

## The LEGO Group

### Modern Slavery and Transparency in Supply Chains Statement

This statement has been published in accordance with the requirements of the California Transparency in Supply Chain Act of 2010 and the United Kingdom Modern Slavery Act 2015. It sets out the steps taken by the LEGO Group to prevent modern slavery and human trafficking in its business and supply chain during the year ending 31<sup>st</sup> December 2019.<sup>1</sup>

#### Introduction

At the LEGO Group, we know that every day we impact human beings around the world through our products, operations and business relationships. We have a responsibility to ensure that the impact is positive and to take steps to protect human rights wherever we do business.

This is embedded in our **Planet Promise** which sets out our commitment to having a positive impact on both society and the environment and is reflected in our long-standing membership of the **United Nations Global Compact** as well as our commitment to the **Children's Rights & Business Principles**. We believe in high levels of transparency and report our progress annually in our Responsibility Report ([www.lego.com/responsibility](http://www.lego.com/responsibility)).

We recognize that forced labor, modern slavery, including human trafficking, is a growing issue in part due to the rapid increase in global migration. All businesses have a responsibility to be alert to the risks, and to take steps to prevent and mitigate these wherever possible.

#### Our business and supply chain

The LEGO Group is a privately held company based in Billund, Denmark. The company is still owned by the Kirk Kristiansen family who founded it in 1932. Our mission is to 'develop and inspire the builders of tomorrow' by providing the best play experiences to children (our 'Play Promise') while also delivering on our commitments to our People, Partners and Planet.

The LEGO® products are sold in more than 140 countries globally and we have more than 18,000 employees.

The LEGO products are mainly manufactured at our own facilities in Denmark, Hungary, Czech Republic, Mexico and China. We publish and regularly update a LEGO Group Supplier List on our website, covering the main suppliers who provide raw materials, parts and finished goods to the LEGO Group. These suppliers are predominantly located in Europe, Mexico and China. We further grant license to produce under the LEGO brand to Licensing Partners.

#### Policies & Certification

Our **Responsibility & Human rights policy** sets the framework for specific actions in this area across our own operations and our supply chain.

A key component of our approach is the requirement that all our suppliers and, where relevant, business partners, must sign and comply with **the LEGO Group Responsible Business Principles (RBP)**. This is our updated version of our previous Code of Conduct and forms part of the contractual agreement with suppliers. By signing, suppliers are not only responsible for adhering to standards in their own operations but also ensuring that their sub-suppliers are compliant.

The RBP clearly prohibits any form of modern slavery or forced labor and includes a more detailed focus on modern slavery risks. Forced labor is defined as 'any situation where workers are forced to work against their will or under pressure from a threat of punishment.'

It specifically highlights practices that must be avoided including excessive and involuntary overtime, withholding personal papers, deposits or compensation, and inappropriate loans and salary advances that tie workers to the workplace. In particular, it introduces a new mandatory requirement that workers should not be required to pay recruitment fees or deposits to suppliers or agents to gain employment. In cases where a fee has been paid, the RBP requires that the supplier promptly reimburse the worker.

All of the above can represent subtle forms of forced labor and so are considered high risk non-conformities. The RBP also requires suppliers to have grievance mechanisms in place to allow workers to raise concerns on a confidential basis, without fear of retribution.

### **Verification & Supplier Audits**

We adhere to the principles of the RBP in our own operations and actively monitor our direct suppliers to ensure that they meet the requirements. This process involves a combination of 3<sup>rd</sup> party audits, in-house assessments and regular dialogue to ensure that suppliers both understand and are equipped to meet our expectations. We also actively monitor selected sub-suppliers which we deem are high risk. Further, we systematically monitor and assess suppliers to our Licensing Partners.

Supplier audits include both announced and unannounced visits. The audits are carried out in all territories where we have direct suppliers including North America, Latin America, Asia and Europe. All suppliers are required to provide full access to the site and relevant documentation and make available randomly selected employees for confidential interviews. The frequency of audits depends on level of risk, taking account of factors such as country risk and past performance. We have a stringent follow-up system to ensure that any non-conformities are addressed within a specified time frame and we report on these in our annual Responsibility Report.

We view supplier audits as an integral part of our overall supplier management process to help identify risks and compliance gaps. Non-conformities are ranked on a scale from low to high risk (including zero tolerance issues). Our general approach is to work with suppliers to address root causes and promote continuous improvement. However, if we identify high risk issues, we demand an urgent if not immediate response from the supplier and hold the right to terminate the business relationship with immediate effect.

### **Assessment of Modern Slavery Risk in our Supply Chain**

We regularly assess our human rights risks and impacts, through a combination of internal assessments and consultation with external stakeholders. This includes assessment of risks related to sourcing of certain raw materials and goods and services not for re-sale (e.g. marketing materials and facilities management).

We use plant based raw material from sugar cane production in 2 % of our assortment (softer elements as leaves, trees etc.). Shifting to plant based materials for these components is a key part of our journey and commitment to use sustainable materials by 2030. We currently require our suppliers to source sugar cane that is certified under the BonSucro standard as part of our risk mitigation process.

Other raw materials in focus include minerals used in electronic components and metal products (e.g. key rings). Relevant suppliers are required to comply with the [LEGO Group policy on conflict](#)



minerals including a requirement to use smelters who are part of the Conflict Free Minerals Program or an equivalent globally recognized program.

We recognize that grievance mechanisms (e.g. compliance or worker 'hotlines') can provide an important secondary channel for workers to raise issues and to report on non-compliances. Workers at our own manufacturing facilities have access to the LEGO compliance line and participate in an annual anonymous employee survey. A number of our suppliers are part of the International Council of Toy Industries 'ICTI' Ethical Toy Program in China and workers at these sites have access to the IETP worker hotline. Further issues can be raised confidentially and anonymously and without fear of retaliation to [responsibility@LEGO.com](mailto:responsibility@LEGO.com).

### **Internal Accountability and Training**

The LEGO Group Board of Directors provides oversight to ensure that we live up to our commitments, including our Planet Promise, and always conduct business in an ethical and legally compliant manner.

The LEGO Group Code of Ethical Business Conduct requires all employees to comply with the letter and spirit of all applicable laws, rules and regulations, which includes those regarding modern slavery and trafficking. All salaried LEGO Group employees must complete our training on business conduct every second year. We encourage all employees to speak up and report any violation of policies of the LEGO Group, as well as any applicable law or regulation. This should preferably be done through the line organization, but a whistle-blower infrastructure (compliance line) provides employees with another reporting method.

We also deliver regular updates to our Procurement organization on the LEGO Group Responsible Business Principles to ensure that they have the necessary knowledge and skills to integrate the RBP into their dialogue with suppliers.

### **Assessment of effectiveness in preventing Modern Slavery**

We regularly review the effectiveness of our policies and processes for preventing human rights abuses to ensure they reflect new developments. To support our assessment, we will continue to review, develop and report on:

- The requirements set out in our LEGO Group Responsible Business Principles
- Training levels for the LEGO Group employees
- Non-conformities in our direct supply chain
- Actions to further strengthen and extend our supply chain monitoring and verification
- Capability building interventions to support suppliers in addressing root causes of non-conformities.

**This statement was approved by the LEGO Group Board of Directors.**

**Signed**



Chairman of the Board

**Place & Date:** Billund, 17<sup>th</sup> December 2019

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<sup>1</sup> To meet the specific requirements of the UK Modern Slavery Act, this statement covers the operations of the LEGO Group, including the parent company, LEGO A/S and the UK subsidiary, LEGO Company Ltd.