



WH Smith PLC Modern Slavery Statement 2019

Introduction

This is our fourth annual statement published in pursuance of the Modern Slavery Act 2015 and outlines the steps taken to prevent modern slavery in our own operations and supply chain during the financial year ending 31 August 2019.

Modern slavery, including all forms of slavery, servitude, forced and compulsory labour and human trafficking, is an abhorrent abuse of human rights. WH Smith PLC and its group companies 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 in our business operations and supply chains.



This statement includes the activities that WH Smith PLC is taking to prevent slavery and human trafficking in the operations and supply chains of WH Smith Travel Limited, WH Smith High Street Limited, WH Smith Retail Holdings Limited and WH Smith Hospitals Limited, and other group subsidiaries, and was approved by the Board of WH Smith PLC on 5 December 2019.

Carl Cowling
Chief Executive Officer, WH Smith PLC
Date: 5 December 2019

Our business and supply chains

WHSmith has 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 are now one of the UK's leading retailers in travel locations with a smaller business located on the UK high street:

- **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 2019, the business operates from 1,019 units, mainly in airports, railway stations, motorway service areas, hospitals and workplaces. During the year we acquired InMotion, a market leading digital accessories retailer in US airports. 433 of our travel units are now outside of the UK operated either directly by WHSmith, or under a joint venture or franchise model. Further details on international locations, including the numbers of stores in each country, 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 of the major high streets in the UK. As at 31 August 2019, the business operates from 576 stores.

We also have an online presence through whsmith.co.uk, our specialist personalised greetings cards and gifts website funky pigeon.com, our specialist pens business cultpens.com and personalised stationery websites dottyaboutpaper.co.uk and treeofhearts.co.uk.

We directly employ over 12,000 colleagues in the UK and over 2,000 employees in our direct international businesses. We use an employment agency to provide workers for our three distribution centres, with numbers reaching a few hundred workers at peak times of the year. Approximately 4,000 colleagues work in our joint venture and franchised stores.

WHSmith has three main types of suppliers. Around 230 suppliers provide our own-brand products – principally stationery and chilled food. The vast majority of suppliers for stationery and own-brand goods are based in China, but we also source a small number of products from factories in India, Malaysia, South Korea, Taiwan, Turkey and Vietnam and the UK. Chilled food is sourced locally within our countries of operation. 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.

Over 2,000 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 procurement and ethical trade team based in Hong Kong and Shanghai. All of the operations and supplier relationships described above are included within the scope of this statement.

Policies and governance

We have a well-developed set of policies and processes to protect the human rights of those who work for us, either directly in our operations, or indirectly through our business partners and in our supply chains. These policies and processes include measures to prevent modern slavery. We will not accept abuse of human rights, including any aspects of slavery anywhere in our business, supply chains or partnerships.



Expectations within our business operations

WHSmith is committed to respecting human rights in our business operations and supply chain as set out in the [United Nation's Universal Declaration of Human Rights](#) and the [International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#).

'Valuing our People' is one of our core values and all colleagues are respected and valued in an honest, open environment. Our Code of Conduct applies throughout all of our business operations and emphasises respect for the dignity and rights of all our employees. Our Code of Conduct makes it clear that we will not tolerate any form of discrimination, harassment or bullying. In support of this Code of Conduct, we have additional policies covering equality and diversity, dignity at work and whistleblowing.

Our Code of Conduct is included in induction material for all new starters, and all employees are required to re-appraise themselves of our Code of Conduct and policies on an annual basis, and certify that they have done so. 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 of suppliers and business partners

Expectations for suppliers and business partners are set out in our Ethical Trade Code of Conduct and Human Rights Policy, which is aligned to the Ethical Trading Initiative's (ETI's) Base Code. This year, we have expanded the Code of Conduct to provide further clarification on our expectations regarding modern slavery controls, including restrictions on the withholding of identity documents and payments of deposits, additional information on verification checks for child labour and steps to prevent excessive working hours. We have also developed further requirements aimed at protecting migrant workers, agency staff and female workers.

Embedding our Code of Conduct

The Code of Conduct is included in all standard supplier contracts and agreements, and suppliers are required to notify WHSmith of any non-compliance. We raise awareness of the requirements of our Code of Conduct with all of our own-brand suppliers and our business partners and franchisees on an on-going basis. WHSmith's joint venture and franchise partners are required to provide written confirmation of compliance with our policies every year.

To monitor compliance with our Code of Conduct, we audit suppliers of WHSmith-branded products at least every two years, and have processes in place to deal with any non-conformances and drive continual improvement. Audits are conducted by our in-house, specialist teams based in Hong Kong and Shanghai, who make specific checks on modern slavery as part of their processes. 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.

Third party audits, covering the same elements of the ETI's Base Code as our own, are used to assess compliance with our Code of Conduct 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 there is any doubt that standards are not being met.

We also ask our suppliers to ensure that they are upholding the same standards of human rights, including steps to prevent modern slavery in their own supply chains. This year we undertook an assessment to ensure that our highest-value tier one suppliers were checking their supply chain for awareness and adherence to the ETI's Base Code, the industry standard for worker's rights.

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, to provide 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 any required remediation put in place.

Governance

Group Chief Executive, Carl Cowling, is the designated Board Member with responsibility for ethical trade, including modern slavery issues. Modern slavery risks and steps taken to prevent them from occurring are co-ordinated by the Head of Corporate Responsibility and included in quarterly reports to the Group Risk Committee. In the event of any incidents of modern slavery or associated risk issues being identified in our business operations or supply chains, an action plan is put in place and a report is made to the Group Audit Committee, a sub-committee of the main Board. The Group Board receives an update on the effectiveness of modern slavery risk management and control at least once per year.

Risk identification and assessment

We use a wide range of sources of country and supplier-specific information from external organisations and our own intelligence gathering in order to inform our risk identification and assessment processes.

We recognise that there is a risk of modern slavery in any area of our business or supply chain, but that certain groups of individuals and circumstances are higher risk. These include the potential employment of vulnerable groups (such as migrant workers 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 again reviewed our assessment of modern slavery risks across our organisation and supply chains in order to better understand where to focus our due diligence efforts. We use a large number of sources to inform this review including:

- Our memberships of the ETI and British Retail Consortium (BRC) which provide generic and country-specific information and enable 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 [2019 ITUC Global Rights Index](#)); and
- In-house supplier engagement and audit processes, and third party audits, including those published through [Sedex](#). We recognise there are limitations in audit investigations, and so our approach includes wider engagement and collaboration processes with suppliers. These include interviews with workers and with worker representatives to understand the issues that are important to them in their place of work.

The risk assessment has identified that the greatest areas of potential exposure in our **business operations**, could encompass the use of migrant workers contracted through agencies for our UK distribution centres or for cleaning services; and in our international businesses in Malaysia and Qatar, where there is a prevalence of foreign migrant workers recruited through agencies. We know that migrant workers are more likely to be at risk from bonded labour, with a culture in some countries of payment of deposits, 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, areas of potential exposure include:

- Bonded labour in the manufacture of stationery products, toys, gifts and travel accessories for foreign workers who may have been asked to pay deposits to recruitment agencies, hand over identity papers, or ask for an exit permit to leave the country. Potential risk countries in our supply chain include Malaysia.
- Exploitation of seasonal and foreign workers in the production of food and drink products;
- Child labour in the manufacture of stationery products, toys, gifts and travel accessories, particularly in China, 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 workers involved with store construction and refit providers; and shipping and other distribution partners.

We continue to utilise 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

Our due diligence processes focus on those areas of highest risk identified by our risk identification and assessment processes. We monitor those parts of our business and supply chain for any indicators of modern slavery or human trafficking and ensure that there are sufficient controls in place.

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 and practical 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 re-communicated our guidance to 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.

Our management teams in all of our direct international businesses have been briefed on possible indicators of modern slavery and the associated risks. Our International Management Team based in the UK have received a similar briefing on the implications of modern slavery in our operations and this year were provided with a checklist of indicators of modern slavery to look out for whenever they travel to our international businesses. This year, all of our direct businesses have been visited by the central team.

During 2019, our internal audit team continued to include modern slavery risks as part of their international visits, interviewing employees and inspecting living accommodation. Workers were interviewed, and asked about their route to employment and whether they had to pay recruitment fees or lodge identity documents, their views on working hours, leave arrangements accommodation and the general working environment. Oman, Brazil, Singapore and Malaysia have all been visited this year.

As a result of this audit programme, last year 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 year we have identified a second instance in a different operation. 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 have re-iterated to our business partners that employees should not be required to lodge identity documents (except when so required by local law) and we will continue to monitor local arrangements to ensure there are no restrictions on freedom of movement for these workers.

On-going dialogue continues with our recruitment agency for employees for our UK distribution centres to check that appropriate policies and practices were in place, and that there have been no reported incidences of modern slavery. 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

We continue to focus on WHSmith-branded products as we believe we have greater visibility and leverage with this part of our 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 are part of the on-going management of existing suppliers. The work is undertaken by a specialist team based within Hong Kong and 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 as part of our supplier on-boarding process. 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 of Conduct, 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 and the process is focussed on risks that are appropriate to individual suppliers. So for example, our visits to Chinese factories will look for signs of excessive working hours, risks to agency workers or any signs of under-age labour. Visits to Malaysia focus on recruitment practices for foreign migrant workers.

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.

During our financial year for 2018/19, 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, overtime not being paid in accordance with the statutory minimum or deduction of wages for disciplinary purposes. We also identified three cases of retention of passports of foreign migrant workers by suppliers in Malaysia. We agreed action plans with our suppliers to address all of these non-conformances and to ensure that workers concerns were remedied.

We know that audit processes are not necessarily the most effective way of identifying incidences of modern slavery, and so we continue to engage with our suppliers to help them build their management systems and mechanisms for workers to be able to present their views to and raise any concerns with senior management. We are proactively working with some of our key suppliers in China to increase the channels for workers to voice any concerns they may have over labour standards or modern slavery issues.

We have helped to establish worker representative councils with 14 of our suppliers, 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 and ensuring that any corrective action is undertaken and that appropriate remedy is provided for workers.

We have reviewed the policies and process for preventing modern slavery in the businesses of our chilled food suppliers and our logistics and distribution companies to confirm that appropriate controls are in place to assess and address modern slavery risks, specifically looking at the use of temporary and agency workers, and what measures are in place to assess risks further down the supply chain for fresh produce picking and fishing.

Training

We recognise that all of our colleagues working with our suppliers and business partners need to be able to recognise the signs of modern slavery and what to do if they encounter anything of concern. Our suppliers also need to understand that modern slavery will not be tolerated in our supply chain and that they must have policies and processes to prevent it.

This year we have rolled out an e-learning course on modern slavery to all of our head office employees. This includes employees in commercial teams, procurement, human resources and the international team. The aim is to ensure that anyone in our business who is likely to interact with suppliers or other business partners understands:

- What we mean by the different types of modern slavery;
- How to identify possible risk factors and indicators of modern slavery
- What our Ethical Trade Code of Conduct and Human Rights Policy requires of suppliers;
- What to do in the case of finding any evidence of bonded, forced or child labour, or human trafficking.



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.

We also included a briefing on Ethical Trade and Modern Slavery at our supplier conferences this year, attended by many of our proprietary brand suppliers.

Monitoring Effectiveness

We continue to develop ways of monitoring the effectiveness of our policies and processes to prevent modern slavery. Effectiveness is 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.