteria in England and the Healthcare Retail Standard (HRS) criteria in Scotland. There is a clear shift towards healthier eating and promoting healthier choices in our stores. We no longer promote or advertise any products deemed unhealthy under the CQUIN or HRS criteria. These factors, combined with significant changes to our range, has led to a notable increase in the sales of healthy products in snacking and drinks. Further to the above CQUIN and HRS changes, we have committed to NHS England as part of their public consultation, that by April 2018 we will have a sales mix of low sugar drinks to high sugar drinks to the ratio of 90:10 of all volume sold. This shows our commitment to delivering this healthy product agenda.

Responsibility in the marketplace continued

Product safety is one of our key priorities and our quality teams in the Far East and the UK conduct a rigorous quality and safety assessment process to ensure that all products are safe, fit for purpose and meet legal standards as well as our exacting brand standards. We pay particular attention to products purchased by 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.

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 that they are informed of 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.

FOREST SOURCING

Paper-based products are a core part of WHSmith's business and sustainable timber sourcing is therefore one of our key CR priorities. 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.

CASE STUDY

WHSmith awarded the top rating of trees' in the 2017 WWF timber survey

In July, WWF released the results of their 2017 Timber Scorecard, a survey of retailer timber sourcing policies. WHSmith was praised for making very good progress and we were pleased to be one of a group of businesses that were awarded their top rating of "three trees" in the survey. There is a lot of hard work that goes into making sure that the paper and wood products we buy use pulp from sustainably managed forests. More than 90 per cent of the pulp used in our own-brand stationery products now comes from certified sustainable forest sources, and we have set a target to get to at least 95 per cent by 2020. We were very pleased to get this important recognition from WWF for the progress we have continued to make in this area.

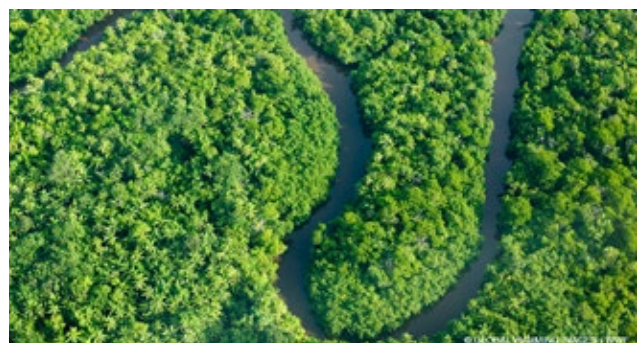
As part of our work towards this objective and in line with the requirements of the EU timber regulations, we carry out an in-depth and rigorous assessment of supplier forest sourcing systems. We have set certified (FSC/PEFC) or recycled timber as a minimum standard, which gives additional assurance that pulp is from low risk sources. Our sourcing teams both in the UK and the Far East work with our suppliers to help them understand our requirements and provide training on the data we need to obtain from them before we can demonstrate that pulp used in a WHSmith product is sourced from a certified or recycled source.

We have made significant progress towards achieving our 2020 target, moving our percentage of certified and recycled material to 90 per cent^A up from last year's value of 85 per cent. This progress has been made by continued dialogue with our suppliers and getting more of them to move to certified or recycled materials, in particular for envelopes and gift wrap. This improvement has been delivered as a result of the efforts of our buying teams both in the UK and the Far East, working to communicate our forestry requirements and increase the number of products produced from certified or recycled papers.

We are already working with suppliers on lines for 2017/18 and would expect to be able to deliver further improvements in the year ahead.

90%

of WHSmith own brand stationery units are made from timber from certified sources



^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

Responsibility in the marketplace continued

ETHICAL TRADING

WHSmith's Ethical Trade Code of Conduct, based on the ETI Base Code, underpins our ethical trade strategy and programmes. We will only place orders with suppliers who are committed to working towards compliance with this Code. Our objective is then to work with our suppliers to bring about incremental change through our programme of factory audits and ongoing engagement. WHSmith is a member of the Ethical Trading Initiative, an alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe.

Ethical trade is a key part of our corporate responsibility programme. The WHSmith PLC Board maintains an ongoing review of our ethical trade strategy every six months, looking in detail at our audit and engagement programmes, emerging trends and risks, targets and performance. The Board also reviews WHSmith's modern slavery risks, policies and controls. Stephen Clarke, CEO, has accountability at Board level for our ethical trade strategy. Each quarter the Group Risk Committee reviews key ethical trade KPIs, including latest audit results, factory gradings, completed corrective actions and engagement projects. Over the last year, we have also completed a detailed review of our ethical trade policies and audit process, benchmarking WHSmith against other ETI members, to ensure that our approach is in line with good practice.

Our ethical trading programme is aligned, like all aspects of our CR programme, to supporting WHSmith's commercial strategy, so helping to manage and reduce risk, and, by building stronger relationships with our suppliers. Our ethical trade programme has three elements – factory audits to assess risk, supplier engagement projects to improve conditions for workers, and training for buyers so that they understand the role they need to play.

We focus on suppliers of own-brand stationery products in the Far East, which is the area of important focus, but also where we can have most influence. Our supply chain comprises around 180 first tier suppliers, mostly based in China. We have the strongest relationships, and most influence, with our top 15 suppliers by value, where we buy a high proportion of their supply and tend to have longer-term commercial relationships.

We have an in-house ethical audit team based in Hong Kong, Shenzhen and Shanghai, reporting into the Director of Asian Sourcing. This team carries out both audit and engagement work, with the two roles combined so that there is an end-to-end process, with the WHSmith team identifying any labour standard issues and continuing the dialogue with the factory to agree and implement solutions. The Head of Corporate Responsibility works closely with the team, in development of ethical trade strategy and monitoring of progress. The Trading Directors in the UK are regularly briefed on ethical trade issues specific to the suppliers they work with. This year we have improved the communication between the UK and Far East teams, with the Group Risk Director, Head of Corporate Responsibility and Stationery Director all joining the monthly ethical trade review meetings which take place in our Hong Kong office and where audit findings are reviewed and engagement plans agreed.

Our team audit our own-brand suppliers in Asia at least every two years for compliance with our Code of Conduct, grading them Bronze, Silver and Gold. A factory must achieve our Bronze grading or above if we are to work with them. We use a mix of announced and unannounced audits. We are increasing the number of unannounced audits to ensure that we are seeing as a true a picture as possible of the factory conditions. The most frequent issues identified in our audits are in the area of health and safety practice. Every two years we undertake an independent benchmarking process to ensure our ethical audits remain in line with industry best practice. We have joined SEDEX (Supplier Ethical Data Exchange) to provide additional risk assessments and audit data, which will allow more detailed ethical risk analysis of UK and European suppliers.

Our team spend a significant part of their time leading our engagement work to support suppliers as they seek to improve working conditions. Engagement focuses on resolving specific issues identified during audits, as well as wider projects working with a range of suppliers on a key issue, for example, worker representation or health and safety. We see these as being key issues for workers in China, and also having the potential to deliver business benefits for our suppliers.

Our team spend a significant part of their time leading our engagement work to support suppliers as they seek to improve working conditions.

During the year we have been pleased with the ongoing development of our worker representative (WRI) project. It has been good to see factories running their WRI committees on a regular basis, and using some of the guidance materials we have supplied them with, to help set meeting agendas and keep minutes. A priority for the year ahead is to continue to assess how aware workers are of the committees and to conduct further worker interviews to capture and review this information.

We are pleased to see some factory workers making use of our worker hotline to raise issues they are concerned about, and we have been able to investigate and follow up some of these issues to improve worker conditions. Again, raising worker awareness of the hotline is a priority for us in the year ahead to ensure that employees are aware of the hotline and know how to use it if they have any concerns.

Finally, our programme of monitoring modern slavery risks continues to develop and we have increased our understanding of these issues within our UK supply chain as well as our Far East supply base, and across our international business. We have reported on this area in detail in a separate Modern Slavery Statement. This is available at www.whsmithplc.co.uk/cr.

Responsibility in the marketplace continued

CASE STUDY

Improving worker representation in Chinese factories

As part of our ethical trade strategic plan which we agree with the ETI each year, we are working towards an objective to establish worker representative committees in six new factories by August 2018. This is in addition to the WHSmith factories which already have worker representative committees, where we are providing additional support to strengthen their committees, so that worker views are better represented.

With the support of the team from University of Michigan, we have trained factory management on how to set up a worker representative committee, how to elect worker representatives, how to set an agenda for a meeting, how to collect suggestions from all employees, and how to report back on outcomes from the meeting. By monitoring the committees closely and looking at their agendas and meeting minutes, as well as attending some meetings in person, we have been able to confirm that the worker representative committees are active in 13 factories and that 93 issues were raised by workers, discussed and followed up in 2017.

WHSmith have started to attend regular worker representative meetings to assess how effectively they are working. This will continue during 2017/18. WHSmith is also holding annual update meetings with the factory management to review the progress of the committees.

We have also revised the KPIs for the project during the year to capture key elements of the process, for example, checking that workers were freely elected, that at least 4 committee meetings took place each year, and that workers know their worker representatives and grievance channels. We have also amended our worker interview questionnaires to ask questions about the worker representative committee when visiting any factories which are taking part in the project. We are asking workers whether they know about the committee, who their representative is and if they know how to report an issue. The objective is to understand whether the committees are being effectively communicated to all workers. We will continue to monitor progress in the year ahead.

TARGETS: MARKETPLACE

	Targets	Current status	Proportion of target met
ETHICAL TRADING	By 2020, 90% of supplier ethical trade improvement plans completed on time.	68.5% of improvement plans completed on time ^Δ .	76%
FORESTRY	By 2020, 95% of own-brand stationery products to be made from pulp from certified or recycled timber sources.	90% of own-brand stationery products from certified or recycled sources ^Δ .	95%

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

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. 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.

ENGAGING WITH OUR STAFF: CONNECT, CONVERSE & CONGRATULATE

We conduct annual employee engagement surveys across the head office population and all distribution centres, and are extending these to our Travel and High Street store management population. The results are shared with all staff and actions agreed to respond to specific points of feedback. As part of 'The Forum', elected departmental representatives meet quarterly, in our London and Swindon offices to improve two-way communication within the business and provide a channel for sharing ideas about how to make the office a better place to work.

We hold quarterly employee briefings where the leadership team present updates on business strategy, as well as regular team briefings, intranet sites and regular e-newsletters. These various communications provide an opportunity to update staff on the Company's performance, to celebrate and recognise success and to provide a forum for staff to ask questions of the senior management team.

Our weekly Hall of Fame gives an opportunity for peer to peer recognition when a colleague has really gone the extra mile. In addition, each Director has a dedicated budget to say a spontaneous Thank You to a colleague. During the year, we launched a further employee recognition scheme in both our Travel and High Street businesses, *Shining Stars*. Each department nominated and voted for their department's "Shining Star". These individuals were then recognised at the annual *Shining Stars* awards event when we celebrate their achievements with the whole senior management team and head office population. This year, 24 employees received *Shining Stars* awards.

We also celebrate the achievements of our store staff as they work hard to deliver our business plans and strategies. During November, December and January, we run the WHSmith Store Heroes scheme. The scheme recognises hundreds of employees based on their accomplishments at work. We also operate an Annual Store Awards programme, including Most Improved Store, Store of the Year, Store Manager of the Year, Area Manager of the Year and a Special Recognition Award. In High Street these are awarded and celebrated at our Christmas Conference, and in Travel at our Store Conference in May. This year, we have also extended our awards and celebration evenings to Team Leaders, starting, in July, with our very first Gatwick and Heathrow Team Leader Awards evening, celebrating the successes and achievements of our 50 Team leaders in our biggest airports.



Chief Executive, Steven Clarke, with winners of the WHSmith 2016 Shining Stars awards.

Workplace practice continued

In this our 225th anniversary year, we have seen amazing levels of team work and engagement as our employees across the business have come together to celebrate the anniversary and undertake fundraising activity in support of our three partner charities. More detail is provided in the Community section of this report.

Another way in which we have strengthened employee engagement this year has been by promoting employee volunteering in the local community. Teams of WHSmith volunteers have identified charities in the Swindon area in need of support with a specific project. The teams have then spent time planning the project implementation and sourcing materials, before taking a day out of the business to deliver the project for the charity. One such project supported was the Uplands Educational Trust Community Enterprise Centre in Swindon where two WHSmith teams each spent a day moving patio slabs, clearing weeds, painting railings and cleaning windows to help the charity refresh its outdoor spaces. The WHSmith staff thoroughly enjoyed their days and the charity were also very grateful of the assistance. In the year ahead, we will continue to facilitate more of these community volunteering projects.



WHSmiths volunteers spend a day supporting the Uplands Educational Trust

LEARNING AND DEVELOPMENT: REALISING YOUR POTENTIAL

Our Learning and Development (L&D) programmes are designed to support our employees to reach their potential within the business and their careers. As part of this, we focus on supporting and developing talented individuals within our business, with the objective of continuing to achieve a 90 per cent internal succession rate across the business. Throughout the year we provide various learning and development programmes and initiatives that are designed to engage our employees in learning, which is reviewed annually to continuously improve the Group L&D offer.

During the year, we have continued to implement our Realising your Potential initiative, focusing on improving succession planning and talent review within the business. As part of this, we launched three new development programmes which ran for 6 months each and are running again from October 2017; during the first wave we had 96 individuals attend one of the full programmes. These 3 programmes focus on developing

the skills and behaviours that we know will support individual's progression as well as deliver results. One focuses on leadership and management development, one on career development and one on negotiation. They all include individual coaching, psychometric and 360 degree feedback, workshops and are supported by online learning.

Mentoring also plays a critical role in the development of our talent pipeline at all levels as it provides targeted 1:1 support from a more senior role model. Managers and Senior Executives act as mentors to our identified candidates supporting them with their unique development requirements to ensure they are ready to take on more stretching roles.

In May 2017, we held Learning at Work Week in our London and Swindon offices. 941 workshop places were snapped up across both High Street and Travel head offices, with employees encouraged to attend as many workshops as they wanted. Many of the workshops were hosted by members of the senior leadership team and the Board, but we also hosted external experts to run sessions. Workshop topics ranged from Personal Impact to ambition in negotiation, to learning French and cheese tasting.

We also run a number of business skills workshops in Head Office as standalone sessions to support individuals to learn some of the key skills they need to do their job effectively. These include Project Management, Excel, Presenting and Teradata sessions.

Career Conversations have been continued to be embedded, as well with managers having regular performance review conversations during the year.

Within stores, over 500 team leaders and supervisors and 215 store managers attended our internal retail academy development programmes.

The Academy programmes are designed to improve the internal succession into higher management roles within our business, focusing on the technical and behavioural elements required to be successful within WHSmith.

In addition, in High Street, 826 supervisors and managers attended a one day 'powerful conversations' workshop to support our focus on individuals communicating effectively day to day with their teams and having the confidence and knowledge to have some of the more difficult conversations. This translates as 94% of all supervisors and managers who attended and was the first time we have trained all supervisors and managers in the same topic at the same time. 25 Hub Leaders also attended a development programme to support with their progression in to a new management role which involves their oversight of a broader group of stores.

Workplace practice continued

VALUING OUR PEOPLE: LIVE WELL, WORK WELL

One of the key points of feedback from our employee engagement surveys is the importance of work life balance to our employees. We continue to introduce further initiatives to promote flexible working, with line managers encouraged to consider requests for flexible working hours and home working. All head office employees are able to leave work at 4pm on Fridays, and all head office employees also receive a day's holiday on their birthday.

Other initiatives to promote better work-life balance include our 'School Starter' scheme which grants working parents half a day's paid leave to take their child to their first day at school, phased retirement plans to allow employees to voluntarily reduce their working hours as their retirement date approaches and 'V-Time Working' which 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.

Every year we also hold a 'Wellbeing at Work' week in our head office locations, with a huge range of sessions for employees to join and attend. Topics covered range from dealing with stress and talking about mental health, to health and nutrition advice and fitness sessions.

Making a commitment to mental health across the organisation

At WHSmith we believe that it is just as important to support our colleagues' mental wellbeing as it is to look after their physical wellbeing. WHSmith's mental health wellbeing strategy has two parts: working with Time to Change to raise awareness of mental health issues and the associated stigma among employees, and working with Mental Health First Aid (MHFA) England to provide training on how to support mental health in the workplace.

Following the training, our Mental Health First Aiders develop the following skills, which they can then use to support their colleagues:

- An in depth understanding of mental health and the factors that can affect wellbeing
- Practical skills to spot the triggers and signs of mental health issues
- Confidence to step in, reassure and support a person in distress
- Enhanced interpersonal skills such as non-judgemental listening
- Knowledge to help someone recover their health by guiding them to further support - whether that's self-help resources, through their employer, the NHS, or a mix of support facilities

Our strategy is led from the most senior level in the business, with CEO Stephen Clarke signing the Time to Change pledge in February 2017 at an event attended by over 200 employees, many of whom also signed their own pledge. Awareness raising plans are being implemented which are tailored to each area of the business and include briefings by our MHFA instructors and first aiders, some of whom have shared their personal experiences, talks by guest speakers from MIND and Place2Be and the introduction of well-being noticeboards in stores and distribution centres. The noticeboards include information on the freephone anonymous 24/7 support line provided by L&G for all employees, as well as contact details for the First Aiders on the region, information on the Benevolent Fund and anti-bullying Speak Up line, and tips on looking after mental wellbeing.

Awareness raising has deliberately focused on both male and female experiences of mental health.

We also worked with Place2Be on the production of free resources for our employees to share with local schools to support Children's Mental Health Week. The objective was to encourage employees to think about mental health in a positive way and take steps to make a difference in the lives of children who they have a connection with. As part of the project all UK primary and secondary schools received an email about the event and this was also communicated to all WHSmith employees to encourage as much engagement as possible. We also donated space on our 100 High Street digital window screens during Children's Mental Health Week advertising the resources available.

On World Mental Health Day in July 2016, WHSmith made a pledge to have just as many Mental Health First Aiders as physical health first aiders. This training is well underway and we are also working to ensure that our 1,100 line managers all receive mental health first aid training. Six colleagues are being trained as MHFA instructors, meaning that they can continue to train staff in Mental Health First Aid going forwards. Feedback from the training has been extremely positive.

After completing the two day course, comments included:

"This afternoon's training session was a revelation. I will be reading and reflecting over the coming weeks as I know that I can use a lot of the tools and techniques we spoke of for the team and for my own well being. Thank you again, it really is appreciated."

"... An incredible course - I have never learnt so much in such a short space of time. Brilliantly delivered by two exceptional instructors who I am proud to call my colleagues..."

"I just wanted thank you both for the last two days. It was a great course. I learnt an awful lot. It really is something that WHSmith and all involved should be extremely proud of. I am."

Workplace practice continued

Our priority over the year ahead is to complete the training for a further 1000 line and store managers and to begin to measure the impact of the awareness raising and training activity. This measurement will use absence data, review of first aider incidents and an employee survey.

Sue Baker from Time to Change described the WHSmith mental wellbeing plan as a 'blueprint' for other retailers. We continue to share our mental health strategy with other businesses to enable them to learn from the WHSmith approach and progress their own plans.



CEO Stephen Clarke signing Time the Change pledge in February 2017.

Another way in which we provide support and assistance to current and retired employees is through the WHSmith Benevolent Fund. The WHSmith Benevolent Fund is a registered charity (registered charity no: 262581) which was established by Lord Hambledon in 1925 for the benefit of current and retired employees of WHSmith and their families who are in financial difficulty or hardship and in need. The Fund awards cash grants to help alleviate cases of hardship, awards grants for mobility scooters, stairlifts and other mobility aids, and also provides care breaks and recuperative holidays. Over the last decade, the Benevolent Fund has made grants to serving and retired staff members and their families in the region of £1million.

We want to ensure that our employees have a way of speaking out if there is a problem at work. Our 'Speak Up' line is a confidential telephone line which employees can call if they have a concern about something or someone within the business. Issues raised on this line are escalated to senior management if appropriate and also reviewed by the Group Risk Committee.

CASE STUDY

Inspirational lady behind WHSmith's mental health strategy is recognised at everywoman awards

At the 2017 'Worldpay everywoman in Retail Ambassador Awards', WHSmith Head of Strategic Projects, Alison Garbutt, received an award for her work in driving change through our organisation around mental health. Alison's nomination read: "Alison is Head of Strategic Projects for WH Smith and is always involved in change programmes that are at the heart of improving the organisation.

Alison has recently created and championed an initiative to develop the 'WH Smith Mental Wellbeing Plan' which aims to remove the stigma associated with mental health in the workplace. Over the past 18 months Alison has mobilised over 14,000 employees to back the plan and has worked tirelessly with Mental Health First Aid England to produce effective training programmes. As a result there are now more employees trained as mental health first aiders than those trained to deal with physical problems." In her acceptance speech Alison urged other employers to join us to help put mental health on a par with physical health ensuring that stigma doesn't stop people getting the right support and that we all learn to better look after ourselves and each other.

"I have witnessed much of Alison's passion, commitment and hard work first hand and I have to say both as CEO of WH Smith and as someone who understands the impact of mental health in families and the workplace I could not be more proud of Alison. She really is a star."

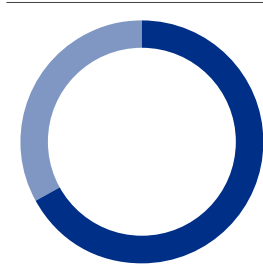
Stephen Clarke, Chief Executive Officer

Workplace practice continued

PROMOTING DIVERSITY

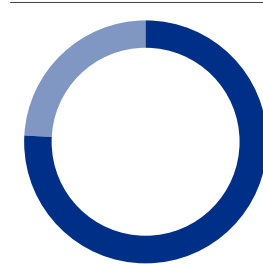
Employees by gender

BOARD^Δ



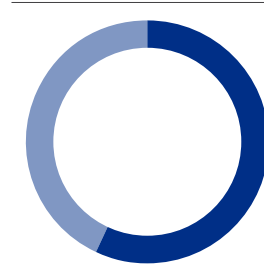
Male 67%
Female 33%

SENIOR MANAGEMENT TEAM*^Δ



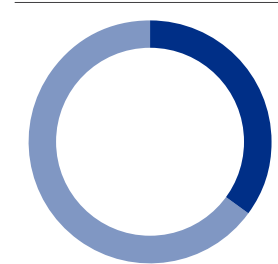
Male 76%
Female 24%

MANAGEMENT TEAM**^Δ



Male 57%
Female 43%

EMPLOYEE MIX ACROSS THE GROUP^Δ



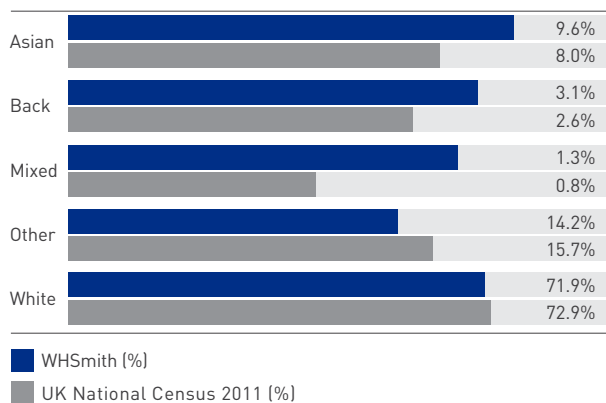
Male 35%
Female 65%

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

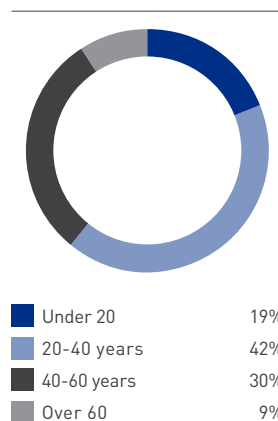
** This wider group includes store managers and senior Head Office staff (who are not also members of the senior management team).

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

ETHNIC ORIGIN – ALL EMPLOYEES^Δ



EMPLOYEES BY AGE



^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

Workplace practice continued

WH Smith recognises that talented people are core to the success of our business, whatever their age, race, religion, gender, sexual orientation, age or physical ability. We are committed to promoting a culture of equality and diversity through our policies, procedures and working practices. In addition, we aim to ensure all our employees receive equal treatment at recruitment and selection stage, and subsequently through terms and conditions of employment, promotion, training, development opportunities and employment benefits.

At WH Smith we monitor our diversity profile versus our peers and the national average to ensure that WH Smith's employee profile and that of our management team reflect our commitment to diversity. In terms of gender diversity, we measure our performance across the Group, looking at Board level, our senior management and store management populations.

Our diversity strategy is led by a diversity working group and Group CFO and COO, Robert Moorhead, act as a 'Diversity and Inclusion' sponsor to champion diversity within the senior management team.

We have taken steps through a number of initiatives during the last 12 months to promote more women into senior positions. We have partnered with a company called "Everywoman" - the world's largest network and learning and development platform for women in business. The aim of the network is to advance women in business and create a change in gender diversity. The network contains a host of personal development tools aimed at women including monthly webinars, workbooks and up to the minute articles etc. The network has been rolled out to our Head Office employees and a number of initiatives are planned for the next year to build on this and create an internal Everywoman network. This year WHSmith have taken part in the "Everywoman in Retail Ambassador" awards programme and we are delighted to have had a finalist in the category of "Being a great team leader."

We continue to work with Workingmums.co.uk, an online job and community website for professional and working mothers. The website allows us to advertise our roles and showcase our commitment to gender diversity. Each year Workingmums.co.uk hold a "Top Employer Award" programme and this year we have entered an award in the category of "Family Support." The aim of this is raise our brand profile as a family friendly employer, supportive to working women both currently in the business and to those wishing to join the organisation. We will find out in November 2017 if we have been successful in our award application.

Following feedback from our internal Employee Forum, we have continued to work on our flexible working package. In the last 12 months we have reviewed maternity and paternity pay, and supported senior managers to encourage informal flexibility within their teams.

In addition to the above, we are also reviewing our recruitment strategy to ensure we are targeting a wide range of ethnic applications.

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.

Workplace practice continued

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.

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.

During the year, we have seen a continuing decrease in the number of reportable accidents this year versus last year, where we continue to target ongoing reductions as part of our CR programme. As summarised in the table below, this reflects a continuing reduction in reportable accidents over recent years. The number of reportable accidents has more than halved over the last six years.

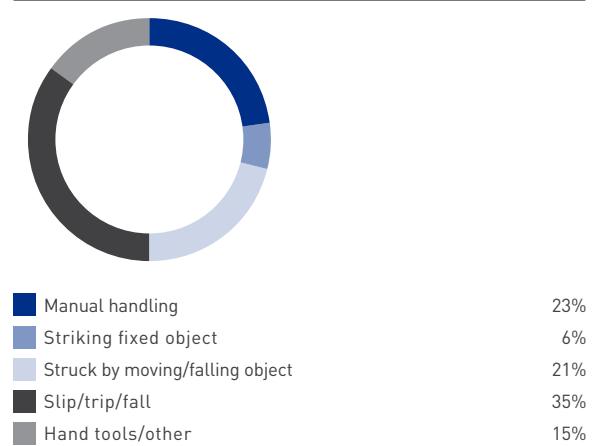
Health and safety training is provided through our new e-learning database, where we are working with the training provider- Upskill. Training modules are easy for all staff to access from any location, with training guidance covering key issues such as fire safety, manual handling and food hygiene.

Our programme includes a focus on employee wellbeing as part of our wider health and safety framework and monitoring programme. We also operate an EAP response line, working with our insurers, that is available to all staff in the event they wish to obtain further support on health related matters. The business is also undertaking a significant investment in Mental Health awareness and training. Further details are provided on page 20.

ACCIDENTS AND INJURIES^A

	2017	2016	2015	2014	2013	2012
Major injuries	4	4	8	4	13	7
Injuries resulting in over seven days' absence from work/hospitalisation ¹	30	33	38	47	51	62
All RIDDORS ¹	34	37	46	51	64	69

ACCIDENTS BY TYPE 2016/17^A



^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

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

TARGETS: WORKPLACE

Target	Baseline	Baseline year	Current status
By 2020, 35% of senior management positions held by women*.	14%	2010	On track 39% of senior management positions currently held by women
By 2020, 60% of head office senior management appointments to be internal promotions.	38%	2010	On track 58% of head office senior management appointments were internal promotions
Continue to source 90% of all store management opportunities internally.	n/a	n/a	On track

* 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.

CELEBRATING WHSMITH'S 225TH ANNIVERSARY

2017 is a very special year for WHSmith, marking the 225th anniversary of the first WHSmith railway newsstand in 1792. To mark this anniversary, we wanted to make a lasting difference to charities which our employees care about. We asked our employees across the UK to vote for the charities they would like to support and, as a result, we selected three charity partners, Cancer Research UK, MIND and the National Literacy Trust. We set an ambitious target to raise over £2m during the year.

We want to ensure that our fundraising makes a meaningful difference to our charity partners so we worked with the three charities to identify projects which our fundraising could support and which would make a long-lasting difference to the work they do. The funds we raise for MIND go to support their work with children and young people, developing a programme to provide support so that no young person has to face a mental health problem alone. The funds we raise for the National Literacy Trust will enable them to establish a National Literacy Trust hub in the Swindon area, supporting thousands of children to discover the joy of reading and raising literacy levels. Our funding for Cancer Research UK will provide essential funding for their research to help beat cancer sooner, including Stand Up To Cancer's work on translational research which is all about getting new treatments to patients as quickly as possible.

The year of charity fundraising has involved every part of our business, across our High Street and Travel stores, Card Market, Funky Pigeon and offices and distribution centres. Our charity partners have attended employee briefings and conferences to help our employees understand more about the work they do and the difference our fundraising could make.

An exceptional year of staff and customer fundraising

In January, all of our WHSmith Trust charity tins were converted to support our three 225th anniversary partners to kick off a busy year of fundraising. Stores and offices have had a busy calendar of charity events with a high profile presence in store ensuring that our customers were fully involved. In February, we marked World Cancer Day, with store teams dressing in pink and doing a whole host of fun activities in store. Unity Bands were sold in store to customers, and many stores held raffles, dress up days and bake sales to fundraise for the campaign. World Cancer Day had particular resonance in our hospital stores, where bands sold out within weeks! Over 45,000 Unity Bands were sold by WHSmith raising £63,900. A further £91,400 was raised through staff fundraising – more than any other Cancer Research UK corporate partner – a great start to WHSmith's year of 225th anniversary fundraising.

"To mark WHSmith's 225th anniversary, we wanted to make a lasting difference to charities which our employees care about"

In March, our stores celebrated World Book Day in support of the National Literacy Trust, with hundreds of school children coming in for story telling and behind the scenes tours. In May, stores marked Mental Health Awareness Week for MIND and WHSmith Waterloo station store was 'wrapped' in MIND logos to mark the event. In Autumn 2017, WHSmith will be one of the official partners for Cancer Research's UK's Stand Up To Cancer campaign. We then bring the year to a close with a charity gala ball where we hope to raise thousands for Stand Up To Cancer. High profile presence in store with a series of key fundraising events for each of our charities, plus many smaller scale fundraising events organised by local teams in stores, head office and distribution centres.



Community impact continued



Community impact continued

Thousands of WHSmith employees 'Race for Life' and much more besides

Hundreds of employees across the UK are taking part in Race for Life events during the summer months, raising money for Cancer Research UK. WHSmith organised events were held for Head Office staff in Hyde Park London and Lydiard Park in Swindon. Thousands of WHSmith employees across the UK have taken part in an event during summer 2017, raising an incredible £27,000 for Cancer Research UK.

Many other employees have been taking on all sorts of other fundraising challenges, whether cycling 225 miles around Yorkshire, doing sponsored walks across Dartmoor, running the marathon, taking on a triathlon, skydiving, or even shaving their hair off for charity! In our Swindon distribution centre, the management team agreed to be gunged all in the name of raising money for our three charity partners! WHSmith employees across the country have really gone the extra mile to challenge themselves and raise funds for our charity partners. The challenges continue in autumn 2017 when nine WHSmith teams will take on the National Three Peaks Challenge, with each team setting out to raise £10,000 for our partner charities.



CASE STUDY

WHS employees take over MIND shops for the day

As part of our 225th anniversary partnership with MIND, the MIND shops in Wantage and Shepherds Bush had some extra helpers in July generating sales and awareness of the great work MIND does. Two teams of WHSmith employees each took over a MIND charity shop for the day, one in Wantage and one in Shepherds Bush. The challenge was on to see which team could use their retail skills to increase the MIND shop's takings for the day.

Although they were out in the cold selling some fantastic homemade cakes, donated by our employees and raffle tickets for some super prizes, they managed to keep smiling through it all and raised over £400 in cake and raffle sales on the day! This is separate to the sales generated by the stock that WHSmith head office staff had donated in previous weeks, where a total of 92 bags were collected for the store! It was an eye-opening experience hearing the different stories from passers-by and hearing about individual struggles with mental health, as well as the impact this event was having on raising awareness and funds for such a worthwhile charity.

At Shepherd's Bush, the WHSmith team created a summer themed window display with inflatable seagulls and parrots, and dressed in Hawaiian themed fancy dress, playing classic summer tunes outside the store to attract customers (despite the intermittent rain!). The store manager was very grateful for all of the energy and enthusiasm from the team, as the store is run predominantly by volunteers all of the extra help and donations were greatly appreciated.

Celebrating 225 years with commemorative charity products

One of the key ways that we raise money for our partner charities is through the sale of products with charity links. In this very special year, our buying teams have developed a range of exciting exclusive products to raise thousands for our charity partners. As well as commemorative WHSmith charity bears, bags and sweet tins, we have been delighted that some of Britain's favourite authors agreed to work with us, writing exclusive short stories for us to sell in aid of our charity partners. Titles by authors including Jeffrey Archer, James Patterson and Jodi Picoult are being sold in WHSmith High Street stores nationwide, and for every sale, £1 will be donated to our three partner charities. In the run up to Christmas, our charity ranges will increase further, with Christmas cards and wrap all being sold in aid of our three 225th anniversary charity partners, all making an important contribution to helping us meet our fundraising target.

Community impact continued

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 enjoyment. Children who read for pleasure enjoyment make more progress in maths, vocabulary and spelling between the ages of ten 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 with the National Literacy Trust to encourage Young Readers

WH Smith PLC and WHSmith Trust have supported the National Literacy Trust's Young Readers Programme since 2005. Projects run as part of the partnership have reached thousands of children across the UK, through summer play-schemes, family reading programmes and most recently, a project promoting peer reading in schools. Our partnership is now award-winning, having been recognised with a bronze award for *Most Effective Long Term Programme* at the Corporate Engagement Awards 2017.

The Young Readers Programme motivates children and young people to read for enjoyment through a series of events that celebrate the fun of reading. At each event the children put into practice skills taught as part of the programme to select a free new book of their choice to keep, increasing book ownership, which has been shown to have a positive impact on educational attainment¹.

During 2016/17, we worked with the National Literacy Trust to develop a new three-year partnership, continuing our core support for the Young Readers Programme model, but also introducing 'live literature' events to bring children into direct contact with authors, storytellers and illustrators, with the objective of really bringing books to life and inspiring children to want to discover the world of books and reading. Over the year, the WHSmith Trust's funding allowed the National Literacy Trust to work with 1,500 children in 24 primary schools across the UK, allowing them to choose more than 4,500 free new books to keep.

The project was focused on working with schools in five areas of the UK, each identified as needing additional support for children's literacy. These areas are Glasgow, Peterborough, Manchester, Swansea and Teesside. In each area, the local WHSmith store team have also been involved, working with the schools and hosting school visits to the store. All participating schools were also able to boost their school or classroom libraries with £150 worth of books selected from their local WHSmith, to use as an ongoing resource to support children's shared reading time within the school setting.

The culmination of the project year in each location was a live author event in inspirational local settings. These included Glasgow's Mitchell Theatre, Manchester Central Library and Teesside's Riverside Football Stadium, and were run with the support of local partners, encouraging the development of sustainable links between schools and the wider community.

At the end of the project year, feedback from teachers illustrated the impact on participating children and their attitudes to reading:

- 100 per cent of teachers felt the Young Readers Programme had been effective in motivating the children they work with to read
- 98.1 per cent said it had a positive impact on children's reading enjoyment
- 72.7 per cent of teachers noted a positive change in pupils' reading attainment over the course of the project
- Almost half of children who didn't enjoy reading at the beginning of the project said they enjoyed reading after taking part
- Participating children also showed increased confidence in their reading skills, increased motivation to read and read a broader range of materials, all of which are associated with greater reading proficiency (Teravainen and Clark, 2017; OECD; 2009).



¹ <http://www.nfer.ac.uk/publications/PRTZ01/PRTZ01Ch9.pdf>

Community impact continued

One child taking part in the project commented,

"We got free books for us to take home and read. We had a real author come to our school!! How amazing! And we are so lucky to be able to take part in all of these reading activities!! WE ALL HAD SO MUCH FUN!"

Teachers from some of the participating primary schools commented:

"I cannot thank you enough for ...the efforts you have gone to ensure the children have a passion for reading. Forever thankful."

"One child previously had no books at home and now has three, which he is now very proud to own."

"Due to us being located in an area of significant deprivation many of our pupils have a distinct lack of access to literacy resources at home. For many of the project pupils this was the first time they had owned new books and the motivation this gave them to read was phenomenal!"

CELEBRATING 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 an important day in the year for our High Street stores with many stores running special events like competitions, fancy dress, author signing sessions and workshops. Stores also invite local schools into store so that they can take part in the special events and use their £1 World Book Day vouchers. This year, we redeemed £1 book vouchers worth over £370,000, giving free books to hundreds of thousands of children. We also marked our 225th anniversary by making World Book Day even bigger this year, partnering with the WHSmith Trust to donate WHSmith vouchers to 225 schools across the UK, helping them to increase their school library resources.

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 60 grants worth over £35,000 during 2016/17.

These grants go to match employee fundraising for charities which are close to their hearts. This includes small local charities such as hospices, music groups, Scout and Brownie packs, as well as big national campaigns such as Save the Children, Help for Heroes, British Heart Foundation and the National Autistic Society.

The Trust also recognises the time that employees spend volunteering for charities and matches the value of the time they spend. This may be time spent volunteering for a local air ambulance service, for example, or the time many of our employees spend volunteering in local schools. To further encourage staff to volunteer their time to support schools, the Trust also makes grants to employees who are members of the school PTA or Board of Governors.

During our 225th anniversary year, all of the funds raised by the WHSmith Trust have been donated to our three partner charities, Cancer Research UK, MIND and the National Literacy Trust.

Community impact continued

SUPPORTING OUR LOCAL COMMUNITIES

With over 600 stores on high streets across the UK, vibrant high streets and town centres are good for the community and for our business. Community engagement has been defined as one of the 'four Cs' we ask stores to follow in creating the WHSmith working culture – Customers, Colleagues, Commercial and Community. 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, most of our stores regularly support local schools and charities through donations of depreciated stock, and by inviting schools into our stores for events promoting literacy and a love of reading (more detail in on page 28).

The WHSmith Community Fund distributes the proceeds of the carrier bag levy to customer-nominated charities, schools and community organisations. The carrier pay levy payments collected during 2016/17 were distributed as grants to hundreds of community groups spread far and wide across the UK. We are really pleased to be able to provide support in this way to the local communities in which we operate.

The annual WHSmith Community Awards help to share good practice and encourage more stores to engage in their local community. The awards recognise those store teams which have really gone the extra mile to build strong links in their local community. Each winning store receives a cash prize to donate to a local school or charity. This year's winner was the team at WHSmith New Mersea and their nomination read:

"Sam & Rachelle work tirelessly every year to get involved, be involved and help change and shape lives and raise money and awareness for good causes in their community. In the last 12 months they have arranged and run numerous school visits to their stores around World Book Day, running fancy dress days, colouring competitions and donating vouchers to the schools to top up their libraries. They have also been leading supporters of WHSmith's partnership with Marie Curie, personally taking donations to the local hospice as well as fundraising in store. It is fair to say that both Sam and Rachelle have been amazing ambassadors to the community and throw everything they have into all the events organised, but also take it a step further by always thinking about 'what else' can we do. They are worthy winners of the National award for community work."

PARTNERING WITH SAVE THE CHILDREN IN AUSTRALIA

WHSmith Australia have also established a partnership with Save the Children. Fundraising boxes are now in all stores and funds collected are steadily increasing. We are now looking to implement 'tap and go' fundraising units as a trial in some of our tech and international stores. Employees have also been running fundraising events themselves. In the office, we've also had winter morning breakfasts, sample sales and some employees have raced for Save the Children in a 14km run from the centre of Sydney city to Bondi beach. So far the Australian business has raised almost AUS\$20,000 for Save the Children, with plans to increase this further over the coming year.

PARTNERING WITH SAVE THE CHILDREN IN THE UK TO CELEBRATE CHRISTMAS JUMPER DAY 2016

During Autumn and Winter 2016, WHSmith worked in partnership with Save the Children to raise essential funds for children in desperate need. WHSmith employees and customers were proud to raise over £175,000 for Save the Children's Christmas Jumper Day 2016. As well as selling Christmas cards, Christmas giftwrap and teddy bears, all in aid of Save the Children, WHSmith employees across the UK were champions of the charity's Christmas Jumper Day campaign. Our employees were some of the six million people who donned a sweater to support Save the Children.

Our Bruno and Benji bears were sold in aid of Save the Children and made a significant contribution towards the fundraising totals. As well as appearing in WHSmith stores across the country, the bears also accompanied WHSmith teams as they tackled the National Three Peaks Challenge in an effort to increase fundraising totals further.



Community impact continued

SUPPORTING CHARITIES THROUGH THE CARRIER BAG LEVY

At WHSmith, we operate a policy to donate the proceeds of the single-use carrier bag levies to good causes. During the year, we have donated almost £220,000 to our charity partners, and these donations are reflected in our community investment data overleaf. In our Travel business, the levy from single-use bags goes to Shelter to support the charity's vital work with individuals and families affected by homelessness. In our High Street business, the High Street carrier bag levy goes to the WHSmith Community Fund, which makes grants to hundreds of customer-nominated schools and charities across the UK. Many of the grants continue to support schools, with the other grants going to support a wide range of charities from local hospices, to brownie packs, and air ambulance services. More information on the criteria for these grants is available at www.whsmith.co.uk/communitygrants.

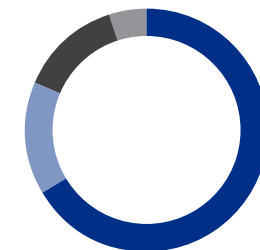
MEASURING OUR COMMUNITY INVESTMENT

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.

This year, we have seen a material increase in some of these community investment values, especially staff time donated, reflected the unprecedented level of charity fundraising activity across the business as we celebrate WHSmith's 225th anniversary year.

COMMUNITY INVESTMENT 2016/17^A



Cash donated	£1,242,595
Gifts in kind	£279,175
Staff time donated	£251,120
Management costs	£92,800
TOTAL	£1,865,690

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	£8,546,553	85%
In the decade to 2020, staff and customer fundraising initiatives will have raised over £1.25m to support partner charities.	2010	£1,440,835 ^A	Target met New target to raise £1.75m by 2020
In the decade to 2020, we will have worked in partnership with the WHSmith Trust to help over 65,000 children discover the joy of reading.	2010	50,100 children have taken part in literacy projects	77%

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 32.

Independent Assurance of WH Smith PLC Corporate Responsibility Report 2016/17. ISAE 3000 statement

THE NATURE OF THE ASSURANCE

Corporate Citizenship has been engaged by WHSmith to provide independent limited assurance of the data within its Corporate Responsibility (CR) Report 2016/17. This statement is intended specifically for the Directors of WHSmith.

The scope of the assurance includes the following topic areas:

- CR Governance
- Stakeholder Engagement
- Materiality
- Community Impacts
- GHG Emissions
- Waste
- FSC and PEFC
- Ethical Trading
- Diversity
- Health and Safety

The assurance covers the period from 01 September 2016 – 31 August 2017.

WHSmith is entirely and solely responsible for the production and publication of the data assured, Corporate Citizenship for its assurance.

The data within the CR report relates to the retailing operations of WHSmith in the United Kingdom and Ireland under the WHSmith brand, also under the Funky Pigeon, Card Market and Gadgetshop brands. Data relating to FSC, PEFC and ethical trade includes information from all international directly-run operations. WHSmith's franchise operations and international stores are excluded from the report and therefore the scope of our assurance work.

Our work has involved reviewing selected claims and data included in the report against the GRI principles for Defining Report Quality. The carbon emissions data has been prepared using the UK Department for Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guidelines: Including mandatory greenhouse gas reporting guidance (June 2013) and the appropriate GHG conversion factors for company reporting, as published by DEFRA.

GHG quantification is subject to inherent uncertainty due to factors such as incomplete scientific knowledge about the global warming potential of different GHGs and uncertainty around the models and parameters used in estimating GHG emissions.

This engagement was performed in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject-matter specific ISAE for GHG data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements).

Corporate Citizenship has complied with the requirements for independence, professional ethics and quality control as stipulated by ISAE 3000.

ASSURANCE WORK PERFORMED

The assurance work was commissioned in June 2017 and was completed in October 2017. Detailed records were kept of meetings, assurance visits and correspondence relating to the assurance. The assurance process was undertaken by a multidisciplinary team of three, including one Senior Consultant a Senior Researcher and a Director acting in a supervisory capacity.

The assurance engagement was undertaken to a limited level. With regard to Principles for Defining Report Content our work has involved, but not been limited to, the following elements:

- A review of the material taken into account by WHSmith when considering Sustainability Context and Stakeholder Inclusiveness;
- An evaluation of the data, process and judgements underpinning WHSmith's definition of Materiality;
- A review of the text of the report at various stages of development to evaluate Completeness; and,
- Meeting with and interviewing staff responsible for the development and delivery the WHSmith Corporate Responsibility programmes. These interviews tested all four principles for defining content: Completeness, Materiality, Stakeholder Inclusiveness and Sustainability Context.

With regard to Principles for Defining Report Quality our work has involved, but not been limited to, the following elements:

- A review of the assertions and key performance indicators within the text of the report, marked with the symbol Δ;
- Scrutiny of the underlying systems used to produce the data, an examination of the controls and guidance accompanying these systems, including interviewing WHSmith staff with functional responsibility for collecting, consolidating and reporting the data to test definitions and gain a fuller understanding of the processes used for collection and control; and,
- Making a representative sample of spot checks on the underlying activity data used in calculating the key performance indicators.

These activities enabled us to reach a conclusion about the Completeness, Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness of the Report and its contents.

Independent Assurance of WH Smith PLC Corporate Responsibility Report 2016/17. ISAE 3000 statement continued

OUR EXPERIENCE AND INDEPENDENCE

Corporate Citizenship is a specialist management consultancy, advising corporations that seek to improve their economic, social and environmental performance around the world. It is a leading assessor of corporate responsibility and sustainability reports. This is the third year that Corporate Citizenship has provided independent assurance services in relation to WHSmith's corporate responsibility reporting. We have provided no other services to WHSmith during the period under review.

CONCLUSION

Based on the scope of work performed, nothing has come to our attention to suggest that any of the performance data included in the scope of assurance, marked with the symbol ^Δ in WH Smith's Corporate Responsibility Report 2016/17, is materially misstated

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London

3 October 2017

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Definitions of corporate responsibility key performance indicators

This report details the Group's Corporate Responsibility performance for the year 1 September 2016 until 31 August 2017 referred to as the WH Smith PLC Corporate Responsibility Report 2015. This is issued alongside the WH Smith PLC Annual report and accounts 2017.

Some of the data reported is not exactly aligned to the year ended 31 August 2017 but is reported for a consistent period each year.

This report focuses primarily on the continuing activities undertaken by our retailing operations in the UK and Ireland under the WHSmith brand, also under other WHSmith brands including Funky Pigeon, Card Market and Gadgetshop. The impacts resulting from franchise operations and international stores are excluded from this report unless specifically stated. Other variances in reporting boundary are highlighted in the relevant section.

ENVIRONMENT

Energy consumption	The amount of gas and electricity used to power, light and heat our High Street and Travel stores, offices and distribution centres. Measured in kilowatt hours per square foot.
Equivalent carbon dioxide emissions per pallet moved	The kilogrammes of equivalent carbon dioxide emissions which are calculated to have been emitted by the combustion of fuel during the transport of each pallet of product to our stores. This covers both High Street and Travel stores. Equivalent carbon dioxide emissions are calculated from fuel usage using standard DEFRA conversion factors.
Total equivalent carbon dioxide emissions from energy, transport and business travel	<p>The tonnage of equivalent carbon dioxide emissions which are calculated to have been emitted by:</p> <ul style="list-style-type: none"> the combustion of fuel on the premises and caused to have been emitted by the power stations generating the electricity which we buy (used to power, light and heat stores, offices or distribution centres); the transport of our products from distribution centre to store; and air, rail and car travel by our staff between different business premises. Sea, bus and taxi travel are excluded. Where actual mileages were unavailable assumptions were made based on the cost of travel purchased to ensure a more representative total figure is disclosed. <p>Equivalent carbon dioxide emissions are calculated using standard DEFRA conversion factors.</p>
Scope 1 greenhouse gas emissions	<p>The tonnage of equivalent carbon dioxide emissions associated with the transport of our products from distribution centre to store using vehicles owned by third parties. Also the equivalent carbon dioxide emissions associated with the combustion of gas on the premises to heat stores, offices or distribution centres.</p> <p>These emissions are calculated using standard DEFRA conversion factors.</p>
Scope 2 greenhouse gas emissions	<p>The tonnage of equivalent carbon dioxide emissions caused to have been emitted by the power stations generating the electricity which we buy (used to power, light and heat stores, offices or distribution centres).</p> <p>These emissions are calculated using standard DEFRA conversion factors.</p>
Scope 3 greenhouse gas emissions	<p>The tonnage of equivalent carbon dioxide emissions associated with business travel by WHSmith employees via air, train and car. Sea, bus and taxi travel are excluded. Where actual mileages were unavailable assumptions were made based on the cost of travel purchased to ensure a more representative total figure is disclosed.</p> <p>These emissions are calculated using standard DEFRA conversion factors. Scope 3 air emissions are based on emission factor with radiative forcing included.</p>

ENVIRONMENT (continued)

Definitions of corporate responsibility key performance indicators continued

Total High Street landfill waste arising	<p>The quantity of waste sent for disposal in landfill, measured in tonnes.</p> <ul style="list-style-type: none"> • Distribution centre, office and Biffa-managed UK High Street store waste is based on collections which occurred during the year. • Individual landfill bin weights are based on averages following a sampling exercise. • The Biffa-managed High Street store waste is extrapolated to the remainder of the High Street estate where waste collection data was unavailable. • The figure reported does not include the waste disposed of by Travel stores where waste disposal is controlled by landlords.
Total High Street recycled waste arising	<p>The quantity of waste collected for recycling, measured in tonnes.</p> <ul style="list-style-type: none"> • Distribution centre, office and Biffa-managed UK High Street store recycling is based on collections which occurred during the year. • Individual recycling bin weights are based on averages following a sampling exercise. • The Biffa-managed High Street store waste is extrapolated to the remainder of the High Street estate where waste collection data was unavailable. • The figure reported does not include any recycling waste disposed of by Travel stores where waste disposal is controlled by landlords.

RESPONSIBLE MARKETPLACE

Percentage of own brand Stationery sold units which are from FSC, PEFC or recycled sources	<p>The percentage of own-brand stationery products, which are made from pulp which comes from recycled sources or certified sustainably managed forests. The certified sustainably managed forest schemes are the Forest Stewardship Council or Pan European Forest Certification schemes.</p> <p>The percentage reflects the number of own-brand stationery units which fall into the category above and which were delivered to WHSmith or sold by Funky Pigeon during the year. The data is for the UK business and also the own-brand products supplied to WHSmith's international stores.</p>
Number of ethical trade improvement plans completed on time	<p>After each factory audit, we agree an ethical trade improvement plan with the factory management, outlining the areas where we believe they need to improve their ethical trade policies and performance. A date is agreed with the factory management for these improvements to be completed. We measure how many action plans are returned to WHSmith on time, together with evidence of improvements having been made. The data is for the UK business and also the own-brand products supplied to WHSmith's international stores.</p>

WORKPLACE

Senior management team	<p>This group comprises employees who are members of the senior executive committees (who are not also members of the Board).</p>
Management team	<p>This group comprises store managers and senior head office staff (who are not also members of the senior management team). Data for WHSmith's UK business.</p>
Major injury	<p>A reportable major injury would include fractures, other than to fingers, thumbs and toes; dislocation of the shoulder, hip, knee or spine; loss of sight (temporary or permanent); any other injury leading to unconsciousness, or requiring resuscitation, or requiring admittance to hospital for more than 24 hours of an employee, contractor or member of the public.</p>

WORKPLACE (continued)

Definitions of corporate responsibility key performance indicators continued

Injuries resulting in over seven days' absence from work/hospitalisation

An injury which causes an employee or contractor to be away from work or unable to perform their normal work duties for more than seven consecutive days (not counting the day of the accident) or which requires hospitalization of an employee, contractor or member of the public.

RIDDOR (Reportable under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations)

An injury which resulted from an accident arising out of or connected with work activities which was required to be reported to the external safety regulatory authorities under the requirements of UK legislation in relation to employees, contractors or members of the public.

COMMUNITY

Cash donated

The gross monetary amount that the Company pays in support of a community organisation or project. This includes direct donations and membership and subscriptions to community organisations. Measured in £.

Gifts in kind

The non-cash resources which the Company has committed to community activities, which can include product, equipment, or other non-cash items from the Company to the community. These are valued at cost, rather than RRP, where appropriate. Measured in £.

Staff time

The staff time contribution is the cost to the Company of the paid working hours contributed by employees to a community initiative or activity. The business average cost of employee time is used. Measured in £.

Management costs

The costs incurred by the Company in making its contributions. Such costs will include the salaries, benefits and other overheads of community affairs staff along with research and communications spend if designed to help the community engage with the Company.

ADDITIONAL DEFINITIONS

Employee

A person working directly for the Company and paid directly by the Company.

Staff

The employees (including management) who work directly for the Company and are paid directly by the Company.