



For the curious

## EXECUTIVE SUMMARY

This Modern Slavery 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 2020 to prevent modern slavery in our business operations and supply chain. It includes information about:

- Our supply chain policies and contractual controls which define and communicate our commitment to ethical, responsible sourcing.
- Our activities during 2020 which both uphold these policies and demonstrate our resolve to continually evolve our supply chain monitoring practices.
- Our collaborative approach to tackling modern slavery issues, working in partnership with industry bodies including Book Chain Project, ICTI Ethical Toy Programme and Forest Stewardship Council.

A handwritten signature in white ink that reads 'Carsten'.

This statement is approved by the DK Executive Board  
Carsten Coesfeld, DK CEO, May 2021

# Introduction

**Modern slavery** is an umbrella term used to cover a number of exploitative human rights offences including forced or compulsory labour, child labour, domestic servitude, human trafficking and workplace abuse. It is a serious global issue affecting all sectors and regions.

DK 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, to ensure fair labour within our business and our supply chains, and to 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.

The Modern Slavery Act 2015 signals the UK's commitment to combatting this issue, and requires companies to demonstrate on an annual basis how they address and mitigate the risks of modern slavery in their global supply chains. This legislation aims to deliver greater transparency and encourage continual positive action.

The COVID-19 pandemic impacted global economies, restricted movement, changed cultural behaviours and particularly affected the health and wellbeing of already vulnerable groups. DK continued to prioritise actions promoting ethical business practices as well as monitoring and improving our policies, working closely with our global suppliers and collaborating with industry partners. We reviewed and updated key components of our supplier compliance programme, including our Ethical Supply Chain questionnaire and our Manufacturing Labour Policy. We introduced important amendments to our audit acceptance criteria and, building on work begun in 2019, performed additional due diligence in higher risk geographical areas.



# Our business

In 2020 we had:

36.9m books printed

2,500+ book titles

750+ colleagues worldwide,  
across 10 global locations

Over 46 years of publishing  
experience

45 languages that we published in

25 awards for our books and  
publishing programmes

Offices in London, New York,  
Toronto, Indianapolis, Delhi,  
Melbourne, Munich, Madrid,  
Beijing, and Jiangmen

## Life

Gardening,  
food, wellbeing  
and hobbies.  
Advice and  
inspiration to  
give you a  
helping hand.

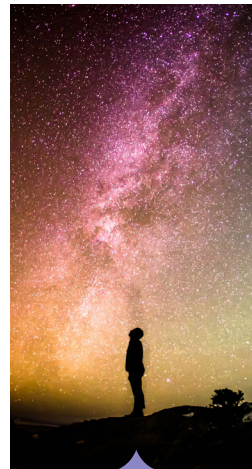


## Travel

Get closer to  
your destination  
with our expert  
advice, beautiful  
photographs  
and detailed  
illustrations.

## Children's

Pages to pore  
over for every  
child, from  
babies to  
starting school  
and beyond.  
We make  
learning fun.



## Knowledge

Feed a thirst  
for knowledge  
with our  
popular  
reference books  
covering every  
topic under  
the sun.

## Licensing

Favourite  
characters are  
brought to life  
from the world  
of film, TV,  
games and  
beyond.



For the curious

# Our supply chain

DK is a diverse organisation procuring services globally from a wide variety of providers. Our publishing, audio and digital content is designed in house, then manufactured by third party vendors prior to transportation, storage and distribution.

We are actively committed to ensuring that all our products are responsibly and ethically sourced without any infringement to human rights or local laws. Our long established ethical supply chain protocol provides us with a clear framework for taking iterative steps which helps us to ensure the protection of these rights and laws. We work closely with our suppliers and business partners, and seek to build sustainable long term relationships with them.

The Production team manages the DK supply chain. The Head of Ethical Supply Chain and the Procurement Manager work closely with this team to ensure that ethical compliance is incorporated into our procurement strategy with equal weight to commercial criteria.

Our global product supply chain is complex. We map our suppliers using a 'tier' system to help us identify and understand the flow of materials and manufacturing stages that go into producing our products. This system helps us to establish transparency of our supply chain, and is fundamental to ensure we can effectively focus our monitoring and mitigation activities.

Supply chain tier	Responsible for	Mapping status
One	Finished products such as conventional and novelty books. Incorporates all locations where products are printed, bound or otherwise assembled.	Fully mapped.
Two	Outsourcers and subcontractors to the Tier One vendor; completing additional processes that can't be completed by the Tier One vendor. This may include applying finishes such as foil blocking, glitter varnish, or assembling components used in finished products such as CDs and sound chips.	Fully mapped.
Three	Components utilised by the Tier One or Tier Two vendors that will be used to make finished products. Will include locations processing raw materials to produce components such as paper or textile mills, ink and varnish manufacturers.	Partially mapped; We are making good progress.
Four	Raw materials; incorporates sites where the raw materials used for components are grown or created such as forests and plantations, man-made fibres or substances, etc.	Partially mapped.



# Our supply chain

## Supply chain statistics

71 Tier One operational suppliers (i.e. manufacturers, freight, etc.)

15 countries where our suppliers operate

48 countries that goods were delivered to

Our top 10 suppliers represent 90% of our total spend



# Our policies

The principles of sustained 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 (of which Bertelsmann is a signatory).

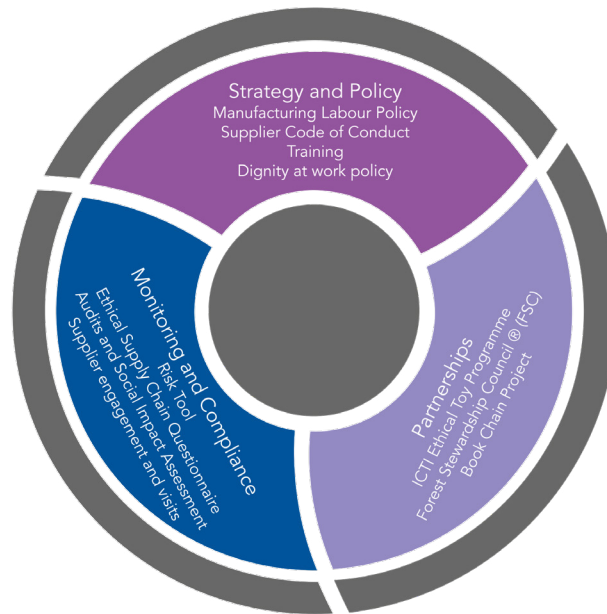
Our supply chain policies and contractual controls define and communicate our commitment to ethical, responsible sourcing.

These include:

- **Supplier Code of Conduct**
- **Manufacturing Labour Policy**
- **Manufacturing Subcontracting and Outsourcing Guidelines**
- **Responsible Paper and Board Sourcing Policy**

All business partners are required to implement and comply with our 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.

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. This policy was updated in September 2020 to introduce important amendments to our audit acceptance criteria. All our manufacturing suppliers are required to comply with the Labour Policy and are asked to sign a Manufacturing Agreement confirming this. Furthermore, the Manufacturing Agreement includes specific obligations for suppliers to comply with the Modern Slavery Act.

We recognise that procurement behaviours can have a direct impact on a supplier's ability to meet and maintain ethical standards for labour and working conditions; poor buying practices can

# Our policies

contribute to the risk of modern slavery. We actively work with our suppliers to continuously improve our purchasing practices, with a view to limiting any negative human rights impacts resulting from how we buy our products. This includes transparency, cooperation and forward planning with our suppliers.

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. Our Equal Opportunities and Dignity at Work policy demonstrates our commitment to providing equal opportunities and to avoiding unlawful discrimination. At DK, we strive for equal opportunity for everyone; we treat people how they wish to be treated; we make an effort to understand other perspectives and don't take our own as a given; we want to create a workplace culture where everyone feels valued and is only evaluated on skills and contribution; and we believe that people are at their best when they can bring their whole selves to work.

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.

Furthermore, this policy incorporates expectations and requirements for DK's interactions with third parties.

Our commitment to ensuring fair labour within our business operations 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.

In 2019, to mitigate modern slavery and ensure due diligence, the Business Continuity Manager contacted all facility suppliers to ensure they were adhering to the Modern Slavery Act 2015. Based upon the responses, a scoring matrix of all of our contractors was completed to highlight where there may be risk of modern slavery. Those with the highest score (or risk) have been asked to provide a Modern Slavery Statement.

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 effectively.





# Due diligence

## Risk monitoring

Within our product supply chain we monitor and assess supplier risk using internationally recognised risk indices to help us identify and focus our priority activities.

Our risk assessment is aligned with publishing industry standards, and we utilise the Book Chain Project (BCP) Labour and Environmental Risk Tool, which has been developed for use by participants in BCP 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.

Additionally we also consider:

- Implementation of worker rights at factory level
- Location of a supplier / factory
- Probability of migrant labour in the workforce
- Supplier spend
- Product type (printing, binding, components, paper, technology, etc.)
- Overall visibility of supplier's sourcing methods
- Supplier's sustainability standards

Suppliers assessed as a higher risk priority using this criteria are required to participate in a more stringent due diligence programme,

which includes undertaking an annual ethical audit. During 2020, 54% of our supply chain were considered higher risk priorities and were subjected to additional due diligence monitoring.

## Audits and internal assessments

Higher risk priority suppliers must annually disclose a full audit report for review and maintain transparency and integrity throughout this process. Our preference is for ICTI Ethical Toy Programme audits, but we will also recognise and accept audits from the SEDEX and BSCI frameworks for new suppliers during the on-boarding process.

When reviewing an ethical audit, we perform an internal Fair Labour Assessment (FLA) 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

We aim to perform FLAs on 100% of all prospective suppliers, and to perform them annually for incumbent priority suppliers. In 2020, we performed a total of 75 Fair Labour Assessments, meeting our target.

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.

## Beyond audit

We recognise that auditing is an important part of human rights due diligence but, in isolation, is ineffective at reducing risks to workers or motivating suppliers to improve.

We actively support the Book Chain Project's beyond audit activities, which in 2020 focused on health and safety in factories, and the responsible recruitment of overseas migrant workers. In September 2020 BCP co-hosted a webinar for our Malaysian suppliers with the International Organisation for Migration, covering common issues for overseas migrant workers

on their recruitment pathway and ways that suppliers can improve this process. This webinar built on work to embed the employer pays principle that began in 2019, following an incident where it was identified that recruitment fees had been paid by foreign migrant workers at one Malaysian supplier site. The webinar provided support for suppliers to put in place effective 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. Further, the original Malaysian supplier has enacted all of these measures and, in addition, an agreement has been reached to reimburse foreign workers' travel costs.

This work to further understand the recruitment processes of our suppliers in other global locations and to promote best practice will continue with the Book Chain Project in 2021.



# Due diligence

## Supplier site visits

As part of our ongoing supply chain monitoring, we endeavour, where possible, to perform site visits of the manufacturing plant. Site visits form a key part of our assessment, which, in addition to audit reports and finance checks, allows us to develop a more in depth assessment of the supplier's management systems and the culture of the organisation. We are committed to continually 'spot checking' existing suppliers through random site visits. We aim to visit a minimum of 50%

of suppliers in higher risk locations at least annually.

The COVID-19 pandemic saw unprecedented restrictions placed on global travel during 2020, severely impacting our usual programme of site visits. Whilst we continued to maintain regular contact with our suppliers, undertaking at least monthly video calls with factories, we were only able to conduct 10 site visits during the year. All site visits were of suppliers in higher risk locations, representing 18% of our suppliers.



# Our governance structure

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

Our HoESC 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 (which includes our COO, the HoESC, and the Procurement and Production Management teams) ensures that this commercial strategy incorporates the clear expectation of ongoing 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.

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 help 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. The Production team is responsible for the day-to-day implementation of policies and procedures related to procurement activities.

DK has appointed a corporate Integrity and Compliance Officer who has responsibility for overseeing business compliance, risk assessments and implementation of relevant corporate guidelines. Our corporate guidelines on anti-corruption and integrity include specific reference to requirements when commissioning third parties and the importance of the Penguin Random House Supplier Code of Conduct.



# Partnerships

## ICTI Ethical Toy Programme

DK has recognised the ICTI Ethical Toy Programme (IETP [www.ethicaltoyprogram.org](http://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.

During 2020, we additionally began to use the IETP Social Impact Assessment for suppliers in lower risk regions.

This assessment is designed to look at the social impact of a manufacturing site by measuring the effectiveness of management systems in place for labour standards in their businesses and in

their supply chains. Social impact covers the effect an organisation has on people and communities as a result of its actions, activities, projects, programs or policies. The assessment is not an audit; it is a capacity building exercise which is designed to help the organisations completing it by providing them with advice, coaching and a tailored improvement plan based on the findings.

## Book Chain Project

The Book Chain Project (BCP) is a collaboration of leading publishers that have been working together to drive social and environmental responsibility in members' product supply chains.

BCP provides a publishing industry Code of Conduct articulating standards of labour practice and environmental performance. It is based on internationally-recognised standards, codes and laws, including the ILO Conventions, the UN Declaration for Human Rights and the ETI Basecode, and is updated regularly. Recent updates provide 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.

BCP hosts regular workshops to collectively address and understand the systemic issues and root causes of modern slavery.



# Partnerships

As a founding participant of BCP, DK supports and recognises the BCP Supplier Code of Conduct, and actively participates in their beyond audit programmes.

## Forest Stewardship Council®

DK has held the Forest Stewardship Council (FSC) Chain of Custody certification since 2006. FSC promotes environmentally appropriate, socially beneficial, and economically viable management of the world's forests. It has an extensive due diligence process in place to ensure that slavery and human trafficking is not part of the production process, and 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), FSC Principles and Criteria (FSC-STD-01-001 V5-2), and Chain of Custody Certification (FSC-STD-40-004-V3-1). Collectively, these uphold the ILO core conventions addressing a number of relevant issues, including labour exploitation, discrimination, forced labour, child labour and human trafficking. Ensuring that we utilise FSC certified materials provides an additional layer of due diligence within our supply chain. During 2020, 98% of our paper and board materials were FSC certified with the balance coming from known, verifiable sources.

## Training

All DK employees are required to participate in Code of Conduct training when 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. Employees 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 2020, 100% of new starters to the business participated in our Code of Conduct training.

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. In addition, every year the updated Modern Slavery Statement is shared with every employee via our internal intranet.



# Appendix

Year	Activity
2016	Manufacturing Agreements updated to include specific clauses relating to the prevention and mitigation of Modern Slavery Risks.
2016	Risk Assessments updated to identify categories and services that have a higher risk of modern slavery.
2017	Published DK's first annual Modern Slavery Statement in April.
2017	Created and rolled out our Supplier Code of Conduct setting our mandatory minimum requirements and incorporating stipulations about modern slavery risks.
2017	Joined ICTI Ethical Toy Programme as brand members. The ETP certification includes detailed criteria to ensure that no forced, child, involuntary or prison labour is used, no recruitment fees are charged, and all overtime is voluntary.
2017	Adopted Book Chain Project's country risk tool to support the assessment of geographic risk.
2018	Updated our internal Fair Labour Assessment metrics and our non-compliance handling processes.
2018	Introduced our Ethical Supply Chain questionnaire for suppliers in 'lower risk' regions (as defined by the Book Chain geographic risk tool).
2018	Group Legal Director appointed as the DK Integrity and Compliance Officer with responsibility for overseeing corporate compliance, risk assessments and implementation of relevant corporate guidelines.
2019	Facilities team initiated an updated annual process for modern slavery risk monitoring which includes data gathering and risk assessment and which has been incorporated into all new and renewed facilities managed contracts.
2019	DK refreshed its Equal Opportunities and Dignity at Work policy during January 2019, rolling this out to all colleagues in line management positions and providing training.
2019	New corporate compliance guidelines rolled out by the DK Integrity and Compliance Officer.
2019	Manufacturing outsourcing and subcontracting guidelines created and rolled out across our operational supply chain, providing greater transparency of our Tier Two suppliers.
2019	Book Chain Project 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.
2020	Supported Book Chain Project responsible recruitment activities, working with our Malaysian supplier base to implement recommendations.
2020	Manufacturing Labour Policy reviewed and audit acceptance criteria updated to specify that announced audits will no longer be acceptable.

