
Forced Labour and Child Labour in Supply Chains Statement

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Penguin
Random House
Canada

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Foreword

This is Penguin Random House Canada’s first annual report published in accordance with Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (“the Act”), which came into effect on January 1, 2024. This report has been approved by our governing body (“Leadership Team”) and outlines relevant aspects of our business structure and activities during our most recent fiscal year, between January and December 2023.

The Act requires companies to publicly document each year how they address and remediate any forms of forced labour and child labour within their business functions and supply chains. By encouraging companies to openly address these issues on an ongoing basis, the Act helps our efforts to combat forced labour and child labour and to drive sustained, meaningful change in Canada and worldwide.

Penguin Random House Canada (“PRH Canada”) has a zero-tolerance approach to forced labour and child labour. We are committed to respecting, protecting, and upholding the rights of workers and children, to ensuring 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 review our practices in the future to ensure that we can effectively prevent and remediate any negative impacts.

We know that forced labour and child labour are prevalent and systemic issues, and that forced labour may be particularly difficult to detect. We have listed some factors and circumstances to help us understand what forced labour may look like:

- Withholding of wages
- Withholding of documentation (in the form of passports or identity cards)
- Coercion (using force to gain compliance)
- Physical or verbal violence and threats
- Debt bondage (to repay a debt through free labour)
- Restriction of movement (such as controlling accommodation, bank accounts, and transport)

We also know that forced labour and child labour can be understood as forms of modern slavery, along with domestic servitude, bonded labour, slavery, and human trafficking. These are global issues affecting all economies, across different sectors, at scale.

We took a number of steps in 2023 to promote ethical business and labour practices throughout our operations and our extended supply chain, which we will review in the remainder of this report. These actions included implementing policies, training our directly managed staff, and working closely with our suppliers and other partners.

Organizational Structure and Activities

Penguin Random House is a global book publishing company and is committed to maintaining fair labour practices across all its international divisions. This commitment is embedded within our organization 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.

At PRH Canada, our Leadership Team helps oversee our compliance with legislative requirements and maintains our commitment to respecting and upholding human rights. The Leadership Team consists of senior employees and executives who oversee all aspects of our business, and it includes our CEO and our CFO. Our CFO also serves as a Compliance Officer for our parent company and manages risk across our operations using internal control systems. The Leadership Team can escalate any potential concerns relating to forced labour or child labour to appropriate group functions within the company.

In our Canadian publishing program, we provide end-to-end publishing services for almost 300 titles each year, including editorial, art design, book production, inventory management, sales, marketing, distribution, author reporting, and rights management. We use third-party suppliers to produce and transport the physical editions of these books, and we mostly produce the audio and digital editions in house. We are proud of this enduring contribution to Canada's cultural landscape.

We also provide sales, distribution, and marketing services for over 4,000 titles each year from Penguin Random House divisions in the U.S. and U.K., for the U.S. based publisher W.W. Norton & Company and their clients, and for books from more than 50 client publishers through the Penguin Random House Publisher Services program ("PRHPS," a part of the U.S. division of Penguin Random House). We do not manufacture these titles, but we import them and provide the services needed to help them reach both booksellers and readers across Canada.



Policies and Processes

We use policies and processes to embed ethical labour practices in our operations and to communicate them to people both inside and outside the company. Many of these policies and processes are contained in our [Code of Conduct](#), which was recently updated in 2021. They help us define our commitment to working responsibly, without violating workers' fundamental human rights, and how this should apply in our daily business activities.

Within our directly managed operations, PRH Canada adheres to the principles of our Code of Conduct for permanent, contract, and agency workers. These principles include compliance with applicable laws and an express prohibition of forced labour and child labour, all forms of modern slavery and human trafficking, and any form of exploitation.

The Code of Conduct also requires compliance with applicable health and safety laws across all our operations, as well as regulations that ensure fair working conditions with respect to compensation, working hours, worker privacy rights, and much more.

PRH Canada is a living wage employer. Our compensation systems are consistent and transparent. They ensure that remuneration reflects function, performance, and the market, while also reflecting conditions that are specific to the business. This commitment to fair labour also extends to our Canadian distribution centre, where we do not employ anyone on a zero-hour contract.

When it comes to remediating suspected instances of forced or child labour, we understand that effective reporting mechanisms are vitally important. We therefore include a confidential whistle-

blowing policy in our Code of Conduct and provide a user-friendly speak-up system that permits confidential, encrypted, and anonymous reporting in multiple languages by phone or internet: www.reportconcerns.com. These are available to employees and third parties alike.

Reports of compliance violations can also be submitted in confidence to Bertelsmann's Integrity & Compliance team, who will investigate all allegations and take appropriate action. Additionally, reports may be submitted in confidence to an external ombudsperson appointed by Bertelsmann, whose role is to provide a neutral, independent contact person for anyone seeking support in raising and resolving suspected serious violations of the Code of Conduct.

We encourage employees to speak up about compliance concerns freely and without fear of retaliation. Indeed, we prohibit retaliation against individuals who raise good-faith concerns about misconduct. Managers and employees who are particularly responsible for ensuring compliance are obligated to immediately report specific evidence or suspicions of a significant compliance violation, including a violation with respect to human rights.

As noted earlier, PRH Canada's Leadership Team helps oversee our compliance with legislation and internal policies, and it can take measures to remediate any forced or child labour in our operations and supply chain, if such problems ever arise. The Leadership Team also understands the importance of minimizing and remediating the negative financial impact that such measures may cause to vulnerable persons.

Addressing Potential Risks

PRH Canada is committed to ensuring that our books are responsibly and ethically sourced in coordination with our suppliers, contractors, and clients. Our supply chain for the production, distribution, and sale of physical books reaches around the world, including to the countries listed below, and encompasses direct suppliers for production services such as printing and paper manufacturing, shipping and courier services, and select content production such as design and copyediting (usually within Canada).

- Canada
- China
- India
- Italy
- Malaysia
- United States of America
- South Korea
- Sweden
- Finland

We recognize that the biggest risk of forced or child labour in this supply chain arises with the third parties who we do not directly control, principally our printing suppliers.

We do the bulk of our printing in Canada and the United States, with full-colour products typically printed outside of North America, and in some cases we allow printers to arrange their own paper stock. For books produced outside North America, we use the Ontario-based broker Universal Logistics to arrange international passage on ships operated by major global container shipping companies, FOB port of export, followed by last mile delivery to our warehouses in the United States. We then use North American freight companies for cross-border transportation, followed by local carrier delivery to booksellers in Canada.

We manage the risk of forced labour and child labour in our supply chain by maintaining a [Supplier Code of Conduct](#) that defines minimum requirements for our business partners. Updated in November 2023, the document articulates core obligations and values including a prohibition of forced labour (as defined in ILO Convention No. 29) and of child labour (as defined in ILO Conventions 138 and 182), compliance with applicable laws and regulations, protection of universally recognized human rights, safe working conditions, fair and transparent compensation, and reprisal-free confidential reporting of misconduct.

Suppliers and contractors are asked to review and acknowledge their compliance with the Supplier Code of Conduct. We intend to pursue uniform application of this practice among all suppliers and to encourage equivalent practices among our client publishers. We expect all our business partners to observe and implement the standards in this document throughout their operations and their selection of business partners, who, in turn, should observe and implement the same standards in their own activities for us. In this way, our partners can help us produce and distribute books ethically and responsibly.

In accordance with the Supplier Code of Conduct, our business partners are expected to proactively identify risks, take appropriate measures to address those risks and remedy any violations, and then promptly report to us any risks or violations that are not remedied immediately. They can report their concerns to us using the easily accessible speak-up system and independent ombudsperson discussed earlier. >>

Addressing Potential Risks, continued

The Supplier Code of Conduct also empowers PRH Canada to take appropriate measures to support our business partners' compliance efforts, whether these are taken on our own initiative or in response to a reported concern. We can request information and a written self-assessment once a year, carry out on-site checks if risks are identified, jointly develop a plan to remedy concerns and prevent a recurrence, and temporarily suspend or terminate the relationship.

On our part, we strive at the outset to work with suppliers who operate responsibly. We have built into our vendor selection process a check against entities identified under the economic sanctions that Canada has implemented pursuant to four different statutes: the *United Nations Act*; the *Special Economic Measures Act*; the *Justice for Victims of Corrupt Foreign Officials Act*; and the *Freezing Assets of Corrupt Foreign Officials Act*.

All our domestic paper suppliers are certified to an internationally recognized Chain of Custody standard such as FSC, SFI, or PEFC, and must comply with local government regulations. We expect our suppliers to respect and protect the rights of their workers, natural resources, and local indigenous populations. And when we produce outside Canada, we comply with applicable laws such as the U.S. *Lacey Act* and the EU Timber Regulation, each of which require that timber products come from legal sources.



Training and Recruitment

We also address the risks of forced labour and child labour in our supply chain using training and recruitment measures. We use training resources to upskill our workforce on how to understand, prevent, and report human rights concerns. Indeed, all PRH Canada employees are required to complete Code of Conduct training as part of their induction, and starting in September 2023, we began assigning refresher training to employees approximately one year after their most recent training.

The Code of Conduct training combines interactive question-and-answer sections, illustrative videos, and a user-friendly format to demonstrate the importance of the Code of Conduct, and it requires employees to download the document for personal review. The training also provides information on our confidential whistleblowing policy and speak-up system as a means by which employees can fulfil their obligation to report relevant concerns, including concerns related to human rights violations.

As discussed earlier, the Code of Conduct helps our employees understand our commitment to the highest standards of ethics, integrity, and social responsibility, and how these high standards should be applied in our daily business activities. It includes an express prohibition of forced labour and child labour. Both the Code of Conduct and the related training are easily accessible for all employees via our internal intranet.

We are committed to developing our training resources to specifically address the issues of forced labour and child labour.

Finally, our recruitment contributes to our wider efforts through utilizing application and interview processes that ensure all workers are recruited voluntarily. And in December 2023, PRH Canada began the formal recruitment process for our first Canada-based Legal Counsel. We successfully completed this process in early 2024. We expect this new position to work with our Leadership Team and Compliance Officer to assess our effectiveness in addressing risks of forced labour and child labour, identify areas for improvement, and develop practices to effectively address these issues in the future.



Continuous Improvement

We remain committed to tackling the risk of forced labour and child labour by empowering workers, protecting children and vulnerable groups, and ensuring that our business partners join us in promoting responsible behaviour in commerce.

After reviewing our activities in 2023, our priorities for the year ahead are:

- develop training resources on forced labour and child labour for employees who work at points of contact with suppliers, contractors, and client publishers;
- begin auditing our relationships with suppliers and contractors to promote uniform application of our Supplier Code of Conduct;
- ask all our printers and paper manufacturers to review and acknowledge compliance with the Supplier Code of Conduct;
- speak with our client publishers to promote equivalent practices in their operations;
- map our supply chain to better understand where our paper and component materials come from, such as forest sources, ink manufacturers, and glue manufacturers; and
- identify 'priority' third parties displaying the highest risk and determine where to focus our efforts across different areas of work.



Barry Gallant

CFO Penguin Random House Canada

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