

Modern Slavery & Human Trafficking Statement

March 2020 — April 2021

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 2020 to prevent Modern Slavery in our business operations and supply chain.



Penguin
Random House
UK

Introduction

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.

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 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 labour)
- **Withholding of wages**
- **Coercion** (using force to gain compliance)

In 2020 we continued to collaborate with publishing industry bodies, partners and initiatives to ensure we're putting in place effective measures to rectify and mitigate any forms of modern slavery, if found in our supply chain. This includes taking steps to further increase transparency of our 'Tier 3 and 4' suppliers and participating in events to remediate modern slavery.

About our company

Penguin Random House is the world's first truly global book publishing company. In 2020, 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 committed to tackling and governing Modern Slavery concerns appropriately. We have a Sustainability Production Manager who 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 role reports directly into the Deputy Director of Production and sits at the heart of the day-to-day production operations.

We also use our Corporate Responsibility 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.

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.

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 hours contract. We will continue to upscale our efforts in 2021 and beyond by using training and resources to upskill our workforce on how to understand and take action against modern slavery.

Facilities

In 2019, to mitigate modern slavery and support continued due diligence, our Business Continuity 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 of our contractors to highlight where there may be risk of modern slavery and asked the highest scorers (of risk) to provide us a Modern Slavery Statement.

We continue to ask all new and 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 conduct another scoring matrix of our current facilities suppliers, as well as offer continued support and training to assist them in moderating modern slavery issues affectively.

Our supply chain

Penguin Random House UK is 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.

Our third-party suppliers are selected based on their ethical and commercial criteria, and will go through an on boarding process to ensure they are fit for purpose before working with Penguin Random House UK.

We are committed to working 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 a number of different manufacturing processes. We map our suppliers based on their 'tier' so we know where to focus priorities for different areas.

Definition	Tier	Examples	Status
Raw Materials	4	Where materials for the products are grown or created. This includes forests, man-made fibres, cotton fields, soya etc.	Partially mapped
Components	3	Raw materials go through different processes and functions. This includes paper and textile mills, hardware furnishings and any extra trims	Partially mapped
Extra Processes	2	Sometimes outsourced, these processes include add-ons like glitter, embossing, foiling, lamination etc.	Fully mapped
Finished product	1	Product is assembled and finished, these processes can include glue, printing packaging, foiling, lamination, drying, binding etc.	Fully mapped

In 2020, we improved transparency of our tier 4 supply chain by expanding our mono (black and white) paper purchasing in house to cover all of Penguin Random House Ltd. By directly procuring

paper in house, we can ensure our mono paper mills all have incredibly robust and responsible practices. We plan to continue to map out these tiers further in 2021.

We use our policies and standards to 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

Our supply chain

- 70+ operational suppliers (i.e. paper mills, printers component suppliers, freight and repro).
- 14 countries where our direct suppliers operate.



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
- Supplier 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 priority supplier and their 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, through the above areas, we identified forty suppliers as a priority for us to work with and set out a strategic plan to help support those suppliers improve their ethical and sustainable standards. Through concerted effort, we reduced the priority of five of those suppliers due to their high level of engagement in our programme. We still plan to support those suppliers, but as the risk has lessened, the work we do will be more of a collective effort going forward. We continue to work closely with the other priority 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 direct paper mills who provide the bulk of mono paper for our books. These mills, primarily based in Sweden, with a small percentage in Finland, all have

robust, verified and well-managed procedures in place to handle their forests and pulping processes ethically and sustainably. If our printers are unable to use paper from our direct mills, we still always require the printer to source 100% FSC certified paper from another verified, sustainable source.

Audits

Our priority 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.

For relevant priority suppliers, in high-risk locations, we ask them to engage with the ICTI Ethical Toy Program (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.

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 and a worker helpline, which supports workers and drives continual improvements at the factory level. 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 onboarding of a new supplier, or through the use of the Book Chain Project.

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 first priority to work and strengthen all of 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. Our third-party auditors, who work closely with our suppliers, to help improve standards and reduce labour and environmental risks, often follow up on these visits.

For 2020, we had to change the way we worked with suppliers, as we were not able to visit them in person. We set up virtual calls with our key suppliers at the start of the pandemic to support them on maintaining the health and safety of workers during production, as well as assisting them in navigating virtual social compliance audits and following up on corrective action plans. This approach will continue in 2021 to support our third-party suppliers' needs in a safe, socially distanced manner, until we can travel again, and only when it is necessary to do so.

Compliance

During 2020, we took steps to improve transparency of our overall supply chain. We continued the roll out 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 2021 as we, and The Book Chain Project, are working on understanding the recruitment processes of all our suppliers across the world, as part of their wider responsible recruitment initiative.

Beyond Audit

In 2020, The Book Chain Project team conducted a detailed assessment of recruitment practices at a supplier site based in South East Asia, used at the time by one of our sister companies, which identified that recruitment fees had been paid by foreign migrant workers.

The Book Chain Project, with continued support from our sister company, published guidance on responsible recruitment of overseas migrant workers, organised webinars on responsible recruitment

and reached an agreement with the original supplier to reimburse foreign workers travel costs, which is verified through regular visits and social compliance audits to ensure completion.

Whilst we, at Penguin Random House UK, did not work with the supplier during the time these recruitment fees were found, we have since placed small orders at their site due to the supplier's ongoing commitment to mitigate and rectify matters.

We will continue to support the collective work that the supplier, our sister company and The Book Chain Project have already actioned, as well as continue to proactively work with our sister company to share best practice, information and to mitigate our supply chain risk.

Training

All staff are required to participate in Code of Conduct training on joining the business, as part of their induction. Our Code of Conduct sets out our commitment to the highest standards of integrity, ethics and social responsibility and helps colleagues 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. 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 and stakeholder engagement

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 numerous 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.

Continued 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 priority suppliers in high-risk countries, ensuring suppliers are moving beyond compliance and embedding more sustainable and ethical sourcing practices
- 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, 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
- Integrate any learnings from Covid-19 into our future strategy



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