



## Our communities

# Helping children to develop a love of reading

WHSmith has a long-standing commitment to making a positive impact on the planet, the lives of our people and the communities in which we operate. This includes championing literacy, and this year we supported the Gift a Gruffalo campaign alongside our partner the National Literacy Trust ("NLT"). The campaign resulted in 20,000 copies of *The Gruffalo* going to disadvantaged communities through the NLT's community hubs, so that more children could have the opportunity to discover the magic of reading.



Scan to learn more about the Gift a Gruffalo campaign.

National Literacy Trust Hubs

17

Donated copies of the Gruffalo

20,000

## Section 172(1) statement

### Listening to our stakeholders

Stakeholder considerations play an important part in the Board’s discussions and decision making to promote the success of the Company. Regular engagement ensures that the Board is aware of stakeholder views and interests and enables it to operate in a balanced and responsible way. The Board carefully considers the diverse needs and priorities of stakeholders in its decision making, while ensuring WHSmith’s long-term success and reputation is promoted and preserved.

During the year ended 31 August 2024, the Board acted in accordance with Section 172(1) of the Companies Act 2006, with each director performing their duty to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard to the interests of its stakeholders. Our interactions with key stakeholders

and the ways in which their interests have been taken into account by the directors in their decision making are summarised on the following pages. Further examples of how stakeholder views have been considered can be found in our Corporate governance section on pages 66 to 113.



## Section 172(1) statement continued

### Our people

The success of WHSmith depends on the c.14,000 colleagues employed by the Group. It is essential that they feel engaged, motivated and appreciated.



#### What matters to our people

- Feeling valued
- Being rewarded fairly
- Being treated with respect and dignity
- Having opportunities for personal growth and career development

#### How did we engage?

- Our designated Non-Executive Director for workforce engagement, Simon Emeny, provided oversight for the Board
- Simon Emeny and Nicky Dulieu, Remuneration Committee Chair, attended employee forums to discuss, amongst other topics, the Group's approach to remuneration and how this aligns to wider Group pay policy
- The Chief People Officer updated the Board on employee-related matters, including employee engagement, staff retention rates, learning and development, gender pay gap statistics, diversity and inclusion, and workforce remuneration
- The Group Chief Executive and other senior executives hosted regular webinars with support centre colleagues to provide strategy and performance updates and answer any questions
- Board members and senior executives attended business meetings throughout the year, including leadership meetings, trading updates and Risk Committee meetings
- Our annual employee engagement survey was followed up with meetings with employees to gain further understanding
- Employees raised issues, questions and concerns through direct mailboxes for senior executives

#### What were the key topics raised?

- Reward
- Development and growth for all of our colleagues
- Communications
- Work/life balance and wellbeing
- Culture and authenticity

#### How did we respond?

- The Board approved an action plan to address actions from the employee survey and monitored implementation throughout the year
- We relaunched the WHSmith Values based on Customer Focus, Drive for Results, Accountability and Valuing our People, incorporating them into our people policies and processes
- We relaunched our learning and development proposition giving colleagues access to a wider range of development opportunities
- We increased our communication and engagement, including more targeted communications for different teams, and continued with webinars and business line specific meetings with senior executives
- Management acted on feedback from our employee networks, chaired by sponsors from our Executive Committee, giving all colleagues the opportunity to participate and influence our broader diversity, equity and inclusion ("DEI") strategy
- Management undertook initiatives to increase employee participation in the employee survey

## Customers

Customer loyalty and enthusiasm for our retail proposition are critical to our success. Understanding the needs of our customers ensures that we provide the products and service that they expect.



### What matters to our customers

- Availability and range of products
- Convenience
- Customer service
- Value for money
- Safe and responsibly sourced products

### How did we engage?

- Board members visited stores in the UK, US, Australia and Europe to assess and review the customer experience and service standards
- The Managing Directors of each business unit updated the Board on customer engagement, market trends and commercial responses
- We used quantitative and qualitative analysis of customer feedback through point of sale, online surveys and focus groups, to provide additional customer insights
- Store teams and customer service teams are in constant dialogue with customers
- The Board received regular updates on customer feedback and service standards, and ensured systems were in place to comply with all relevant product safety legislation

### What were the key topics raised?

- Convenience of our offering
- Nature of store environments
- Customer service levels
- Product availability
- Pricing

### How did we respond?

- The Board received strategy updates from the Managing Directors of each business unit and approved the customer-facing commercial strategies
- We extended the roll-out of our one-stop-shop formats for travel essentials providing food, health and beauty, tech accessories, books and magazines under one roof
- We continued to invest in our retail estate, opening over 100 new stores during the year
- Each division explored ways to continue to improve its service model to make the customer experience as effortless and efficient as possible
- Customer feedback was communicated to the relevant parts of the business for further action where needed

## Section 172(1) statement continued

### Investors

Our investors include individual and institutional shareholders, and providers of debt and financial capital, such as banks and bondholders. We maintain an active dialogue with our investors through an extensive investor relations programme.



#### What matters to our investors

- Long-term value creation and growth opportunities
- Capital allocation
- High-performing Board and Senior Executives
- High standards of business conduct and good governance
- Transparency

#### How did we engage?

- Individual meetings, virtual presentations and investor roadshows were hosted by members of the Board
- The Board received reports and updates about shareholder relations at each meeting to ensure that Board members were informed of investors' and proxy advisers' views on strategy and corporate governance
- Direct engagement for investors took place via our investor relations team
- Annual report and interim trading updates with investor presentations were provided by the Group Chief Executive and CFO/COO. These were interspersed by more regular Trading Updates
- Nicky Dulieu, as Chair of the Remuneration Committee met with investors to discuss remuneration policy
- An online portal, operated by our registrar, Computershare, provided shareholders with the ability to manage their shareholdings
- At our Annual General Meeting, the Group Chief Executive gave an update on how the Group is performing and the Board answered questions from shareholders

#### What were the key topics raised?

- Strategy for business growth
- Operational delivery
- More detailed information on the return on capital employed
- Corporate governance practices
- ESG strategy, targets and reporting
- Succession planning

#### How did we respond?

- The Board dedicated one of its meetings to reviewing and approving the Company strategy
- Annette Court and Nicky Dulieu held meetings with individual shareholders as part of an investor roadshow
- The Board approved a share buyback programme in line with the Company's capital allocation policy
- Returns on capital employed by division are disclosed
- We conducted investor interactions through meetings with major institutional shareholders, individual shareholder groups and financial analysts, attended by directors and senior management including our Chair, Group Chief Executive and CFO/COO
- The ESG Committee incorporated investor feedback into the ESG strategy. We also responded to a number of requests from investors for a briefing on our ESG priorities

## Landlord partners

Our landlord partners own the buildings where our retail units are located. They include airport operators, rail infrastructure partners, hospital trusts and other retail estate landlords. Our business success is dependent on retaining and winning new space and in order to do so, we must understand what considerations are important to them.



### What matters to our landlord partners

- Store formats and product ranges that are appealing to their customers
- Customer service and satisfaction
- Value of revenue and rent paid per square metre of retail space
- Effective operational implementation
- Compliance with their sustainability requirements

### How did we engage?

- Board, executive and senior managers met with landlords
- We held regular dialogue with landlord representatives on performance levels in existing stores and future opportunities
- As part of the tender submission process for new contracts, we attended meetings, webinars and conducted written engagement with landlords
- We participated in various landlord-hosted working groups to collaborate on different challenges on topics such as energy and waste management and security
- We organised store visits for landlords to share examples of latest retail formats
- Membership of appropriate trade bodies and attendance at industry conferences and events

### What were the key topics raised?

- Board approval for tenders in Australia, Ireland, Spain, the UK and the USA
- Emerging global trends in retailing and implications for store design and WHSmith format development opportunities
- Sustainability requirements as part of tender submissions and subsequent landlord partner dialogue
- Commercial terms for lease agreements for High Street stores

### How did we respond?

- We opened over 100 new stores during the year
- We continued our focus on product ranges, stock volumes and staffing levels to meet demand from seasonal increases in airport footfall
- The Group invested in store design, shop fit outs and product ranging
- We continued to develop a variety of format options including extension of a one-stop-shop for travel essentials, greater localisation of designs and a platform for a variety of brands
- We confirmed ongoing dialogue with airport operators on ways to work together to ensure that we meet customer needs

## Section 172(1) statement continued

### Community groups

The relationship we have with the communities where our stores and distribution centres are located is key to the sustainability of our business. We want to serve communities, in travel locations, hospitals or town centres, providing jobs and helping local economies where we are based.



#### What matters to our community groups

- A retail presence to attract other retailers to the locality
- Availability of core products and services such as convenience offerings in travel locations and hospitals and Post Office services in High Street stores
- Support for local and national causes
- High standards of corporate responsibility for environmental and social issues

#### How did we engage?

- The Board's ESG Committee met three times during the financial year and received briefings from the Sustainability Director on environmental and social issues, including interactions with community stakeholders
- Senior managers participated in sustainability-focused working groups for trade organisations such as the British Retail Consortium and Ethical Trading Initiative ("ETI")
- We held regular meetings with key charity partners
- The Group participated in ESG surveys run by organisations such as the disclosure organisation, CDP and the ETI
- Stakeholders raised questions, views and concerns through the [sustainability@whsmith.co.uk](mailto:sustainability@whsmith.co.uk) email address

#### What were the key topics raised?

- The need to maintain a vibrant retail offering providing core services for local communities
- Support for community groups and charities local to our stores
- The importance of support for pre-school children in disadvantaged areas to address disparities in levels of literacy

#### How did we respond?

- The ESG Committee reviewed and approved the Sustainability Strategy, action plans and targets for the year under our three pillars of Planet, People and Community
- We continued our long-term partnerships with the National Literacy Trust in the UK and Miracle Flights in North America, and provided financial and in-kind support to a number of other charities and community causes
- We discussed possible partnerships with landlord partners to look at ways to help local communities
- We improved our retail proposition for the specific needs of hospital staff, visitors and patients by providing an increased range of food, health and beauty products and tech accessories
- We participated in industry working groups on key environmental and social issues

## Suppliers and business partners

We work closely with over 3,000 suppliers to provide products, goods not for resale and services, which are critical for the smooth running of our business. They range from large multi-national companies to small and medium-sized enterprises. We have agreements with a number of partners to run franchised stores on our behalf, and, this year transferred the running of our UK-based distribution centres and logistics to a third-party provider, GXO.



### What matters to our suppliers and business partners

- Fair trading and prompt payment in line with agreed terms
- Opportunities for growth in their business
- A business partner that treats them fairly
- Responsible sourcing and high ethical standards in the supply chain

### How did we engage?

- Board overview of information on key suppliers where material, for example, when approval of major supplier or franchise contracts is required
- Overview by the Audit and ESG Committees of labour and environmental standards in the supply chain via quarterly and annual updates
- Direct engagement with suppliers and franchise partners via individual meetings
- Supplier conferences for major groups of suppliers such as trade suppliers for individual businesses or geographies, or suppliers of non-trade goods and services
- Programme of audit and supplier engagement on labour standards
- Anonymised survey of workers in our own-brand supply chain
- Discussions with potential third-party providers to operate logistics activities on our behalf

### What were the key topics raised?

- Supplier and product innovation
- Supply chain operations to ensure right products at the right time
- Strategies for science-based carbon targets and net zero emission strategies
- Compliance requirements for emerging legislation

### How did we respond?

- The Board, through the Audit Committee, received updates on the risk and resilience of our supply chains
- We worked with business partners to provide suppliers with customer insight data specific to our stores
- The Board oversaw the smooth transition of operations and people to GXO, our new logistics provider
- We engaged with suppliers on human rights due diligence in their supply chains and carbon reduction targets and plans

# Sustainability review

## Our journey to a more sustainable business

WHSmith has a long-standing commitment to operate in a responsible and sustainable way. As a leading global travel retailer, our operations can impact society and the wider environment. Our customers, colleagues and business partners all want us to act in the right way and we know that operating responsibly enables better long-term business performance.

Our sustainability strategy is a key part of how we operate. It concentrates on those areas, which are important for the success of our business, and where we can bring positive change. It was developed using stakeholder insights to include those areas where our activities could have the greatest potential impact on society and the environment.

The three main pillars of our sustainability strategy are Planet, People and Communities and they provide the framework for our activities. They are underpinned by a strong foundation of responsible business principles and practices to ensure we operate in the right way.

### Our Journey to a Sustainable Business

Creating value for all stakeholders



#### Minimising our impact on the planet

Net zero by 2050

Reduce packaging and waste

Zero deforestation in our supply chain



#### Engaging our people

Protect health, safety and wellbeing

Promote diversity, equity and inclusion

Human rights and supplier management



#### Contributing to communities

Help children to develop a love of reading

Make a positive impact through fundraising, donations and volunteering

### Responsible business policies and processes

## Governance

Good ESG is central to successful risk management, business development and delivery of the expectations of shareholders. A robust and fully embedded framework of clear governance structures, risk management processes and internal controls are key to the delivery of our sustainability commitments.

Our Board level ESG Committee has oversight of our sustainability strategy, setting our ambition and monitoring progress. The Committee is responsible for understanding the potential impact and related risks of ESG considerations on the business. It approves the Company’s sustainability strategy, including policies, objectives and a roadmap for delivery, and monitors progress against agreed targets. The work of the Committee is detailed on pages 82 to 84.

The ESG Committee receives input from the ESG Steering Group, which is chaired by the Group Chief Executive and has responsibility for leading the delivery of our sustainability commitments.

The ESG Steering Group meets monthly to review progress against our objectives. Each of the key components of our strategy has a series of targets and an action plan for implementation.

Individual issues are managed by the most appropriate owners across the business. They work with the Group’s Sustainability team, whose role is to advance the various initiatives, co-ordinate implementation of the sustainability programme and provide updates to the key governance bodies.

Quarterly updates are also provided to the Group Audit Committee on key ESG risk areas. As part of WHSmith’s risk management processes (see pages 59 to 65), detailed risk registers are maintained by each business and used to identify, manage and monitor risks at quarterly Business Risk Committees.

The Business Risk Committees review the progress made towards achieving our long-term sustainability targets once a quarter, together with any emerging issues that need to be considered.

We include ESG metrics and targets in our incentive plans for senior management (see pages 87 to 99) and as part of our revolving credit facility. We receive a reduction in interest rates from the lending banks if the targets are met.

## Our governance framework



# Sustainability review continued

## Materiality and our approach to reporting

We undertake an annual materiality assessment to determine the most important sustainability issues for our business. This assessment is based on the extent to which our activities could impact society and the environment, and the extent to which a socio-economic, environmental or ethical issue could impact our business financially.

Our materiality assessment incorporates the views of internal and external stakeholders who provide input in a number of different ways, which are set out in more detail on pages 33 to 39. We use feedback from stakeholders to identify the areas where they believe our activities could have the biggest impact on society and the environment, and the extent to which different issues could generate significant risks or commercial opportunities for our business.

Our ESG Committee, and the other governance bodies listed above, regularly discuss new and existing themes and issues that matter to our stakeholders. Priority issues are addressed by programmes and action plans with clear and measurable targets and committed resources.






Our ESG Steering Committee reviews our materiality assessment annually and chooses what we measure and include within our reporting based on priority issues for our investors, customers, colleagues and other stakeholders. Our reporting is informed by stock exchange listing and disclosure rules.

We remain committed to transparent and balanced sustainability reporting and commissioned SLR Consulting to conduct a limited assurance engagement over selected information, which is marked with an asterisk (\*) in this report. Further details are provided in our **Sustainability Addendum**. All of our reporting is available on our **website**:

- This Annual Report and Accounts has a summary of the progress against our sustainability strategy and targets for the year, and meets our statutory obligations
- The accompanying **Sustainability Addendum** includes our most recent materiality matrix, sustainability performance data, third-party assurance statement and content tables for key reporting standards
- **Policies and position statements** describe our expectations and management approach for key topics

## Benchmarks and external ratings

We engage with a number of external proxy agencies, benchmarking schemes and other membership organisations. We are signatories of the UN Global Compact and we continue to rank highly in external benchmarks and indices, including the following (as at 31 August 2024):

Benchmark	External rating
 <p>Member of <b>Dow Jones Sustainability Indices</b> Powered by the S&amp;P Global CSA</p>	For the fourth year, WHSmith has been included in the Dow Jones Sustainability World Index, one of only nine speciality retailers to be included.
 <p><b>SUSTAINALYTICS</b> a Morningstar company</p>	WHSmith received an ESG Risk Rating of 10.2 and was assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. This rating places us in the top position for speciality retailers.
 <p><b>ENVIRONMENTAL QUALITYSCORE</b> HIGHEST RANKED BY ISS ESG <b>1</b></p>	WHSmith achieved a “C+” rating. This is supported by our “Prime” status, which is given to companies that are perceived to be sustainability leaders in their industry.
 <p><b>MSCI ESG RATINGS</b> AAA</p>	WHSmith has a rating of AAA in the MSCI ESG Ratings assessment, the highest rating possible.
 <p><b>CDP</b> DISCLOSURE   INSIGHT   ACTION</p>	WHSmith achieved a climate disclosure score of “A – leadership”.



## Minimising our impact on the planet

	Aim	Target (against a 2020 baseline)	Progress
<b>Climate action</b>	<b>Net zero emissions by 2050</b>	By 2030: reduce absolute Scope 1 and 2 emissions by 80 per cent from 2020 base year.	2024 emissions are 90* per cent lower than 2020.
		By 2027: 75 per cent of suppliers by emissions covering purchased goods and services and up-stream transport and distribution will have science-based targets.	32* per cent of GHG emissions from purchased goods and services and up-stream transport and distribution are from suppliers with science-based targets.
<b>Reducing waste</b>	<b>Reduce environmental impact from packaging and materials</b>	By 2025: reduce waste material and minimise own-brand plastic packaging.	In 2024, we sent 14* tonnes (less than one per cent) of waste to landfill compared to 400 tonnes (12 per cent) in 2020.
<b>Protecting natural resources</b>	<b>Net zero deforestation</b>	By 2025: ensure forestry materials in own-brand products and paper-based non-trade goods come from recycled or certified sources.	In 2024, 100* per cent of pulp, paper and timber products purchased for sale were from certified sources or recycled materials. Further work is planned to assess certification in relation to non-trade goods.

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (\*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

### Climate action

WHSmith has a long history of reducing carbon emissions through greater energy efficiency, investment in technology and equipment, and switching to lower-carbon sources of energy and fuel. We are committed to continuing to play our part in helping to reduce emissions to avoid the most severe consequences of climate change.

We have set a target to be net zero across our full value chain by 2050, aligned to a 1.5°C trajectory. Our carbon transition plan includes a number of initiatives to reduce energy and fuel use, switch more of our power to renewable sources and take action to adapt to the changing climate. We know that we will not be able to reach net zero in isolation, and, therefore, are encouraging customers, suppliers, business partners and policy makers to join us on our journey.

More information on our climate strategy, including our commitments, climate risks and opportunities, and action plans for transitioning to net zero are included in our TCFD disclosures on pages 44 to 52.

### Reducing waste

Waste is not only damaging to the environment but adds additional cost to our business. We are focused on reducing excess materials and maximising recycling wherever we can. Total waste volumes increased slightly this year as a result of greater volumes of waste stock being cleared for recycling.

We operate a recycling system which enables us to recycle most forms of waste, including cardboard, paper, plastics and metals. Separate facilities for waste segregation are available in our distribution centres and support centres. Reusable skips transport goods between our distribution centres and stores, rather than cardboard boxes, which need recycling more frequently.

We work with our suppliers to minimise the quantities of secondary packaging used to protect products being transported to our stores, which helps to reduce the waste being generated from our operational activity.

We regularly review the type and quantities of packaging we use, including primary packaging for our own-brand products and the secondary packaging used to protect goods during transit and distribution. We seek to identify opportunities to minimise packaging wherever possible and use cardboard and forms of plastic that can be recycled where these provide a better environmental option than virgin and hard to recycle materials.

## Sustainability review continued

With the launch this year of *Smith's Family Kitchen*, the number of food lines that we sell continues to grow. Our focus is on reducing food waste, which predominately arises from chilled food that has reached its use-by date.

Our stock control systems use historical and predictive data to order enough food to meet customer demand, while ensuring that we only stock food that we expect to sell. We also operate a discounting strategy in all of our stores, with processes in place to reduce the price of chilled food that is approaching, but has not yet exceeded, its use-by date.

We partner with the food redistribution organisation Too Good to Go, who provide an online application to connect customers to any of our stores that have surplus unsold food. This application allows customers to reserve a bag of food, which is approaching its use-by date, to purchase later in the day from a WHSmith store at a reduced price.

These actions all help to minimise the amount and proportion of waste, which is sent for treatment and disposal. This year more than 99\* per cent (2023: 99\* per cent) of our waste was sent for recycling or to energy from waste facilities rather than for disposal to landfill.

### Operational waste (direct operations only)

	2024	2023	2022
Total waste (tonnes)	3,253*	3,105*	3,247*
Percentage diverted from landfill (per cent)	99*	99*	99*

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (\*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

### Protecting natural resources

Paper-based products are a core part of WHSmith's product offering and we are committed to minimising the environmental impacts from the sourcing of any paper, card or wood components for our products.

Our **Sustainable Forests Policy** sets out our standards and requirements for our supply chain and includes a zero deforestation policy for any WHSmith-branded products. Our standards require that all paper, card and wood for our own-brand products are sourced from legal and well managed forests that have been certified to credible certification standards such as FSC® or PEFC™ or from verified recycled sources.

Suppliers must provide proof of Chain of Custody certification and in line with the requirements of national and international timber regulations, we carry out an in-depth and rigorous assessment of supplier timber-sourcing systems. We can demonstrate that 100\* per cent (2023: 100\* per cent) of WHSmith-branded products containing paper-based materials originate from certified or recycled material.

We are currently updating our procedures and supplier guidance to ensure we are ready for the introduction of the EU Deforestation Regulation in 2024/25 when due diligence processes will be extended to a wider range of products beyond our own brand.

## Climate-related financial disclosures

### Introduction

The Task Force on Climate-related Financial Disclosures ("TCFD") established a framework for understanding and analysing climate-related risks and opportunities. WHSmith recognises that climate change presents a number of potential risks and opportunities for our business. Our target is to be net zero across our value chain by 2050.

We have considered our TCFD-related reporting obligations under the UK's Financial Conduct Authority Listing Rules and in line with the requirements of UK Listing Rule 6.6.6R(8), our disclosure of climate-related financial information is consistent with the Recommendations of the TCFD, recommended disclosures and all-sector guidance. Our approach to materiality for TCFD reporting is the same as for other components of ESG and is set out on page 42.

### Board oversight of climate risks and opportunities

The Board has ultimate responsibility for ensuring climate change is embedded into the Group's strategy, risk management, financial and business planning processes. Climate considerations are taken into account for performance monitoring and any decisions regarding major financial approvals and acquisitions. The ESG, Audit and Remuneration Committees of the Board provide oversight of certain climate-related activities and any issues of material significance are discussed as they occur. The work of the Committees is detailed on pages 82 to 84.

The Audit Committee has responsibility for ensuring that the Group has identified climate risks and opportunities, that those risks and opportunities have been adequately assessed, and that appropriate risk management, monitoring and mitigation plans are in place. The Committee also oversees the Group's wider obligations in relation to non-financial reporting. Climate-related matters are included in quarterly updates from the Group Audit and Risk Director as part of the Group's wider risk management processes.

The ESG Committee has responsibility for ensuring the Group has appropriate climate policies, action plans and targets that are part of a wider sustainability strategy. This includes the development of short, medium and long-term goals and targets in relation to climate change, development of a carbon transition plan and monitoring progress. This year, the ESG Committee discussed climate change in three meetings. The Committee received dedicated briefings from the Sustainability Director on current legislation and emerging developments in relation to carbon and nature, and reviewed progress against the Group's carbon targets. Climate-related skills and experience of individual Committee members are set out on pages 82 to 84.

## TCFD recommendations and recommended disclosures

	Disclosure location
<b>Governance</b>	
(a) Describe the Board's oversight of climate-related risks and opportunities	Page 44
(b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 45
<b>Strategy</b>	
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Pages 46 to 48
(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Pages 47 to 48
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 47 to 48
<b>Risk management</b>	
(a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 45
(b) Describe the organisation's processes for managing climate-related risks	Pages 46 to 48
(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Pages 46 to 47
<b>Metrics and targets</b>	
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 49
(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	Pages 51 to 52
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 52

The Remuneration Committee ensures that the Group's incentive plans are aligned with targets relating to climate change. Climate-related performance indicators are included in the Long-Term Incentive Plan awards as set out on page 106.

## Management's role

The Group Chief Executive has the delegated authority from the Board to manage WHSmith's actions in relation to the Group's strategy and climate change. He is assisted by a number of senior managers in the assessment and management of climate-related matters.

- The Group Sustainability Director supports the Group Chief Executive in progressing WHSmith's net zero transition strategy, including developing climate scenarios, identifying climate risks and opportunities, developing transition plans and embedding them into business activities, and ensuring progress is appropriately monitored. She is responsible for updating the Board and the ESG Committee on climate-related matters, including progress against the Group's targets at least three times a year.
- The Managing Directors of each division identify, monitor, manage and mitigate climate risks and opportunities associated with their activities. They are also responsible for ensuring the delivery of plans to reduce emissions and capitalise on carbon-related opportunities within their businesses.
- The CFO/COO is responsible for monitoring the effective application of the Group's processes for managing climate risks. He is also responsible for providing assurance over financial information and climate-related disclosures.

There are a number of governance bodies and reporting processes to ensure management is informed about climate-related issues. The ESG Steering Group, chaired by the Group Chief Executive, has responsibility for leading the delivery of sustainability commitments including those relating to climate change. It meets once per month to review progress against targets, and this provides the basis for a report to the ESG Committee three times per year. The Business Risk Committees are responsible for identifying and assessing climate risks and opportunities and ensuring appropriate due diligence and mitigation. They meet once per quarter and provide input to the Group risk report to the Audit Committee four times per year.

## Identifying and assessing risks and opportunities

Our framework for identifying and assessing climate-related risks is integrated into Group-wide processes for risk identification and prioritisation (see pages 59 to 65). We use the following processes to identify and assess transition and physical risks and opportunities:

- Monitoring of changes in the external policy environment, including existing and emerging legislation, and government announcements;
- Observing market developments, such as technological advances that may reduce our operating costs, or changes in consumer behaviour that may impact sales of particular products or customer footfall in certain locations; and
- Evaluating changes in our cost base related to properties, logistics or supply of goods that may be linked to climate-related impacts.

## Sustainability review continued

We maintain a register of climate risks and opportunities, across short, medium and long-term time horizons. These time horizons are defined as follows:

- Short-term – up to three years: we develop financial plans and use them to manage expectations and performance on a three-year cycle. We assess the Group's viability under the requirements of the UK Corporate Governance Code over a three-year period and our financial plans incorporate decarbonisation measures required to meet our near-term targets and address short-term risks.
- Medium-term – three to ten years: many of our financial commitments, such as some store leases, contractual agreements with landlord partners, and the useful economic life of our assets often exceed three years. Medium-term climate risks are considered in all investment decisions involving longer-term commitments and many of our climate-related opportunities are often materialised within this time.
- Long-term – beyond ten years: it is expected that the product mix in our stores could look very different to the current offering, addressing the societal changes that will come with transitioning to a net zero world. This timescale is beyond our financial planning and investment period horizons, but we recognise that longer-term risks may need to be incorporated into our future business strategy and planning.

Risks are assessed in relation to the severity of potential business impact (on a scale from one to six) and the likelihood of the business being impacted (low, medium or high). This scoring is in line with all other risks included in the Company's risk register. Determination of the severity of impact includes both financial and reputational components, and other factors such as our ability to respond to a particular risk. In assessing the likelihood, we consider factors such as whether similar risks have materialised in the past and our ability to mitigate the risk. This allows us to identify the more significant potential risks for more detailed financial assessment and incorporation into the risk registers and summary risk maps prepared by all business functions.

We consider Environment and Social Sustainability, which includes climate-related issues, to be a principal risk based on stakeholder expectations that we will conduct our business in a responsible and sustainable way. Failing to deliver our sustainability agenda could damage our reputation, introduce higher costs and impact our ability to meet our strategic objectives.

### Scenario analysis

In 2022, in order to further assess and evaluate climate risk and opportunities, we commissioned external consultants to help us understand how our business could be affected under two climate scenarios over short, medium and long-term horizons. The findings remain relevant for the year ended 31 August 2024.

### Current policies scenario

This scenario assumes only currently implemented government policies are preserved. There is no reduction in emissions and climate change accelerates to 2.5°C of warming by 2050 and >4°C by 2100 bringing irreversible change. This scenario provides an indication of potential outcomes under business as usual. It involves little to no

transition risks in the early stages (as no additional action is being taken), but results in irreversible and disruptive physical risks.

### Net zero 2050 scenario

This is an ambitious scenario that limits global warming to 1.5°C by 2100 through stringent policy intervention and innovation, reaching net zero emissions around 2050. It offers an indication of potential outcomes where global warming is limited to current internationally agreed levels. It involves more transition risks in the early stages and physical risks are less extreme than under the current policies scenario. It is only relevant to medium and long-term time horizons because of the timescales needed to implement.

### Climate risks and opportunities and their impact on our business

The analysis helped us to estimate indicative financial impacts from different climate risks under the two scenarios. The table on pages 47 to 48 sets out the most significant climate risks and opportunities for WHSmith, the potential impacts they may have on our business and our resilience to respond. We have assessed transition risks associated with societal changes in policies, technologies, markets and stakeholder expectations and physical risks arising from acute climate-related weather events, or longer-term chronic changes to the climate. Opportunities from mitigation and adaptation to climate change are also included.

The impacts detailed in the table on pages 47 to 48 are stated prior to mitigation or controls being in place and are subject to uncertainties attributed to the underlying scenario models, impact pathways and assumptions made. They assume that our business activities remain largely unchanged throughout and any increases in costs are fully absorbed by WHSmith. The financial impacts quoted are not forecasts but are based on the outputs from the 2022 modelling derived from different data inputs and plausible modelled scenarios, and are subject to a wide range of uncertainties.

The financial implications of the risks and opportunities identified are considered within the Group's financial planning processes. The modelling undertaken to date has determined that the financial impacts are not expected to be significant within our short-term forecast period. Over the medium and longer term, the results of the scenario analysis have been considered in the assessment of viability and goodwill impairment, where appropriate, but are not considered to be material. We will continue to keep this assessment under review.

The results of our scenario analysis do not currently identify any significant impact on our business model over the time horizons assessed, and, therefore, no further changes in strategy are required, beyond our current activities to decarbonise our business in line with limiting global temperature rises to 1.5°C.

### Managing climate risks and opportunities

Climate risks are managed in line with our overall risk appetite to ensure appropriate responses are in place for those risks. These responses may include accepting a risk without any further action, mitigating or reducing the risk

with appropriate controls, transferring the risk, for example to insurance providers, or stopping or modifying the activity that gives rise to the risk. The decision as to which response is appropriate depends on a number of factors, including the size of the risk (in terms of impact and likelihood), the level of resource that would be required

for different responses, the time frame over which a risk is likely to materialise and the extent to which the risk level could be reduced by a response. An integrated approach ensures we manage climate risks within our overall risk appetite over different time horizons.

## Summary of climate-related risk and opportunities

Climate risk/opportunity and business impact	Potential financial impact <sup>1</sup>			Business resilience and strategic response
	Short term	Medium term	Long term	
<p>Increased energy and fuel prices from changes in carbon taxes, geopolitical energy policies and industry decarbonisation could result in higher costs for operating buildings, transport and purchase of goods. (Policy and legal, and market risk.)</p> <p>Geographies affected: global retail, purchasing and distribution operations.</p>	<p><b>Current policies</b></p> <p>£      ££      ££</p> <p><b>Net zero 2050</b></p> <p>N/A      £££      £££</p>	<p>We closely monitor any changes in legislation, taxation policies and market dynamics. Our procurement team seek to minimise the price we pay for electricity and gas. We have a balanced energy purchasing strategy to mitigate price volatility. We continue to reduce energy consumption and switch to low carbon alternatives wherever feasible. Future cost projections for energy and fuel are included in our financial plans.</p> <p>Metrics used: Electricity, gas and fuel consumption (page 49); and Energy and fuel pricing (not disclosed).</p>		
<p>Switching to lower carbon sources of power and fuel could result in increased costs. In the UK, our Swindon distribution centre and some of our High Street stores are heated by natural gas. To meet net zero targets and new building standards, we will need to invest in gas replacement systems and electric vehicles, which could incur additional costs. (Technology and Reputation risk.)</p> <p>Geographies affected: global operations, but particularly UK.</p>	<p><b>Current policies</b></p> <p>£      £      £</p> <p><b>Net zero 2050</b></p> <p>£      £      £</p>	<p>Capital expenditure on gas control systems has reduced our reliance on natural gas. We continue to invest in lower-carbon alternatives for heating and air conditioning during store refits and building upgrades. Both capital and operating expenditure projections for energy and fuel are included in our financial plans.</p> <p>Metrics used: Scope 1, 2 and 3 emissions (pages 51 to 52); Electricity, gas and fuel consumption (page 49); Renewable electricity pricing (not disclosed); and Landlord partner commercial terms (not disclosed).</p>		
<p>Climate change is likely to result in chronic changes in precipitation patterns with some regions experiencing droughts and others greater rainfall. These changes could affect the supply and availability of raw materials for some product categories such as stationery and food and drink, with a resulting increase in the cost of supply. (Chronic physical risk.)</p> <p>Geographies affected: global purchasing operations.</p>	<p><b>Current policies</b></p> <p>£      £      £££</p> <p><b>Net zero 2050</b></p> <p>£      £      ££</p>	<p>We sell a broad range of products, which means that even if certain categories are impacted by supply chain challenges, revenues can be maintained through sales of other product categories. We will continue to evaluate our product offering in the context of medium and long-term climate change and the impacts that this could have on different raw materials in our supply chain, and if necessary, adapt our ranges as appropriate.</p> <p>Metrics used: Cost of sales (page 138); Scope 3 emissions (page 52).</p>		
<p>Extreme weather events, including storms and flooding are becoming more frequent and could cause disruption to transport routes affecting our distribution network and our ability to transport stock to where it is needed. More frequent periods of heavy rainfall could lead to flooding at one or more of our stores or distribution centres. (Acute physical risk.)</p> <p>Geographies affected: global retail and distribution operations.</p>	<p><b>Current policies</b></p> <p>£      £      £</p> <p><b>Net zero 2050</b></p> <p>£      £      £</p>	<p>Our stock is held across a number of WHSmith-operated distribution centres, by suppliers at their sites and in 1,791 stores in 32 different countries. The impact of a flood event would therefore be limited. We have a diverse product range with a limited number of fast-moving goods, and therefore the majority of our logistics operations are resilient to any short-term impacts from major weather events.</p> <p>Metrics used: Insurance costs (not disclosed).</p>		

<sup>1</sup> Potential financial impact determined by impact on annual margin prior to any mitigation activity. Ranges have been chosen to align with our other accounting processes. There have been no identified impacts on investment in research and development, acquisitions or divestments or access to capital

£ <£10m      ££ £10–30m      £££ >£30m

# Sustainability review continued

Climate risk/opportunity and business impact	Potential financial impact <sup>1</sup>			Business resilience and strategic response
	Short term	Medium term	Long term	
<p>There may be opportunities for increased revenues as a result of changing consumer trends relating to a switch to public transport and increased revenue from new and existing product categories. A switch to lower-carbon intensity forms of transport could result in an increase in revenues in some of our channels. As the climate changes, there is also likely to be an increase in customer demand for some of our existing lines and new products. These include those that have the potential to mitigate the impacts of climate change, because they have a lower environmental footprint, or products that help customers to adapt to a changing climate, particularly for those who are travelling. (Physical opportunity.)</p> <p>Geographies affected: global retail operations.</p>	<p><b>Current policies</b></p> <p>££      £££      ££££</p>			<p>WHSmith is collaborating with our landlord partners on net zero strategies to play our part in demonstrating industry's intent for greener forms of travel. We have a diverse portfolio of stores across air, rail, hospitals, shopping centres and high street locations which would maximise the opportunities for growth in any of these formats. Our commercial teams are constantly assessing consumer trends and the potential for new products and can quickly adapt to any developments in the marketplace to capitalise on new opportunities. For example, in response to a warmer climate, we are ensuring our ranges of travel products are meeting the needs of travellers.</p> <p>Metrics used: Commercial sales from products designed for a lower-carbon economy (not disclosed).</p>
	<p><b>Net zero 2050</b></p> <p>££      ££      £££</p>			

<sup>1</sup> Potential financial impact determined by impact on annual margin prior to any mitigation activity. Ranges have been chosen to align with our other accounting processes. There have been no identified impacts on investment in research and development, acquisitions or divestments or access to capital

£ <£10m      ££ £10–30m      £££ >£30m

In addition to the strategic responses in the table, other processes for managing climate risks and opportunities are undertaken at Group, business function and individual property level, and include:

- A Group-wide policy framework, which includes our **Environment Policy, Code of Business Conduct and Responsible Sourcing Requirements for Suppliers;**
- Monitoring of key metrics including energy and fuel consumption and pricing, cost of sales, consumer trend data and sales information;
- Operational procedures covering, for example, processes relating to energy and fuel management;
- Emergency response plans, for example, for flood management or for disruption to supply networks;
- Internal audit and investigation; and
- Annual attestation processes by senior managers of business functions, joint ventures and franchise partners.

Senior management and the Board undertake regular reviews of risk and opportunities relating to climate change to ensure that any emerging issues that might impact our strategy are appropriately identified and evaluated. Significant climate-related issues form part of risk reports to the Audit Committee. The ESG Committee evaluates the annual update of the climate risk and opportunity register and ensures appropriate responses are in place. At an operational level, each business division reviews its risk profile and risk responses throughout the year to ensure climate risks and opportunities are managed effectively.

Our internal audit team provides independent assurance of the controls in place for significant risks across the business, and this includes advice to senior management and the Board on the adequacy and effectiveness of climate risk management.

Our climate risk management processes follow the overall approach for Group-wide risk management. Climate risks and opportunities are considered from a strategic and operational perspective to ensure we maintain a comprehensive view of potential climate-related impacts over different time horizons. Senior management and the Board regularly review climate risks and opportunities in line with other risks, to ensure a holistic view and that risk mitigation responses are appropriate to risk materiality, and are properly integrated into relevant business activities.

## Climate strategy

The Group's strategy incorporates the delivery of our sustainability plans as a key enabler, including minimising our impact on the planet and decarbonising our activities (pages 14 to 15). We recognise that transitioning to a net zero business is the best way of mitigating climate risk and capitalising on any climate-related opportunities. Our target is to become a net zero emissions business by 2050. Our intention is to reduce Scope 1, 2 and 3 emissions by at least 90 per cent by 2050 (from a 2020 baseline) before neutralising any residual emissions.

As a first step to this long-term goal, we have set near-term targets to help track our performance against our overall climate target over time. The following targets were developed using the Science Based Target initiative's ("SBTi's") Criteria and Recommendations for Near-Term Targets, Version 5.0 and have been validated by SBTi.

- We will reduce absolute Scope 1 and 2 GHG emissions by 80 per cent by 2030 from a 2020 base year; and
- 75 per cent of our suppliers (by emissions) covering purchased goods and services and upstream transport and distribution services will have science-based targets in place by 2027.

Our carbon transition strategy focuses on a number of key actions:

- Continuing to reduce our electricity and gas consumption through increased energy efficiency and investment in more efficient heating, lighting and cooling.
- Continuing to invest in renewable electricity for direct and indirect power purchases.
- Reducing our dependence on fossil fuels for transport and logistics.
- Enhancing supplier engagement across all Business Divisions to ensure our supply chain is adequately disclosing carbon emissions and setting targets to reduce them.
- Working with landlord and franchise partners to look at opportunities to collaborate to reduce emissions.
- Reducing carbon emissions from packaging.

- Working with others in the retail sector to encourage other stakeholders such as governments and policy makers to make more rapid and larger scale interventions towards net zero. We were a founding member of the British Retail Consortium's Climate Action Roadmap, which was established to bring together retailers, suppliers, policy makers and other stakeholders, and to support customers to deliver the UK retail industry's ambition to be net zero by 2040.

## Metrics and performance against targets

We use a number of different metrics to measure our climate-related impacts, evaluate progress against our targets and monitor risks and opportunities. They have been developed with consideration of the cross-industry metrics described in the TCFD implementation guidance table A2.1, where we consider these to be material to our business. Key metrics used to measure and manage climate risk and opportunities are listed below and included in the table on pages 47 and 48.

### Metrics for managing climate risk

Metric	Link to risk	Units	2024	2023	2022
Electricity and gas consumption	Increased costs for energy and fuel	MWh	<b>77,544*</b>	83,908*	82,581*
Fuel consumption	Increased costs for energy and fuel	millions of litres	<b>1.72*</b>	1.73*	1.54*
Electricity from renewable sources	Increased costs for energy and fuel Increased costs for meeting net zero targets	MWh	<b>66,498*</b>	52,101*	53,231*
Absolute Scope 1 emissions	Increased costs for meeting net zero targets	tonnes CO <sub>2</sub> e	<b>1,370*</b>	1,765*	1,609*
Absolute Scope 2 emissions			<b>1,809*</b>	9,337*	8,758*
Absolute Scope 3 emissions	Increased costs of raw materials		<b>513,030</b>	468,420	291,730

### Other climate-related metrics

Metric	Link to risk	Units	2024	2023	2022
Own-brand wood and paper-based products from sustainable sources	Linked to deforestation target	Per cent	<b>100*</b>	100*	>99*
Waste diverted from landfill	Component of Scope 3 emissions	Per cent	<b>&gt;99*</b>	99*	99
GHG Scope 1 and 2 emissions intensity	Industry benchmark	tonnes CO <sub>2</sub> e/ £m revenue	<b>1.7*</b>	6.2*	7.4*
		tonnes CO <sub>2</sub> e/ million square feet	<b>738*</b>	2,437*	2,352*

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (\*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

## Sustainability review continued

Other metrics used to monitor climate-related impacts include:

**Executive remuneration:** Climate-related performance indicators formed part of the Long-Term Incentive Plan (see Directors' remuneration report on pages 85 to 109).

**Revolving credit facility:** The Company's revolving credit facility includes specific annual targets aligned to the Group's Sustainability strategy, with lower interest rates on any drawdown if we meet two or three of these targets, no change for one target and a higher rate if we do not meet all three targets. These targets include ongoing delivery of Scope 1 and 2 reductions and agreement with suppliers to set science-based carbon reduction targets to cover Scope 3.

**Carbon pricing:** The main carbon taxes affecting our business are the UK Climate Change Levy, which is included in the cost of gas and electricity used to power our buildings and the UK Fuel Duty, which is included in the cost of diesel and petrol used for the distribution of our goods. These carbon taxes are part of energy and fuel costs, which we monitor on an ongoing basis. We have also included carbon pricing in our scenario analysis, using projections from models by the International Energy Authority and the Network for Greening the Financial System.

**External benchmarks:** We monitor performance on climate change in external benchmarks, including the CDP Climate Change disclosure initiative and this year we were included in the leadership group of companies with an "A" rating.

### Metrics for managing climate risk

Metric	2024	2023	2022
<b>Energy use (buildings) MWh</b>			
UK	55,116*	61,750*	62,048*
Non-UK	22,428*	22,158*	20,533*
Total	77,544*	83,908*	82,581*
<b>Energy use (buildings) MWh</b>			
Gas	7,493*	9,649*	8,817*
Grid electric (renewable)	66,498*	52,101*	53,231*
Grid electric (non-renewable)	3,553*	22,158*	20,533*
Total	77,544*	83,908*	82,581*
<b>Fuel use for transport (litres)</b>	1.72 million*	1.73 million*	1.54 million*

Energy use is calculated from metered billing data for electricity and gas supplied directly to WHSmith under half-hourly billing data. Non-half-hourly data is extrapolated using floor areas

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (\*) in accordance with assurance standards ISAE 3000 and 3410. Further data and full details of the scope and methodology for reporting energy, fuel use and carbon emissions and SLR Consulting's full assurance statement is available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

### Energy and fuel consumption

We use energy to light and heat our stores, distribution centres and support centres. We have been working for many years to reduce the amount of energy we use, recognising opportunities to reduce our overall GHG emissions and operating costs for the business.

Our energy consumption in 2024 was 77,544\* MWh (2023: 83,908\*) a decrease of eight per cent. The main reason for this decreased consumption was a reduction in energy consumption in UK stores. Total consumption in non-UK stores increased because of an increase in the number of stores in Europe and North America. We are continuing with a range of energy reduction measures to minimise the amount of electricity and gas that we use. These include:

- Further development of our building management system to monitor energy consumption across stores and adjustment of energy settings for lighting, heating and air conditioning to minimise energy;
- Replacement of LED lights coming to the end of their life, with new, more energy-efficient ones;
- Installation of boiler controls for gas heating systems to further reduce consumption; and
- The use of fridges in our Travel stores with doors that prevent cold air losses, increasing energy efficiency.

Our fuel consumption in 2024 was 1.72 million\* litres (2023: 1.73 million\*).

## Scope 1, Scope 2, and Scope 3 greenhouse gas (“GHG”) emissions, and the related risks

### Global Scope 1 and 2 emissions (tonnes CO<sub>2</sub>e)

Metric	2024	2023	2022
<b>Scope 1 emissions</b>			
From natural gas to heat stores, support centres and distribution centres	1,370*	1,765*	1,609*
Percentage of emissions from UK-based operations	100%*	100%*	100%*
<b>Scope 2 emissions (market based)</b>			
From electricity purchased to power stores, support centres and distribution centres	1,809*	9,337*	8,758*
Percentage of emissions from UK-based operations	0%*	0%*	0%*
<b>Total Scope 1 and 2 emissions (market based)</b>	<b>3,179*</b>	<b>11,102*</b>	<b>10,367*</b>
Percentage of emissions from UK-based operations	43%*	16%*	16%*
<b>Market based carbon intensity metric (revenue)</b>			
(tonnes CO <sub>2</sub> e per £m revenue)	1.7*	6.2*	7.4*
<b>Market based carbon intensity metric (floorspace)</b>			
(tonnes CO <sub>2</sub> e per square foot)	738*	2,437*	2,352*
<b>Scope 2 emissions (location based)</b>			
From electricity purchased to power stores, offices and distribution centres	17,949*	19,361*	18,625*

Emissions have been calculated using the methodology defined in the GHG Protocol Corporate Standard. We use the market based method for Scope 2 for our total emissions to account for purchasing of low-carbon electricity. Our reporting boundary includes our operations in the UK and our directly run international businesses where we have operational control, consistent with those included in our consolidated financial statements. Our reported Scope 1 and 2 emissions include all UK and international properties, both owned and leased, over which we have operational control.

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (\*) in accordance with assurance standards ISAE 3000 and 3410. Further data and full details of the scope and methodology for reporting energy, fuel use and carbon emissions and SLR Consulting's full assurance statement is available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

Our total Scope 1 and 2 market based emissions decreased this year to 3,179\* tonnes CO<sub>2</sub>e (2023: 11,102\*), as a result of switching more of the electricity used to run our stores to renewable sources in Europe and North America. Emissions reductions were made through investments in more efficient lighting, better gas and electricity control systems and changes to refrigeration units, including the deployment of new ranges of chillers with closing doors.

One hundred per cent of the electricity for buildings in the UK, Europe and the United States of America is renewably sourced, as a result of green tariffs where we source directly, and the purchase of renewable electricity certificates for electricity provided by landlord partners. All certificates are retired on our behalf to avoid double-counting.

Emissions from our UK operations were 1,370\* tonnes CO<sub>2</sub>e (2023: 1,765\*). These residual emissions arise from the combustion of natural gas and to date, we have been unable to remove them completely as alternative technologies appropriate for our buildings do not yet exist. As the technology and nature of our operations evolve, we expect to be able to reduce emissions from these activities.

# Sustainability review continued

## Global Scope 3 emissions (tonnes CO<sub>2</sub>e)

Scope 3 category	2024	2023	2022
1. Purchased goods and services and capital goods and services	<b>403,000</b>	374,000	210,000
2. Capital goods and services	Emissions from capital goods and services have been included in our purchased goods and services category.		
3. Fuel and energy-related activities	<b>5,000*</b>	6,400*	3,700*
4. Upstream transport and distribution	<b>16,000</b>	15,000	23,000
5. Waste generated in operations	<b>30*</b>	80*	90*
6. Business travel	<b>2,300*</b>	1,940*	1,440*
7. Employee commuting	<b>17,300</b>	17,600	16,900
8. Upstream leased assets	Included in Scope 1 and 2 emissions.		
9. Downstream transport and distribution	Not relevant for our business.		
10. Processing of sold products	Not relevant for our business.		
11. Use of sold products	<b>50,000</b>	37,000	1,700
12. End-of-life treatment of sold product	<b>14,000</b>	11,000	30,600
13. Downstream leased assets	Not relevant for our business.		
14. Franchises	<b>5,400</b>	5,400	4,300
15. Investments	Not relevant for our business.		
<b>Total Scope 3 emissions</b>	<b>513,030</b>	468,420	291,730

Scope 3 emissions have been calculated in accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Our reporting boundary includes our operations in the UK and our directly run international businesses where we have operational control, consistent with those included in our consolidated financial statements. 2023 figures for category 1, 4, 11 and 12 emissions were restated to be on a comparable basis with 2024 as described in the **Sustainability Addendum**

We engaged SLR Consulting to provide independent limited assurance of the emissions data in the table above as marked with an asterisk (\*) in accordance with assurance standards ISAE 3000 and 3410. Further data and full details of the scope and methodology for reporting emissions and SLR Consulting's full assurance statement are available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

The majority of our Scope 3 emissions are from Category 1: Purchased Goods and Services, and emissions, which increased this year as our revenue continued to grow. As a first step towards our target for 75 per cent of suppliers to have science-based targets in place, we have started to engage with our largest suppliers. Those with science-based targets in place now represent 32\* per cent of Category 1, 2 and 4 emissions.

We are working with our transport and logistics operators to reduce Category 4 emissions, and have reduced emissions per pallet moved by approximately 29\* per cent since 2007, by working with suppliers to reduce fuel consumption through better route planning and optimisation of delivery schedules, driver training and vehicle telematics.

## Progress against targets

Scope 3 category	2020 baseline	2024	Progress
Reduce Scope 1 and 2 GHG emissions by 80% by 2030	33,072* tonnes CO <sub>2</sub> e	<b>3,179*</b> tonnes CO <sub>2</sub> e <b>90%*</b> reduction	●
75% of supply chain emissions to be covered by science-based targets by 2027	Unknown	<b>32%*</b> of emissions are covered by science-based targets	●
All forestry materials will be from recycled or certified sources in WHSmith-branded products	99%*	<b>100%*</b>	●

● On track to meet target



## Engaging our people

	Aim	Target (baseline as stated)	Progress
<b>Health and wellbeing</b>	<b>Create an environment that supports physical, mental and financial wellbeing</b>	By 2025: improve our employee engagement score from a 2021 base year.	Our third global engagement survey took place in October 2023, with a 22 per cent improvement in engagement scores over the 2021 baseline.
		Ongoing: ensure all managers receive mental wellbeing training.	We have increased the number of eligible managers and have scheduled additional training sessions to ensure everyone is covered. Currently, 44 per cent of managers have been trained and measures are in place to close this gap by the end of the next financial year.
<b>Diversity, equity and inclusion</b>	<b>Increase diversity of senior management</b>	By 2025: increase gender and ethnic diversity of the Board, Group Executive Committee and Senior Manager populations.	As at 31 August 2024, the proportion of women at Board level had increased to 50 <sup>*</sup> per cent. There was an increase in the proportion of women on the Group Executive Committee. The proportion of female Senior Managers increased from 32 <sup>*</sup> per cent in 2021 to 40 <sup>*</sup> per cent in 2024. Nine <sup>*</sup> per cent of Senior Managers were from ethnic minorities.
<b>Supply chain human rights</b>	<b>Protect worker rights in our supply chains</b>	Ongoing: ensure we audit our own-brand suppliers at least every two years.	As at 31 August 2024, 89 per cent of supplier sites had been audited through site visits and 11 per cent had been assessed through desktop audit within the previous two-year period.
		By 2023: develop an audit and engagement programme for our tier two suppliers.	As at 31 August 2024, 47 tier two suppliers to our direct tier one suppliers have been identified for additional due diligence. To date, we have visited 49 per cent of these suppliers.
		By 2025: 15 per cent of own-brand suppliers will have worker representation committees in place.	As at 31 August 2024, 12 <sup>*</sup> per cent of own-brand suppliers have worker representation committees in place.

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (\*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

### Employee engagement

Effective colleague engagement and an open, inclusive culture are essential to creating an environment for our teams to deliver for our customers. Our Group Chief Executive, CFO/COO and the Managing Directors of each division brief our support centre teams on a monthly basis to provide updates on the Company's strategy and the latest operational developments, and answer any questions.

We have a number of other communication channels that are used for engaging colleagues across the business, including feedback forums with senior management and various network committees with executive sponsors.

To help us to understand more about how our colleagues feel about working for WHSmith, we use a third-party research organisation to carry out our annual engagement survey.

The results of the survey are used each year to create an action plan to improve the working environment in support centres and stores; improve dialogue and engagement; and build collaboration across our teams.

Continuing to improve the culture of the business is important to the long-term success of the Company and our target to improve employee engagement by 2025 is one of the performance measures in senior management incentive plans.

### Learning and development

Our learning and development programmes are designed to provide our employees with the knowledge and skills they need to deliver their role and to support them as they develop their careers. We provide a range of learning opportunities and initiatives that are designed to help our employees develop their aptitude and experience.

These include online courses, workshops, mentoring and coaching and we continue to review and develop these activities, to ensure that they meet the requirements of our business and the learning and development needs for our colleagues. Individuals also have regular career conversations with their managers during the year, with more formal performance reviews taking place twice yearly.

# Sustainability review continued

## Reward and benefits

We believe in rewarding all employees with fair and competitive reward packages. All employees are entitled to a base salary and benefits, including pension and staff discount. Participation in a pension plan is offered to all employees in accordance with local legislation. We support working from home through hybrid working arrangements in roles where remote working is feasible.

In the UK, WHSmith operates an HMRC-approved Save-As-You-Earn share option scheme (Sharesave Scheme), which provides employees with the opportunity to acquire shares in the Company on favourable terms. At the end of the savings period, the participant has the opportunity to buy the shares at a special option price that is fixed at the start of the scheme at a discount to the share price at that time. As at the 31 August 2024, 641 employees were participating in our Sharesave Scheme.

## Health, safety and wellbeing

We are committed to maintaining high standards of health, safety and wellbeing and the Board monitors the Company policies, processes and practices on an annual basis. The Group has a number of health and safety committees that comprise employee representatives and professional health and safety advisers.

Colleagues receive health, safety and wellbeing training appropriate to their role, including in relation to fire safety, manual handling, how to prevent slips, trips and falls and how to recognise and help colleagues who may be affected by poor mental health. The **Group Health and Safety at Work Policy** is the basis for our health and safety management system, which sets out responsibilities, processes and procedures.

This year, there were 33\* reportable accidents across the Company involving employees, contractors and members of the public and no fatalities. We continue to look at the root causes of safety incidents to try to eradicate them at source.

### Reportable accidents

	2024	2023	2022
UK	25*	33*	27*
North America	0*	0*	0*
Australia	1*	1*	0*
Rest of the World	7*	14*	7*
Total	33*	48*	34*

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (\*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at [whsmithplc.co.uk/sustainability](https://www.whsmithplc.co.uk/sustainability)

We are committed to creating a workplace where our colleagues feel valued, that they have a sense of belonging and are supported at every stage of their career with WHSmith. Our aim is to ensure that all line managers are trained in mental health awareness and that they have access to the right tools to be able to support colleagues who may be experiencing stressful life events. We continue to have at least as many trained mental health first aiders as physical first aiders to ensure colleagues can access support when they need it.

WHSmith has partnered with several organisations to ensure our mental wellbeing provision is robust and meaningful. In the UK, the Retail Trust provides our Employee Assistance Programme ("EAP"), offering support for employees and immediate family members, and in store counselling when incidents occur, which could impact the wellbeing of the whole team. Localised EAP offerings are also available for employees in other countries.

Research shows that financial wellbeing can have a strong impact on our mental health. Current and retired employees and their families who are in financial difficulty or hardship can apply to the WHSmith Benevolent Fund, a registered charity established in 1925.

This year, we worked with Salary Finance, enabling UK employees to access free financial education and loans at lower rates than those typically offered by traditional lenders. To enhance this offer, financial support and many useful budgeting and educational resources are also available for our employees to access through our EAP.

## Diversity, equity and inclusion

At WHSmith, our people are fundamental to the success of our business whatever their age, race, religion, gender, sexual orientation or disability. We continue to focus on developing a culture of diversity, equity and inclusion ("DEI"), backed up by a framework of policies, procedures and ways of working.

We hope that our people genuinely feel that they can bring their whole selves to work. We want to ensure that all our employees receive equal and fair treatment, and this applies to recruitment and selection, terms and conditions of employment, promotion, training, development opportunities and employment benefits. We believe in creating a working environment that is free from discrimination and harassment, and we will not permit or tolerate this in any form.

Our DEI action plans set out how we are working towards our goal of creating an environment where everybody is welcome and feels they belong. Our DEI Committee enables colleagues from across our business to engage directly with leadership and work collaboratively on improvements.

We have continued to improve the quality of data and information that we hold in relation to our people, with various campaigns throughout the year to encourage employees to provide information to help shape our policies and practices.

We recognise the value that employee networks can bring. We currently have six employee networks in operation across the business including those for Pride, Gender Equity, Race and Culture, Disability, Parents and Carers, and Wellbeing. These groups have provided a channel for employee-led engagement and input to our DEI priorities.

The networks are each sponsored by a member of the Group Executive, providing visible senior leadership and a way for employee views to be relayed to the senior management team.

We run regular internal engagement campaigns linked with key events during the year, including International Women's Day, Pride, Black History Month, International Day of Persons with Disabilities and a variety of religious celebrations. These activities are always framed as part of our wider DEI strategy.

Our external partnerships continue to evolve and allow us to continue to build our external profile, while also providing the opportunity to externally benchmark our work. We have signed several industry charters, committing to making progress on improving DEI in our business. We are signatories to the British Retail Consortium's Diversity and Inclusion Charter, have joined the industry organisation, Diversity in Retail and are

partnering with Black Young Professionals to help us to attract, engage, recruit and retain black talent. This year we also joined the Stonewall Diversity Champions programme, developed to unlock the potential of our LGBTQ+ workforce.

In terms of equal opportunities, the Company gives full and fair consideration to applications for employment when these are received from disabled people. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability.

We remain committed to improving diversity at senior levels and the proportion of women at Senior manager level has increased this year. Our latest **Gender Pay Report** can be found on our website. It shows a reduction in the pay gap due to a greater proportion of females moving into senior roles.

### Male and female representation across the Group (as at 31 August 2024)

	2024				2023				2022			
	Male		Female		Male		Female		Male		Female	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Board <sup>1</sup>	4*	50*	4*	50*	3*	37*	5*	63*	5*	63*	3*	37*
Group Executive Committee Members <sup>2</sup>	10*	77*	3*	23*	9*	82*	2*	18*	7*	70*	3*	30*
Senior managers <sup>3</sup>	57*	60*	38*	40*	49*	60*	32*	40*	49*	65*	26*	35*
Managers <sup>4</sup>	293*	46*	338*	54*	349*	49*	369*	51*	349*	48*	371*	52*
All employees	5,458*	38*	8,993*	62*	5,710*	38*	9,225*	62*	5,143*	37*	8,876*	63*

1 Board includes all statutory directors

2 Group Executive Committee Members are those who have responsibility for planning, directing or controlling the activities of the Company

3 Includes Group Executive Committee Members and colleagues graded at levels one and two below

4 Includes support centre colleagues graded at the level below 3 plus Store Managers, Cluster Managers and Post Office Managers

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### Ethnicity data for UK employees (as at 31 August 2024)

	2024	2023	2022	2021 Census <sup>1</sup>
Asian	17%*	17%*	15%*	9%
Black	3%*	3%*	4%*	4%
Mixed	2%*	1%*	1%*	3%
Other	2%*	2%*	1%*	2%
White	76%*	77%*	79%*	82%
Percentage of employees included	88%*	91%*	89%*	

1 Census data covers England and Wales

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## Sustainability review continued

### Human rights and our supply chain

As a global retailer, we have a responsibility to respect and support the dignity, wellbeing and human rights of those in our own business, our supply chain and the communities that we serve.

We must act in a way that avoids infringing the rights of others and prevents adverse human rights impacts from our activities. We manage human rights risks through our due diligence processes in line with the United Nations Guiding Principles for Business and Human Rights.

Our **Human Rights Policy** provides further details on our approach and sets out the minimum requirements that everyone working for, and with, WHSmith must meet. We are committed to ensuring full respect for the human rights of anyone working for us in any capacity and to fair and safe work for all workers throughout our supply chain.

This year, we have updated our salient labour issues and identified six priority areas for protecting human rights in our supply chain: health and safety; freedom of association and collective bargaining; working hours and overtime; gender equality; social insurance and supply chain transparency. We use a number of sources of information and data including generic information published by governments, international agencies, trade unions, non-governmental organisations ("NGOs") and other third-party experts; and information specific to our supply chain gathered from workers during site visits, worker surveys and worker representation committee meetings. 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.

We work with suppliers and other third parties to develop and progress targets and action plans for improvements across these areas. We take a zero-tolerance approach to modern slavery and our latest **Modern Slavery Statement** sets out the steps we have taken to prevent modern slavery in our own operations and supply chain.

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 Base Code and underpin our strategy and sustainable sourcing activities. We will only place orders with suppliers who are committed to working towards compliance with these standards, and we endeavour to bring about continual improvement through a programme of factory audits and ongoing engagement.

To ensure we are identifying and assessing any risks from workers' rights or environmental issues through our sourcing activities, we have developed a due diligence process to provide appropriate risk control, mitigation and remedy where needed.

Our in-house audit and engagement team conducts audits of our own-brand suppliers at least every two years, assessing compliance with our standards and grading suppliers as gold, silver, bronze and unacceptable. They also use a risk-based audit approach for key tier two suppliers who manufacture major components that are then used by our direct tier one suppliers of finished

products. These audits are identifying similar levels of compliance and issues as for our tier one suppliers, and continue to work with suppliers to build capacity to improve standards for workers further down our supply chains.

We use a mix of announced and unannounced audits and a factory must be graded bronze or above if we are to work with them. Our ESG Committee reviews progress against our responsible sourcing strategy annually, looking at our audit and engagement programmes, emerging trends and risks, targets and performance.

The most frequent issues identified include health and safety non-conformances, compliance with conditions relating to working hours and missing documentation. We also frequently identify non-conformance with social insurance requirements, a common problem in China where a large proportion of our suppliers are based.

In reviewing the supplier performance for this year, it is notable that there were no suspended suppliers, a clear improvement from last year when three suppliers faced suspended orders. This positive shift suggests enhanced compliance and stronger adherence to our Responsible Sourcing Standards across the supply chain.

To supplement the information we gain from supplier audits, our team also spends a significant part of its time engaging with suppliers on an ongoing basis to build stronger and more transparent relationships. The team's engagement focuses on resolving specific issues identified during audits and on delivering wider projects to help suppliers deliver on key areas such as worker representation or health and safety.

We have an independent hotline for workers to report issues they are concerned about, which we then investigate and follow up with supplier management to ensure any complaints or suggestions are dealt with in the appropriate way. Calls to the hotline typically involve queries about topics such as pay, accommodation and relations with other workers.

This year, we have made good progress against our 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 to resolve problems as they arise. 26<sup>+</sup> suppliers (2023: 11 suppliers) (12 per cent\* (2023: 5 per cent) of the total supplier base) have now joined this programme and have established committees that have been operating for a year or more.

Our due diligence processes for products that do not carry our brand have been extended this year to include an assessment of compliance with our Responsible Sourcing Standards. All trade products are now risk assessed prior to purchase on the basis of country of origin and type of product supplied. Any higher risk products are now assessed through a review of third-party audit reports to ensure compliance with our environmental and social requirements. We have also introduced a process at the supplier onboarding stage to ensure that suppliers are aware of, and can operate in accordance with, our Responsible Sourcing Standards.



## Contributing to communities

	Aim	Target (baseline as stated)	Progress
<b>Literacy</b>	<b>Help children to develop a love of reading</b>	By 2025: work with the National Literacy Trust to provide a book to every child in the UK who does not own one of their own.	Since 2021, we have donated over 525,000 books (or cash equivalent).
<b>Supporting charities and local causes</b>	<b>Make a positive impact through fundraising, donations and volunteering</b>	By 2025: increase the number of employees involved in supporting charities through fundraising and volunteering.	Applications for support to the WHSmith Trust from employees supporting charities through fundraising and volunteering increased by 360 per cent this year.

### Literacy

Research in 2023 by our partner, the National Literacy Trust, showed that approximately one in four young people in the United Kingdom do not own a book of their own. The pandemic and the cost-of-living crisis have widened the gap in children's literacy between affluent cities and towns and areas of greater socio-economic deprivation.

We have a long-term partnership with the National Literacy Trust, and this year we continued our support for their Young Readers' Programme, providing books and other materials for schools in socio-economically disadvantaged areas. This was augmented by the WHSmith Group Charitable Trust (the "WHSmith Trust") which provided a financial contribution towards the programme, supported by donations from WHSmith customers and employees.

We are working with the National Literacy Trust to ensure every child in the country can own a book of their own. To date, we have donated the equivalent of over 525,000 books, through book donations and financial contributions to provide the support that is needed. This year, in its 25th anniversary year, we gifted 20,000 copies of The Gruffalo to the National Literacy Trust to distribute to primary school children through a Gift-a-Gruffalo fundraiser with our customers.

WHSmith continues to take a leading role in the delivery of the World Book Day initiative, which is the biggest annual celebration of books and reading in the UK. Many of our High Street stores participated, redeeming book vouchers enabling children to choose one of the special World Book Day books or offset the cost against any of our children's ranges of books.

We also partnered with the WHSmith Trust to donate WHSmith vouchers to schools across the UK for them to choose books to increase their school library resources. Almost 363,000 World Book Day vouchers were redeemed and WHSmith vouchers totalling £20,000 were donated to over 200 schools.

### Supporting charities and local causes

To support and encourage employee involvement with charities, the WHSmith Trust matches funds raised by employees for charities of their choosing and recognises employees who volunteer through a financial donation to the charity equivalent to the value of the time spent.

This year, through our charity partnerships, colleague and customer fundraising and in-kind donations we have donated £1,082,000\* to charities and other good causes. The full extent of our community investment activity is outlined in our **Sustainability Addendum 2024** and details of how we engage with charities and other good causes are set out in our **Code of Business Conduct**.

Our North American business has a longstanding partnership with a charity called Miracle Flights, which is a non-profit organisation providing commercial flights for children in need of life-saving medical care, not found in their local communities. WHSmith North America sells their toy bear mascot in stores and this year raised almost £105,000 for the work of the charity.

Our International team have also raised money and provided product donations for local charities and causes in the vicinity of our airport stores.

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# Sustainability review continued

## Responsible business practices

We aim to always act with integrity, making the right decisions and demonstrating the appropriate behaviours to earn the respect of our customers and all those with whom we do business. Everyone who works for, or on behalf of, of WHSmith has a responsibility to report anything that they are aware of that may be unlawful or criminal, or could amount to an abuse of our policies, systems or processes.

Our **Code of Business Conduct** sets out how our business operates, and what is expected of every person who works for, and on behalf of, WHSmith. It includes policies relating to individual conduct, such as for anti-bribery and anti-corruption measures, conflicts of interest, and data protection, as well as those relating to how we work together, such as for diversity and inclusion, anti-harassment and bullying, and health and safety. It also sets out our business standards in relation to fair trading practices, such as pricing and marketing, quality and product safety, trade controls, competition and supply chain practices.

All employees are required to confirm that they have read, and are working in accordance with, our **Code of Business Conduct** on an annual basis and are encouraged to report any suspected breaches. Reports can be made internally or using our independently operated and confidential whistleblowing helpline at [safecall.co.uk/report](https://safecall.co.uk/report).

Safecall operates under a non-retaliation policy, so that anyone who raises a concern in good faith is treated fairly, with no negative consequences for their employment. Each report is formally and robustly investigated and monitored to ensure that any corrective action or remediation has been undertaken.

Safecall is available to our suppliers and business partners and is communicated through our Responsible Sourcing Standards. These standards set out in more detail the behaviours and conduct we expect from all suppliers.

We require all employees and anyone working for us in any capacity to comply with the UK Bribery Act, in addition to any local anti-bribery and anti-corruption laws. Our **Code of Business Conduct** states that employees or others working on our behalf must never offer or accept any kind of bribe, and that our subcontractors, consultants, agents and others we work with must have similar anti-bribery and anti-corruption measures in place.

## Non-financial and sustainability information statement

The sustainability section of the Annual Report on pages 40 to 58, the **Sustainability Addendum 2024** and the Policies and Position Statements section of our **website** contain a wide range of information about the environment, employees and social matters. The table below sets out where information on non-financial and sustainability matters can be found within our Annual Report and Accounts. The due diligence arrangements for each topic are included in the respective policy documentation on our **website**.

Disclosure	Policies and standards which govern our approach	Pages
Business model		6 and 7
Environmental matters	Section 172(1) statement Sustainability – planet Principal risks and uncertainties	33 to 39 43 to 52 59 to 65
Climate-related financial disclosures	TCFD reporting	44 to 52
Colleagues	Section 172(1) statement Sustainability – people Directors' remuneration report	33 to 39 53 to 56 85 to 109
Social matters	Section 172(1) statement Sustainability – communities Principal risks and uncertainties	33 to 39 57 59 to 65
Respect for human rights	Section 172(1) statement Sustainability – people Principal risks and uncertainties	33 to 39 53 to 56 59 to 65
Anti-corruption and anti-bribery matters	Sustainability – Responsible business Principal risks and uncertainties	58 59 to 65
Non-financial KPIs	Key Performance Indicators – Non-financial Sustainability	17 40 to 58
Principal risks and uncertainties	TCFD reporting Principal risks and uncertainties	44 to 52 59 to 65