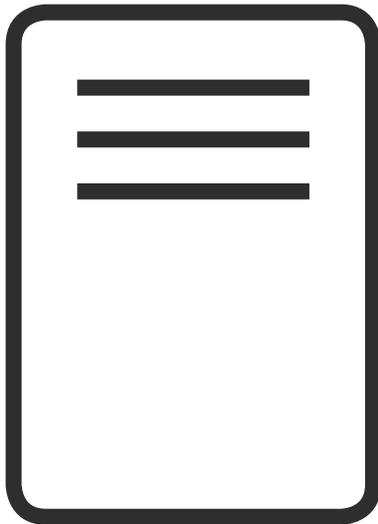


Penguin
Random House
UK

MODERN SLAVERY STATEMENT

This statement is published in accordance with the Modern Slavery Act 2015 and sets out the steps taken by Penguin Random House during the year ending December 31st 2016 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 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 may include violence or threats of violence, and nonviolent coercion such as threats to expose the worker to the authorities, withholding documents, restriction of movement, debt bondage, or the withholding of wages.

Penguin Random House has a zero tolerance approach to Modern Slavery in all forms and is committed to ensuring fair labour within our business and throughout our supply chain.

OUR BUSINESS

Penguin Random House is the world's first truly global book publishing company. In 2016 we had an estimated:



2,000

colleagues in the UK.



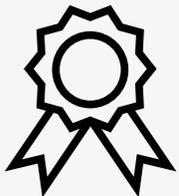
50

editorially independent publishing imprints.



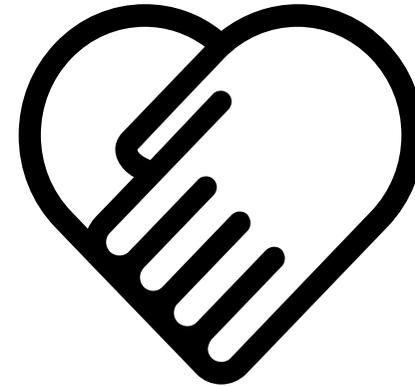
23

Man Booker Prize winning authors.



45%

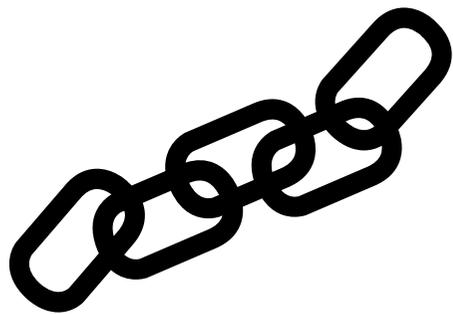
of Sunday Times best sellers.



We publish a wide range of authors and books from Ian McEwan to Dan Brown, Arundhati Roy to EL James, Jamie Oliver to Zadie Smith and a whole host of children's favourites including Roald Dahl, Zoella, Malorie Blackman and Peppa Pig. We connect the world with the stories, ideas and writing that matters.

The principles of fair labour are embedded within our organisation and that of our parent company Bertelsmann.

We believe that all workers have a right to fair labour conditions and a safe environment as set out in the International Labour Organisation Conventions, the Universal Declaration on Human Rights and the UN Global Compact. Penguin Random House UK is a Living Wage Employer and within our directly managed operations we adhere to the principles of our Code of Conduct for permanent, contract and agency workers.



OUR SUPPLY CHAIN

As a diverse organisation operating worldwide, we are committed to ensuring that all our products are responsibly and ethically sourced. We procure services from a wide variety of providers which includes the manufacturing of our publishing, audio and digital content and our non-book products such as tote bags, mugs, and children's toys. We work with over 120 suppliers in 17 countries.

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 manufacturing suppliers are required to comply with both our Manufacturing Labour Policy and are asked to sign a Manufacturing Agreement confirming this. In 2016 we updated this agreement to include specific obligations on suppliers to comply with the Modern Slavery Act.

In addition to this Penguin Random House UK has committed to working only with suppliers who have signed up to the Publishers Resolution for Ethical International Manufacturing Standards (PRELIMS) Code of Conduct by 2020. Penguin Random House UK is a founding participant of this publishing industry group and you can read more about PRELIMS here. In 2016 51% of our suppliers signed up to this code.



RISK MONITORING & DUE DILIGENCE

Within our supply chain we monitor and assess risk by location, spend and product group using internationally recognised risk indices.

We do this in line with industry standards and considering specific requirements from our customers and licensed partners. In 2016 we updated this risk assessment to identify categories and services that may have higher risk of modern slavery. We ask for independent third party annual audits from manufacturing suppliers considered 'higher risk',

namely suppliers who fall into the following categories:

- Manufacturers operating in non-OECD countries (Organisation for Economic Cooperation and Development - you can learn more about the OECD [here](#)).
- Manufacturing suppliers with significant annual spend (therefore our main suppliers)
- Manufacturing suppliers producing non-traditional print products which are more labour intensive.



AUDITING OUR HIGHER RISK SUPPLIERS

Where a third party audit is required, PRELIMS is our preferred audit system. We also recognise and accept audits from the ICTI CARE, SEDEX and BSCI frameworks.

The audit is intended to assess compliance to International Labour Organisation conventions, local labour, health and safety and environmental laws including the identification of modern slavery practices if present. The initial annual audit report supplied by the factory must be less than a year old and should be accompanied by any relevant

follow up audit reports and corrective action plans. Thereafter audits are required on an annual basis.

When we receive audit reports:

- We perform an internal fair labour assessment based on the information in the audit report and corrective action plans submitted by the factory. This assessment categorises non-compliances by severity and is used to inform our own responsive action plan.
- We expect suppliers to resolve any non-compliances found by the

audit within the time frame agreed with the audit body.

- Support is provided on how to follow-up on any non-compliance.
- 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. During 2016 no non-compliances were identified that suggested instances of Modern Slavery.



ASSESSMENT & COMPLIANCE

When we receive an audit report from higher risk suppliers we assess this report against set of criteria.

This categorises the severity of any non-compliances and sets out our standard response to each non-compliance, including actions and time frames for completion. This provides a framework for our interactions with higher risk suppliers and gives us the flexibility to address new issues as best practice within the compliance sector evolves.

When a new higher risk supplier has been provisionally approved, a Penguin Random House UK member of staff will visit the supplier in person.

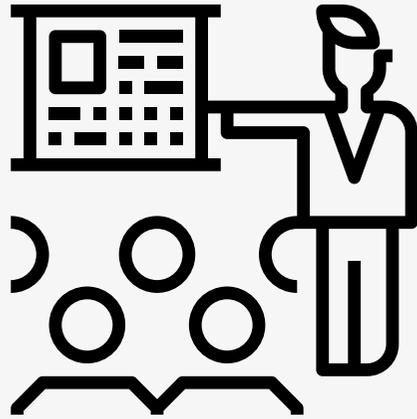
This is a key part of our assessment as it provides a level of consistency which, in addition to the independent third party audit reports and finance checks, allows us to develop a more reliable assessment of the supplier's management systems and the culture of the organisation.

To understand how effective our policy and approach is in combating modern slavery and human trafficking within our supply chain we will monitor the number of non-compliances or observations that imply or demonstrate potential for modern slavery over a 12 month period. We aim to publish our findings in 2018.

INTEGRATING STANDARDS WITHIN OUR BUSINESS

We integrate our Labour Standards Policy into our purchasing strategy to ensure we approve all suppliers prior to manufacture and include ongoing compliance in service level reviews.

We use a central operational database to ensure that work cannot be placed with suppliers who have not been approved. Our Production teams regularly meet with our procurement team to ensure that ethical criteria are addressed as soon as possible as part of a working relationship with new suppliers, in order to create a culture where upholding ethical principles is seen as central to our relationship with all our suppliers.



TRAINING

All staff are required to participate in Code of Conduct training, to fully understand our ethical stance and how it should be applied in our daily business activities.

This training provides information on our confidential whistleblowing policy. Staff are encouraged and 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. The Modern Slavery Statement is promoted to each employee via our internal intranet systems.

Introductory Supply Chain Social Compliance training takes place as part of the induction process for all new colleagues working within our Production teams. This includes details of our supplier code of conduct and our manufacturing labour policy as well as labour issues such as slavery and human trafficking. Thereafter Social Compliance training takes place annually for all staff responsible for procurement and manufacturing.

This statement is approved by the Board of Penguin Random House UK.

A handwritten signature in black ink that reads "Tom Weldon".

Tom Weldon
CEO Penguin Random House UK
April 2017