

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 220 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 manufactured in China. We source a small number of products from factories in India, Indonesia, Philippines, South Korea, Taiwan, Turkey and Vietnam. Our current factory list is available on our [website](#) and on [Open Supply Hub](#).

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.

Responsible sourcing strategy

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 our responsible sourcing strategy and associated 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.

Our progress for 2023/24

- We developed our due diligence processes for products that do not carry one of our brand names (third party products) to assess the level of risk for workers in those parts of our supply chain, and ensure any issues identified were addressed and remedy provided.
- For new suppliers, we introduced responsible sourcing considerations into our supplier onboarding processes to request information at the earliest stage of supplier involvement with WHSmith. We now ask new suppliers to tell us about any policies they have relating to human rights and provide further details of due diligence in their own operations and supply chains.
- We doubled the number of factories involved with our Worker Representation Initiative, which is designed to improve communication between factory management and the workforce in our own brand factories.
- We completed a comprehensive review of our salient risks as part of the United Nations Global Compact Business and Human Rights Accelerator project.
- We improved transparency of our supplier base by providing a list of our suppliers and factories through the Open Supply Hub.



Human rights and our supply chain

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.

Helped by involvement in the Business and Human Rights Accelerator course hosted by the United Nations Global Compact (UNGC) and Shift, we reviewed all potential salient issues across our business and supply chains. We assessed the potential human rights impacts for those who work for us and on our behalf, by reviewing the severity of potential risks, the likelihood of the risk happening and whether there are already measures in place to mitigate any risks.

We used a number of external and internal sources to inform this review:

- Membership of the ETI which gives us access to resources, guidance and peer learning. We participate in the General Merchandising workstream with other retailers, providing peer learning and examples of best practice within the industry. The topics have included approaches to risk assessment, remedy and grievance mechanisms. We also have access to dialogue with other companies, civil society groups and trade unions on best practice in identifying, managing and reporting on issues.
- Membership of the British Retail Consortium (BRC), which provides and the UNGC which provides information and insights on human rights 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' 2024 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.

The majority of own brand products are manufactured in China. The focus on our salient risks will start in China.

Supply chain transparency

Our own brand supply chain is predominately based in China, where our local teams conduct audits and engagement visits. We are engaging with our Tier 2 suppliers and with third party suppliers, to raise awareness of our Responsible Sourcing Standards. We will continue to work with our supply chain to better understand the risks and opportunities beyond the first tier.

Working hours and overtime

All workers are entitled to fair and equal compensation and not to have to work excessive hours. We are working to gain better visibility of working hours across our supplier base.

Freedom of association and collective bargaining

We believe that there are opportunities to improve dialogue between workers and supplier management to improve conditions for workers, operational practices and productivity. Over the last year, we have doubled the number of suppliers participating in our Worker Representation Initiative project, which is designed to improve worker voice in factories.

Gender Equality

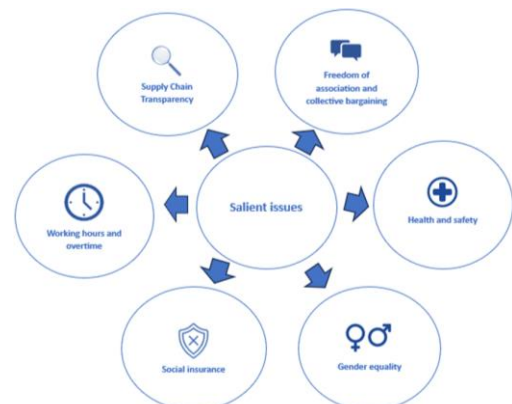
The majority workers in the first tier of our supply chain are female. We are focussing on collecting more gender-based information to look at the differing impacts on male and female workers in our supply chain. The ambition is to raise awareness on how women or men can be impacted in different ways in relation to issues such as discrimination or health and safety.

Health and safety

Our Responsible Sourcing Standards set out clear requirements for health and safety within the workplace, however this continues to be one of the areas of most regular non-compliance. Common issues relate to personal protection equipment (PPE), chemical storage and fire safety. We work with suppliers to raise awareness of how improvements in health and safety can be made.

Social insurance

This is a challenging and well-known issue within China. We will keep monitoring the situation with our suppliers and consider how we can encourage them to extend the provisions for social insurance for their workforce.



Audit and engagement approach

Own-brand

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.

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 sourcing and ethical trade teams meet once a month to review the results of audit reports and identify root causes and any further action needed. Feedback is provided to the Business Unit Risk Committees which meet quarterly and to the ESG Committee of the Board on an annual basis.

Audits are scheduled based on the product type, country of origin and the results of previous audits.

The most frequent issues identified in our audits include health and safety non-conformances e.g. personal protective equipment and chemical safety; 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.

Third-party products

WHSmith has a complex supply chain of over 3,000 trade suppliers and 200,000 different products. With such large numbers, managing labour rights risks in our supply chain clearly requires a proportionate response, as auditing every product from every supplier would not be possible.

Our approach focusses on areas of higher risk by categorising trade suppliers and their products in conjunction with the Commercial Teams.

We started by assessing non-multinational suppliers with an annual spend of >£50k per annum from the following categories (based on the potential for higher risks to workers in these sectors): apparel, souvenirs, travel accessories, toys, fresh food, vapes and health and beauty. In addition, we assess country of origin risk using the SEDEX database.

This identified a number of higher risk suppliers where the potential for non-compliance with our Responsible Sourcing Standards may be higher.

We are conducting additional due diligence with this group of supplier, evaluating site audits and corrective action plans. In the event of any serious breach of our standards, we seek to engage with suppliers. If this approach does not work, then a product may be discontinued.

In addition to due diligence measures for products which are already ranged, a series of additional steps have been introduced for new suppliers and products:

- The supplier onboarding process in the UK has been updated to request information on supplier policies and processes to allow for a basic risk assessment of suppliers ahead of supplier onboarding;
- Country of origin information and product category codes are collected for all new lines which allows us to risk assess product for further due diligence;
- Ethical trade training has been provided to commercial teams on the importance of gathering data and the new processes for supplier onboarding;
- An assessment of purchasing practices and due diligence controls by our Joint Venture in Oman is being conducted through desktop and on-site verification.

Human rights and our supply chain

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

We have 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 committee 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 raise awareness with supplier, providing training for workers on how the hotline can be used, what happens after they make a call and how it can benefit them.