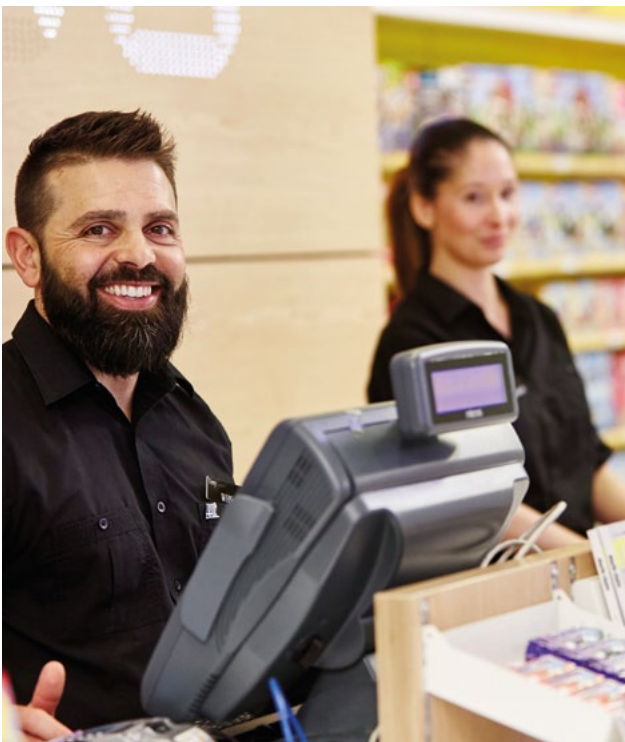


WH Smith PLC

CORPORATE RESPONSIBILITY REPORT 2019



CONTENTS

ABOUT US

About this report	3
CEO Introduction	4
About us	5
Group at a glance	6
Our business model and strategy to create value	6

GOVERNANCE

Our CR strategy	7
Management and accountability	7
Our stakeholders	8
Identifying and reviewing our key impacts	9

RESPONSIBILITY IN THE MARKETPLACE

Customer focus	10
Responsible retailing	10
Improving access for customers	11
Paper sourcing	11
Ethical trading	12
Modern Slavery	13
Targets	13

ENVIRONMENTAL MANAGEMENT

Managing our carbon emissions	14
Reducing energy consumption	15
Improving transport efficiency	16
Waste management	17
Reducing plastic waste and other packaging	17
Helping our customers to reduce waste	18
Conserving water resources	18
Targets	18

OUR PEOPLE

Engaging with our staff	19
Realising potential	19
Valuing our people	20
Promoting diversity	22
Employee share ownership	22
Health and safety	24
Targets	24

COMMUNITY IMPACT

Our charity partnerships	25
The WHSmith Charitable Trust	26
Working with the National Literacy Trust	27
Celebrating World Book Day	27
Supporting our local communities	28
Other donations through stores	28
Measuring our community investment	28
Targets	28


ASSURANCE

Independent assurance report	29
Definitions of corporate responsibility key performance indicators	30



Find out more at
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ABOUT THIS REPORT

This is our 12th published Corporate Responsibility Report, covering our social, environmental and ethical performance for the year 1 September 2018 until 31 August 2019. It is an annual report issued alongside the WH Smith PLC Annual Report and Accounts 2019 and is published in October 2019.

SCOPE OF THIS REPORT

This report focuses primarily on the activities undertaken by our retailing operations in the UK under the WHSmith, Funky Pigeon, Cardmarket, Cult Pens, Dotty about Paper and Tree of Hearts brands. All of our international operations are included in the descriptions of policies, procedures and governance arrangements, and our directly-run international operations (in Australia, France, Germany, Ireland, Italy, Qatar, the Netherlands, Singapore, Spain and USA) are included in certain performance data indicators as defined on pages 30 to 31.

Performance data for joint venture and franchise operations are not included in this report. Some of the numbers reported may not be exactly aligned to the year ended 31 August 2019 but are reported for a consistent 12-month period each year. Any other variances in reporting boundary are highlighted in the relevant sections.

WHO IS THE REPORT WRITTEN FOR?

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

We have aimed to provide general information for stakeholders who want to understand how we manage our performance as a responsible company, and 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 full report are also available for our employees via our intranet.

ASSURANCE OF REPORT CONTENT

Corporate Citizenship has been engaged to provide assurance over selected aspects of this report for the reporting year ended 31 August 2019. A copy of their independent assurance report can be found on page 29.

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.



INTRODUCTION BY STEPHEN CLARKE

WELCOME TO WH SMITH PLC'S 2019
CORPORATE RESPONSIBILITY REPORT

We have been serving customers through our presence in town centres, travel hubs and hospitals for 227 years, providing a retail destination of choice and a sense of community for thousands of customers every day. We have a presence in 30 countries, employ 14,000 employees, source products from thousands of suppliers and play an important part in creating vibrant and sustainable local economies.

We recognise we have an obligation to grow our business sustainably, providing financial returns for our shareholders, whilst maintaining high standards of environmental stewardship and social equity. In delivering these obligations, it is important that our colleagues, business partners and suppliers are able to make the right decisions. We support them with a strong values-based culture, ongoing training and development, and a solid foundation of responsible business governance, policies and programmes.



To engender trust with our customers, we need to maintain high standards of business integrity, environmental stewardship and social equity."

STEPHEN CLARKE
GROUP CHIEF EXECUTIVE



This is our 12th Corporate Responsibility Report and my final one as CEO. We are almost at the end of the current phase of our Corporate Responsibility Strategy, which has included a set of objectives and targets for our key issues to 2020. It has provided us with an effective roadmap to deliver on some of the key sustainability challenges that society has faced over the last decade. We have made major progress in reducing greenhouse gas emissions from energy and fuel use, tackling waste, and ensuring our products are sourced responsibly with respect for the environment and the rights of workers in our supply chain. We now have the evidence to show that the vast majority of WHSmith paper and card products are sourced from recycled or sustainably-certified sources. We have increased the range of healthier food products in our stores and tried to ensure that our pricing strategy is fair to all of our customers.

We know, however, that we have more to do, and as I hand over to my successor, we begin work on the next part of our sustainability journey with a new strategy for the years ahead. Climate change remains one of the most critical threats facing humanity, and we must assess how we respond to the challenge. Deforestation continues, causing harm through the acceleration of climate change and loss in biodiversity. Workers across the world are still subjected to long hours for low pay, in poor working conditions and with little respect for their human rights. We have made good progress to date in all of these areas, but we need to ensure a continued robust response as the nature and scale of the challenge evolves.

During my time as CEO, I am particularly proud of the positive impact that we have had on people's lives. Over the past decade, we have invested over £11 million in local communities, and raised nearly £3 million more through the generosity of our customers and employees. The WHSmith Trust is entering the 15th year of its partnership with the National Literacy Trust, and we have had a direct impact on the literacy skills of over 60,000 children through support for reading.

Our programme to promote mental well-being in the workplace has been strengthened again this year, with over 90 per cent of our line managers and store managers attending mental health awareness training and as many mental health first aiders across our business as physical first aiders. We now have in place a solid foundation and a clear set of activities to promote and protect the mental health of our employees and their friends and families.

The beliefs, concerns and aspirations of our many diverse stakeholders continue to shape our activities and influence the way in which we operate. We hope that this report demonstrates the progress we are making in responding to a wide range of environmental and social challenges. We look forward to setting out our future vision and strategy and providing an update on our progress in next year's report.

STEPHEN CLARKE
GROUP CHIEF EXECUTIVE

17 October 2019

ABOUT US



- WH Smith PLC is one of the UK's leading travel retailers with a smaller business located on the UK high street.
- WHSmith Travel is a leading travel retailer with a presence in a wide range of locations in the UK including airports, hospitals, railway stations and motorway service areas with a fast growing International business in 30 countries, mainly in airports.
- WHSmith High Street is present mainly in prime locations on most of the significant high streets and shopping centres in the UK.
- Travel and High Street are run by separate management teams reflecting the different customers, strategies, operating models and cost structures.
- 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.
- WHSmith reaches customers online via www.whsmith.co.uk, its specialist personalised greetings cards and gifts website www.funkypigeon.com, its specialist online pen shop www.cultpens.com and through its personalised stationery websites www.dottyaboutpaper.co.uk and www.treeofhearts.co.uk.
- Find out more about WHSmith at www.whsmithplc.co.uk.

GROUP AT A GLANCE

TRAVEL

WHSmith Travel is a leading travel retailer in the UK with a fast growing International business outside of the UK. During the year, we acquired InMotion, a market leading digital accessories retailer in US airports. InMotion has an excellent store portfolio with 116 stores across 43 airports in the US, the largest travel retail market in the world.

WHSmith Travel sells a range of products serving customers in travel locations 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 2019, the business operated from 1,019 units (2018: 867 units), mainly in the UK, in airports, railway stations, motorway service areas and hospitals. 433 of these units (2018: 286 units) are outside the UK and mainly in airports.

Travel delivered another strong trading profit performance at £117m, up 14 per cent year on year. We made good progress in Travel's growing International business, winning an additional 45 units, (including WHSmith and InMotion units), bringing the total number of units open outside of the UK to 433.

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.

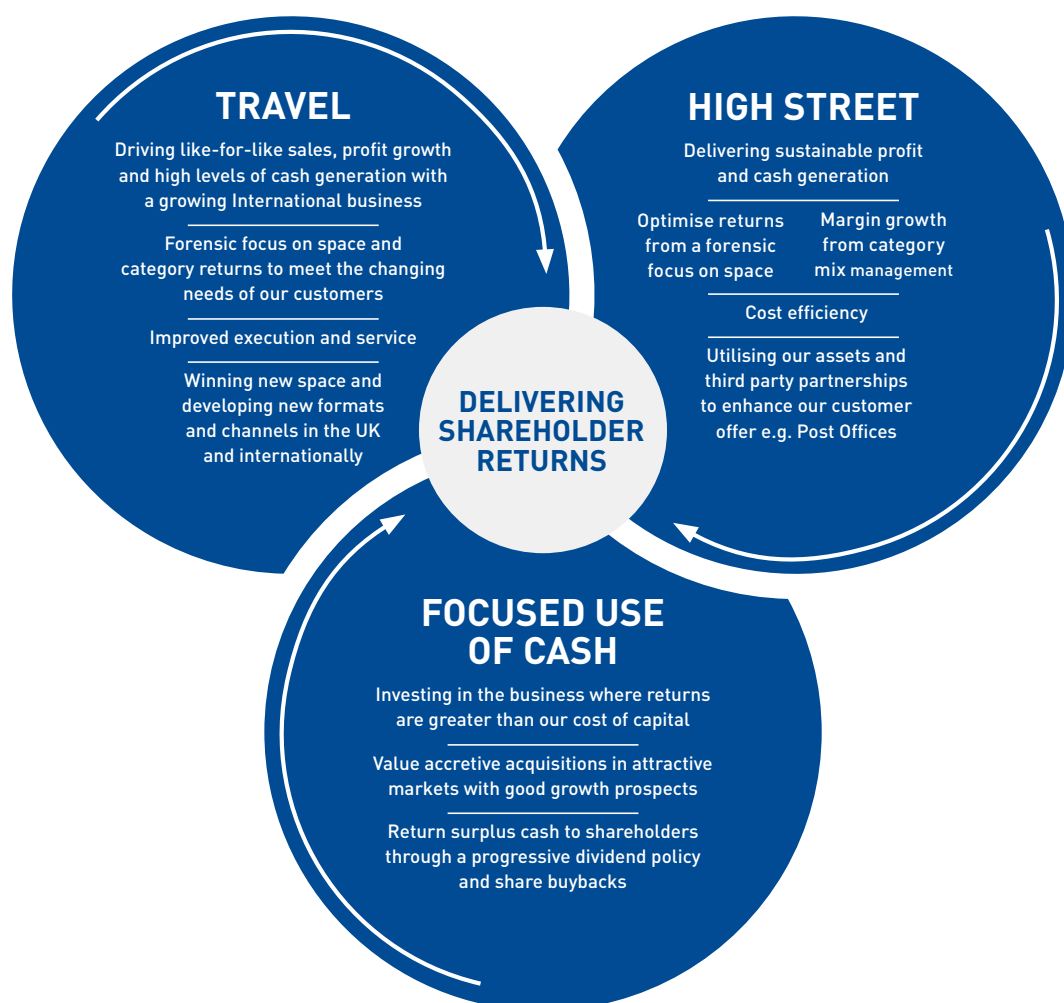
As at 31 August 2019, the business operated from 576 WHSmith High Street stores (2018: 578 WHSmith stores), located on most of the UK's significant high streets. We now operate over 200 Post Offices from within our High Street stores further cementing our position on the high street and at the heart of the communities we serve.

Our online digital business operates through five websites:

www.funkypigeon.com, www.whsmith.co.uk, www.cultpens.com, www.dottyaboutpaper.co.uk and www.treeofhearts.co.uk.

High Street delivered a good trading profit performance with a profit of £60m.

OUR BUSINESS MODEL AND STRATEGY TO CREATE VALUE



OUR CUSTOMERS

OPERATING RESPONSIBLY

RIGHT PEOPLE AND SKILLS

GOVERNANCE

WHSmith has a long-standing commitment to high standards of corporate responsibility (CR). Our strategy plays an important role in risk management, business development and delivering 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 stewardship, responsible sourcing and selling, managing our workforce and our impact on local communities. As a brand that has been trading in the UK for 227 years, we are committed to operating responsibly and playing an important role in the communities in which we are based.

OUR CR STRATEGY

Our CR strategy is built around four pillars:



MARKETPLACE

which embraces our activities to deliver great customer service and ensure our products are sourced sustainably and marketed responsibly.



ENVIRONMENT

which includes our programmes to minimise energy consumption, fuel use, greenhouse gas emissions, waste and water usage.



OUR PEOPLE

which incorporates our commitments, priorities and action plans to deliver the best experience we can for employees.



COMMUNITY IMPACT

which comprises all of our charitable activities and involvement in local communities.

Delivering this strategy requires strong corporate governance at all levels of our organisation.



MANAGEMENT AND ACCOUNTABILITY

The four pillars of our strategy are based on key areas where we believe that WHSmith's business has the greatest sustainability impact. Each of those pillars includes a series of programmes with objectives and targets to drive continual improvement.

Accountability for each area rests with named members of our Board, who, in turn, are supported by senior executives responsible for delivering our objectives and ensuring 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 Valuing our People, and was developed taking into account the expectations of our key stakeholder groups.

The Board regularly reviews our CR strategy and overall performance against our objectives. It receives a formal update on CR issues twice a year. The Group Audit Committee, which is a sub-committee of the Board, and the Operating Business Risk Committees review the progress made towards achieving our long-term sustainability targets once a quarter, together with any emerging issues which need to be considered.

We use a range of CR policies and standards, which we review periodically to ensure they remain appropriate. Details of the relevant policies can be found at the start of each section of this report. Our full suite of policies can also be viewed on our website at www.whsmithplc.co.uk/corporate_responsibility.

As our business expands internationally, it is a priority for us to ensure that our CR policies are implemented across our global operations. We are working with our management teams across the world to help them address priority issues and to ensure that key policies on issues such as anti-corruption, ethical trade, modern slavery and forestry are being effectively implemented. As part of this work, our international partners are asked to certify compliance with our policies every year.

GOVERNANCE continued

OUR STAKEHOLDERS

We identify our stakeholders as those who we affect and those who affect us. Views from our stakeholders are important in helping us to shape our overall approach and individual initiatives. We engage with a wide range of stakeholders including customers, employees, local communities, suppliers, policy makers and non-governmental organisations (NGOs). We have a two-way dialogue with many of these groups, which enables us to build a clear understanding of their views, explain the rationale for our approach, and discuss appropriate ways to respond to their feedback.

It is important to us to understand and include 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 programmes.

Below is a table detailing our key stakeholder groups, their expectations or material concerns, and how we have engaged with them throughout the year. We will continue to include stakeholder feedback in our future plans and development of our CR strategy.

STAKEHOLDERS	EXPECTATIONS	ENGAGEMENT
Customers	Our customers expect that we manage our business responsibly, and in doing so, we offer a wide 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. Our store teams and dedicated customer service team are in constant dialogue with our customers, and we ensure that customer feedback is communicated to the relevant parts of the business and taken into account as we develop and implement our policies, operational activities 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 protect their well-being, offering a safe working environment.	We communicate with employees via regular written updates and face-to-face briefings. We provide CR updates to all staff via weekly communication channels, and everyone is encouraged to feedback on our CR activities. We conduct annual employee engagement surveys to gather staff views on working for WHSmith. At head office, we run a quarterly employee forum where team representatives are encouraged to raise any issues or concerns. We work closely with the GMB and RBA unions, whose members participate in our Health and Safety Committees. We have extensive programmes to promote employee well-being, for example through our mental health first aider programme and annual Well-being at Work week.
Investors	Our investors expect continued creation of shareholder value through 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 communicate with shareholders through our results presentation, Annual General Meeting and our 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 corporate responsibility and food policy. We work with government departments on specific initiatives, for example, this year we have been in dialogue with DEFRA and the Scottish Government on the development of single-use plastics policy and deposit return schemes. We also work at a local level with constituency MPs in the Swindon area to look at how we can support local causes.
Non-governmental organisations (NGOs) and charities	NGOs expect WHSmith to take a leading role in CR issues, such as supporting sustainable forest sourcing, ethical trading and reducing greenhouse gas emissions. We work with numerous charities who would like us to support their efforts.	We regularly engage with various organisations, such as the Ethical Trading Initiative and the Business Disability Forum 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. This year we have continued to foster close relationships with our charity partners on an extensive programme of fundraising and employee engagement activities.
Suppliers	Our suppliers expect us to deal with them fairly and to have the opportunity to grow their business through our relationship.	We engage with our suppliers in a number of ways, including through the provision of training programmes and one-to-one meetings on specific issues, for example, forest sourcing or modern slavery. We work with key suppliers in Asia to improve labour standards for workers and ensure our products are sourced responsibly.
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 look at ways of conserving energy or reducing waste. We occasionally collaborate on community initiatives.
Local communities	Local communities expect WHSmith to play an active part on the local high street and act as a good corporate citizen.	Our store teams are involved with town centre initiatives to promote vibrant high streets, and many of our teams have extensive links with their local communities through schools and local charities. The WHSmith Trust encourages fundraising for local charities by matching funds raised by employees. Our literacy projects and schools giveaways reach out to promote reading in schools across the UK.

GOVERNANCE continued

IDENTIFYING AND REVIEWING OUR KEY IMPACTS

In order to ensure that our CR strategy remains relevant and addresses the ethical, environmental and socio-economic factors of greatest relevance to our business and wider society, we regularly evaluate existing and emerging risks and opportunities.

This evaluation is informed by analysis of legislative and consumer trends; insights from engagement with peers, NGOs and CR specialists; and global initiatives such as the United Nations Sustainable Development Goals and the Global Reporting Initiative.

We consider how these issues have the potential to impact and be impacted by our business and approach. We also include stakeholder feedback obtained as part of our engagement programmes, particularly through our customer service channels and our employee engagement surveys and forums.

We use this analysis to ensure that our CR strategy and reporting continues to include those issues which are most material to our business and therefore require the greatest focus.

Our executive team is fully involved in developing our CR priorities for the year ahead, and they are also agreed by the Group Board.

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, or existing areas where a fresh perspective is required.

The following issues have been identified as our most material this year:

MARKETPLACE

- Customer service
- Responsible marketing and pricing
- Sustainable sourcing, including ethical trade, forestry and modern slavery
- Healthy eating



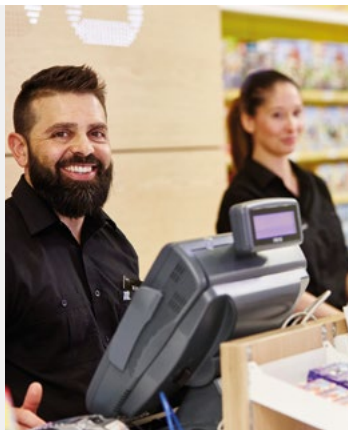
ENVIRONMENT

- Energy and fuel use, and our greenhouse gas emissions
- Waste including single-use plastics and consumer packaging



OUR PEOPLE

- Health, safety and employee well-being
- Employee equality and diversity



COMMUNITY IMPACT

- Community engagement
- Charitable contributions to good causes



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.

RESPONSIBILITY IN THE MARKETPLACE

OUR COMMITMENT

We are committed to offering our customers a wide choice of quality products that are safe, responsibly sourced and provide great value. Customers expect assurance that our products are made with care for the environment and that factory workers are treated fairly. We are engaging with our suppliers to ensure high standards for their workers and protection for the environment. We want shopping at WHSmith to be convenient and easily accessible to everyone.

RELEVANT POLICIES

- Responsible Sourcing Guidelines
- Sustainable Forests and Palm Oil Policy
- Marketing Code of Practice

CUSTOMER FOCUS

Maintaining a high level of customer service across the Group is critical to the success of our business, and we have a number of initiatives to ensure that our customers enjoy their retail experience with us.

We are passionate about maintaining a knowledgeable, expert sales team who are trained to understand and identify the needs of our customers, and who are equipped to deal with queries in relation to specific products or to the wider retail environment.

We have continued with training for store managers on expected standards this year, providing them with the necessary skills to have conversations with store staff to continue to improve customer service levels.

Our people are critical to delivering our customer service vision and we recognise and reward staff who deliver excellent customer service. We celebrate success and share best practice through our 'Customer Hero' programme where we recognise those colleagues who go above and beyond to deliver excellent customer service. In our High Street business, we also operate a recognition scheme where Regional Business Managers award a gold badge to store staff showing exemplary customer service.

We use mystery shopping reports and direct customer feedback to understand how our customers feel about us and to monitor customer service standards across our stores. This year, we have installed technology at our till points and self-serve units in our busiest Travel stores to collect customer feedback at the end of every transaction. The customer insights that they provide are leading to improvements in operating practices and targeted feedback for staff development and recognition and reward schemes.

Our senior management team continues to visit each and every site, assessing and scoring the store on a specific set of criteria focused on customer service and store standards.

Our recruitment policies focus on identifying candidates with expertise and passion for the products they will be selling, particularly for our specialist stores, such as Bookstores, TechExpress and Health and Beauty.



RESPONSIBLE RETAILING

We take our responsibility for the products we sell seriously, 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 for products designed for children.

We carry out regular reviews of product ranges, displays and promotions and evaluate any new product launches to ensure that they meet our responsible marketing guidelines and undertake regular benchmarking against other convenience retailers and newsagents to ensure we are meeting industry standards.

We rotate our promotions on a regular basis so that they include a wide range of products, ranging from water and new book releases to seasonal items like adhesive tape or stamps.

We continue to focus on extending our healthy ranges, giving our customers a wider choice when they buy food or drink from WHSmith. We now have over 25 lines in our Munch Better chilled food range, all of them under 400 kilocalories and amber or green on the nutritional traffic light system.

In our Travel business, we have trebled the amount of fruit sold and reduced confectionery options available through our Meal Deal offer from 110 products to fewer than ten, whilst heavily promoting healthier alternatives such as new lines of sandwiches and salad options.

In our High Street business, we have introduced fruit into many of our largest stores.

Our queuing system now includes a range of protein bars, Graze products and own brand Munch lines that span raw nuts and fruit, and we have moved fresh fruit to front of store in all hospital sites.

Initiatives like this, together with improved ranges, have contributed to healthier snacking sales growing by over eight per cent within Travel last year.

RESPONSIBILITY IN THE MARKETPLACE continued



Within Hospitals we have complied with the Commissioning for Quality and Innovation (CQUIN) criteria in England and the Healthcare Retail Standard (HRS) criteria in Scotland, which set out requirements for all retailers operating on NHS sites. In compliance with these criteria, we ensure that there are no price promotions, advertisements or till point positioning of sugary drinks and foods high in fat, sugar or salt in our hospital stores, and that healthy options are widely available.

We work hard to ensure we have a fair pricing policy across all of our stores. Over recent years, we have expanded the number of formats and locations we operate in, with over 1,100 stores now open in the UK. We aim to provide our customers with the products and services they expect from us, as well as a convenience offer in some locations. Our pricing by format reflects the environment in which we operate as rent and operating costs vary considerably across our estate. In our Hospital stores, our prices are the same as or lower than our High Street stores despite the higher operating costs.

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 products are safe, fit for purpose and meet legal standards as well as our brand standards. We pay particular attention to products designed for children. We closely monitor developments in legislation to ensure that products are compliant.

Some of the products we sell carry age restrictions, for example, some adhesives, tobacco, vaping and lottery products. We also voluntarily restrict sales of energy drinks to under 16s. 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 work with our suppliers to ensure that they understand their obligations under the legislation and that they provide us with the information we need to ensure compliance and product safety.

IMPROVING ACCESS FOR CUSTOMERS

We want our stores to be as accessible as possible for all customers. We pay particular attention to our disabled customers and have had a programme in place for a number of years to adapt stores to accommodate their needs.

We carry out disability access audits across all of our stores and have an ongoing capital development programme which prioritises ongoing improvements. This covers the installation and upkeep of specialised equipment and access features such as customer lifts, internal ramps, automatic doors and other adjustments.

Regular tests are undertaken on the equipment we have in place to ensure everything is working correctly and that appropriate signage is in place for customers.

We want to ensure that all of our staff know how they can best assist customers who need additional support. We provide training to all of our employees, using materials and guidance provided by the Business Disability Forum (BDF), of which WHSmith has been a long-standing member.

PAPER SOURCING

Paper-based products are a core part of WHSmith's business and sustainable paper sourcing is one of our key CR priorities. We are committed to minimising the environmental impact of the paper used in our own-brand products, and to ensuring that all virgin (i.e. non-recycled) material used in our products is from known, legal, well-managed and credibly-certified forests.

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 timber and paper sourcing systems.

We have set certified or recycled forestry products as a minimum standard, which gives additional assurance that pulp is from low risk sources. We use the two leading global standards developed by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) for certification.



RESPONSIBILITY IN THE MARKETPLACE continued

Our sourcing teams both in the UK and the Far East work with our suppliers to help them understand our requirements and how the data they provide is needed to demonstrate that the pulp used in a WHSmith product is sourced from a certified or recycled source.

We continue to make progress, having already exceeded our 2020 target of 95 per cent last year, and have this year reached 98 per cent. 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 to suppliers and increasing the number of products produced from certified or recycled papers.

This year, we redrafted our Sustainable Forests Policy, expanding it so that it now applies to goods not for resale, and recognising that a small proportion of our food and healthcare products contain palm oil.

98 per cent

of our own-brand stationery products use pulp from recycled or certified sources

ETHICAL TRADING

Our customers want to be confident that the products they buy have been sourced ethically, made by workers who are not exposed to exploitation or unsafe working conditions, and produced without harm to the environment. Our ethical trade activities are part of our commercial strategy and help to build stronger and more transparent relationships with our suppliers. We are committed to respecting human rights across our supply chain by providing training, sharing knowledge and engaging in collaborative industry initiatives.

WHSmith is a member of the Ethical Trading Initiative (ETI), an alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. Our Ethical Trade Code of Conduct is based on the ETI's Base Code, the International Labour Organisation (ILO) core conventions and the Universal Declaration of Human Rights. It underpins all our ethical trade strategy and activities. We will only place orders with suppliers who are committed to working towards compliance with our Code.

70 issues

raised and remedied through our worker initiative this year

We have recently redrafted this Code of Conduct to form a set of Responsible Sourcing Guidelines which set out more detailed expectations for suppliers in relation to our most important issues, including those impacting migrant workers and women. The Guidelines will be launched later this year.

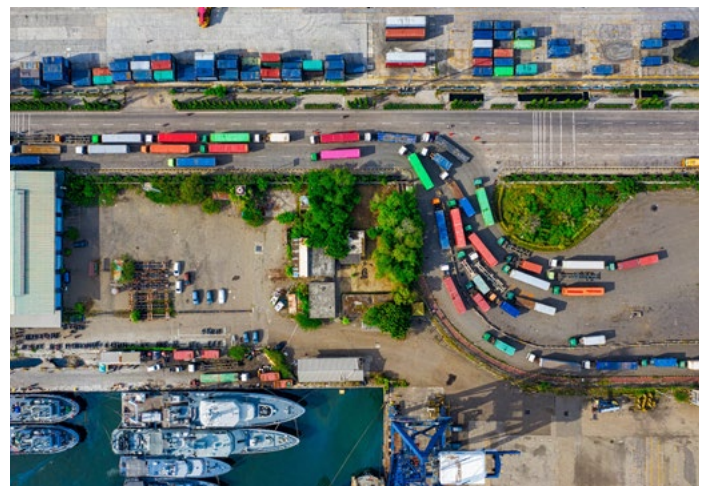
Our ethical trade programme has three key elements: training for buyers so that they understand the role they need to play; factory audits to assess supplier compliance with our Ethical Trade Code of Conduct; and supplier engagement projects aiming to continually improve labour rights and working conditions for factory employees.

We focus on audit and engagement with suppliers of our own-brand products in Asia, which is a strategically important part of our business and one where we can have most influence. Our supply chain comprises around 220 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 larger proportion of their supply and tend to have longer-term commercial relationships. Outside of this supply base, we tend to be a comparatively small customer, buying relatively limited quantities, often of seasonal products. Our ability to influence activity with these suppliers is more limited, but we seek to raise awareness of the business case for better working conditions to encourage suppliers to work with us.

We have an in-house ethical sourcing team based in Hong Kong, Shenzhen and Shanghai which carries out both audit and engagement work. They audit suppliers for compliance with our Code of Conduct at least every two years, using a risk-prioritised programme of announced and unannounced site visits and review of third party audit reports. Suppliers are given a compliance score and rated as gold, silver, bronze or unacceptable.

A factory receives an unacceptable grading if any serious violations are identified, if the factory refuses to adhere to an agreed action plan following the audit, the factory cannot provide full payroll or time records on the day of the visit or if access is denied to the factory. Orders are suspended until the issues are satisfactorily resolved. This year we have suspended business with four suppliers who have been unable to provide the necessary levels of documentation and assurance.

The most frequent issues identified in our audits include health and safety problems, compliance with conditions relating to working hours and from missing paperwork.



RESPONSIBILITY IN THE MARKETPLACE continued

We are members of SEDEX (Supplier Ethical Data Exchange) which provides additional risk assessments and audit data for some of our suppliers. This year we have undertaken a review of our salient labour issues, which are those issues which are important because of their potential detrimental impact on those involved with and impacted by our supply chain. Saliency begins from the perspective of the risk to people that could be impacted, rather than the perspective of business risk, although there is clearly convergence between significant risk to human rights and risk to the business. We used a number of sources of information and data including generic information published by governments, international agencies, trade unions, NGOs and other third party experts; and information specific to our supply chain gathered from workers during site visits, worker surveys and worker representation committee meetings. Our salient labour issues are shown below.

WHSMITH'S SALIENT LABOUR ISSUES



We spend a significant amount of time engaging with suppliers to support them as they seek to improve conditions for workers. Engagement focuses on resolving specific problems identified during audits and on longer-term projects to improve the most common issues such as health and safety or worker representation.

Our health and safety programme provides training for factory management on setting policy, developing effective safety management systems, training workers and auditing the workplace to ensure working conditions are safe. This year we have established a social media group to allow supply chain workers to share best practice and address common issues.

Eleven of our largest suppliers are currently engaged with our Worker Representation Initiative where we are working with factory managers to develop better worker representation and engagement processes. The aim of the project is to help some of our key suppliers to develop fully functioning worker management committees to represent workers on any matter affecting their rights and to resolve problems as they arise.

Over 70 issues have been identified across the 11 factories this year with nearly all of them being addressed and remedied successfully. We shared our work on worker representation with other retailers at an ETI best practice sharing workshop this year.

We have a worker hotline in place to allow workers in our supply chain to report any issues to us in confidence. We investigate and follow up on any calls to ensure appropriate action has been taken. We are continuing to roll out this hotline to more suppliers, providing training and raising awareness of the existence of the hotline and how it can benefit workers.

We have begun to map and investigate our Tier two supply chain (who are suppliers to the companies that we buy products from) and have established that many of our direct Tier one suppliers conduct some sort of audit or checks on their suppliers to ensure compliance with the ETI's Base Code, which is the industry standard for workers' rights.

MODERN SLAVERY

Modern slavery, including all forms of slavery, servitude, forced and compulsory labour and human trafficking, is an abhorrent abuse of human rights. We are committed to ensuring full respect for the human rights of anyone working for us in any capacity and we take a zero tolerance to modern slavery.

We have developed a due diligence process to make sure we are identifying, assessing and providing appropriate risk control for any modern slavery risks. This includes mitigation and remedy where needed.

We have reported on this area in detail in a separate Modern Slavery Statement which is available at <http://www.whsmithplc.co.uk/docs/Modernslaverystatement2018.pdf>

TARGETS: MARKETPLACE

	TARGETS	CURRENT STATUS	PROPORTION OF TARGET MET
ETHICAL TRADING	By 2020, 90 per cent of supplier ethical trade improvement plans completed on time.	78 per cent of improvement plans completed on time this year ^Δ	87 per cent
FORESTRY	By 2020, 95 per cent of own-brand stationery products to be made from pulp from certified or recycled timber sources.	98 per cent of own-brand stationery products from certified or recycled sources ^Δ	Target met

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

ENVIRONMENTAL MANAGEMENT

OUR COMMITMENT

Climate change and resource scarcity are complex global challenges which are already affecting businesses and their supply chains. For WHSmith to be more sustainable, we must use the world's resources wisely and play our part in tackling climate change. We are committed to reducing the environmental impacts of our operations and our supply chain: we are reducing carbon emissions through energy efficiency and improved logistics; we are working hard to minimise waste from packaging, to reduce our use of plastics and to cut out food waste; and we are making it easier for customers to recycle our products and packaging.

RELEVANT POLICIES

- Environmental Policy

MANAGING OUR CARBON EMISSIONS

Global greenhouse gas (GHG) emissions for period 1 September 2018 to 31 August 2019 (tonnes of CO₂e)

	2018/19 ^A	PERCENTAGE OF CARBON FOOTPRINT	2017/18
Scope 1 emissions	2,653^A	10 per cent	2,659 ^A
Combustion of gas to heat and cool WHSmith stores, offices and distribution centres.			
Scope 2 emissions (location-based)	16,152^A	63 per cent	18,667 ^A
Electricity purchased for WHSmith's own use to power, light and heat stores, offices and distribution centres.			
Scope 3 emissions	6,940^A	27 per cent	6,430 ^A
Combustion of fuel for the transport of products from distribution centres to stores using vehicles owned by third parties. Also emissions from WHSmith employee business travel (by air, rail and owned and non-owned motor vehicle).			
Total (UK emissions)	25,745^A	100 per cent	27,756 ^A

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

METHODOLOGY AND SCOPE

Our methodology for the reporting of GHG emissions has been developed using the following guidance: GHG Protocol (including the Corporate Standard and Scope 2 and 3 guidance documents); CDP guidance (including the 2019 Climate Change Responder's Pack and the Technical Note on Accounting of Scope 2 Emissions); and guidance from the Climate Disclosure Standards Board. We have also begun to incorporate the recommendations of the Task Force on Climate-Related Financial Disclosure into our reporting, and further details on our climate-related governance, strategy, risk management and metrics and targets are provided in our Annual Report and Accounts. Conversion factors from the UK Government Department for the Environment, Food and Rural Affairs (DEFRA) have been used to calculate GHG emissions.

Greenhouse gas reporting guidance now recommends disclosure of two different Scope 2 emission values: one using a 'location-based' method and one using a 'market-based' method.



The location-based method uses an average emissions factor that relates to the grid on which energy consumption occurs, and is usually a country-level electricity emissions factor. The market-based method applies where supplier-specific information or energy certificates are available, and uses an emissions factor specific to the electricity purchased. Our primary metrics in the table above use the location-based method, based on DEFRA country conversion factors. When calculated using the market-based method, our Scope 2 emissions are based on supplier-specific factors for the electricity we procure and were 22,058 tonnes CO₂e^A in 2018/19, giving total greenhouse gas emissions of 31,651 tonnes CO₂e^A.

Our emissions for Scope 1 and 2 GHG emissions for directly-run international businesses have been estimated by taking an average consumption for a travel store in the UK, and multiplying that figure by the number of stores we run internationally. International emissions are reported separately on the following page and are not included in the table above.

ENVIRONMENTAL MANAGEMENT continued

REDUCING ENERGY CONSUMPTION

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 opportunities to reduce our overall GHG emissions and operating costs for the business.

Our energy consumption in 2018/19 was 77,600 MWh, a decrease of three per cent over the previous year, partly as a result of energy efficiency measures, and partly due to less extreme weather conditions than in the previous year.

Our absolute combined total of Scope 1 and 2 GHG emissions decreased by ten per cent to 18,800 tonnes CO₂e. This represents a reduction of 66 per cent against our long-term GHG reduction target to cut emissions from stores and distribution centres by 45 per cent per square foot by 2020 (against a 2006/07 baseline).

This year, we have continued to roll-out energy best practice to our High Street and Travel stores. This has included installation of building management systems to monitor energy consumption across stores, and altering energy settings for lighting, heating and air conditioning to minimise energy use whilst maintaining a welcoming and comfortable environment for customers.

We have recommissioned temperature controls for chillers and air conditioning units in all UK Travel stores this year to optimise operating temperatures. These controls automatically switch off air-conditioning units when temperatures are within an optimal range.

Emissions from lighting make up a significant part of our carbon footprint and improving the efficiency of our lighting therefore remains a priority. This year, we have begun to replace the existing LED lights, which are now coming to the end of their life, with new equipment which provides a wider beam of light for wall displays and till points, reducing the need for more energy-intensive perimeter lighting in store. These lights have been installed in 70 stores to date and are expected to deliver a further 10–15 per cent reduction in electricity consumption. The roll-out will continue next year.

This year we also introduced aerofoils to the front of our refrigeration units in 360 stores to minimise energy consumption as a result of cold air loss. Open-fronted refrigerators consume significant quantities of energy to maintain the cold temperatures needed for chilled food and drink. Any cold air which escapes results in further energy consumption to cool the refrigeration units and to warm the surrounding aisles to keep them at a comfortable temperature for customers. By mounting aerofoils to the front of the chiller shelves, we reduce cold air losses, meaning less energy is needed to maintain the chillers at the required temperature and to warm the shop aisles. Trials have shown that this technology can reduce energy consumption by up to 30 per cent.

We estimate Scope 1 and 2 emissions from our International stores to be approximately 6,040 tonnes CO₂e for this year, which is approximately 30 per cent of the value for UK operations. The value has increased this year due to the inclusion of an estimate for our InMotion stores in the USA. This year, we have undertaken an energy audit of our Australian business to look for opportunities to improve energy efficiency. Accurate calculation of our international footprint is more difficult as most of our energy supplies are provided by landlords.

ENERGY CONSUMPTION (BUILDINGS)
(MWH)

2018/19	<div style="width: 100%;"></div>	77,600 ^a
2017/18	<div style="width: 99%;"></div>	80,396
2016/17	<div style="width: 95%;"></div>	75,335
2015/16	<div style="width: 97%;"></div>	77,050
2014/15	<div style="width: 100%;"></div>	85,419

GHG EMISSIONS INTENSITY (BUILDINGS)
(KG CO₂e PER 1000 SQ FT)

2018/19	<div style="width: 100%;"></div>	4.48 ^a
2017/18	<div style="width: 99%;"></div>	5.12
2016/17	<div style="width: 95%;"></div>	5.61
2015/16	<div style="width: 97%;"></div>	6.45
2014/15	<div style="width: 100%;"></div>	7.82

^a Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

66 per cent

reduction in GHG emissions per area
of floorspace since 2007

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 the vehicles used to distribute products between our distribution centres and stores make up a significant part of our GHG emissions and we work hard to maximise efficiency wherever we can. Emissions this year were 5,054 tonnes CO₂e and since 2007, we have reduced our CO₂e emissions per pallet moved by 24 per cent.

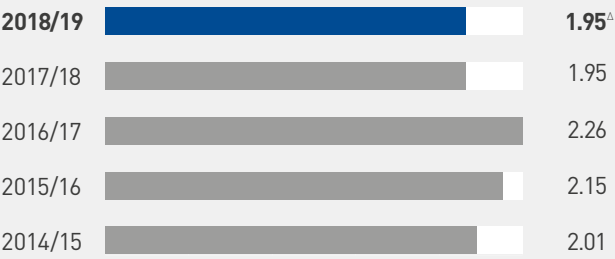
We work with our transport providers to carry out regular and in-depth reviews of our transport operations to help to optimise routing and delivery frequency. Our fuel consumption has reduced very slightly by 0.3 per cent this year, mainly as a result of introducing some additional activities, previously undertaken by an external party, into the remit of our main contractor.

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. 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. A notable variation to the service this year has been the collection from suppliers of Point of Sale (POS) units to bring back to our distribution centres for onward delivery to stores on our own network of vehicles, rather than supplier networks.

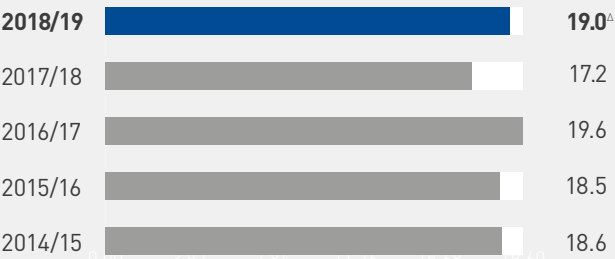
We also monitor GHG emissions from employee business travel which were 1,886 tonnes CO₂e in 2018/19, a rise of 45 per cent due to more travel by our teams as a result of expansion of our Travel and International business. Although business travel is a small proportion of our overall carbon footprint, we continue to look at ways to reduce our emissions, by asking employees to consider whether travel is necessary and encouraging them to use public transport.



FUEL USE (DISTRIBUTION)
(MILLION LITRES)



GHG EMISSIONS INTENSITY (DISTRIBUTION)
(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 29.

24 per cent
reduction in GHG emissions per pallet
moved since 2007

ENVIRONMENTAL MANAGEMENT continued



WASTE MANAGEMENT

Waste generated by the use of resources can impact the environment in several ways: energy and raw materials such as oil or forestry products are used in manufacturing; and waste materials can impact the air, land and marine environments when they are no longer needed. Transitioning to a circular economy, where materials are used more effectively, means we can reduce waste and costs.

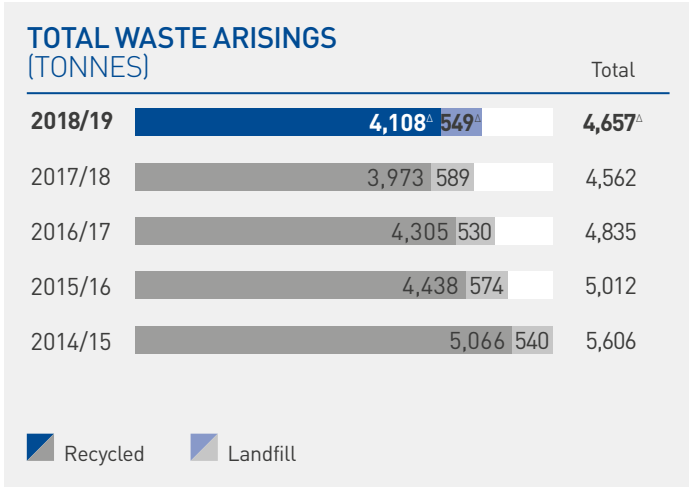
Waste is not only damaging to the environment but costly for our business, so we are focused on reducing waste and maximising reuse and recycling wherever we can. Most of our waste comes from the cardboard and plastic packaging which is used to protect the quality and integrity of goods during transit.

We are working hard to minimise the quantity of packaging which is needed so that materials are reduced at source. We have introduced reusable skips to transport goods between our distribution centres and stores. In our High Street stores, we operate a dry mix recycling system for 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.

The total amount of waste generated this year has increased slightly in comparison with 2017/18 to 4,657 tonnes. This slight increase is predominantly due to focused efforts to remove a build up of redundant point of sale material and excess cardboard from our stores and a greater quantity of waste from Post Office concessions which have been integrated into our High Street estate. Whilst overall volumes have increased slightly, the proportion of waste going to landfill has decreased this year to 12 per cent, partly as a result of better waste management practices to reduce cross-contamination of skips containing recycled material, and partly due to a larger proportion of waste that can be recycled because of the Post Office integration.

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 or in any of our international stores where waste management is handled by our Landlords.

The number of food lines that we sell is growing, and eliminating food waste is a priority for our Travel business. One of the main sources of food waste is from unsold sandwiches which have reached their use by date. We have implemented a number of initiatives over the past two years, including a new stock control system to improve forecasting and ordering of chilled food sales, so that we only stock the chilled food that we expect to sell, reducing waste volumes. Following a successful trial we have now rolled out a discounting strategy in all our stores – engaging store colleagues to reduce the price of any sandwiches that are approaching but have not yet exceeded their use-by date. Over the past three years we have delivered a 34 per cent reduction in the proportion of sandwiches wasted.

REDUCING PLASTIC WASTE AND OTHER PACKAGING

Excessive packaging continues to be a concern for consumers and environmental stakeholders, and much of the heightened interest this year has been on single-use plastics. Packaging materials are designed to protect items to maintain quality and enhance product shelf life. But excessive packaging can negatively impact the environment, because energy and raw materials are used in the manufacturing process, and when packaging is no longer needed, it can harm the air, land and marine environments.

It is important for us to reduce unnecessary packaging, both for environmental reasons, but also to minimise the cost impacts on our business which are three-fold: from the purchase price of the packaging itself, paying for it to be transported to our distribution centres and stores, and the waste disposal costs once the packaging is discarded. We regularly review the type and quantities of packaging over which we have control, including primary packaging of our own-brand products and the secondary packaging used to protect goods during transit and distribution. We seek to identify opportunities to minimise packaging or use more environmentally-preferable solutions where possible.

ENVIRONMENTAL MANAGEMENT continued

Each year, we report the quantity of the packaging we handle to the Environment Agency and pay a packaging levy to fund the recovery and recycling of a set percentage of this material. The majority of this packaging is from food and drink products supplied by other major brands, where we have limited control over the materials and quantity of packaging used. However, a sizeable minority of packaging comes from our own-brand stationery goods and the buying team has an ongoing programme to work with our design team and our suppliers to improve the way we package our products. This year for example we have redesigned the packaging for our Christmas ranges to use cardboard in place of plastic, and cut-out windows to showcase products rather than photos on plastic labels.

Reducing the number of plastic carrier bags we give to customers has been a focus for many years, with our staff asking customers whether they need a carrier bag and promoting the use of reusable bags. We introduced a Bag for Life into all of our High Street and Travel stores several years ago, and have gradually reduced sales of single-use bags. We considered switching to paper bags this year, but after reviewing the total environmental impact of paper versus plastic, we have decided that the better environmental option is to encourage customers to bring their own reusable bags, only supplying a plastic Bag for Life when it is necessary to do so.

We have continued engagement with the government consultations on reform to packaging regulations and the introduction of a deposit return scheme which will require retailers to take back drinks containers for recycling once a customer has finished with them.

Our Coffee House coffee shops and office restaurants now only stock wooden stirrers, rather than plastic ones and reusable cups are available in our shops and office restaurants. We have also introduced a much wider range of refillable water bottles into our stores. This year we switched our best selling line of bottled water to a product contained in 100 per cent recycled plastic. This year, we have also started to mandate that suppliers of greetings cards provide them without cellophane wrapping, removing the need for unnecessary packaging.

HELPING OUR CUSTOMERS TO REDUCE WASTE

We want to make sure that any waste electrical equipment or batteries from the products we sell do not end up in landfill at the end of their lives. Collection points are in place for customers to recycle their old batteries in the majority of our stores and this year we have collected five 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. This scheme provides funding for local authorities to enhance the WEEE takeback facilities in their civic amenity sites. We provide signage in-store and on our website to inform customers about the importance of recycling the valuable components within these products and direct them to their local civic amenity site with WEEE recycling capability.

This year we introduced a takeback scheme into our High Street stores in conjunction with BIC, to provide a route for customers to return plastic pens for recycling at the end of their life.

CONSERVING WATER RESOURCES

Water resources are in increasingly high demand in many parts of the world and this trend looks likely to continue. In comparison with some other businesses, we do not use large quantities of water in our operations, only for employee use in our stores and offices.

We continue to ensure that water use is managed responsibly and many of our stores have water meters in place to monitor the water we use and identify any possible savings. Our design specifications for new stores and store refurbishments include water-saving features for sanitary ware. We have very little control over the major component of our overall water footprint which comes from the water used by suppliers in the manufacture of the products that we sell.

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	4.48 t CO ₂ e/1,000 sq ft ^A	Target met
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	19.0 kg CO ₂ e/pallet ^A	Target met
By 2020, we will send less than five per cent of waste to landfill.	n/a	n/a	12 per cent to landfill ^A	93 per cent

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

OUR PEOPLE

OUR COMMITMENT

People are the greatest resource of any business, and it is important that we take care of both their well-being and their careers. WHSmith is committed to providing training and development for all employees and to ensuring that colleagues feel engaged in the business and its priorities. We want to be an inclusive employer with a diverse workforce where everyone has a sense of belonging. We have four key values – Accountability, Drive for Results, Customer Focus and Valuing our People – which are at the heart of our business and are used to assess the performance of all of our staff.

RELEVANT POLICIES

- Code of Business Conduct
- Suite of Employee Policies
- Mental Well-being Policy
- Health and Safety Policy

ENGAGING WITH OUR STAFF

We understand the importance of connecting with, engaging and congratulating our staff. To measure how employees feel about our business, we conduct regular employee engagement surveys across the head office population, our distribution centres and store manager community. The surveys are designed to seek employee feedback on a range of issues, including learning opportunities, team working, the working environment and how we manage employee health and well-being. The results are reviewed and shared with all staff, and actions are agreed to respond to specific points of feedback. This year, employees responded that they felt fairly treated by line managers and knew what was expected of them, but that work-life balance could be improved for head office employees, and the regularity of performance reviews and discussions on career progression increased for store staff.

We have a number of other ways of engaging and communicating with our employees on a regular basis. The senior leadership team holds quarterly employee briefings to update employees on business strategy, and we also hold regular team briefings across the business. In our High Street business, each team elects departmental representatives to attend our employee forum. The forum provides an opportunity for employees to discuss different issues and for sharing ideas about how to make the office a better place to work. In the last few months of the year, the Swindon forum has focused on shaping a new working environment in preparation for a move to a new head office. The Travel business holds monthly all-team meetings in the London head office, where employees are encouraged to participate and share views.

Further information is disseminated through weekly e-newsletters and the intranet. All of these engagement channels provide opportunities to update staff on company performance, to celebrate and recognise success and to provide mechanisms for staff to raise issues and ask questions.



Our weekly 'Hall of Fame' gives employees a chance to highlight when a colleague has delivered something exceptional and to show appreciation for their peers' hard work. A short testimony and description of why the colleague is appreciated is disseminated in a special e-newsletter. We also hold annual employee recognition schemes for employees. The High Street business runs an awards scheme, where employees are nominated and voted for by colleagues. This year, awards were made across twelve different categories, including entrepreneurship, innovation and creativity, inspiring management, making a difference and being a team player. In our Travel business, awards were given for bravery, taking ownership, collaboration and leadership. We also celebrate the achievements of our store staff as they work hard to deliver our business plans and strategies. We operate an Annual Store Awards programme, which includes Store of the Year, Leader of the Year, Great Place to Work Award and a Special Recognition Award.

REALISING POTENTIAL

Our Learning and Development programmes are designed to support our employees as they develop their careers. We provide a range of learning opportunities and initiatives that are designed to help our employees develop their skills and experience. These include training workshops, online courses, external events, and mentoring and coaching. We review and develop these activities, to ensure that they continue to meet the requirements of our business and the learning and development needs for our employees.

The WHSmith management team all attended two training sessions this year on positive leadership practices which looked at the impact that leaders can have on their teams and how positive role modelling and management practices can make a difference to team performance.

In May 2019, we held 'Learning at Work Week' at our London and Swindon offices, with workshops running throughout the week on the theme of 'Shaping our Future' for all head office employees. Topics included assertiveness, resilience, personal productivity, managing for performance, mental and physical well-being and environmental issues. Sessions were hosted by members of the senior leadership team, other internal experts and external speakers.

OUR PEOPLE continued

The workshop format has been extended, with members of the senior leadership team now running monthly learning and development workshops to share their expertise and experience on a range of topics with the wider head office community. Our 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. We also run a graduate scheme which provides learning and development opportunities for employees at the start of their career through 15 months of experience in a commercial environment, working with our trading, finance or IT teams. The graduates' programme has been supplemented throughout by support from senior leaders, as well as workshops to develop skills such as influencing, impact and communication.

In our High Street business, where we are transforming a number of our highest volume stores, we have provided extra training and development to store managers. We have successfully integrated over 200 Post Office franchised branches into our High Street estate, and continue to embed the teams and operational processes into our overall Business Model.

Individuals have regular career conversations with their managers during the year, with more formal performance reviews taking place annually. In addition to monitoring performance, we also use a model of employee potential to help us to identify, develop and retain our talent within the business. Mentoring plays a critical role in the development of our talent pipeline at all levels, providing targeted one-to-one support for individuals from someone in a more senior role. Managers and senior executives act as mentors supporting employees with their development requirements to ensure they are ready to take on more stretching roles.

VALUING OUR PEOPLE

One of the key points of feedback from our employees continues to be the importance of work-life balance and flexible working arrangements. We have a number of initiatives to promote flexible working, with line managers encouraged to consider requests for flexible working hours and home working. This year we have introduced a core hours trial to introduce greater flexibility around when head office employees can start and finish their working day. This is now being extended across the head office community.

90 per cent

of our line managers attended a half-day workshop on mental health awareness

Our recruitment team challenges line managers to consider how working arrangements defined within the role specification for every new hire could be made more flexible. 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. All head office employees also receive an extra day's holiday on their birthday.



MAKING A COMMITMENT TO MENTAL HEALTH ACROSS THE ORGANISATION

At WHSmith we believe that it is just as important to support our colleagues' mental well-being as it is to look after their physical well-being. Our strategy to promote mental well-being has three main objectives:

- To improve awareness and reduce stigma;
- To raise the level of mental health support across the business to at least the same level as physical health; and
- To bring about a change in culture to reduce mental health absence and improve employee productivity.

Our strategy is led from the top, with our CEO, Stephen Clarke, signing the Time to Change pledge in February 2017, committing to changing the way in which we think and act about mental health in the workplace. Sue Baker, Director of Time to Change, has described the WHSmith mental well-being plan as a 'blueprint' for other retailers.

Our awareness raising and stigma-reduction work is underpinned by partnerships with accredited organisations, such as Time to Change, and mental health charities including MQ, the mental health research charity; Place2Be, the leading national children's mental health charity and CALM, a movement against male suicide. We use their resources, participate in their national events and look for opportunities to fundraise on their behalf.

This year has seen briefings for employees from representatives of MQ and CALM, participation in Children's Mental Health Week and employee-led initiatives such as lunchtime walking groups and a tea-and-talk day to raise mental health awareness.

We have distributed well-being posters throughout our stores and distribution centres which detail information on our anonymous support line for all employees, information on the WHSmith Benevolent Fund, which provides help in times of hardship, and the anti-bullying Speak Up line.

This year we have also published an Employee Mental Well-being Policy which outlines our approach to help prevent and address mental health issues among our employees.

OUR PEOPLE continued

On World Mental Health Day in 2016, WHSmith made a pledge to have as many mental health first aiders as physical health first aiders, and to train all line and store managers to be mental health aware. Since then, we have worked closely with Mental Health First Aid (MHFA) England to create a tailored approach to training, and have four instructors qualified by MHFA to deliver in-house training.

We have now met our target, with an equal number of mental and physical health first aiders. Over 170 employees have completed a two-day training course and monthly meetings to keep their knowledge alive, and over 1,130 line managers (over 90 per cent) have received a half-day MHFA awareness course. This year, we were one of the first retailers to deliver MHFA refresher training to those who had previously attended the training course.

The training helps our Mental Health First Aiders to develop a number of skills, which they can then use to support their colleagues, including:

- An in-depth understanding of mental health and the factors that can affect well-being;
- 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-judgmental listening; and
- Knowledge to help someone recover their health by guiding them to further support either through self-help resources, through us as their employer, the NHS, or a mix of support facilities.

We have now begun to measure the impact of our awareness-raising and training, and the signs are encouraging:

- 74 per cent of WHSmith employees now say they feel comfortable speaking to their line manager about their mental health if it is impacting their work, compared to the industry average of 16 per cent for the retail sector.
- The reported absence rates for employees in head office as a result of mental ill health have increased from 3 per cent to 24 per cent of total absence days, suggesting that stigma is on the decline and colleagues are now feeling more empowered to be open about the reason for their absence.
- Uptake of support is also on the rise with employee-helpline access rates increasing, and 81 per cent of employees say that they would know where to go to get support for their mental health at work.
- A recent employee survey indicated 93 per cent of respondents recorded WHSmith as being supportive about issues concerning mental health.
- Our network of mental health first aiders has reported an increase of 352 per cent in their knowledge and understanding of how to start a conversation about mental health. This metric is derived from the increase in numerical score given by course attendees at the end of their training, expressed as a percentage of the numerical score given at the start of their training, and is a metric which is used widely across the industry.



Although we are extremely proud of the progress we have made at WHSmith, we know there is still much more work to do, including making sure that we keep our First Aiders' training up to date with refresher training, reviewing aspects of our culture which can be changed to better promote mental well-being, and progressing options such as e-learning to extend the training to an even larger number of employees.

90 per cent

of employees think WHSmith is supportive about their mental health

We are also keen to share our experience with other organisations to assist with driving change, and this year have spoken at workplace mental health conferences and at the launch event for the 'Where's Your Head At' campaign to encourage businesses to train more mental health first aiders in the workplace. Time to Change and MHFA have also used our experiences as case studies.

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 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, for mobility scooters, stairlifts and other accessibility aids, and also provides care breaks and recuperative holidays.

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 where appropriate.

OUR PEOPLE continued

PROMOTING DIVERSITY

We recognise that every one of our employees is essential to the success of our business, regardless of their age, race, religion, gender, sexual orientation or physical ability. WHSmith is committed to promoting a culture of inclusion and diversity through our policies, procedures and working practices, aiming to ensure everyone receives equal treatment throughout their employee journey with us.

We know that diverse teams perform better and we want our organisation to reflect the diversity of our customer base. All our employees should feel able to be themselves and to bring their individual viewpoints, styles and experiences to their role. We benchmark diversity profiles for all employees, our management teams and our Board against peers and national averages to monitor our progress.

To promote gender equality, we continue to develop our succession pipeline to ensure we have a number of women ready for promotion. Mentoring plays a critical role in the development of our talent pipeline at all levels, and all our senior female executives act as a mentor to support others with their development requirements.

We continue to work with 'Everywoman' who provide a host of personal development tools aimed at women, including monthly webinars, workbooks and relevant career development articles. The partnership also provides our employees with links to an external network of professional women in other organisations so that contact, connections and relationships can be made easily. Both external research and our own employee surveys highlight that role models are critical in encouraging women to develop their careers.

30 per cent

of our senior management positions
are held by women

We are proud to be a member of the 30 per cent club which helps businesses to create strategies to increase the number of women in senior executive roles. We continue to work with workingmums.co.uk, which provides an online job and community website for professional and working mothers. The website allows us to advertise our roles, showcase our commitment to gender diversity and to 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. This year we have also started work with workingdads.co.uk, which offers a similar service for professional and working fathers.

All companies are now required to publish any difference in the average pay of male and female employees. Further details for WHSmith are available in our gender pay report: www.whsmithplc.co.uk.



Work this year has included new guidelines for managers on how to support women through the menopause and working to build awareness of peri-menopausal symptoms and how best to assist women at this stage of their life.

This year, we have also developed guidelines for managers to support employees who are transitioning their gender, and looked at what additional support mechanisms need to be in place for this group of employees.

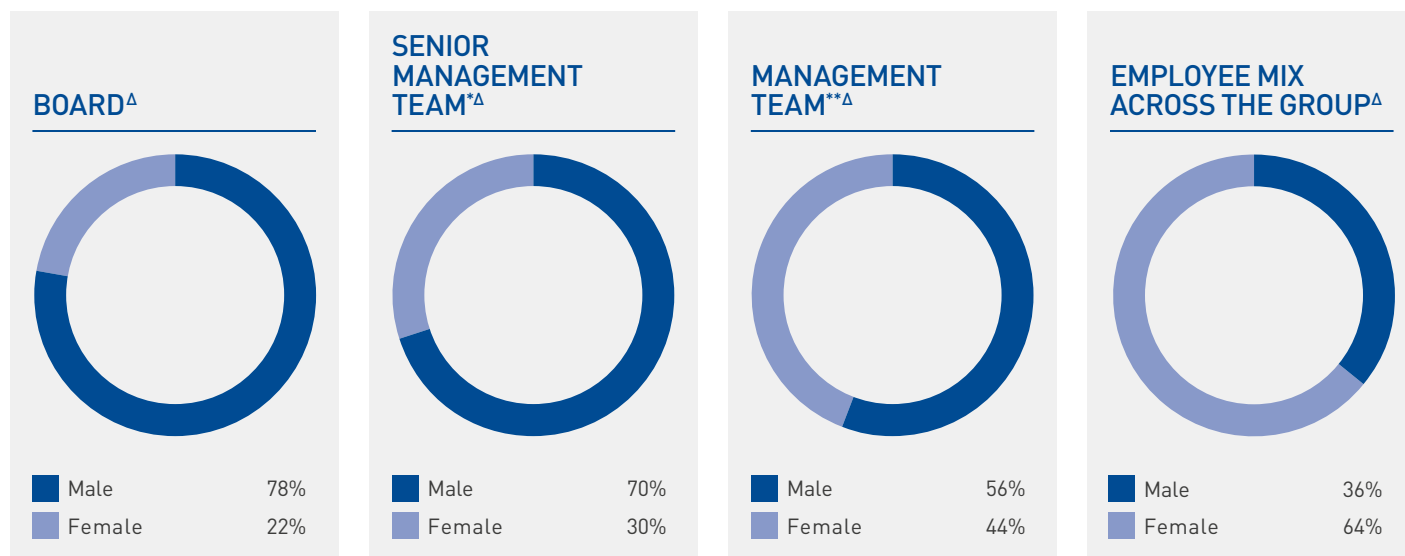
EMPLOYEE SHARE OWNERSHIP

WHSmith operates a HM Revenue & Customs Approved Save-As-You-Earn share option scheme (Sharesave Scheme), which 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 at a discount to the share price at the time.



OUR PEOPLE continued

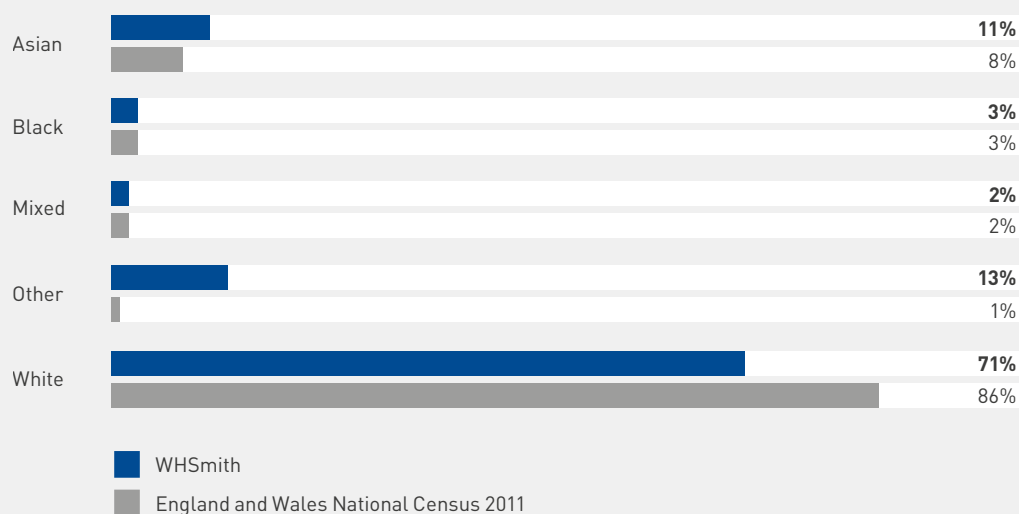
EMPLOYEES BY GENDER



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

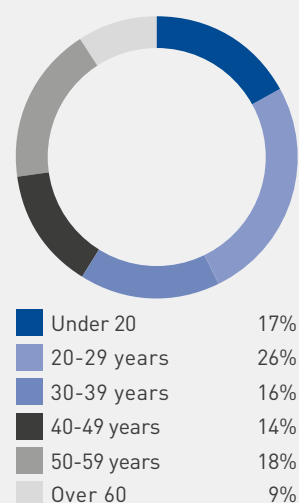
** This wider group includes store managers and senior head office staff (who are not also members of the senior management team).

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

ETHNIC ORIGIN – ALL EMPLOYEES ^Δ

^Δ Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

EMPLOYEES BY AGE



OUR PEOPLE continued

HEALTH AND SAFETY

Our Board is committed to maintaining high standards of health and safety and they receive an annual report detailing health and safety trends, performance and recommendations. The management team, supported by professional safety advisers, monitor key safety performance indicators on an ongoing basis, and our Health and Safety Committee of employees, senior managers, trade union representatives and professional safety advisers meets regularly.

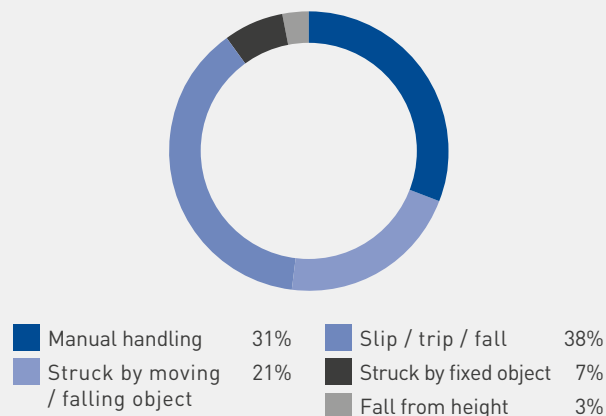
We evaluate our health and safety performance against our peers to ensure we continue to adopt best practice. We benchmark our performance data against other organisations' published information. We keep up to date with emerging practice through collaboration with peers via the British Retail Consortium's Risk and Safety Policy Advisory Group, which meets regularly to review health and safety issues and share best practice.

We have targeted ongoing reductions in the number of reportable accidents, and we continue to see a reduction, with the number of reportable accidents more than halving over the last six years.

Health and safety training is provided through our 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 well-being as part of our wider health and safety framework and monitoring programme. We also work with our insurers to operate an Employee Assistance Plan response line, available to all staff in the event they wish to obtain further support on health-related matters.

ACCIDENT BREAKDOWN

ACCIDENTS AND INJURIES^A

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Major injuries	5 ^A	5	4	4	8	4	13	7	8
Injuries resulting in over seven days' absence from work/hospitalisation	24 ^A	26	30	33	38	47	51	62	67
All RIDDORS	29 ^A	31	34	37	46	51	64	69	75

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

TARGETS: OUR PEOPLE

Target	Baseline	Baseline year	Current status	Proportion of target met
By 2020, 35 per cent of senior management positions held by women.*	14 per cent	2010	30 per cent ^A	76 per cent
By 2020, 60 per cent of head office senior management appointments to be internal promotions.	38 per cent	2010	64 per cent ^A	Target met

* Senior management includes Board.

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

COMMUNITY IMPACT

OUR COMMITMENT

WHSmith is at the heart of communities across the UK and we are committed to making a positive impact wherever we operate. We contribute to social cohesion and the economic development of local neighbourhoods, particularly through our work to champion literacy and assist local causes. We provide our customers with opportunities to support their favourite charities through in-store donations and purchasing of cause-related products.

RELEVANT POLICIES

- Community Engagement Policy

OUR CHARITY PARTNERSHIPS

In 2017, as part of our anniversary celebrations to mark 225 years since the opening of the first WHSmith news stand in 1792, we started fundraising to make a lasting difference to three charities. We asked employees across the UK to vote for the charities they would like to support and as a result we selected Cancer Research UK, MIND and the National Literacy Trust. At the start of our anniversary year, we set ourselves a target to raise over £2m for the three charities. Our fundraising efforts have continued this year and in total over the past two years, we have raised over £2.4m for our three charity partners.

Many of the activities that had been successful in previous years continued again this year, with stores fundraising through charity collection tins and buckets for customers to donate in-store. We continued to sell a range of commemorative products including Christmas cards, cookery books, charity bears, bags, jigsaws and tins of biscuits and sweets, with a proportion of the sale proceeds being donated to the charities. Funky Pigeon's customers have also donated money to Cancer Research during online purchases by rounding up their payment to the nearest pound.



67,500 children

helped to improve their reading through our initiatives

In October, WHSmith was again one of the official partners for Cancer Research UK's Stand Up To Cancer campaign, collecting donations from customers in store and selling branded Stand Up to Cancer products. In February, we marked World Cancer Day with sales of Unity Bands raising funds for Cancer Research UK. Later in the year we held another stock-drive for MIND with head office employees donating clothes, shoes, bric-a-brac, books and DVDs.

When choosing our charities, we wanted to ensure that our fundraising would make a fundamental change to people's lives. We worked with the three charities to identify projects to support which would make a meaningful difference. Our funding for Cancer Research UK is providing essential funding for their research to help beat cancer. The funds we raise for MIND are being used 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 have been used to establish a National Literacy Trust hub in the Swindon area, helping thousands of children and young people to discover the joy of reading and raising literacy levels.

Our charity fundraising has involved every part of our business, across our High Street and Travel stores, 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 is making.

£11m

invested in local communities



COMMUNITY IMPACT continued



HOW DO OUR DONATIONS HELP?

VITAL FUNDRAISING FOR STAND UP TO CANCER

One in two people born after 1960 in the UK will develop cancer at some point in their life and, today, three out of four will survive cancer within the next 20 years, compared to the survival rate of one out of four recorded in 1970. Our contribution to Cancer Research UK provides vital fundraising for research to help beat cancer, including Stand Up to Cancer's work. Our fundraising will help fund research to treat bowel, lung and skin cancers in particular.

MIND'S 'WHOLE SCHOOL' PROGRAMME

Half of all mental health problems have been established in young people by the age of 14, rising to 75 per cent by the age of 24. No young person should face a mental health problem alone, and the funds we have raised are enabling Mind to kick-start the development of their flagship whole school approach for Children and Young People, which tackles the mental well-being of all – children, parents, teachers and staff. Our support means that MIND can roll-out its programme into 24 schools and further education colleges across the UK, reaching over 11,000 children and young people, teachers and parents.

THE NATIONAL LITERACY TRUST'S SWINDON HUB

As the UK's leading bookseller and stationer, we are particularly passionate about literacy and life-long learning. Research findings consistently conclude that one of the most effective ways of helping children to reach their potential is to engage them in reading for pleasure. Children who read for pleasure make greater progress in mathematics, vocabulary and spelling between the ages of ten and 16 than those who rarely read. Young people who read regularly are significantly more likely to attain a professional or managerial position than those who do not read. Our money is being used to develop a literacy hub in Swindon to promote the love of reading to thousands of local children and young people. With our support, and that of Swindon Borough Council, the National Literacy Trust has:

- Hosted events for target groups, including mornings of storytelling, crafts, and book giveaways for foster families; and a pop-up story shop in the local shopping centre where children enjoyed storytelling, craft activities, and book donations supplied by WHSmith to inspire reading at home.

- Completed a pilot programme called Early Words Together which trains pre-school staff and volunteers to help parents gain the skills and confidence they need to support their young child's communication, language and literacy skills at home. The pilot ran in five settings this year, and is now being rolled-out to other nurseries and pre-schools in Swindon.
- Delivered courses for young adults as part of a 'Words for Work' employability programme to provide them with the literacy and oracy skills needed for employment: to date 40 young people and 30 volunteer workers have attended.
- Created the Lost Words Trail around Swindon to encourage children to spend time with their family and have fun exploring Swindon. The trail is inspired by The Lost Words by Robert Macfarlane, a book full of nature-themed words that are falling out of children's common usage. The trail was repeated this year during the summer holidays allowing youngsters to explore their local neighbourhood whilst enjoying a literacy-based treasure trail.
- Developed a schools literacy pledge asking schools in Swindon to commit to a series of measures to promote literacy. To date, 11 primary schools and four secondary schools have signed the pledge.
- Held a campaign in association with World Book Day to identify and promote Swindon's favourite children's books.

THE WHSMITH GROUP CHARITABLE TRUST

The WHSmith Group Charitable Trust is an independent registered charity which has two principal objectives:

- 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 fundraise or volunteer their time for charities, community groups and other local good causes. To support and encourage staff involvement, the Trust matches employee fundraising and volunteering. During the Trust's 2018 financial year, it made nearly 70 grants worth over £35,000 in total.

These grants go to match employee fundraising for charities our staff feel passionate about. Charities supported this year include health-related causes, such as Cancer Research UK, SANDS, Parkinsons UK and MQ; local hospices and hospitals; schools and pre-schools; Scouts and Guides; and remembrance charities such as the British Legion.

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 care centre, for example, or the time many of our employees spend volunteering in local schools. The Trust also makes grants to employees who are members of the school parent teacher association or Board of Governors.

350,000

World Book Day vouchers redeemed

COMMUNITY IMPACT continued



WORKING WITH THE NATIONAL LITERACY TRUST TO ENCOURAGE YOUNG READERS

WH Smith PLC and the 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.

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 attainment.

During 2018/19, we worked with the National Literacy Trust to deliver the final year of a three-year partnership, continuing our support of the Young Readers Programme, and introducing 'live literature' events to bring children into direct contact with authors, storytellers and illustrators, to bring books to life and inspire children to want to discover the world of books and reading.

Over the year, the WHSmith Trust's funding has allowed the National Literacy Trust to work with 1,500 children in 26 primary schools across the UK, allowing them to choose more than 4,400 free new books to keep. Over the course of our entire partnership, we have now helped to deliver fun, literacy-focused events for over 25,500 children and given out over 64,000 books across the UK.

The project focuses on schools in five areas of the UK, each identified as needing additional support for children's literacy. These areas are Glasgow, Manchester, Peterborough, Swansea and Teesside. In each area, the local WHSmith store team has been involved, working with the schools and hosting visits to the store.

All participating schools are provided with an annual gift of £150 worth of books selected from their local WHSmith store, to boost their school or classroom libraries and 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 is a live author event in inspirational local settings. These include Glasgow's Mitchell Theatre, Manchester Central Library, Peterborough Central Library, Swansea Central Library and Teesside's Riverside Football Stadium, and are run with the support of local partners, encouraging the development of sustainable links between schools and the wider community. At these events, children heard from award-winning authors including Cathy Cassidy, Christopher Edge, Guy Bass and Janis MacKay.

At the end of the current project year, an analysis of the evaluation forms completed by both teachers and pupils illustrated the impact on participating children and their attitudes to reading:

- 100 per cent of teachers noticed positive changes in their pupils' reading enjoyment;
- 100 per cent of teachers noticed positive changes in their pupils' reading skills;
- More than twice as many children enjoy reading very much as a result of taking part in the WHSmith Young Readers Programme (from 17.5 per cent to 40.3 per cent) and overall the proportion of children who say they enjoy reading either very much, quite a lot, or a bit has gone up from 83 per cent to 96 per cent;
- More than twice as many children would now describe themselves as good readers in comparison to before the programme (from 28.5 per cent to 63.5 per cent), and only 3 per cent of pupils now perceive themselves as not being very good at reading (from 20 per cent before the programme); and
- 100 per cent of teachers noticed some positive changes in the reading enjoyment of the reluctant readers in their class.

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 delivery of the UK's World Book Day initiative.

World Book Day is an important day in the year for our High Street business with many stores running special events like competitions, fancy dress, author signing sessions and tours of the bookshop, to see a book's journey from delivery to the shop floor. Local schools are invited into store so that children can take part and use their £1 World Book Day vouchers. This year, World Book Day was again a great success with over 350,000 £1 book vouchers redeemed. Two-thirds of our High Street stores ran events, using World Book Day as an opportunity to talk to local schools and establish or build on existing relationships. Thousands of children picked up their £1 book at these events and had a chance to listen to stories, and talk about reading.

In addition to providing and redeeming £1 World Book Day vouchers, we also partnered with the WHSmith Trust to donate WHSmith vouchers to schools across the UK for them to choose books to increase their school library resources. Over 250 schools were helped in this way with £25,000 of vouchers being donated.

COMMUNITY IMPACT continued

SUPPORTING OUR LOCAL COMMUNITIES

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.

OTHER DONATIONS THROUGH OUR STORES

We have a longstanding relationship with Save the Children and during Autumn and Winter 2018, we worked together to raise essential funds for children in desperate need. WHSmith employees and customers were proud to raise £53,000 for Save the Children Fund UK, by championing the charity's Christmas Jumper Day campaign and selling seasonal soft toys. Our employees were some of the millions of people who donned a jumper to support Save the Children.

The proceeds from the sales of single-use carrier bags in our UK stores are donated to good causes. Although many of our single-use carrier bags have been replaced by bags for life in most of our stores, we still continue to sell smaller bags for certain types of

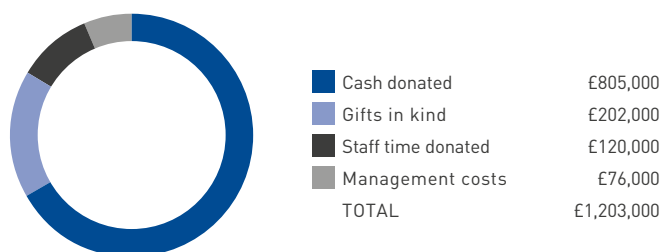
purchases. The carrier bag levy is administered by the WHSmith Community Fund, which made grants to hundreds of customer-nominated schools and charities across the UK during the last year. This year, we helped good causes including hospices and hospitals, community projects such as children's play facilities, schools and pre-schools, food banks and other local support groups.

MEASURING OUR COMMUNITY INVESTMENT

We use the London Benchmarking Group's (LBG) reporting model to calculate our community contributions to provide a standardised way of managing and measuring our 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.

COMMUNITY INVESTMENT



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	£11.3M ^A	Target met
In the decade to 2020, staff and customer fundraising initiatives will have raised over £1.25m to support partner charities.	2010	£2.7M ^A	Target met
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	67,500 children have taken part in literacy projects ^A	Target met

^A Reliability of the WHSmith totals for the selected CR performance data has been assured by Corporate Citizenship, as described on page 29.

INDEPENDENT ASSURANCE OF WHSMITH'S CORPORATE RESPONSIBILITY REPORT 2018/2019

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 2018/19. 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
- Greenhouse Gas Emissions
- Waste
- Paper sourcing
- Ethical Trading
- Diversity
- Health and Safety
- Community Impacts

The assurance covers the period from 1 September 2018 to 31 August 2019. 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 primarily relates to the retailing operations of WHSmith in the United Kingdom under the WHSmith, Funky Pigeon, Cardmarket, Cult Pens, Dotty about Paper and Tree of Hearts brands. Data relating to paper sourcing and ethical trade includes information from all directly-run international operations. WHSmith's franchise operations and indirect 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.

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). 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.

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 July 2019 and was completed in October 2019. 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, an Assistant Director and a Director, with a second 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 to evaluate Completeness; and
- Meeting with and interviewing staff responsible for the development and delivery of 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.

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 assurer of corporate responsibility and sustainability reports. This is the fifth 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 2018/19, is materially misstated.

Corporate Citizenship Limited,
London,
17 October 2019

DEFINITIONS OF CORPORATE RESPONSIBILITY KEY PERFORMANCE INDICATORS

This report, referred to as the WH Smith PLC Corporate Responsibility Report 2019, details the Group's CR performance for the year 1 September 2018 until 31 August 2019. This is issued alongside the WH Smith PLC Annual Report and Accounts 2019.

Some of the data reported is not exactly aligned to the year ended 31 August 2019 but is reported for a consistent period each year. Further details are provided in the table below.

This report focuses primarily on the activities undertaken by our retailing operations in the UK under the WHSmith, Funky Pigeon, Cardmarket, Cult Pens, Dotty about Paper and Tree of Hearts brands. Our directly-run international operations (in Australia, France, Germany, Ireland, Italy, Qatar, the Netherlands, Singapore, Spain and the USA) are included in performance data indicators as detailed in the table below. Performance data for joint venture and franchise operations are excluded from this report. Other variances in reporting boundary are highlighted in the relevant section.

ENVIRONMENT

Total greenhouse gas emissions from energy, transport and business travel (tonnes CO ₂ e)	<p>The tonnage of equivalent carbon dioxide emissions from:</p> <ul style="list-style-type: none"> the combustion of natural gas and from power stations generating the electricity which we buy to power, light and heat stores, offices and distribution centres; the transport of our products from distribution centres to UK stores; and air, rail and car travel by our UK staff between different business premises. Sea, bus and taxi travel are excluded. Where actual mileages are unavailable, assumptions are made based on the cost of travel purchased to ensure a more representative total figure is disclosed. <p>These emissions are calculated from energy and fuel data and use standard DEFRA conversion factors.</p>
Scope 1 greenhouse gas emissions (tonnes CO ₂ e)	<p>The tonnage of equivalent carbon dioxide emissions associated with the combustion of gas on our premises to heat stores, offices and distribution centres.</p> <p>These emissions are calculated from fuel data and use standard DEFRA conversion factors.</p>
Scope 2 greenhouse gas emissions (tonnes CO ₂ e)	<p>The tonnage of equivalent carbon dioxide emissions from power stations generating the electricity which we buy to power, light and heat stores, offices and distribution centres.</p> <p>These emissions are calculated from energy data and use standard DEFRA conversion factors.</p>
Scope 3 greenhouse gas emissions (tonnes CO ₂ e)	<p>The tonnage of equivalent carbon dioxide emissions associated with:</p> <ul style="list-style-type: none"> business travel by WHSmith employees via air, train and car. (Sea, bus and taxi travel are excluded. Where actual mileages are unavailable, assumptions are made based on the cost of travel purchased to ensure a more representative total figure is disclosed); and the transport of our products from distribution centres to UK stores using vehicles owned by third parties. <p>These emissions are calculated from fuel data and use standard DEFRA conversion factors. Scope 3 air emissions are based on emission factors with radiative forcing included.</p>
Energy consumption (kwh)	<p>The amount of gas and electricity used to power, light and heat our stores, offices and distribution centres, expressed as an absolute value.</p> <p>Energy consumption for our directly-run international stores has been calculated by multiplying the average consumption for a UK travel store by the number of stores in non-UK markets.</p>
Greenhouse gas emissions intensity (kgCO ₂ e per 1000 sq ft)	<p>The quantity of greenhouse gas emissions produced from the energy to power, light and heat each square foot of floor space in our stores, offices and distribution centres. Greenhouse gas emissions are calculated from energy data and use standard DEFRA conversion factors.</p>
Fuel consumption (litres)	<p>The amount of fuel used to power vehicles used to transport products between our distribution centres and UK stores.</p>
Equivalent carbon dioxide emissions per pallet moved (kg)	<p>The quantity of greenhouse gas emissions produced from the combustion of fuel during the transport of each pallet of product to our UK stores. Greenhouse gas emissions are calculated from fuel usage and use standard DEFRA conversion factors.</p>
Total waste arisings – landfill (tonnes)	<p>The quantity of waste sent for disposal in landfill.</p> <p>Distribution centre, office and Biffa-managed UK High Street store waste is based on collections which occur during the year.</p> <p>Individual landfill bin weights are based on averages following a sampling exercise.</p> <p>The Biffa-managed High Street store waste is extrapolated to the remainder of the UK High Street estate where waste collection is handled by landlords and data is unavailable.</p> <p>The figure reported does not include the waste from Travel or International stores where waste disposal is controlled by landlords.</p>

DEFINITIONS OF CORPORATE RESPONSIBILITY KEY PERFORMANCE INDICATORS continued

Total waste arisings – recycled (tonnes)	<p>The quantity of waste collected for recycling.</p> <p>Distribution centre, office and Biffa-managed UK High Street store recycling is based on collections which occur during the year.</p> <p>Individual recycling bin weights are based on averages following a sampling exercise.</p> <p>The Biffa-managed High Street store waste is extrapolated to the remainder of the High Street estate where waste collection is handled by landlords and data is unavailable.</p> <p>The figure reported does not include any recycling waste from Travel or International stores where waste disposal is controlled by landlords.</p>
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RESPONSIBLE MARKETPLACE

Percentage of own brand stationery products which are certified 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 are delivered to WHSmith (including for UK or International stores) or sold by Funky Pigeon during the reporting year.</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 own-brand products supplied to the UK business and International stores.</p>

OUR PEOPLE

Senior management team	This group comprises employees who are members of the senior executive committees (who are not also members of the Board).
Management team	This group comprises UK-based store managers and senior head office staff (who are not also members of the senior management team).
Major injury	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. Data is for the UK business only.
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 hospitalisation of an employee, contractor or member of the public. Data is for the UK business only.
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. Data is for the UK business only.

COMMUNITY IMPACT

Cash donated (£)	The gross monetary amount that we have contributed to support a community organisation or project in the UK. This includes direct donations, membership and subscriptions to community organisations.
Gifts in kind (£)	The non-cash resources that we have committed to community activities, which can include product, equipment, or other non-cash items. These are valued at cost, rather than the recommended retail price, where appropriate.
Staff time (£)	The staff time contribution is the cost to the Company of the paid working hours contributed by employees in the UK to a community initiative or activity. The business average cost of employee time is used.
Management costs (£)	The costs incurred by the Company in making its contributions in the UK. Such costs will include the salaries, benefits and other overheads of community affairs staff.

ADDITIONAL DEFINITIONS

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