



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 2021 to prevent modern slavery in our business operations and supply chain. It is our sixth statement and includes information about:

- Our supply chain policies and contractual controls which define and communicate our commitment to ethical, responsible sourcing.
- Our activities during 2021 which 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 our sister company, industry bodies including Book Chain Project, ICTI Ethical Toy Programme and Forest Stewardship Council.

A white handwritten signature in cursive script, reading 'Paul Kelly & Rebecca Smart', is positioned on the red background.

This statement is approved by the DK Executive Board
Paul Kelly & Rebecca Smart, co-CEOs, April 2022

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.

During 2021 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.



Our business

In 2021 we had:

46.6 million books printed

2,800+ book titles

750+ colleagues worldwide,
across 7 global locations

44 languages that we
published in

14 awards for our books and
publishing programmes

Over 47 years of publishing
experience

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

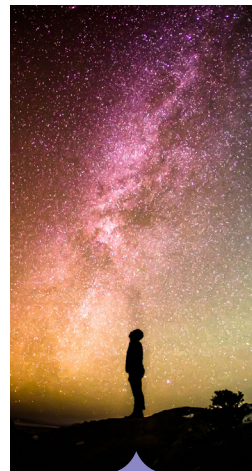
Life

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



Children's

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



Licensing

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



Travel

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

Knowledge

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



For the curious

Our supply chain

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

We are actively committed to ensuring that 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 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 a good degree of 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.	Partially 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 and have now mapped all paper and paperboard mills
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; we are making good progress and have mapped all pulp and forest sources of our paper and paper boards.



Our supply chain

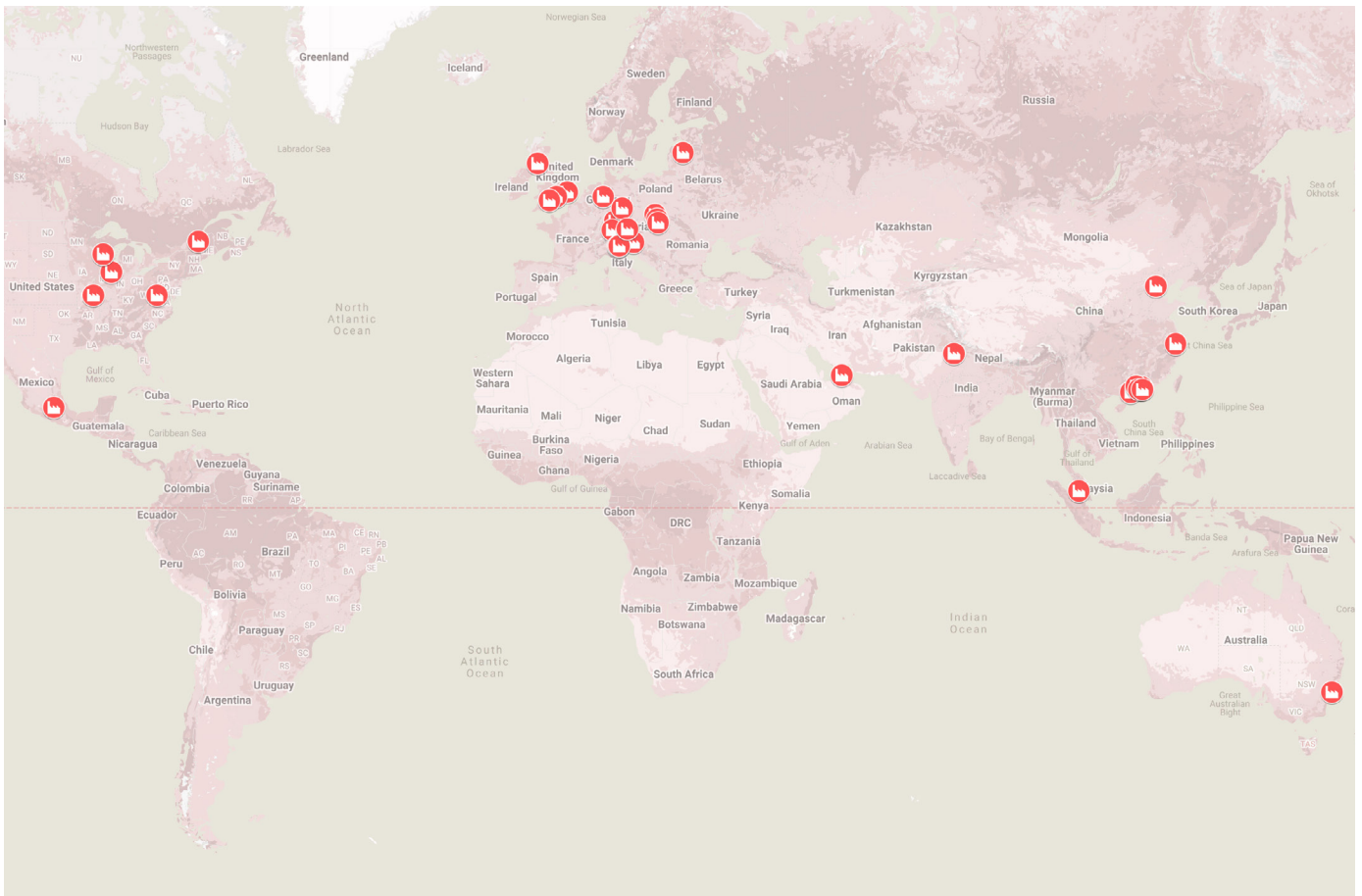
Supply chain statistics

53 Tier One operational supplier groups (i.e. manufacturers, freight, repro, etc.) of which 46 were manufacturing suppliers operating over 52 plant locations.

18 countries where our Tier One suppliers operate

140 countries that goods were delivered to

Our top 10 suppliers represent 90% of our total spend



Our policies

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 (of which Bertelsmann is a signatory).

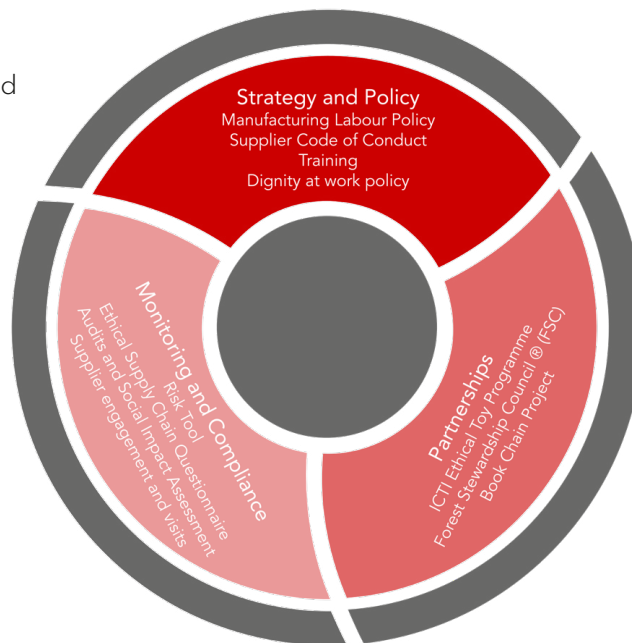
Our supply chain policies and contractual controls define and communicate our commitment to ethical, responsible sourcing.

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. All our manufacturing suppliers are required to comply with the Labour Policy. In addition, we ask manufacturing suppliers to sign a Manufacturing Agreement which includes specific obligations for suppliers to comply with the Modern Slavery Act. This agreement was updated during 2021, strengthening clauses related to the compliance of subcontracting and outsourcing factories.

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

Our policies

conditions; poor buying practices can contribute to modern slavery risks. 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 actively encouraging transparency, cooperation and forward planning with our suppliers in order to be able to identify and address any shortcomings discovered.

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.

Within our directly managed operations, our Code of Conduct underscores our

commitment to full compliance with all relevant laws and regulations, outlining binding minimum standards for responsible behaviour toward business partners and the public, as well as for our behaviour within the company. The Code was updated in November 2021, introducing a more user friendly confidential 'speak up' system for raising concerns and reporting suspected misconduct without fear of retaliation. Everyone at DK is obligated to adhere to the principles laid out in this Code.

Our Facilities team has established a risk assessment process that is incorporated into vendor selection for all new and renewed facilities managed contracts; these include the companies and workers that clean our buildings and that offer waste management services. Through this process a scoring matrix has been created that assesses risk, and higher risk suppliers' compliance documentation is reviewed. 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 recruitment processes include identity checks on applicants which verify their right to work and are based on the employer pays principle. DK is a Living Wage Employer.



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 2021, 54% of our Tier One supplier plants were considered higher risk priorities and were subjected to additional due diligence monitoring.

We monitor global socio-cultural developments and ensure that our assessments appropriately reflect new risks as they arise. In 2021 this included performing additional due diligence in response to concerns about forced labour in Asia, assessing the origin of materials, sources of labour, organisational structure, affiliations and recruitment practices in this region.

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



Due diligence

non-compliances within a time frame agreed with the audit body by providing and following a corrective action plan. It is our priority to strengthen the standards of all our suppliers where they are willing and able to work with us, and we expect suppliers to show continuous improvement. Where a supplier is unable or unwilling to fully implement a corrective action plan on critical non-compliances within the allotted time frame, we will cease our relationship with that supplier. During 2021, we reviewed and updated our internal grading system, recategorizing the severity of findings associated with migrant labour recruitment.

We aim to perform FLAs on 100% of all prospective manufacturing suppliers, and to perform them annually for incumbent priority suppliers. In 2021, we performed a total of 42 FLAs, 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.

In August 2021, our sister company was made aware of a forced labour issue within their Italian supply chain as result of a police

investigation into a recruitment agency, which had provided agency staff to multiple printers in Italy. We supported them in the completion of a comprehensive review of the social compliance status of our Italian manufacturers. This included mapping and identifying outsourcers and agency workers, and encouraging participation in the ICTI Social Impact Assessment, which helps to identify any gaps in the printers' existing process and policies. Going forward we will 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.

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 Book Chain Project's beyond audit activities, which in 2021 focused on responsible recruitment of migrant workers, and on creating safer workplaces, creating and sharing resources to build capacity and understanding at factory and worker level.

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 ongoing global COVID-19 pandemic saw continued restrictions on global travel during 2021, impacting our usual programme of site visits. Whilst we continued to maintain regular contact with our suppliers, undertaking at least quarterly video calls with factories, we were only able to conduct two site visits during the year. All site visits were of suppliers in higher risk locations, representing 7% of our higher risk tier one suppliers. Our intention is to reinvigorate our site visiting programme during 2021, as travel restrictions ease in some locations.



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) 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.

Since 2020, we have additionally utilised 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. Three factories participated in the Social Impact Assessment during 2021.

The IETP Worker Helpline, established in 2010, fosters positive and productive exchanges between factory management and workers. The purpose of the Helpline is to inform, educate and empower workers so they can effectively manage work-related issues; also acting as a confidential grievance mechanism when required. The Helpline bridges communication between factory workers and management and provides an effective labour dispute mechanism for workers within the IETP program. During 2021, the Helpline supported 26 workers from supplier's with whom we work.



Partnerships

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 Base Code, 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. 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. In January 2021, FSC released new core labour requirements in its chain of custody certification standards (FSC-STD-40-004 & FSC-STD-20-011). These include the effective abolition of child labour, elimination of all forms of forced or compulsory labour, the elimination of discrimination in respect of employment and occupation, respect of freedom of association and the effective recognition of the right to collective bargaining. This is in addition to existing mandatory requirements relating to the protection of worker's rights established under the separate forest management certification process. Ensuring that we utilise FSC certified materials therefore provides an additional layer of due diligence within our supply chain. Since January 2021, 100% of the paper and board materials used in our products are FSC certified.



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 2021, 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 covers modern slavery risks and the steps that we take as part of our due diligence process to mitigate and eliminate such risk. During 2021, 100% of new starters to the production team participated in Ethical Supply Chain training. 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.
	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.
	Created and rolled out our Supplier Code of Conduct setting our mandatory minimum requirements and incorporating stipulations Modern Slavery.
	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.
	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.
	Introduced our Ethical Supply Chain questionnaire for suppliers in 'lower risk' regions (as defined by the Book Chain geographic risk tool).
	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.
	DK refreshed its Equal Opportunities and Dignity at Work policy during January 2019, rolling this out to all staff in line management positions and providing training.



Appendix

Year	Activity
2019	New corporate compliance guidelines rolled out by the DK Integrity and Compliance officer.
	Manufacturing outsourcing and subcontracting guidelines created and rolled out across our operational supply chain, providing greater transparency of our Tier 2 suppliers.
	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.
	Manufacturing Labour Policy reviewed and audit acceptance criteria updated to specify that announced audits will no longer be acceptable.
2021	Manufacturing Supplier Agreement updated to strengthen clauses on subcontracting and outsourcing.
	Updated our internal Fair Labour Assessment grading system to strengthen our response to issues associated with migrant labour recruitment.
	Adopted revised Bertelsmann Code of Conduct which introduces a user-friendly "Speak-up" system for the confidential reporting of compliance issues.