Modern Slavery & Human Trafficking Statement

March 2023 – April 2024
This document builds on last year’s statement and explains the steps Penguin Random House UK has taken to prevent, detect, and respond to slavery in our business and throughout our supply chain.

It is published following the Modern Slavery Act 2015 and sets out the steps we have taken during the year 2023.
This is our ninth Modern Slavery statement published following the Modern Slavery Act 2015. This statement reviews the progress made in the 12 months since April 2023 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 acknowledgement and addressing of these issues openly to encourage collaborative, sustained change.

Penguin Random House UK has a zero-tolerance approach to modern slavery in all forms and continues to be committed to respecting, protecting, and upholding the rights of workers, ensuring fair labour within our business and our supply chains, and acting with integrity in all business dealings. This commitment is cemented in our company policies and processes and our resolve to regularly review our business practices to ensure that we can effectively prevent and remediate any negative impacts.

Research from the ILO recognises that modern slavery is a prevalent and systemic issue, which can be hard to detect. Some factors which may indicate that an individual is in some form of slavery include:

- Withholding of documentation (in the form of passports or 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 or unfairly paid labour)
- Withholding of wages
- Coercion (using force to gain compliance)

Modern slavery can come in the 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.

During 2023 we continued to prioritise actions which promote ethical business practices, further increasing transparency of our extended supply chain, as well as monitoring and improving our policies, working closely with our global suppliers, and collaborating with industry partners.
Penguin Random House is the world’s first truly global book publishing company. In 2023, we had:

2,000 colleagues

1,500 titles published annually

100M sold globally across all formats
The principles of sustained fair labour are embedded within our organisation and 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 by the UN Global Compact.

Penguin Random House UK pay the living wage. 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 Sustainability team, who report to the Group Publishing Operations Director and sit at the heart of production operations.

The Sustainability team oversees ongoing ethical compliance across the business, creates strategic plans to embed and comply with the UK Modern Slavery Act 2015, 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 corporate guidelines to handle modern slavery effectively.

We also use our Social Impact Steering Committee, attended by our CEO and members of the 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 by using training and resources to upskill our workforce on how to understand and act against modern slavery.

Facilities

To mitigate modern slavery risks and support continued due diligence, our Sustainability, Safety, Health, and Environment Manager recently 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 an enhanced risk of modern slavery. We then asked the highest scorers (or risk) to provide us with their Modern Slavery Statement to verify their commitment to prevent modern slavery within their business and supply chain.

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 into 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 effectively.
## 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. In the context of this report, products are defined as physical books, audiobooks, and digital content. Suppliers is defined as organisations that are involved in the production of these products. This includes organisations that make novelty and component parts for children’s books.

As part of our procurement process, we review and assess the environmental and social standards of all suppliers working on the products listed above before placing work with them. These 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.

In 2023, 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 with our policies and standards.

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<thead>
<tr>
<th>Tier</th>
<th>Process</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Finished Product</td>
<td>Fully mapped</td>
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<tr>
<td></td>
<td>Where the product or book is assembled and finished</td>
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<tr>
<td>2</td>
<td>Extra Processes</td>
<td>Partially mapped</td>
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<tr>
<td></td>
<td>Where processes can’t be completed by a finished product supplier, so these are outsourced to nearby factories with those capabilities</td>
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<tr>
<td>3</td>
<td>Components</td>
<td>Partially mapped</td>
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<tr>
<td></td>
<td>Used by suppliers to make finished products and includes processing raw materials to produce components such as paper or textile mills, ink, and varnish manufacturers</td>
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<tr>
<td>4</td>
<td>Raw Materials</td>
<td>Fully mapped</td>
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<tr>
<td></td>
<td>Where the raw materials used for components are grown or created such as forests and plantations, man-made fibres, or substances etc.</td>
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<tr>
<td></td>
<td>Paper and pulp sources for text paper</td>
<td></td>
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<td>Raw materials of inks and glues</td>
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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.

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

- Bertelsmann Supplier Code of Conduct
- Manufacturing Code of Conduct
- Manufacturing Subcontracting and Outsourcing Guidelines
- Supplier & Environmental Policy
- Supplier Ethical Code of Conduct

These policies set out our commitment to ensure good working practices are embedded throughout our supply chain, and that our products will be made ethically and responsibly with people and planet in mind. Suppliers are asked to sign these documents and are required to comply with these policies.

All business partners are expected to implement and comply with our policies.
Our Supply Chain Partners

75+ operational suppliers (i.e., paper mills, printer’s component suppliers, freight, and reprographic houses)

20 countries where our direct suppliers operate (tier 1):

- United Kingdom
- Italy
- Spain
- Turkey
- Sweden
- Finland
- Latvia
- China
- India
- South Africa
- United Arab Emirates
- Germany
- Hong Kong
- Australia
- Latvia
- Malaysia
- South Korea
- Thailand
- Vietnam
- Singapore
Printers and Manufactures

Within our supply chain, we continually monitor and measure the risk level of suppliers who create our products, as well as that of third parties such as licensees. This is so we can identify if a supplier is a 'priority' for us to work closely with and 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 work towards implementing our standards and policies.

In 2023, we developed and rolled out a Tailored Action Plan (TAP) to our priority suppliers. These TAPs focus on improving the environmental and ethical standards of twenty of our suppliers (representing 90% volume of Penguin Random House UK product), to ensure that each supplier is working towards best practice standards. Each TAP is designed to support the individual supplier to put in place sustainable and social actions, tailored specifically to them, from developing a strategy to reduce carbon emissions, elevating initiatives to promote sustainable materials, to ensuring workers are being respected and protected through the supplier’s due diligence processes.

We will continue to work closely with all our suppliers on their journey to make better, more responsible sourcing choices. We recognise that our buying practices can have a direct impact on a supplier’s ability to meet and maintain ethical standards for labour and working conditions. That’s why our Sustainability team works closely with our suppliers to ensure our products are delivered responsibly without impacting workers’ human rights.

To ensure a collective approach to managing supply chain ethical risk, we require all suppliers to sign up for the Book Chain Project. This collects and analyses data from suppliers used by over 28 book and journal publishers and brings supplier data together in one place for complete transparency.
Paper Mills and Forests

As a publisher, we are intrinsically dependent on the supply of paper to produce our books. It is therefore crucial that we source our paper from well-managed, FSC®-certified forests and other controlled sources, as well as forest-based materials that are recycled. This helps protect forests, biodiversity, and local communities from irreversible destruction.

We only use FSC®-certified paper for our books. FSC® is the world’s most trusted sustainable forest management solution. FSC®-certified forests are managed to strict environmental, social, and economic standards that help preserve biological diversity and protect local communities, with particular emphasis on upholding Indigenous Peoples’ legal and customary rights of ownership, use, and management of the land. The FSC® chain of custody facilitates a transparent and credible supply chain that enables the identification of tree species and country of origin to ensure illegal wood is not present in paper products.

We understand that there are risks of human rights violations within the forestry sector. This is often linked to companies wanting to obtain more land to harvest wood for forest-derived commodities. Violations can include forced evictions for indigenous communities and harassment, threats, or use of intimidation against indigenous communities, non-governmental organisations and civic leaders. Therefore, we have a close relationship with the paper mills that provide the majority of the paper we use in our books. We purchase paper directly from these mills, all of which have robust, verified, and well-managed procedures to handle their forests and pulping processes ethically and sustainably. Where we don’t purchase paper directly, we still require the printer to source 100% FSC®-certified paper from another verified, sustainable source.

To ensure complete transparency all paper brands we source are uploaded into The Book Chain Projects forestry platform. This allows us to trace our paper brands’ forestry sources and tree species to ensure they are free from modern slavery or social issues. The Book Chain Project forestry tool holds data on over 3,000 paper and board brands from 300 paper mills across the world.

We use eighty-three paper mills based across twenty-six countries, which source over two hundred different species of trees. In 2023, we moved away from papers with a high environmental impact or social compliance issues and embedded a programme to continually monitor these papers going forward.

In 2024, we welcome developing legislation, namely the EU Deforestation Regulation (EUDR), which will require increased due diligence across the paper industry to eliminate paper originating from deforested land. This incoming legislation will further support our robust responsible procurement practices.

We have a close relationship with our paper mills
Audits and Internal Assessments

Our print 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 2023 a total of 43 Social compliance audits were conducted through third-party auditors or Ethical Supply Chain Program (ESCP) certification. Our preference is for ESCP audits (see Partnerships for further details), but we will also recognise and accept audits from the SEDEX and BSCI frameworks for new suppliers during the onboarding process.

When reviewing an ethical audit, we perform an internal Fair Labour Assessment (FLA) which categorises any non-compliance by severity, informing our responsive action plan. We expect suppliers to resolve non-compliances within a timeframe agreed upon by the supplier and auditing body. Each supplier must continue to show transparency in a corrective action plan and is expected to show continuous improvement.

Where a supplier is unable to fully implement a corrective action plan on major non-compliances within the allotted time frame, we will cease our relationship with that supplier. However, it is always our priority to work and strengthen our suppliers’ standards where they are willing and able to work with us.

For suppliers in high-risk locations, we ask them to engage with the Ethical Supply Chain Program. The ESCP provides us with a range of tools and resources that help us 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-compliance be identified. Currently, 34 of our suppliers in high-risk locations are certified on ESCP.

ESCP 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, and worker wellbeing programmes.

ESCP certification also includes a worker helpline, which supports workers and drives continual improvements at the factory level. In 2023 and 2024, ESCP helped to action 64 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 ESCP’s expert special investigation team, working on the ground to solve problems and engage factory management.

Suppliers are expected to show continuous improvement
CASE STUDY:

Compliance in action

At the end of 2023, one of our Malaysian printers became aware of a potential issue around its use of migrant workers, which was raised in a social compliance audit in December. Without the supplier’s knowledge, it appeared that one of the foreign agencies it had been using to recruit workers from neighbouring countries might be charging excessive fees to workers to buy the workers flights to Malaysia, pay for relevant visas or passports, and potentially pay for accommodation, leaving workers in a state of potential debt bondage. This was despite the printer in question having also properly paid the agency for the cost of recruiting said workers.

The printer acted immediately and tried unsuccessfully to make contact with the local recruitment agency. We worked closely with the Book Chain Project, a collaborative supply chain initiative, to remediate the workers. Under guidance, the printer interviewed the impacted workers to understand the fees each had paid. At the same time, the Book Chain Project undertook a benchmarking exercise to establish common fees paid by workers using the same recruitment corridors. The printer reimbursed all workers involved an agreed-upon figure. They’ve also established a No Recruitment Fees policy and are working with a new agency that reflects this stance. Finally, the printer has pledged to donate funds to a local charity that supports migrant workers in Malaysia and are working with the Book Chain Project team to identify potential partners.

We have a zero-tolerance approach to modern slavery. We have a principle of always trying to work with our suppliers on remediation and to improve their processes, only terminating agreements as a last resort. We were satisfied with this printer’s co-operation, swift, and responsible action as soon as it became aware of this serious issue; including reimbursing affected workers and putting in place effective measures to ensure complete transparency in relation to hiring migrant workers going forward. We therefore continue to work with them in Malaysia.
Training and Collaboration

Training

All colleagues 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. Colleagues 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 we take as part of our due diligence process to mitigate and eliminate such risks, as well as 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 colleague 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 Supply Chain Program: The Ethical Supply Chain Program (ESCP) helps to manage and mitigate ethical risks in our supply chain. ESCP annually audits our factories, based on the International Labour Organisation Conventions (ILO), to identify any human rights violations. ESCP 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 ESCP 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. 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.
Continuous improvement

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

- To continue the rollout of our Tailored Action Plan to our priority suppliers to support them to move to best practices for ethical and environmental considerations.
- To continue to build on our ethical auditing programme, whilst also ensuring we are supporting factories to move beyond audit through training and collaboration with other organisations and partnerships.
- Continue to identify and spot-check for risks regarding forced labour, child labour and recruitment practices (among others) in our operations and third-party supply chains.
- Research and review our buying practices to conclude where we can adopt better practices to support supplier ethical requirements.
- Continue to improve transparency across our complete supply chain, mapping out our supply chain tiers, including our business operations.
- Review our paper brands and tree species, ensuring we phase out any papers where there are severe environmental and ethical risks.
- Roll out modern slavery training to most 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

Tom Weldon
CEO Penguin Random House UK
May 2024