



WH Smith plc Modern Slavery Statement 2018

Introduction

Modern slavery, including all forms of slavery, servitude, forced and compulsory labour and human trafficking, is an abhorrent abuse of human rights. WHSmith is 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 in our business operations and supply chains. This is our third statement published in accordance with the Modern Slavery Act 2015 and outlines our approach and work undertaken during the year ending 31 August 2018. This statement was approved by the Board on 6 December 2018.

Stephen Clarke
Chief Executive Officer, WH Smith PLC
Date: 6 December 2018

Business description

WH Smith PLC is one of the UK's leading retailers and is made up of two core business – Travel and High Street. We currently employ approximately 14,000 people worldwide:

- WHSmith Travel sells a range of products to cater for people on the move or in need of a convenience offer, including food and drink, books, newspapers, magazines and travel accessories. As at 31 August 2018, the business operates from 867 units, mainly in airports, railway stations, motorway service areas, hospitals and workplaces. 286 of these units are outside of the UK, across 28 countries, operated either directly by WHSmith, or under a joint venture or franchise model. Further details on international locations can be found on our [website](#).
- WHSmith High Street sells a wide range of stationery, books, newspapers, magazines, toys, cards and confectionery, with a presence on most major high streets in the UK. As at 31 August 2018, the business operates from 607 stores.

We also have an online presence through [whsmith.co.uk](#), our specialist personalised greetings cards and gifts website, [funkypigeon.com](#), and our specialist pens business, [cultpens.com](#).

This statement includes the activities of WH Smith PLC, WH Smith Travel Limited, WH Smith High Street Limited, WH Smith Retail Holdings Limited, WH Smith Hospitals Limited, Card Market Limited, [funkypigeon.com](#) Limited and SQL Workshop Limited.

WHSmith has three main types of suppliers. Around 250 suppliers provide our own-brand products – principally stationery and chilled food. The vast majority of these suppliers are based in China, but we also source a small number of products from factories in India, Malaysia, South Korea, Taiwan, Turkey and Vietnam. Over 1,000 suppliers provide non-WHSmith branded products – they range from large multi-national brands to small enterprises. Finally, we have over 2,000 suppliers of non-merchandise services and goods not for resale. Purchasing and supply chain management are led by a team of buyers based predominantly in the UK, supported by a specialist ethical trade team based in China. All of the operations and supplier relationships described above are included within the scope of this statement.

Policies and governance

WHSmith is committed to respecting human rights in our business operations and supply chain as set out in the [International Bill of Human Rights](#) and the [International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#). We will not accept abuse of human rights anywhere in our business, supply chains or partnerships. Our approach is based upon the [UN's Guiding Principles on Human Rights](#) and modern slavery forms part of this agenda.

Our Code of Conduct emphasises respect for the dignity and rights of all our employees and makes it clear that we will not tolerate any form of discrimination, harassment or bullying. We have additional policies covering equality and diversity, dignity at work and whistleblowing. 'Valuing our People' is one of our core values and all colleagues are respected and valued in an honest, open environment. Our confidential whistleblowing hotline is available for all employees and agency staff to report any concerns they may have about any aspect of their work at WHSmith.

Expectations for suppliers and business partners are set out in our Ethical Trade Code of Conduct and Human Rights Policy, which is based on the Ethical Trading Initiative's (ETI's) Base Code. It was amended in 2016 to incorporate modern slavery and includes clauses prohibiting forced labour, debt bondage and servitude.

The Code of Conduct is included in all standard supplier contracts and agreements, and suppliers are required to notify WHSmith of any non-compliance. WHSmith's joint venture and franchise partners are required to confirm compliance with our policies every year.

We audit suppliers of WHSmith-branded products against our Code of Conduct to monitor compliance, and have processes in place to deal with any non-conformances and drive continual improvement. Audits are conducted by our in-house, specialist team based in China, which makes specific checks on modern slavery as part of the process. The team undertake announced and unannounced site visits to high-value, own brand suppliers in addition to assessing the reports of inspections undertaken by third party audit firms. In the financial year 2017/18, 115 physical inspections were undertaken.

Third party audits, covering the same elements of the ETI's Base Code as our own, are used to assess compliance with our Code for those factories where the order value is low. Our in-house team will review the report and assess any corrective action plan, and may follow this up with a physical visit if required.

Any issues identified are categorised by level of seriousness, and an action plan is put in place to address non-compliance within an agreed timescale. If the factory does not adhere to an agreed corrective action plan to address areas of non-compliance, the supplier receives a formal written warning. This communication outlines the reasons for the warning and the steps which would need to be taken before any orders will be resumed. In the event of any serious violations, we will cease working with that particular supplier.

WHSmith funds a confidential worker hotline, operated by a third party organisation, in 22 of our largest Chinese factories (representing over a half of our purchasing spend on own-brand products), providing a channel for workers to report any concerns that they may have over their employment conditions or possible exploitation. Any suggestion of a breach in our Code of Conduct is investigated thoroughly and we will not tolerate any abuse of human rights in our supply chain.

Group Chief Executive, Stephen Clarke, is the designated Board Member with responsibility for ethical trade, and this remit includes modern slavery issues. Modern slavery risks are included in quarterly reports to the Group Risk Committees and the Group Board is updated on the effectiveness of modern slavery risk management and control at least once per year.

Risk identification and assessment

We recognise that there is a risk of modern slavery in any area of our business or supply chain, particularly where the following may exist: employment of vulnerable groups (such as migrant workers and refugees who lack support networks); the use of contract, agency and seasonal workers; and where labour recruiters and other third party agencies may be involved.

This year, we have revised our assessment of modern slavery risks across our organisation and supply chains in order to better understand where to focus our efforts. We use a large number of sources to inform this review including:

- Our membership of the ETI which enables dialogue with other companies, NGOs and trade unions on best practice in identifying, managing and reporting on modern slavery issues;
- The country risk of modern slavery (based on the [2018 Global Slavery Index](#) and the [2017 ITUC Global Rights Index](#));
- In-house and third party supplier audits, including those published through [Sedex](#). We recognise there are limitations in audit investigations, and so have also introduced wider engagement and collaboration processes, which are detailed later in this statement;
- Analysis of calls to our hotlines, although to date no incidences of modern slavery or human trafficking have been reported;
- Supply chain mapping for different product ranges, using internal assessment, and external sources, such as lists of goods manufactured by forced labour published by the [US Department of Labor](#).

The risk assessment has identified that the greatest areas of potential exposure in our **business operations**, could encompass the use of migrant workers in UK distribution centres or for cleaning services; and in our international businesses in India, Malaysia and Qatar. Migrant workers are more likely to be a source of bonded labour, with a culture in some countries of payment of deposits to recruitment agencies, withholding of identity papers by the employer, or workers being unable to leave the country without an exit permit from their employer.

In our supply chain, our greatest areas of potential exposure include bonded labour from migrant and refugee workers in the production of food and drink products; the use and exploitation of seasonal workers, migrant workers and the potential for child labour in the manufacture of stationery products, toys, gifts and travel accessories, particularly in India and Malaysia.

Although the Global Slavery Index rating for China is relatively low, it is the source country for more than 95% of our own-brand products, and has therefore been included in our risk prioritisation and monitoring programme. Potential risks are linked to worker exploitation through long working hours, forced overtime and the retention of identity documents.

The potential risks from **service providers and other business partners** include store construction and refit providers; shipping and other distribution partners and WHSmith Local franchises, which are typically, small businesses to whom WHSmith provides wholesale services.

We are now using the results of this risk assessment to better understand the nature of potential and actual risks and to ensure that they are being appropriately managed and mitigated.

Due diligence and risk management

WHSmith's due diligence process is based on the [UN Guiding Principles on Business and Human Rights](#), ensuring that we identify, prevent, mitigate and account for how we address any adverse impacts. Our due diligence is based on some core beliefs – that workers are at the centre of the process; that modern slavery is likely to exist somewhere in our supply chains; that collaboration with business partners, suppliers and other third parties is essential; and that due diligence should be closely aligned to our commercial business practices.

Due diligence in our business operations

This year we have revised our guidance for line managers to help them to identify any possible cases of modern slavery in our direct operations. Our HR procedures ensure that employees are eligible to work in their country of residence, and that they have a bank account in their own name. There is a 'speak up' line for employees and agency workers, and call handlers have been trained on how to identify modern slavery risks. Calls are monitored for any suspected concerns in relation to modern slavery, although there were no reported incidents during the year to 31st August 2018.

Our management teams in India, Malaysia and Qatar have all been briefed on possible indicators of modern slavery and the associated risks. Our International Management Team in the UK has received a similar briefing on the implications of modern slavery in our operations and includes an assessment of potential risks whenever they travel to our international businesses. This year, India, Malaysia and Qatar have all been visited by the central team.

During 2017, our internal audit team assessed the risk of modern slavery as part of their international audit visits, interviewing employees and inspecting living accommodation. A survey of employees in India, Malaysia and Qatar has also been repeated this year, to look for any indicators of modern slavery. As part of this programme, workers are asked about recruitment fees, whether they understand their contract and terms of employment, including leave arrangements and accommodation, and whether their identity documents have been returned to them.

As a result of this audit programme, we identified one location where a number of foreign workers had given permission for their passports to be held for safekeeping by our local business partner. This is in accordance with local law, and workers confirmed that their passports are always returned to them without delay, whenever they request access to them. We will continue to monitor local arrangements to ensure there are no restrictions on freedom of movement for these workers.

Our due diligence also identified another location where a number of foreign workers were found to have paid initial fees to recruitment agents in their home countries before travelling. We are currently investigating the recruitment path for these foreign workers, the role of the recruitment agent, and the size and nature of any fee paid, as part of our escalation and follow up of these issues with our local business partner.

We also met with our recruitment agency for employees for our UK distribution centres in 2018 to check that appropriate policies and practices were in place. Although not mandatory for our sector, the agency has a licence from the Gangmaster's Licensing Authority, and monitors all new workers for indicators of potential forced labour, such as shared addresses, bank details and telephone numbers.

Due diligence in our supply chain

To date, we have prioritised WHSmith-branded products over third party proprietary goods as we believe we have greater visibility and leverage with our own brand supply chain. We operate a long-established, supply chain monitoring process to assess and mitigate ethical trade risks for our own-branded suppliers. Labour rights are a key part of the process to evaluate any new suppliers and part of the on-going management of existing suppliers. The work is undertaken by a specialist team based within three offices in China.

All new suppliers to WHSmith need to provide evidence that they operate ethically and responsibly and that they will comply with our Ethical Trade Code of Conduct and Human Rights Policy. High risk or high value potential suppliers are visited by our in-house team. Lower value potential suppliers are required to provide an independent assessment of their ethical working practices for us to review. If a potential new supplier is found to be non-compliant with our Code, we will try to work with them to address the issue. If we believe that after appropriate support, non-compliances cannot be remedied, we will no longer work with that particular supplier.

We use a combination of in-house audit, third party assessment and on-going engagement with suppliers and workers to identify any potential or actual incidents of modern slavery. Audits are often unannounced and include confidential worker interviews, inspection of worker accommodation and extensive document checks. Special attention is paid to modern slavery, especially in those countries where the risks are considered greater, such as India and Malaysia. In these higher-risk sourcing countries, we have strengthened processes to check modern slavery risks, paying particular attention to recruitment practices for migrant workers, and checking for any evidence of bonded labour, forced labour or child labour.

During 2017/18, our factory audit and supplier engagement programme identified a number of non-conformances with our Code of Conduct in relation to indicators of a heightened risk of modern slavery. Most of these cases related to missing paperwork for voluntary overtime agreements or age verification. We also identified one case of an employee's identity card being held by their employer for several days, and one case where we suspected that an employee was under-16, and the supplier was unable to produce satisfactory evidence to disprove this. We have therefore agreed action plans with these suppliers to address all of these non-conformances, and in the case of the young worker, we no longer work with the supplier concerned as a result of this and other issues.

Working hours are closely monitored to ensure that long hours are only at peak times and not a permanent feature for workers, and that there is a clear policy for voluntary overtime hours which workers agree to and are paid for accordingly. We avoid placing late orders wherever possible to ensure that factories have enough time for production and do not need to put pressure on workers to work long hours.

WHSmith is proactively working with key factories to increase the channels which workers have to voice any concerns they may have over labour standards or modern slavery issues.

In addition to our confidential worker hotline, we have now established worker representative councils in 14 factories, to increase worker voice representation to raise and resolve issues regarding working conditions, pay, or any concerns about modern slavery. Factory management are provided with training on how to ensure worker representatives are freely elected, how to collect suggestions from all employees and how to report back on outcomes from the worker committee meetings. WHSmith monitors the worker committees closely, reviewing agendas and meeting minutes.

We have also met with our key supplier of chilled food to confirm that appropriate controls are in place to assess and address modern slavery risks, specifically looking at the use of agency workers, and measures in place to assess risks further down the supply chain for fresh produce picking and fishing.

Training

This year we have developed training materials on modern slavery for all WHSmith buyers. The learning objectives are to ensure that all buyers understand the modern slavery aspects within our Ethical Trade Code of Conduct and Human Rights Policy, what is required of suppliers, how to identify the different indicators of modern slavery and what to do in the case of finding any evidence of bonded, forced or child labour, or human trafficking. These training materials will be rolled out to our buying community during 2018/19. Refresher training has also been provided to the ethical trade team in China, our internal audit team, line managers in our international business and the operators of our 'speak up' helpline.

Monitoring Effectiveness

The effectiveness of our policies and procedures to combat modern slavery are reviewed as part of our quarterly Business Risk Committee meetings, and by the Group Audit Committee, which is a sub-committee of our Board. We monitor and evaluate:

- acceptance of our policies by our business partners;
- key performance indicators relating to our factory audit programme, including supplier assessments completed, rating of suppliers, and key issues that have been identified;
- the rollout of training programmes;
- feedback from employee and supplier hotlines and surveys;
- any other information gathered from our due diligence activities.

Modern slavery is a very complex issue, which is often a result of a number of factors, and can be difficult to identify. As our understanding of the causes of modern slavery grows, and our policies and procedures develop further, we are likely to identify additional places where the risk of modern slavery could exist. We recognise that we will need to continually develop our policies and procedures, in order to ensure that we can be as effective as possible in identifying and remedying any incidents of modern slavery that may occur.