



Modern Slavery Statement 2019

This statement is published in accordance with the Modern Slavery Act 2015 and sets out the steps taken by DK during the year ending 31st December 2019 to prevent Modern Slavery in our business and supply chain.

Introduction

The UK Modern Slavery Act 2015 requires companies to explain on an annual basis how they address the issue of modern slavery and human trafficking in their global supply chains. This legislation aims to encourage positive action within companies' business practices and to deliver greater transparency.

Modern Slavery is a broad term used to cover a number of offences including forced labour, child labour, domestic servitude, human trafficking and workplace abuse. A number of factors may indicate that an individual is being held in servitude or subjected to forced or compulsory labour. These include violence or threats of violence, and nonviolent coercion such as threats to expose the worker to authorities, withholding documents, restriction of movement, debt bondage or the withholding of wages.

DK has a zero tolerance approach to Modern Slavery in all forms, and is committed to ensuring fair labour within our business and

our supply chain, and to acting with integrity in all business dealings. This commitment is cemented in our company policies and working practices.

During 2019 we took steps to further increase transparency of our Tier 2 suppliers and implement an updated risk mitigation process when assessing facilities contractors. In addition, we submitted our last Modern Slavery Statement for independent review through the Labour and Environment module of the Book Chain Project. This involved a full assessment of our statement, identifying which sectors we are covering thoroughly and which sections leave us with opportunities to build on. We have used this gap analysis to inform the writing of this latest statement.

Our business

DK was founded in London in 1974 and is now the world leading illustrated publisher and a member of the Penguin Random House division of Bertelsmann.

We believe in the power of discovery. That's why we create books for everyone that explore ideas and nurture curiosity about the world we live in.

From first words to the Big Bang, from the wonders of nature to city adventures, you will find expert knowledge, hours of fun and endless inspiration in the pages of our books.

The principles of fair labour are embedded in our organisation and that of our parent company Bertelsmann. We believe all

workers have a right to fair labour conditions and a safe environment as set out in the International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Global Compact.

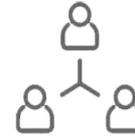
DK is a Living Wage employer. Within our directly managed operations we adhere to the principles of our Code of Conduct for permanent, contract and agency workers.

DK has adopted a governance approach to Modern Slavery, appointing a named individual, the Head of Ethical Supply Chain, to oversee ongoing compliance with the UK Modern Slavery Act 2015. This role reports directly into the Chief Operating Officer and is part of the global operational leadership team.

In 2019 we had:



42.2m books printed



800+ colleagues worldwide, across 10 global locations



60+ languages that we published in



19+ awards for our books and publishing programmes

Integrating standards within our business

DK places high regard on the ethical and legally compliant conduct of the company and its employees, with each other and with our business partners.

DK has appointed a corporate Integrity and Compliance officer who has responsibility for overseeing business compliance, risk assessments and implementation of relevant corporate guidelines. New corporate guidelines were introduced, effective 1st January 2019, which are designed to further strengthen corporate compliance. In particular, the corporate guidelines on anti-corruption and integrity included specific reference to requirements when commissioning third parties and the importance of the Penguin Random House Supplier Code of Conduct.

DK refreshed its Equal Opportunities and Dignity at Work policy during January 2019, rolling this out to all colleagues in line with management positions and providing training. The policy demonstrates DK's commitment to providing equal opportunities

and to avoiding unlawful discrimination. It provides guidelines which champion better work and working lives, creating a culture that is built on mutual respect, encourages listening and creating a safe environment for open conversations. Our aim is to foster an inclusive workplace that values difference and where everyone is treated with dignity and respect. Further, this policy incorporates expectations and requirements for DK's interactions with third parties.

Our Head of Ethical Supply Chain is responsible for setting and implementing policy to mitigate risks of Modern Slavery within our supply chain. DK has long integrated our Manufacturing Labour Policy and our Supplier Code of Conduct with our commercial purchasing strategy, to ensure we check and approve all suppliers prior to placing work with them. Our operational leadership team (incorporating the Chief Operating Officer, the Head of Ethical Supply Chain and the Procurement and Production Management team) ensure that this commercial strategy incorporates the clear expectation of ongoing

Integrating standards within our business

compliance and is discussed during our regular service levels reviews with suppliers. We use a central operational database to ensure that work cannot be placed with suppliers who have not been approved, and to monitor ongoing compliance.

During 2019 our facilities team initiated an updated annual process for modern slavery risk monitoring for the suppliers that they are responsible for contracting; this includes the companies and workers that clean our buildings, provide canteen facilities and which offer waste management services. This new process, which includes data gathering and risk assessment, has been incorporated into all new and renewed facilities managed contracts.



Our supply chain

DK is a diverse organisation operating worldwide and is actively committed to ensuring that all our products are responsibly and ethically sourced.

Our Procurement Manager is responsible for setting and implementing our commercial purchasing strategy and for managing ongoing relationships with those suppliers. Our production and procurement teams meet regularly to ensure that ethical criteria are addressed as soon as possible as part of establishing a new supplier relationship. We believe this creates a culture where upholding ethical principles is seen as central to our relationship with our suppliers.

We work closely with our suppliers and business partners, and seek to build sustainable long term relationships with them.

All business partners are required to comply with and implement the Penguin Random House Supplier Code of Conduct. The code sets out mandatory minimum requirements for our partners in their business relationship with DK, and includes stipulations regarding the prevention of Modern Slavery.

In addition, our Manufacturing Labour Policy sets out our commitment to ensure that all our products are made without infringement of human rights or local laws, and to ensure good working practices are embedded throughout our supply chain. All our Manufacturing suppliers are required to comply with the Policy and are asked to sign a Manufacturing Agreement confirming this. Further, the Manufacturing Agreement includes specific obligations for suppliers to comply with the Modern Slavery Act.

We procure services from a wide variety of providers which encompass the manufacturing, storage and distribution of our publishing, audio and digital content.



100

operational suppliers (i.e. manufacturers, freight, repro, etc.)



19

countries where our suppliers operate



47

countries that goods were delivered to

Risk monitoring

Within our supply chain we monitor and assess risk by location, spend, supplier function and product group, using internationally recognised risk indices. We do this in line with industry standards and consider specific requirements from our customers and licensed partners.

Our starting point for assessing supplier risk is the Book Chain Project Labour and Environmental Risk Tool, which has been developed for use by members of the Book Chain Project to support the assessment and segmentation of suppliers within the publishing supply chain. The tool assesses country level risk and supplier level risk for environmental, labour rights and health and safety. We use this tool as our primary resource for identifying and comparing areas of risk and determining where to focus our monitoring resources and requirements.



Due diligence, auditing, assessment & compliance

As part of our long established compliance programme, all suppliers are subject to initial and ongoing assessment of compliance to our requirements. Suppliers based in higher risk locations are required annually to share a full ethical audit report for review and to maintain transparency and integrity throughout this process. During 2019, 42% of our supply chain was located in higher risk countries and was subject to additional due diligence monitoring.

DK has recognised the ICTI Ethical Toy Programme (IETP www.ethicaltoyprogram.org) since 2008, and has been a full brand member since 2017. The IETP provides us with a range of tools and resources that help us to manage ethical risks at the factories we source from.

Importantly, membership provides us with improved access to and transparency of real time 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 recruitment fees are charged, and all overtime is voluntary. It provides capability building and training programs, 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 the SEDEX and BSCI frameworks.

When reviewing an ethical audit, we perform an internal fair labour assessment which categorises any non-compliances by severity, informing our own responsive action plan. We expect suppliers to resolve non-compliances within a timeframe agreed with the audit body by providing and following a corrective action plan. Suppliers are 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.

Due diligence, auditing, assessment & compliance

When a new supplier is provisionally approved, we endeavour to visit that supplier in person. This is a key part of our assessment, providing a level of consistency which, in addition to audit reports and finance checks, allows us to develop a more reliable assessment of the supplier's management systems and the culture of the organisation. We continue to 'spot check' existing suppliers through random site visits. We aim to visit a minimum of 50% of suppliers in higher risk locations at least annually. 50 site visits took place in 2019, 5 in lower risk locations and 45 in higher risk locations, covering 50% of our operational suppliers and meeting our target.

During 2019 we took steps to further improve transparency of second tier

suppliers within our value chain. We created 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. These guidelines were rolled out to all tier one suppliers during August, and data regarding second tier suppliers was collated and verified during Q4. This process has now been embedded into our BAU supplier monitoring programme.

To understand how effective our policy and approach is in combating Modern Slavery and human trafficking within our supply chain, we continue to monitor the number of non-compliances, or observations that imply or demonstrate potential for Modern

Slavery. We aim to perform Fair Labour Assessments on 100% of all prospective suppliers, and annually for incumbent suppliers in higher risk regions. In 2019 we performed a total of 79 Fair Labour Assessments, and met our targets.

As a founding member of the Book Chain Project (BCP), we support and recognise the BCP Code of Conduct. During 2019, BCP reviewed and updated the Forced Labour element of the Supplier Code of Conduct, providing further guidance and expectations on the topic of recruitment of migrant workers, with the key principle that employers should pay the cost of any recruitment fees. Subsequently, BCP conducted a detailed assessment of

Due diligence, auditing, assessment & compliance

recruitment practices at a supplier site in Malaysia which identified that recruitment fees had been paid by foreign migrant workers at the site. We are supporting the ongoing work of BCP to embed the employer pays principle; putting in place due diligence measures to assess labour agencies providing foreign migrant workers (including: contract terms for labour agencies that include no fees being paid by the migrant workers), transparency of agents being used in overseas countries, pre and post-recruitment interviews with workers, and standard contracts for all workers written in their local languages. This work continues into 2020.

Under DK's Responsible Paper Sourcing Policy we are working toward achieving

100% of our paper and board materials being from Forest Stewardship Council® (FSC) certified sources by the end of 2020. As of the end of 2019, 87% of paper was FSC certified. FSC has an extensive due diligence process in place to ensure that slavery and human trafficking is not part of the production process of FSC certified products. FSC has a number of policies and standards which provide the basis of auditable requirements for achieving FSC certification. These include the Policy for the Association of Organizations with FSC (FSC-POL-01-004 V2.0), International Generic Indicators standard (FSC-STD-60-004 V2-0) and the FSC Principles and Criteria (FSC-STD-01-001 V5-2). Collectively, these address upholding of the ILO core conventions and a number

of relevant issues including labour exploitation, discrimination, forced labour, child labour and human trafficking. This provides an additional layer of due diligence within our supply chain.

Training

All colleagues are required to participate in Code of Conduct training on joining the business, as part of their induction. Our Code of Conduct sets out DK's 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. 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.

During 2019 DK colleagues were invited to participate in Code of Conduct training to refresh knowledge and ensure that understanding and implementation of learnings remain current. 88% of UK based employees completed this training during 2019.

Updated anti-corruption training took place during May 2019, which gives an overview of DK's position on anti-corruption and

business integrity. It provides information and guidance on recognising and dealing with bribery and corruption. It is designed to help colleagues keep these values in mind when conducting business. 92% of UK based employees completed this training during 2019.

Compulsory Ethical Supply Chain training takes place as part of the induction process for all new colleagues working in 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. 100% of new starters in the production team took part in this training during 2019. In addition, every year the updated Modern Slavery Statement is shared with all employees via our internal intranet.



This statement is approved by the DK Executive Board.

A handwritten signature in blue ink, reading 'Carsten Coesfeld', is positioned below the approval statement. The signature is written in a cursive, flowing style.

Carsten Coesfeld
DK CEO
April 2020