

Human rights, modern slavery and our supply chain

WHSmith is committed to sourcing responsibly. 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 practices and produced without harming 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 and seek to provide training, share knowledge and collaborate with others to bring about improvements for workers.

Our suppliers

WHSmith has three main types of suppliers:

- around 250 suppliers provide our own-brand products – principally stationery and technology products;
- over 1,000 suppliers, ranging from large multinational brands to small enterprises provide non-WHSmith branded products; and
- over 2,000 suppliers provide non-merchandise services and goods not for resale.

We seek to provide a choice of good quality products for customers and having good relationships with our suppliers is key. For our most important lines, we have long-term strategic partnerships in place, with suppliers whom we know well and who know our business and what is required.

Suppliers are selected using five key criteria: cost of product; capacity to manufacture and provide what is required; flexibility – around, for example, new product development or shipment times and volumes; financial health; and ethical and technical standards. Any tendering exercise uses these five criteria to select the successful supplier.

We regularly benchmark existing suppliers to ensure that we continue to source quality products at competitive prices and with the appropriate standards of ethical and technical quality.

Our supplier relationship management is very much a two-way process and we undertake a regular survey of our suppliers to gain feedback on their perception of our performance as a buyer. This is used to improve our buying processes and procedures to make sure that we are getting the best from our relationships.

Over 90% of our own-brand products are based in China. We source a small number of products from factories in India, Indonesia, Malaysia, Philippines, South Korea, Taiwan, Turkey and Vietnam. Our current factory list is available on our [website](#).

Responsible sourcing strategy

To ensure we are identifying and addressing the needs of those in our supply chain, we have developed an approach to due diligence based on three key elements:

- training for buyers so that they understand the role they need to play;
- factory audits to assess supplier compliance with our [Responsible Sourcing Standards](#); and
- supplier engagement activity to continually improve labour rights and working conditions for factory employees.

WHSmith is a member of the Ethical Trading Initiative (ETI), an alliance of companies, trade unions and non-governmental organisations that promotes respect for workers' rights around the globe.

Our Responsible Sourcing Standards are based on the ETI's Base Code, the International Labour Organisation core conventions and the Universal Declaration of Human Rights. They underpin all our responsible sourcing strategy and activities. We will only place orders with suppliers who are committed to working towards compliance with these standards. They set out our expectations for suppliers in relation to our most important issues, including those impacting different groups of workers, including migrant workers and women.

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 and seek to provide training, share knowledge and engage in collaborative industry initiatives, aiming for continual improvement for workers.

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WHSmith's salient issues

Saliency is one of the key concepts relating to human rights and highlights those issues which are important because of their potential detrimental impact on the people involved with, or impacted by, our business. 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 the two.

We have identified our salient issues as shown and review these on an annual basis using a number of external and internal sources including:

- Membership of the ETI and British Retail Consortium (BRC). This gives us generic and country and sector-specific information. We have access to dialogue with other companies, civil society groups and trade unions on best practice in identifying, managing and reporting on 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' 2023 ITUC Global Rights Index.
- 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 with suppliers.
- Issues raised through our hotline and through worker representation committees.
- Interviews and worker surveys with workers and with worker representatives to understand the issues that are important to them in their place of work.

We identify and assess potential and actual risks of human rights on workers in our supply chain. We include vulnerable groups in this assessment, including women, young workers, temporary workers and migrant workers who could be adversely impacted.

Risks are assessed taking into account the scale of the impact on workers, how many workers are involved, and the extent to which we are able to provide remedy to that particular part of our supply chain. We prioritise those risks where the impact on workers is likely to be greatest and where we are likely to be able to have the greatest impact through our actions.

Audit and engagement approach

Much of our audit and engagement work is focussed on suppliers of our own-brand products in Asia, which are strategically important to our business and where we can have most influence. We have the strongest relationships, and most influence, with our top 20 own-brand suppliers by value, where we buy a larger proportion of their supply and tend to have longer-term commercial relationships.

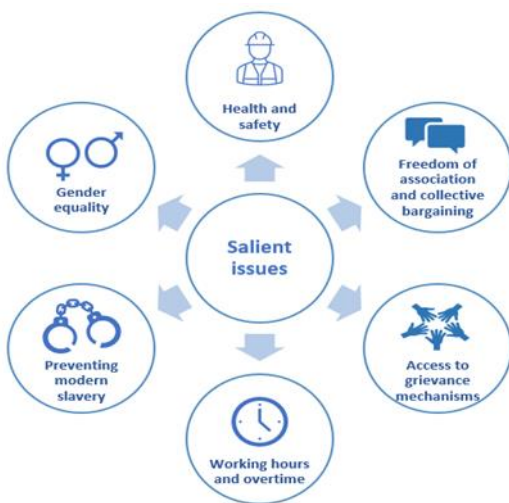
Outside of this supply base, we tend to be a comparatively smaller customer, buying relatively limited quantities, often of seasonal products. Our ability to influence activity is more limited, but we seek to raise awareness of the business case for better working conditions to encourage suppliers to 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. The team audits suppliers for compliance with our Responsible Sourcing Standards at least every two years, using a risk-prioritised programme of announced and unannounced site visits and a review of third-party audit reports.

Suppliers are given a compliance score and rated as gold, silver, bronze or unacceptable. An action plan is put in place to address non-compliance within an agreed timescale. The factory receives an unacceptable grading if any serious violations are identified, if the factory refuses to adhere to an agreed action plan, if the factory cannot provide full payroll or time records or if access is denied. In such cases, the supplier receives a formal written warning, which outlines the reasons for the warning and the steps which would need to be taken before orders will be resumed.

The most frequent issues identified in our audits include health and safety non-conformances, compliance with conditions relating to working hours and missing paperwork. We also frequently identify non-conformance with social insurance requirements which is a common problem in China.

We are members of SEDEX (Supplier Ethical Data Exchange) which is one of the largest online platforms for companies to manage and improve working conditions in global supply chains. We use it to access additional risk assessments and independent audit data for some of our suppliers.



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Tier two suppliers

We have commenced an audit programme of key tier two suppliers who manufacture major components that are then used by our direct tier one suppliers of finished products.

During the audit process for our direct, tier one suppliers, we ask for full details of production facilities, and any subcontracted practices. We risk assess this information, and for higher risk products or processes, we extend the scope of audit to include subcontracted facilities (tier two suppliers).

Our subcontracting policy includes clear expectations on the control requirements for any subcontracted work, including the adherence to our Responsible Sourcing Standards by all in the supply chain.

Our initial focus has been completing audits on the tier two factories supplying our top 20 direct tier one suppliers (by value). Our audits are identifying similar levels of compliance and the same issues as for our tier one suppliers. We are now working with our tier one suppliers to build capacity to improve standards for workers further down our supply chain.

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](#).

Helping our suppliers improve standards

We spend a significant amount of time engaging with suppliers to support them as they seek to improve conditions for workers. This engagement includes resolving specific problems identified during audits and developing longer-term projects for our key salient issues to address some of the most common challenges such as health and safety arrangements 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. We offer guidance on health and safety as part of our feedback meeting following a site audit.

Our work is designed to identify whether the factory management have enough knowledge and capability to be able to make any necessary improvements, and to build capacity to do so if this is lacking. We also maintain a WeChat group on social media to allow supply chain workers to share best practice and address common issues and we continue to provide information that we believe will be useful for the group.

Worker representation committees

This year we set a target to increase the number of suppliers covered by our worker representation initiative. The aim of this programme is to help suppliers to develop fully functioning worker committees to represent workers on any matter affecting their rights, employment conditions or working environment, resolving problems as they arise.

We are aiming for 15 per cent of our own brand suppliers to have worker representative committees in place by 2025. These committees are designed to increase worker voice and facilitate engagement between senior management and the workforce. 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 commitment meetings.

WHSmith monitors the worker committees closely, reviewing agendas and meeting minutes and ensuring that any corrective action is undertaken and appropriate remedy is provided for workers. The types of issues identified typically relate to worker safety and welfare, holiday and rest day arrangements, and food and accommodation.

Worker hotline

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 continue to roll out this hotline to more suppliers, providing training and raising awareness of its existence and how it can benefit workers.