



## WH Smith PLC Modern Slavery Statement 2020

### Introduction

This is WH Smith PLC's (WHSmith)'s fifth annual statement issued in accordance with the Modern Slavery Act 2015. It outlines the steps we have taken to prevent modern slavery in our operations and supply chain for the financial year ending 31 August 2020.

Modern slavery, including all forms of slavery, servitude, forced and compulsory labour and human trafficking are abhorrent practices that continue throughout the world today. WH Smith

and its group companies are committed to ensuring that the human rights of anyone working for us in any capacity are fully respected. We recognise we have a responsibility to prevent modern slavery, and to mitigate and remediate cases where necessary, and we have zero tolerance for any cases of human rights abuses in our business operations or supply chains.

This year, the Covid-19 pandemic has heightened the risks for the most vulnerable members of society, including victims of forced labour and human trafficking. Our fundamental concern since the start of the outbreak has been the safety and wellbeing of our employees, customers and the wider WHSmith community. During this time, we have amplified efforts to identify and protect vulnerable workers, recognising that the challenges from Covid-19 have the potential to generate new or greater risks for workers.

This statement includes activities taken 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, WH Smith Hospitals Limited and other group subsidiaries. The statement was approved by the Board of WH Smith PLC on 14 January 2021.

Carl Cowling  
Group Chief Executive, WH Smith PLC  
Date: 14 January 2021



## Our business and supply chains

WHSmith is a global travel retailer of news, books and convenience goods, operating from airports, hospitals, rail stations and motorway services areas. We also have a smaller business located on UK highstreets and an online business providing our customer with direct access to stationery, books and gifts.

- **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 2020, the business operates from 1,174 units, mainly in airports, railway stations, motorway service areas, hospitals and workplaces. During the year we acquired MRG, a leading retailer in US airports. 584 of our travel units are now outside of the UK across 30 countries, 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, located on most of the UK's significant high streets and retail centres in the UK. As at 31 August 2020, the business operates from 568 stores. We operate over 200 Post Offices from within our High Street stores cementing our position on the high street and at the heart of the communities we serve.

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

We directly employ approximately 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 240 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, Indonesia, 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.

## Governance and policy frameworks

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 tolerate any abuse of human rights, including any aspects of slavery, anywhere in our business, supply chains or partnerships.

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](#).

### **Our governance framework**

The Group Executive Committee has overall accountability to the WHSmith Board for Environmental, Social and Governance (ESG) issues, including those relating to modern slavery. An ESG sub-committee chaired by the Group Chief Executive meets monthly to review progress and next steps for all ESG work, including our human rights strategy.

The Group Audit Committee is a sub-committee of the main Board and is responsible for governance in respect of company systems for internal controls, business risks and related compliance activities. This includes any principal risks relating to human rights.

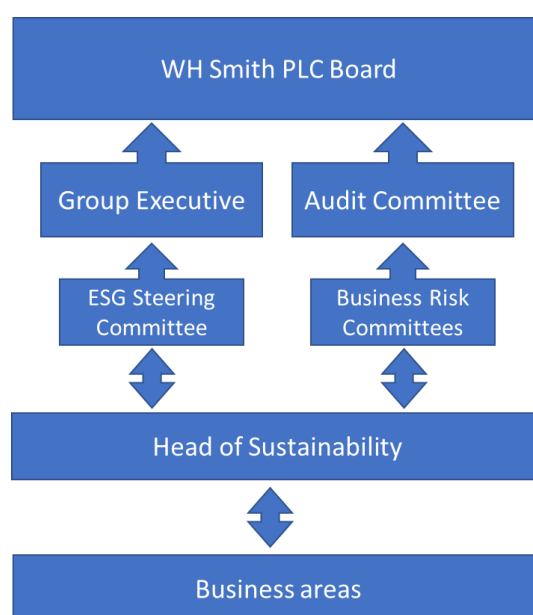
As part of WHSmith's risk management processes, detailed risk registers are maintained by each business and used to identify, manage and monitor risks. Business Risk Committees meet quarterly and monitor action plans for measures to prevent modern slavery or associated risk issues in business operations and supply chain.

Modern slavery risks and the measures taken to mitigate those risks are co-ordinated by the Head of Sustainability, who also leads the development of policies, processes and wider activities to prevent modern slavery across our businesses and supply chains. The Group Board receives an update on the effectiveness of modern slavery risk management and control at least once per year.

### **Policies and standards**

One of WHSmith's core values is 'Valuing our People' and we try to ensure that all colleagues are valued and respected in an open and honest environment. This year we have updated our [Code of Business Conduct](#) which sets out how our business operates, and what is expected of every person who works for and on behalf of WHSmith. This includes WHSmith employees, directors, contractors, subsidiaries, joint ventures, suppliers, franchisees, agents, consultants and professional advisors.

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.





This year, we also launched a new [Human Rights Policy](#) which emphasises our commitment to respecting the human rights of our employees, those working for our suppliers and business partners, and our customers and the communities in which we are based. It sets out our values, principles and due diligence procedures for each of our stakeholder groups and includes those linked to grievance mechanisms and access to remedy.

Expectations for suppliers and business partners are set out in our [Responsible Sourcing Standards](#), which are aligned to the Ethical Trading Initiative's (ETI's) Base Code. These Standards 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 also stipulate that no worker should have to pay a fee or other deposit for a job and include specific policy requirements aimed at protecting migrant workers, agency staff and female workers.

### ***Embedding our policies***

All employees are expected to re-appraise themselves of the requirements of Our Code of Business Conduct and associated policies on an annual basis and certify that they have done so. The Code of Conduct is also included in induction material for all new starters.

Our Responsible Sourcing Standards are included in all standard supplier contracts and agreements, and suppliers are required to notify WHSmith of any non-compliances. We regularly refer to the requirements of our Code of Conduct and Responsible Sourcing Standards through our dialogue and engagement with suppliers and business partners and franchisees. WHSmith's joint venture and franchise partners are required to provide written confirmation of compliance with our policies every year.

To monitor supplier compliance with our Responsible Sourcing Standards, 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 Responsible Sourcing Standards 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.

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 supplier.

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. 85% of our tier one suppliers have evaluated their main suppliers against ETI's Base Code through a combination of in-house physical audits, third party audits and supplier self-declarations. 95% of them undertake this process once a year or more often. Nearly 90% include checks on remediation of any non-compliance with the ETI Base Code. We are currently evaluating with our suppliers how best to take this work forward to share knowledge and extend best practice.

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 any breach in our responsible sourcing requirements is investigated thoroughly and the required remediation put in place.

Our confidential whistleblowing hotline is available for employees, agency staff and third parties to report any concerns they may have about any aspect of their work for WHSmith.

## 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 the risk is greater for certain groups of individuals, such as migrant, agency and seasonal workers. In order to better understand those areas of our business and operations which give rise to the highest modern slavery risks, we use a number of external and internal sources. These include:

- Through our memberships of the ETI and British Retail Consortium (BRC), we receive generic and country and sector-specific information and have access to dialogue with other companies, NGOs and trade unions on best practice in identifying, managing and reporting on modern slavery issues;
- Sources of modern slavery risks for particular countries (such as the [Global Slavery Index](#) produced by the Walk Free Initiative and the International Trade Union Congress' [2020 ITUC Global Rights Index](#)); and
- Information from 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.
- 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** are the use of agency workers contracted for our UK distribution centres and for security and 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:

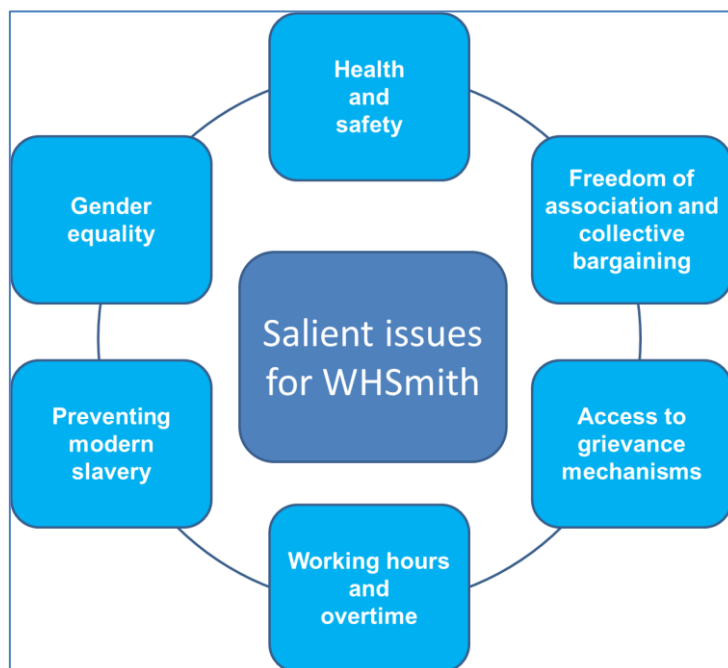
- Bonded labour in the manufacture of stationery products, toys, gifts and travel accessories for foreign workers who may have been asked to pay deposits to recruitment agencies, hand over identity papers, or ask for an exit permit to leave the country.
- Exploitation of seasonal and foreign workers in our chilled food supply lines;
- Child labour in the manufacture of stationery products, toys, gifts and travel accessories, particularly in China, India and Malaysia.
- More than 90% of our own-brand products come from China where there is a risk of forced labour, excessive working hours and wages below statutory requirements.

The potential risks from **service providers and other business partners** include workers involved with store construction and refit providers; and shipping and distribution partners.

Covid-19 has this year brought a heightened risk to the safety and well-being of all those working in our own operations, our supply chains and for our business partners. Their safety has been our fundamental priority this year, and we have adapted our due diligence activities and engagement processes to ensure we address any heightened risks from Covid-19, such as worker health and safety and pay and overtime.

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.

We have mapped our salient labour issues to identify those issues which are important because of their potential detriment on the people who work for and on behalf of WHSmith:



## **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 our business and supply chain for any indicators of modern slavery or human trafficking and ensure that there are controls in place to prevent incidents occurring.**

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***

We have taken further steps this year to embed into our operations due diligence activities to mitigate risks from modern slavery. All line managers, our human resource teams and personnel working with our franchisees and business partners have completed our updated online training course on modern slavery.

Our recruitment and onboarding 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 to raise any concerns that they have, 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.

Management teams in all our international businesses are regularly briefed on possible indicators of modern slavery and the associated risks. This year, representatives from our International Management Team based in our UK head office have visited our operations in Oman, Qatar, Malaysia Singapore and across Europe and emphasised the importance of due diligence to prevent modern slavery.

A large focus for our business operations teams this year has been on protecting workers from the risks associated with Covid-19. This has included ensuring that appropriate health and safety measures are in place and adhered to. We have adopted specific due diligence processes to ensure the welfare of those employees who have travelled to work from their home countries, focussing on their living conditions, opportunities to stay connected with their families at home and fair treatment during periods of furlough or where we have had to make difficult decisions regarding redundancies.

We have made extra efforts to promote the well-being and mental health of all of our workforce throughout the pandemic, with regular communications about how employees can look after themselves, and places where they can seek support locally if they need it. We ran an awareness campaign to ensure that all staff were aware of the support line available for all employees and the WHSmith Benevolent Fund, a registered charity that benefits WHSmith employees and their families who are in financial difficulty or hardship.

During 2020, our internal audit team continued to include modern slavery risks as part of their international visits, interviewing employees and inspecting living accommodation. Workers are interviewed, and asked about their route to employment, their views on working hours, leave



arrangements accommodation and the general working environment. Singapore and Malaysia were the subject of internal audits during this financial year.

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-brand suppliers. Labour rights are a key part of this process and are included in the evaluation of new suppliers and the on-going management of existing suppliers. The work is undertaken by a specialist team based in Hong Kong and China.



As part of our supplier on-boarding process, all new suppliers to WHSmith must provide evidence of adherence to international standards of human rights and environmental management and that they comply with our Responsible Sourcing Requirements. All new high risk or high value suppliers are visited by our in-house team before any orders are placed. 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 a part of our Responsible Sourcing Requirements, 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 place no further orders with that particular supplier.

We use a combination of in-house audits, third party assessments 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 focused 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.

The outbreak of Covid-19 hit our Chinese suppliers particularly hard at the start of 2020. We have taken a number of steps to ensure that workers have been protected as far as possible during the pandemic. We have maintained regular engagement with our suppliers and introduced measures to avoid cancelling orders and to mitigate the impact of any reduction in order volumes. We worked with suppliers to re-arrange delivery dates and sub-divide order volumes where factory capacity was an issue. And we have strengthened our due diligence activities to promote worker health and safety, fair payment practices and limits on worker overtime.

During our 2020 financial year, our factory audit and supplier engagement programme identified a number of non-conformances with those elements of our Responsible Sourcing Requirements that could indicate a heightened risk of modern slavery. These included wages not being paid in accordance with the statutory minimum, missing paperwork in relation to voluntary overtime agreements, working hours in excess of our standards during peak season and payment and grievance irregularities for agency workers. We agreed action plans with our suppliers to address any non-conformances and followed up 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 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 11 of our largest 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 continue to review the policies and process for preventing modern slavery in the businesses of our UK-based suppliers of chilled food and logistics and distribution suppliers to confirm that appropriate controls are in place to assess and address modern slavery risks.

## Training

**We recognise that all our colleagues working with suppliers and business partners need to be able to recognise the signs of modern slavery and to know 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 continued to roll-out an e-learning course on modern slavery to those employees who have direct contact with our suppliers, business partners or who work in high risk areas of our business. 850 employees, including those from commercial teams, procurement, human resources and the international team have now completed the training. The course is designed 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.



All employees are expected to re-familiarise themselves with our Code of Business Conduct and associated policies every 12 months and confirm in writing that they have done so. This year we have developed some new e-learning materials on the issues covered by the Code of Conduct, including sections on human rights and supplier engagement processes.

We also seek to raise broader awareness of the issue with suppliers. During this year's conference for suppliers of proprietary goods to our Travel business, we held a Q&A session and emphasised the need for suppliers to have their own thorough due diligence processes in place to prevent modern slavery, and identify and mitigate any risks.

We also attended working groups on modern slavery, Covid-19 and risks in Chinese supply chains held by ETI, and ethical labour working groups held by BRC in order to learn more from others about emerging issues and best practice in the retail industry.

## **Evaluating the impact of our programmes**

**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:

- written confirmation of the acceptance of our policies by our business partners;
- key performance indicators relating to our factory audit programme, including the number of supplier assessments completed, individual supplier ratings, key issues that have been identified and follow-up actions required to address any non-conformances;
- the rollout of training programmes and feedback from course attendees to ensure that our training meets our stated learning objectives;
- feedback from employee and supplier hotlines and surveys;
- any other information gathered from our due diligence activities.