

Sustainability Report

Governance and sustainability

The Company is committed to responsible practice and works to deliver its services with due regard to health & safety, the environment, the communities we serve, our marketplace and our people.

These key areas of Corporate Responsibility are each owned and managed by a relevant executive director with support from specialist teams where necessary. Targets and priorities are agreed with the Board and progress is reviewed throughout the year.

In practice, the day-to-day responsibility is widely shared, with targets integrated into operational objectives and cross functional involvement being the norm. To ensure that stakeholders share an awareness of our approach we publish our policies and, where relevant, build these and future goals into our supplier agreements.

Environment

Our environmental impact is most significantly influenced by our vehicle emissions; energy consumption at our locations; and waste and recycling of product and packaging. These represent our primary areas of focus for environmental impact improvement.

Fuel used by fleet and contractors accounts for the most substantial portion of our total emissions and reducing this by smart routing and vehicle upgrades remains our primary approach. We continue to monitor the potential for electronic vehicles but at present the technology is not yet adequate or sufficiently widespread to meet our mainstream delivery requirements. Following policy changes, internal restructuring and the disposal of Tuffnells in May 2020 the Company car fleet has been reduced from 117 to 53 vehicles over the course of the year.

Our priority for the medium term is to secure further fuel efficiencies, through continual review of the distribution and trunking processes and smart routing. This year we have improved the efficiency of vehicle usage by reducing the size of totes which improved our fill capacity from an average of 50% to 70%. We have also upgraded our routing software and conducted a detailed review of retailer drop requirements to reflect the changing retail landscape. As a result, in FY2020 we have removed 168 delivery routes, reducing distribution mileage by 1.6 million miles and saving an estimated 116,000 litres of fuel. We plan to continue investing to reduce our overall emissions over time and, so far as is possible, achieve reductions in line with the decline of overall sales volumes.

Other environmental impacts include electricity and gas consumption. The most significant opportunities to reduce consumption have been taken over recent years but we maintain a close watch on potential improvements. We monitor all but the very smallest depots with smart metering and seek to reduce usage through the regular upgrading of lighting and heating systems.

Streamlined Energy & Carbon Reporting disclosure

Smiths News PLC – September 2019 – August 2020

	Current year (UK & offshore)	Previous year (UK & offshore)
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use / tCO ₂ e	29,196	40,526
Emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use (location based) / tCO ₂ e	1,690	2,323
Total gross emissions / tCO ₂ e	30,886	42,849
tCO ₂ e per million £ turnover	24.46	29.19
tCO ₂ e per FTE	7.39	9.14
Energy consumption used to calculate	129,448,683	176,179,272

above emissions /kWh		
Estimated emissions from the mileage covered by our outsourced delivery drivers (tCO ₂ e)	11,255	12,283

Smiths News* - September 2019 to August 2020

*continuing operations, excluding Tuffnells

	Current year (UK & offshore)	Previous year (UK & offshore)
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use / tCO ₂ e	1,446	2,039
Emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use (location based) / tCO ₂ e	1,184	1,547
Total gross emissions / tCO ₂ e	2,630	3,586
tCO ₂ e per million £ turnover	2.26	2.75
tCO ₂ e per FTE	1.46	1.68
Energy consumption used to calculate above emissions /kWh	10,803,390	14,320,033
Estimated emissions from the mileage covered by our outsourced delivery drivers (tCO ₂ e)	11,255	12,283

Inclusion and Diversity

We are fully committed to pursuing improvements in gender, age and ethnic diversity – and more broadly, to supporting each other so that our workplaces are a positive environment, free from discrimination and a place to flourish and grow.

At the forefront of our diversity initiatives is the 'Everyone In' programme which was first launched in February 2019 and is now central to our people culture. The programme is shaped by a forum of colleagues to ensure we welcome and celebrate diversity, allowing all colleagues to 'be themselves' at work. Initiatives this year, supported by high profile involvement of executive and non-executive directors, include regular communication on issues of diversity and inclusion, promotion of national campaigns such as National Inclusion Week, initiatives to support mental health and wellbeing, and further training and communication for colleagues on the benefits of inclusion and diversity.

Supporting each other through COVID-19

The demands of working through the COVID-19 pandemic inevitably surfaced additional stresses and we worked hard to provide extra support for colleagues on the frontline throughout this difficult period. We were also conscious of those colleagues placed on furlough and the potential strain on mental as well as physical wellbeing. The sale of Tuffnells in May 2020 which coincided with the lockdown was a further unsettling factor, especially for those working in functions that would see later see reorganisation and right-sizing of teams for a more streamlined business.

Our top priority throughout has been the welfare of colleagues and customers. Measures to support safe working practices in our depots were swiftly implemented and they continue to be reviewed on a regular basis. We provide PPE for all relevant colleagues and are rigorous in our application of social distancing and sanitation measures. Where possible, colleagues in our corporate centre have worked from home and our office spaces have been organised to ensure they support as safe an environment as possible.

The crisis also resulted in financial hardship for some colleagues and their families – often due to factors beyond our workplace. In response, we established and continue to maintain a colleague hardship fund that allows for confidential applications for financial support. Our executive and non-executive directors each made salary and fee sacrifices with the express recommendation to direct these sums into the hardship fund and the Company made a direct contribution to the fund also.

Throughout the crisis we have been mindful of those colleagues placed on furlough, the need to keep in touch and help them return to work as important and valued members of our teams. At the peak of the lockdown, we had approximately 550 colleagues furloughed, exclusive of colleagues in Tuffnells. Colleagues began returning to work from June 2020 onwards and in July 2020 we used the flexible furlough scheme, which allowed for a return to work in phased way. At 31 August 2020 we ceased using the furlough scheme, ahead of the official end date of October 2020 and in line with responsible practice. All impacted colleagues were consulted about their furlough and their return to work and the scheme was used with universal colleague agreement.

Looking ahead, we remain attentive to supporting each other, recognising that the continued uncertainty impacts colleagues in different ways and that flexibility and care are essential for us to come through together.

Supporting others in need

Our charity and volunteering programme is spearheaded by Pass It On, a campaign to support homeless and vulnerable people across the UK. In only five years, Pass It On has grown from a small colleague-driven initiative to its successful application, in October 2020, to become an independent registered charity.

Pass It On works to provide tangible benefits to homeless and vulnerable people primarily in the coldest months of the year. Since its inception, we have helped over 4,000 homeless and vulnerable people, providing warm clothes, sleeping bags, toiletries, hot drinks and food and, just

as importantly, a friendly face to have a conversation with. We also partner with charities and small organisations working in several cities to enhance their offering of essential supplies.

In addition to supporting Pass It On, we encourage teams and individuals to support charitable and community causes that are important to them. We offer colleagues up to five days paid time-off a year to volunteer for community causes and encourage managers to be accommodating and flexible in their assessment of requests.

Colleague communication and engagement

Regular and transparent communication to colleagues is core to our values with active participation from the Executive Team and the Board. In FY2019, we established a comprehensive structure of colleague forums, supported by regular town hall meetings to explain strategy and performance. We also use newsletters, email updates and an active intranet which is available to a colleagues.

The requirements of the lockdown and an increase in home working has impacted the regularity of meetings by the employee forums, but overall, we have worked to increase communication and involvement through this period of exceptional challenge. Our programme has included virtual town hall meetings, regular updates to all colleagues, and individual consultations for those most impacted by changes.

Communications also played a vital role in the actions we are taking to keep colleagues safe. A steering group was established to monitor absence rates, develop our response to positive cases and communicate escalation processes accordingly. We have consulted with colleagues on safety measures and looked to incorporate their suggestions into procedures. Feedback from colleagues on our approach has been extremely positive, with local teams following the lead to step up their communication in support of each other too.

As part of the rebranding of the Company to Smiths News plc we are refreshing communication material at all depots and are further reviewing the effectiveness of communications to frontline colleagues. The new Executive Team has committed to personally visiting all of Smiths News's sites by the end of December 2020, social movement rules allowing. These visits are already underway and are primarily occurring during the night shift to ensure that we are able to meet and thank the maximum number of colleagues.

Our latest all-colleague engagement survey was launched in November 2020 with the addition of specific questions to cover the impact of Covid-19 and the ongoing safety measures. Action planning from the FY2019 survey has continued throughout the year, although the regular 'pulse surveys' were curtailed as our attention was directed to more immediate concerns.

Workplace responsibility, diversity and human rights

The Company is committed to responsible practice throughout the workplace, working to ensure a culture that is free from discrimination and harassment in any form.

Proper consideration and flexibility is given to people with disabilities and, should colleagues develop a disability while working for the Company, every effort is made to continue their employment and provide retraining for alternative roles if required. We are committed to a culture and environment in which workplace concerns can be raised and addressed without recrimination; confidential whistleblowing procedures are well communicated, including a confidential 'speak-up' line. All concerns raised are carefully investigated and any significant matters are brought to the attention of the Audit Committee.

This approach is embedded in our policies and procedures, supported by training for managers and a zero-tolerance approach to serious breaches. Regular reviews ensure that updates are made in response to business initiatives and legislation; any significant changes are noted and discussed with the Executive Team and the Board. Health & Safety performance is reviewed regularly by the Board and Executive Team throughout the year.

The Company supports the human rights of our employees and our policies are built on a commitment to mutual respect, fairness and integrity. These principles are reflected in our values, which are integral to our Employee Relations policies and, more broadly, to the ways in which we

work together. We have policies in place for ethical trading standards and a commitment to combatting modern slavery, which we expect our supply chain partners to adhere to in our commercial relationships. We remain vigilant in our efforts to combat modern slavery and human trafficking, regularly reviewing the effectiveness of our procedures in the areas we consider to be of greatest risk, including: employee recruitment and on-boarding; contractor appointment and management; procurement and outsourcing; and by raising awareness of anti-slavery and human trafficking through widespread communication of policies and guidelines. The Company's Anti-Slavery and Human Trafficking Statement (September 2020) is available online at <https://corporate.smithsnews.co.uk/modern-slavery-statement>

Gender composition and pay gap reporting

We actively support gender equality in the workplace and are committed to improving the balance of gender composition over time. More broadly, we are committed to an environment that provides fair reward for all and ensures each and every colleague has access to personal development opportunities with the necessary support and tools to progress their career.

The gender composition as at 29 August 2020 and the equivalent table for the prior year can be seen in the table below. The year-on-year comparators show an improvement in the gender balance across the Company, largely as a consequence of the disposal of Tuffnells and the consequential change to corporate centre roles across the business.

Gender composition at 29 August 2020

	Male Headcount	%	Female Headcount	%	Total Headcount
All employees	1,129	63%	675	37%	1,804
Board of Directors	5	83%	1	17%	6
Executive Team	7	79%	2	22%	9
Executive Team and other Senior Managers	19	79%	5	21%	24

Gender composition at 31 August 2019

	Male Headcount	%	Female Headcount	%	Total Headcount
All employees	3,613	77%	1,081	23%	4,694
Board of Directors	6	86%	1	14%	7
Executive Team and other Senior Managers	30	83%	6	17%	36

The Company's overall gender pay gap as reported in the year* was an arithmetic mean average of 5.4% and a median distribution average of 11.0%. There are a range of factors that impact these figures, most notably the inclusion of Tuffnells at the date of calculation. This data was communicated in an open and transparent way to colleagues and other stakeholders, including publication on the relevant Government websites. A detailed report is available to view and download on the Company's website at:

<https://corporate.smithsnews.co.uk/sites/default/files/2019%20Gender%20Pay%20Gap%20Report.pdf>

The Company will update its gender pay gap report in due course, in line with the required reporting timetable – details will be published on the Company's website at www.corporate.smithsnews.co.uk.

* Calculated on the defined snapshot date of 5 April 2019 and published before 4 April 2020 as required by Government reporting rules.

Marketplace

We continue to proactively work with our supply chain partners to ensure high standards and achieve sustainable best practice. Senior colleagues contribute to a number of industry bodies and forums and we are a leader in transparency and the adoption of voluntary codes.

In the news industry, the Press Distribution Forum is conducting a review of its Press Distribution Charter. We are playing an active role in this process to reflect developments within the industry.

Following last year's review of the complaints process and increased transparency over complaints made, the Press Distribution Review Panel noted in its independent Annual Report (2019) that the total number of service breaches for Smiths News reaching a Stage 2 complaint was only 110, a reduction of 55% on 2018. For the industry as a whole the level of Stage 3 complaints fell 70% to 13 in the year. In the six months following the 2019 Report, covering the period January to June 2020, the trend of improvement has continued with Stage 2 complaints falling a further 70% from 62 to 18.

Smiths News continues to be the only industry party applying an automatic service failure payment scheme in cases where the daily news is delivered over two hours late, irrespective of inbound delivery times. This scheme which has been well received by retailers and the trade bodies they represent. In the first year of operation, 1,600 payments were made to retailers from approximately 9million deliveries made, representing 0.02% of total delivery instances.

Ensuring standards in our supply chain is also a key component of our procurement approach. All preferred suppliers must sign up to our supplier code, modern slavery and anti-bribery policies, showing evidencing how they uphold these. More information can be found on our Supplier Zone of our website at <https://www.corporate.smmithsnews.co.uk/suppliers>

Health & Safety

The Board is committed to achieving the highest standards of Health & Safety, ensuring the appropriate resources are available for improvements to our culture, performance and practice.

Our operations are supported by specialist Health & Safety teams that provide guidance, training and support in relation to particular risks and priorities. A Health & Safety report is provided to the Audit Committee on a standing item basis; and the Audit Committee and Board each conduct regular reviews of incidents, trends and overall performance. The result is a continual focus on Health & Safety at all levels.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)

Smiths News

	FY2019	FY2020
Specified Injuries	4	0
Injuries resulting in over 7 days absence from work	3	7
All RIDDOR	7	7

Tuffnells

	FY2019	FY2020*
Specified Injuries	11	7
Injuries resulting in over 7 days absence from work	24	25
All RIDDOR	35	32

* September 2019 to May 2020

Smiths News continues to have a strong health and safety performance and. we are also pleased to report that no specified injuries (representing more serious occurrences) were reported this year.

Using qualified Health & Safety practitioners we review all recorded accidents, near misses and any concerns raised by colleagues in pursuit of continual improvement to our processes and performance. We continue to pursue a zero exceptions policy to accurately reporting and categorising all incidents, followed up by training and corrective action for all significant events. In addition to RIDDOR the Company tracks all incidents and injuries in the workplace, however minor they may be. This year, these reduced by 40% from 154 to 93 reported incidents.

Other progress

Following the sale of Tuffnells in May 2020, resources were reviewed and a National Safety Manager was appointed for Smiths News. We have continued to develop the 'Safety First' campaign, focusing on positive behaviour and encouraging an open culture of continual improvement. Seven depots achieved ROSPA awards – Newcastle, Birmingham, Stockport, Birmingham, Newport, Hemel Hempstead and London Travel News. Meanwhile, we have started the migration from ISO18001 to ISO45001 and are targeting completion of this process during FY2021.