Modern Slavery & Human Trafficking Statement

March 2021 — April 2022

This statement is published in accordance with the Modern Slavery Act 2015 and sets out the steps taken by Penguin Random House UK during the year 2021 to prevent Modern Slavery in our business operations and supply chain.
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Section 1: Introduction

This is our sixth Modern Slavery statement published in accordance with the Modern Slavery Act 2015. This statement reviews the progress made in the 12 months since April 2021 and has been approved by our CEO.

The Modern Slavery Act (2015) requires companies to publicly demonstrate each year how they address and mitigate any forms of modern slavery within their business functions and supply chains. The legislation supports the acknowledgment and addressing of these issues openly to encourage collaborative, sustained change.

Penguin Random House UK is committed to respecting and protecting workers across our global supply chain and understand the importance of ensuring fair labour standards are met and upheld. We know that modern slavery is a prevalent and systemic issue, which can be hard to detect. To understand what modern slavery looks like, we have listed some factors below which may indicate that an individual is in some form of slavery:

- **Withholding of documentation** (in the form of passports of identity cards)
- **Physical or verbal violence and threats**
- **Restriction of movement** (such as controlling accommodation, bank accounts and transport)
- **Debt bondage** (to repay a debt through free labour)
- **Withholding of wages**
- **Coercion** (using force to gain compliance)

Modern slavery can come in forms of domestic servitude, forced labour, bonded labour, slavery, and human trafficking. It is a global issue affecting all economies, across different sectors, at scale.

In 2021 we continued to collaborate with our supply chain partners, publishers and industry bodies to ensure effective measures were in place to rectify and mitigate any forms of modern slavery. This included taking steps to further increase transparency of our ‘Tier 3 and 4’ suppliers as well as engaging and participating in events to remediate modern slavery.
Section 2: Organisational structure

Penguin Random House is the world’s first truly global book publishing company. In 2021, we had an estimated:

- 2,000 colleagues in the UK.
- 50 editorially independent publishing imprints.

The principles of sustained fair labour are embedded within our organisation and that of our parent company Bertelsmann. We believe that all workers have a right to safe and fair working conditions as set out in the International Labour Organisation (ILO) Conventions, the Universal Declaration of Human Rights, and the UN Global Compact.

Penguin Random House UK is a living wage employer. Within our directly managed operations, we adhere to the principles of our Code of Conduct for permanent, contract and agency workers.

Governance

Penguin Random House UK is committed to tackling and governing Modern Slavery concerns appropriately. We have a Senior Sustainability Production Manager, who reports into the Deputy Group Publishing Operations Director, and sits at the heart of production operations. The Senior Sustainability Production Manager oversees ongoing compliance, creates strategic plans to embed and comply with the UK Modern Slavery Act and escalates any potential modern slavery concerns to appropriate group functions within the business.

This includes raising any potential instances of modern slavery to our Group Legal Director, who acts as our Integrity and Compliance Officer and is responsible for overseeing corporate compliance, risk assessments and implementing supporting corporate guidelines to handle modern slavery effectively.

We also use our Social Impact Steering Committee, which is attended by our CEO and senior leadership team, to help ensure Penguin Random House UK meets its human rights responsibilities across the business.

Distribution

Our commitment to ensuring fair labour within our business operations also extends out to our distribution centres, where we do not employ anyone on a zero-hour contract. We will continue to upscale our efforts in 2022 and beyond by using training and resources to upskill our workforce on how to understand and act against modern slavery.
Facilities

In 2021, to mitigate modern slavery and support continued due diligence, our Sustainability, Safety, Health and Environment Manager contacted all facility suppliers to ensure they were adhering to the Modern Slavery Act 2015. Based upon the responses, we then completed a scoring matrix of all our contractors to highlight where there may be risk of modern slavery and asked the highest scorers (or risk) to provide us a Modern Slavery Statement.

We continue to ask all new, or potential, contractors if they have a Modern Slavery Statement, or Ethical Code of Conduct, during the contractor selection process, this is then factored in to the purchasing decision of which contractor to place business with.

Going forward, we plan to offer continued support and training to assist them in moderating modern slavery issues affectively.

Product supply chain

We are committed to ensuring our products are responsibly and ethically sourced. We design our products in house, which are then manufactured by third-party suppliers. Products include physical books, audio and digital content, and our non-book products such as tote bags, mugs, and children’s toys.

As part of our procurement process, we review and access all suppliers environmental and social standards before placing work with them. All suppliers go through an onboarding process before working with Penguin Random House UK.

We work closely with our suppliers and business partners and seek to build sustainable, long-lasting relationships with them. However, product supply chains can be complex and hard to navigate due to several different manufacturing processes. We map our suppliers based on their ‘tier’, so we know where to focus our priorities across different areas.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Tier</th>
<th>Examples</th>
<th>Status</th>
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<tbody>
<tr>
<td>Raw Materials</td>
<td>4</td>
<td>Where materials for the products are grown or created.</td>
<td>Partially mapped</td>
</tr>
<tr>
<td>Components</td>
<td>3</td>
<td>Where raw materials go through different processes and functions.</td>
<td>Partially mapped</td>
</tr>
<tr>
<td>Extra Processes</td>
<td>2</td>
<td>Sometimes outsourced, these processes provide specific purposes or materials for books.</td>
<td>Partially mapped</td>
</tr>
<tr>
<td>Finished product</td>
<td>1</td>
<td>Where the product or book is assembled and finished.</td>
<td>Fully mapped</td>
</tr>
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In 2021, we continued to map the tiers of our supply chain, specifically for the third-party text paper that our supply chain partners procure on our behalf. We now have a clear understanding of the mills and forest sources where our paper and pulp come from and are building relationships with these partners to ensure they comply to our own policies and standards. We will continue this work in 2022.

**Policies**

We use our policies and standards to further embed and communicate our ethical trade and sustainability programme. They help set out and define our commitment to sourcing responsibly, without violating workers’ fundamental human rights.

All business partners (including agents, manufacturing suppliers and service providers amongst others) are expected to implement and comply with our policies below, where applicable.

- [Penguin Random House Supplier Code of Conduct](#)
- Manufacturing Code of Conduct
- Manufacturing Subcontracting and Outsourcing Guidelines
Section 3: Our supply chain and partners

- 65+ operational suppliers (i.e., paper mills, printer’s component suppliers, freight, and repro).
- 16 countries where our direct suppliers operate.
Section 4: Our due diligence

Monitoring risk

Within our supply chain, we continually monitor and measure supplier risk; this is for our own products as well as those for third parties such as licensees. This is so we can identify if a supplier is a 'priority' for us to work closely with, we review them based on the following six areas.

- Implementation of worker rights at factory level
- Location of a supplier / factory
- Suppliers spend with Penguin Random House UK
- Product type (i.e., printing, binding, components, paper, technology etc.)
- Overall visibility of suppliers sourcing methods
- Suppliers’ sustainability standards

Once we have identified a supplier’s environmental and ethical risk areas, we put in place an improvement plan that aims to ensure suppliers go beyond compliance and implement our standards and policies. In 2020, our strategic plan aimed to support those suppliers improve their ethical and sustainable standards.

For 2021, this has now developed into a grading system, where we take steps to move suppliers into best practice, with objectives and targets to meet.

Through this process we are now focusing on improving the ethical standards of fifteen of our suppliers, to ensure that the supplier is working towards our ‘beyond audit’ standards. We will continue to work closely with all our suppliers on their journey to make better, more responsible sourcing choices.

To ensure a collective approach, our risk areas are aligned with industry standards. For example, all suppliers are required to sign up to the Book Chain Project, which collects and analyses data from suppliers of over 28 book and journal publishers, bringing supplier data together in one place for complete transparency. This also means we can compare and communicate our own standards with other publishers to ensure a collective voice when working to improve supplier practices.

We only source our paper from 100% Forest Stewardship Council (FSC™) certified sustainably managed forests. However, we do understand that there is still a risk of human rights violations within the forestry sector. These violations can come in forms of forced evictions for indigenous communities or even harassment, threats, or intimidation to get them to relocate. NGOs and community leaders can also suffer similar consequences from opposing companies trying to obtain more land.
We have a close relationship with our paper mills, where we purchase directly, who provide the bulk of mono paper for our books. These mills all have robust, verified, and well-managed procedures in place to handle their forests and pulping processes ethically and sustainably. Where we don't purchase directly, we still require the printer to source 100% FSC certified paper from another verified, sustainable source.

**Audits**

Our suppliers, as part of our ethical trade and sustainability programme, are required annually to share a full ethical audit report for review and to maintain transparency and integrity throughout this process. In 2021 we conducted a total of 35 Social compliance audits through third-party auditors and through IETP certification.

For suppliers in high-risk locations, we ask them to engage with the [ICTI Ethical Toy Program](https://www.icitti.org) (IETP). The IETP provides us with a range of tools and resources that help us to manage any ethical risks at the factory level. Importantly, membership provides us with improved access and transparency of audit findings, allowing us to act quickly should non-compliances be identified. Currently 20 of our suppliers in high-risk locations are certified on IETP.

IETP certification includes detailed criteria for manufacturers to ensure that no forced, child, involuntary or prison labour is used, no deceptive recruitment fees are charged, and all overtime is voluntary. It provides capability building and training programmes, factory education, peer-to-peer learning, worker wellbeing programmes.

IETP certification also includes a worker helpline, which supports workers and drives continual improvements at the factory level. In 2021, IETP helped to action 38 helpline calls, this data also allows us to understand what topics we should prioritise when working with third-party suppliers. In addition, membership provides us access to IETP’s expert special investigation team, working on the ground to solve problems and engaging factory management.

We also recognise and accept audits from SEDEX and BSCI that are requested during the on boarding of a new supplier, or through the use of the Book Chain Project.
Section 5: Actions taken to remediate or reduce risk

Internal assessments

When reviewing an ethical audit, we perform an internal fair labour assessment, which categorises any non-compliance by severity, informing our own action plan. We expect suppliers to resolve non-compliances within an agreed timeframe with the audit body. Where a supplier is unable to implement a corrective action plan on critical non-compliances within the allotted period, and is unwilling to work with us, we will cease our relationship with that supplier. However, it is always our priority to work and strengthen all our suppliers’ standards where they are willing and able to work with us.

When a new supplier has been on-boarded, we aim to visit that supplier and their factories in person. This not only helps form a closer relationship, but also gives us more transparency and trust within our supply chain. We also use third-party auditors to help improve standards and reduce labour and environmental risks.

For 2020 and 2021, we were not able to visit our key suppliers in person, so we implemented virtual meetings with our key suppliers throughout the pandemic, with the aim to support them in navigating virtual social compliance audits and following up on any corrective action plans. This approach continued in 2021 and allowed us to support our third-party suppliers’ needs in a safe, socially distanced manner. We will maintain this approach until we can travel again, and as appropriate.

Compliance

During 2021, we took steps to improve transparency of our overall supply chain. We continued the roll out of our manufacturing subcontracting and outsourcing guidelines to provide an overview of the process for notification and approval of subcontractors and/or outsourcers employed by our first-tier manufacturers. We also engaged with more suppliers through the Book Chain Project and asked them to complete Book Chain’s environmental supplier questionnaire. This process has allowed us to gain increased visibility and communicate our ethical and fair labour standards to outsourced production facilities who work closely with our third-party suppliers.

Responsible Recruitment

Last year we were a part of The Book Chain Project’s ‘Responsible Recruitment in South-East Asia & Middle East’ programme that looked to identify ‘hotspot’ countries at risk of forced or bonded labour. As part of this programme, we collectively reached out to all our suppliers located in ‘hotspot’ countries, for further details on
their recruitment processes to ensure they comply with our Manufacturing Code of Conduct.

This work will be continuing in 2022 as we, and The Book Chain Project, are working on understanding the recruitment processes of all our global suppliers, as part of their wider responsible recruitment initiative.

**Beyond Audit - Case Study of Modern Slavery**

In August 2021, as a result of a thorough police investigation, we were made aware of a forced labour issue in Italy. A recruitment agency, who provided agency staff to multiple printers within a region in Italy, was found to exploit and abuse their employees.

As soon as we were made aware of this issue, we contacted and set up immediate meetings with our Italian printers to ascertain if any had worked with the recruitment agency in question. Upon further investigations, we found that some of our printers had, on occasion, used this recruitment agency.

This then led us to take steps to 'go beyond audit', working with our printers collectively and collaboratively as follows:

1. **Suggested 'beyond audit' assessment and training** as the above forced labour issue had not been picked up on our printers' regular social compliance audits. We asked them to sign up to and conduct an ICTI Social Impact Assessment, which identifies any gaps in the printer’s existing processes and policies. We also required that all our Italian printers attend a responsible recruitment webinar hosted by the Book Chain Project for further training and education.

2. **Completed a comprehensive analysis**, alongside our Italian printers, to review their ethical trade documents, social compliance audits, recruitment process and outsourcer protocols. This was so we could understand what due diligence mechanisms were in place and help provide additional support to build on these existing processes.

3. **Mapped and identified** our printers’ third-party outsourcers and agency workers, together with our Italian printers, and confirmed they had the correct mechanisms in place to support fair treatment of all workers, including agency, permanent and temporary workers.

4. **Collaborated with the publishing industry** to highlight our findings and support collective actions to ensure we tackle and mitigate modern slavery within our value chains together.

Going forward we continue to monitor our whole supply chain closely, ensuring we continue to go beyond audit and work with our suppliers and partners effectively to protect and respect all workers manufacturing our products.
Section 6: Training and collaboration

Training

All staff are required to participate in Code of Conduct training as part of their induction. Our Code of Conduct, which was updated in November 2021 with training provided to all colleagues in March 2022, sets out our commitment to the highest standards of integrity, ethics, and social responsibility. It helps colleagues to understand our ethical stance and how it should be applied in our daily business activities. This training also provides information on our confidential whistleblowing policy, which was also updated in 2021, to a more user friendly speak up system. Staff are expected to report any concerns, including those related to human rights violations, to the Ethics and Compliance team who will investigate all allegations and take appropriate action.

Compulsory Ethical Supply Chain training takes place as part of the induction process for all new colleagues working within our production teams. This training specifically covers Modern Slavery risks and the steps that we take as part of our due diligence process to mitigate and eliminate such risk, we also share articles and extra resources to help colleagues further understand the issues around Modern Slavery. In addition, every year the updated Modern Slavery Statement is shared with every employee via our internal intranet.

Collaboration

The Book Chain Project: As a founding, participating company of The Book Chain Project, which collects and analyses data from suppliers of over 28 book and journal publishers, we regularly attend workshops to collectively address and understand the systemic issues and root causes of modern slavery. The Book Chain Project also provide modern slavery webinars to raise awareness of high-risk areas within publishing.

The Ethical Toy Programme: ICTI Ethical Toy Program (IETP) helps to manage and mitigate ethical risks in our supply chain. IETP annually audits our factories, based on the International Labour Organisation Conventions (ILO), to identify any human rights violations. IETP then works with those factories, providing corrective action plans, worker training sessions and development programmes to help remediate any non-compliances found. We have been members of the ICTI platform since 2017 and have been involved in several initiatives that support fair labour conditions for workers.

Forest Stewardship Council: FSC™ certification is a good tool to ensure respect for relevant human rights in the forestry and forest industry sector. It focuses on labour rights at all levels, and at the forest management level, it has specific requirements regarding customary, community, and Indigenous Peoples’ rights. We are certification holders and 100% of our paper is FSC™ certified.
Section 7: Continuous improvement

We remain committed to tackling the root causes of modern slavery by empowering workers and protecting vulnerable groups and addressing business impact. After assessing our overall risk, our priorities for the year ahead are:

- To continue to monitor, assess and work with our suppliers in high-risk countries, ensuring suppliers are moving beyond compliance and embedding more sustainable and ethical sourcing practice
- Continue to identify risks regarding recruitment practices in our operations and third-party supply chains.
- Train suppliers and assess their ability to detect and mitigate modern slavery risks, with the support from leading fair labour experts
- Continue to map our supply chain tiers, including our own business operations, to work with suppliers and partners to ensure complete transparency down to raw material stage
- Ensure training on the topic of Modern Slavery is rolled out to all relevant Penguin Random House UK teams on an annual basis.
- Collaborate with partners, industry peers, NGOs and others to collectively address and understand the systemic issues of labour abuses which drive instances of modern slavery in our sector
- Integrate any learnings from Covid-19 into our future strategy

Tom Weldon
CEO Penguin Random House UK
April 2022