

The LEGO Group

# Modern Slavery & Transparency Statement 2023



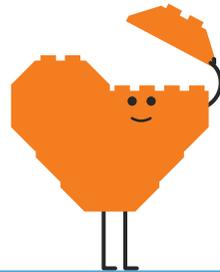
# Welcome!

This statement has been published in accordance with the requirements of the UK Modern Slavery Act (2015), the California Transparency in Supply Chains Act (2010), the Commonwealth Modern Slavery Act (2018) for Australia, the Transparency Act Norway (2022) and Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act (2023).

The document covers the full operations of the LEGO Group, including the UK subsidiary LEGO Company Limited, the Australian subsidiary LEGO Australia Pty. Ltd., the Norwegian subsidiary LEGO Norge AS, and the Canadian subsidiary LEGO Canada Inc., all of which are under the parent company of LEGO A/S. It sets out the steps taken by the LEGO Group to continue the work to assess, prevent, and mitigate the risks of modern slavery and human trafficking in its business operations and supply chains, during the financial year 1 January to 31 December 2023.

## Hello there!

Welcome to the LEGO Group's 2023 **Modern Slavery & Transparency Statement**. If you ever get lost, while reading this document, you can always click on the grey brick in the left hand corner and it will take you to this page.



## About us

The LEGO Group is a privately held family-owned company headquartered in Denmark, founded by Ole Kirk Kristiansen in 1932. Our mission is to 'inspire and develop the builders of tomorrow' by providing the best and safest play experiences to children while also delivering on our commitments to our people, partners, and the planet.

The LEGO Group's main activities are the development, manufacturing, marketing, and selling of games, toys, digital products, educational materials, and LEGO branded merchandise across the globe.

All commercial activities are conducted through the LEGO Group, which consists of LEGO A/S and its subsidiaries. All subsidiaries must follow the LEGO Group policies. For details of the group structure and subsidiaries of the LEGO Group please refer to the latest **Annual Report**. More information about the LEGO Group can be found **here**, and more on the LEGO Brand Framework **here**.

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# The LEGO® Brand Framework

The LEGO Group activities are anchored in our **LEGO Brand Framework** and our four fundamental promises:

<b>Belief</b>	Children are our role models			
<b>Mission</b>	Inspire and develop the builders of tomorrow			
<b>Vision</b>	A global force for Learning-through-Play			
<b>Idea</b>	System-in-Play			
<b>Values</b>	Imagination • Fun • Creativity • Caring • Learning • Quality			
<b>Promises</b>	<b>Play</b> <small>Promise</small> Play Well	<b>People</b> <small>Promise</small> Succeed and Grow Together	<b>Planet</b> <small>Promise</small> Positive Impact	<b>Partner</b> <small>Promise</small> Mutual Value Creation
<b>Spirit</b>	Only the best is good enough			

All four of our promises underpin our efforts to ensure human rights due diligence throughout our operations. In particular, the Planet Promise and People Promise support our responsibility to assess and address any potential modern slavery risks.



# Modern Slavery & Transparency Statement 2023

We have a responsibility to protect workers and communities in all areas of our value chain including, but not limited to: our own factories, our direct and indirect suppliers and our licensing partners.

Caring and quality are two of our core brand values. We hold the absolute highest standards in our internal operations and expect this to be replicated by our partners and suppliers. However, we understand that modern slavery risks can exist in all areas of our operations and value chain and therefore continue to investigate ways to assess and address risks throughout.

In 2023, our assessment and verification processes found no forms of modern slavery, forced labour or child labour in either our own operations or our supply chain.

## Introduction

At the LEGO Group we are guided by our LEGO® Brand Framework, including our Planet Promise. We play our part in helping build a sustainable future and make a positive impact on society, including the people and communities where we work.

We are committed to protecting the human rights of people who work throughout our value chain and interact with our products. This commitment is outlined in the [Human Rights and the Rights of Children Policy](#) which describes the steps the LEGO Group and its suppliers must take to protect all those who are impacted by our products, operations, and business relationships. It also describes our continuous commitment to adhering to globally recognised initiatives including:

- United Nations (UN) Global Compact, and commitment to the Children's Rights Principles
- UN Guiding Principles on Business and Human Rights, specifically aligning with the 'Protect, Respect and Remedy' framework
- International Bill of Human Rights and the International Labour Organisation (ILO) declaration of Fundamental Principles and Rights at work

Our Responsible Business Principles (RBP), established in 2018 (replacing our Code of Conduct in place 1997-2018), support this commitment by requiring our suppliers and own sites to adhere to a set of agreed standards of operating to protect employees, the environment, and provide safe workplaces for all.

Forced labour and modern slavery are part of these policies and frameworks. It is a critical and growing global issue which businesses must address through rigorous monitoring, risk assessment, prevention, and action.

The LEGO Group's Modern Slavery & Transparency statement sets out the policies and procedures we have in place to ensure sufficient due diligence regarding human rights and forced labour risks. It also highlights the progress we have made during the past year to educate, monitor, and take action where we identify risks or non-conformities.

The terms used in this report are defined as follows:

- **Forced labour\*** describes all work or services extracted from any person under the menace of any penalty and for which the said person has not offered themselves voluntarily
- **Modern slavery** describes situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedoms
- **Human trafficking** describes the recruitment, harbouring and movement of a person for exploitation through modern slavery

To read more about the LEGO Group RBP, see [here](#).

\* Internationally recognised definition of forced labour from ILO Convention No. 29 on Forced Labour.

# Our organisation

The LEGO Group, founded in 1932 by Ole Kirk Kristiansen, is owned by KIRKBI A/S (75%) and the LEGO Foundation through Koldingvej 2, Billund A/S (25%).

**The LEGO Group Headquarters**  
Billund, Denmark

**Factory | Billund, Denmark**  
715 colleagues\* | Moulding  
Supplies: Europe, Middle East & Africa\*\*

**Factory | Kladno, Czech Republic**  
4,060 colleagues | Processing & packing  
Supplies: Europe, Middle East & Africa

**Factory | Nyíregyháza, Hungary**  
3,020 colleagues | Moulding, processing & packing  
Supplies: Europe, Middle East & Africa

**Factory | Jiaxing, China**  
1,540 colleagues | Moulding, processing & packing  
Supplies: China and Asia

**NEW factory 2025 | Ho Chi Minh City, Vietnam**  
Up to 4,000 colleagues planned when operational  
Moulding, processing & packing  
Will supply: Asia

**NEW factory in coming years | Virginia, USA**  
Over 1,700 colleagues planned when operational  
Moulding, processing & packing  
Will supply: The Americas

**Factory | Monterrey, Mexico**  
4,700 colleagues | Moulding, processing & packing  
Supplies: The Americas

LEGO Hub | London, UK

LEGO Hub | Enfield, CT, USA

LEGO Hub | Shanghai, China

LEGO Hub | Singapore, Singapore

**The stars are our subsidiaries!**  
We have 37 sales offices and 4 digital offices.

**28,528\*** Colleagues worldwide

**4** Office hubs

**37** Sales offices globally

**5** Owned and operated manufacturing facilities, located close to our largest markets

**195** Owned and operated LEGO Brand Retail stores

Additional information in relation to specific subsidiaries is required in compliance with global legislation:

LEGO Australia Pty. Ltd. with an office based in North Sydney, New South Wales, provides sales, marketing and operations services with 77 employees and is incorporated under the laws of New South Wales.

LEGO Norge AS provides sales of LEGO® products on the Norwegian market with 10 employees based out of our office in Lysaker, Norway. LEGO Norge AS is registered with the Norwegian entity register Bronnoysundregistrene.

LEGO Canada Inc. provides sales of LEGO products on the Canadian market with 35 employees based out of our office in Ontario, Canada and 305 in LEGO Brand retail stores. LEGO Canada Inc. is a 100% owned subsidiary of LEGO A/S established under the laws of the province of Ontario, without owning or controlling any other entities.

LEGO Australia Pty. Ltd., LEGO Norge AS and LEGO Canada Inc. do not own or control any other entities.

Management and relevant employees of LEGO Australia Pty. Ltd., LEGO Norge AS and LEGO Canada Inc. were involved in the preparation of this

statement through the LEGO Group Responsible Sourcing team. LEGO A/S is the parent company of these three subsidiaries and as such when ensuring human rights standards in contracts with suppliers, this includes suppliers to our Australian, Norwegian and Canadian entities, where alignment to the LEGO Group policies and expectations must be ensured.

Please see **Appendix** for LEGO Norge AS Modern Slavery & Transparency Statement (in Norwegian) and the joint statement for LEGO Canada Inc.

\* Figures represent approx. data from December 2023  
\*\* Primary markets

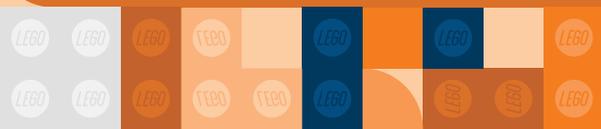
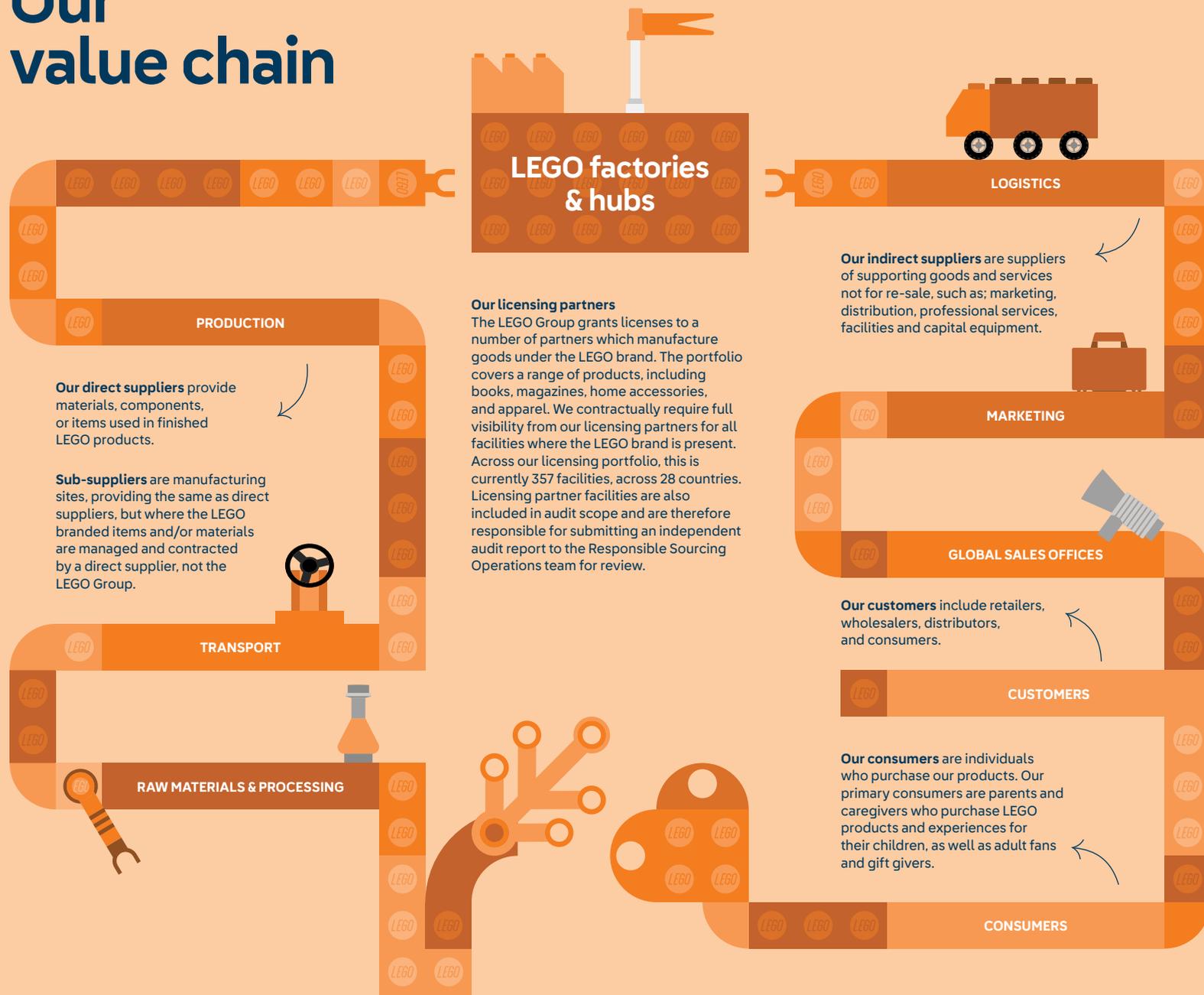
## 117 direct suppliers in 2023

	Print & packaging	Resin/Masterbatch	Parts & External Manufacturing
Austria	3	0	0
Belgium	0	2	0
Brazil	0	1	0
China	10	2	7
Czech Republic	7	0	0
Denmark	4	1	7
Germany	2	11	1
Hungary	2	0	0
Ireland	0	1	0
Mexico	17	3	0
Poland	5	2	1
Rep. of Korea	0	1	0
Singapore	0	0	1
Slovakia	1	0	0
Spain	0	1	0
Sweden	2	5	1
Switzerland	0	1	1
Taiwan	0	1	0
The Netherlands	1	3	0
UK	0	3	0
USA	4	2	0

In addition to our own manufacturing facilities, our global direct supply chain provides us with the raw materials, parts, and finished goods for the LEGO Group products. Our direct suppliers are predominantly located in Europe, Mexico and China and a public [supplier list](#) is published annually on LEGO.com.

We also require that all sub-suppliers manufacturing LEGO® branded products or elements are declared to the LEGO Group for increased visibility. We then determine the risk level to evaluate if and how they will be included in the RBP audit programme.

# Our value chain





1

## Commit

Clear commitment to protecting and respecting human rights and the environment.

2

## Embed

Integrating our commitments into operational procedures and policies.

3

## Identify & Assess

Systematic approach to identifying our biggest risks and impacts.

4

## Address

Taking action to address risks

5

## Track

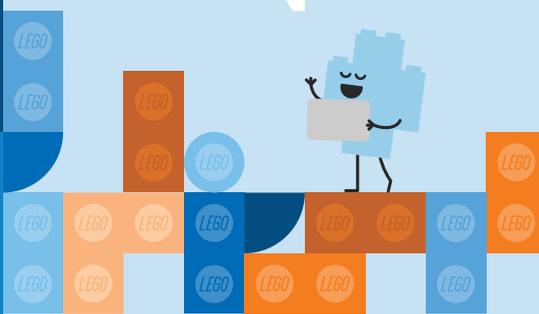
Establishing KPIs to monitor the effectiveness of our risk monitoring and mitigation.

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## Report

Sharing risks and the actions taken to address them, internally and externally.

**We ensure our due diligence efforts are aligned to the OECD\* guidelines for Multinational Enterprises.** The LEGO Group has anchored and defined its approach to due diligence in 6 key steps.



# Due diligence

The LEGO Group supports the UN Guiding Principles approach to due diligence and recognises the need to have processes in place to identify, prevent, mitigate, and account for how impact on human rights is addressed. It is understood that processes need to be regularly reviewed, as risks may change over time in line with operational changes or external influences.

We recognise that effective legislation will help harmonise and align requirements to create an optimal environment for all corporations to uphold human rights in their value chains. We actively contribute to discussions at the EU level which have included the Corporate Sustainability Reporting Directive, and the Corporate Sustainability Due Diligence Directive. Alongside this, we are monitoring related legislative initiatives on combatting modern slavery and forced labour to support our contribution towards discussions and actions on these issues.

The following sections provide details of the current systems in place to ensure Human Rights Due Diligence.



1

COMMIT

# Human rights policies

Our [Human Rights and the Rights of Children Policy](#) outlines our commitments and sets the framework for specific actions in this area across all our business operations and our entire value chain. It acts as a foundation for our activities, guiding our strategy and linking together other policies that support our People Promise and our Planet Promise.

Children are at the core of what we do. We consider the voices of children in our business decisions whilst promoting their safety and well-being. Our commitment also highlights our responsibilities towards assessing and preventing the potential risk of any adverse impacts to children.

The Human Rights and the Rights of Children Policy has been approved by the LEGO Group Corporate Compliance Board, appointed by the Executive Leadership Team.

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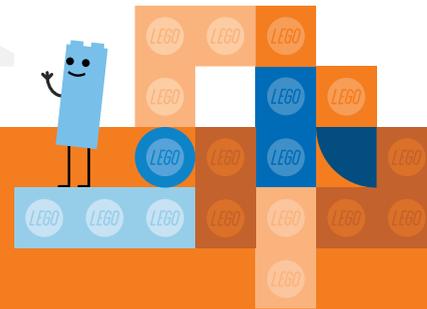
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To learn more about how we collaborate with The Centre for Child Rights and Business and other third parties, see [here](#).



## How we action our commitment to child rights

### Our commitments...

- We respect and support children's rights wherever we may have a direct impact, or where our partners act on our behalf. This includes but is not limited to: children's right to play, education, family life, privacy, an adequate standard of living, and that they are protected from abuse and harm. As part of this we make all efforts to combat exploitation of children in any form
- We collaborate with external experts and partners to continually assess our impacts and create mitigation plans with children at the centre
- We consult with children and promote their voices when assessing our impacts

### ...In action

In 2023, we finalised our Child Rights Impact Assessment around our new factory site in Vietnam in collaboration with The Centre for Child Rights and Business (The Centre).

The impact assessment was conducted at the construction site of our new manufacturing facility in the Binh Duong province of Southern Vietnam as well as an analysis to better understand the state of child rights at the national level. The assessment applied a range of mixed research methods, including worker surveys, focus group discussions, and interviews with company representatives, workers, and their children.

A number of challenges and opportunities were identified, including improving work prospects for young workers\*, enhancing child care support and enabling more education for migrant children. Also, a largely migrant workforce employed by subcontractors means implementation of policies was varied. These, amongst other conclusions from the impact assessment will help inform our collaboration with local contractors, social impact and community efforts as well as our future workplace policies and setup to ensure the greatest possible impact in local communities and for local workers which will be implemented in 2024 and beyond.

\* The ILO defines a 'young worker' as anyone between the ages of 15 and 24. However in the scope of this impact assessment we are specifically focused on understanding the challenges faced by those between the ages of 15 and 18. In accordance with the LEGO RBP and in accordance with ILO conventions,

the minimum age of workers must not be less than the age of completing of compulsory schooling and, in any case, not less than 15 years and all legal obligations and limitations regarding recruitment and employment of young workers, below the age of 18, are adhered to.



1

## COMMIT

Policies regarding human rights at the LEGO Group are predominantly enforced through the RBP auditing programme and through direct communication and engagement with our suppliers.

The Human Rights and the Rights of Children Policy, alongside the RBP, outlines our fundamental commitments relating to human rights, however we also have further supporting policies including:

- **Policy Statement on Conflict Minerals** details our commitment to ensuring we are sourcing conflict-free minerals in our products
- **Letter on Expected Ethical, Social and Environmental Conduct** outlines what is expected of our employees and partners to apply high ethical standards and principles of integrity, honesty, and legality
- **People and Culture Policy** defines the ambition and direction of our company's approach to our people, organisational culture, and leadership. It respects fundamental human and labour rights to ensure that the LEGO Group is a high standard workplace

### Conflict minerals policy and process update

The conflict minerals policy highlights our continued commitment to respecting human rights in our own operations and those of our suppliers globally, ensuring focus in potential high-risk areas of our supply chain. The policy has been communicated to all suppliers and licensing partners in scope via email and through our RBP signature and contracting process.

The policy complies with the EU Conflict Minerals Regulation and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected areas. It reflects our strengthened processes to manage traceability of minerals in our supply chain, which includes improved systems and tools for management of data and membership to the Responsible Business Alliance and Responsible Minerals Initiative.

During 2023, we continued to collect information from our direct electronic suppliers and remain committed that only minerals and metals from approved smelters and refiners, conforming with recognised industry standards, are used in our supply chain.

To collect this data we use industry standard tools issued by the Responsible Minerals Initiative (RMI)\*

We have also developed an internal tool to map how our suppliers monitor their own supply chain.

This tool requires suppliers to provide information about their supply chain due diligence processes including how they ensure they have full transparency, how they control their supply chain and how they make their sourcing decisions. This provides us with a deeper understanding of our sub-supplier management processes and increased levels of assurance towards our conflict minerals data.

The LEGO Corporate Policy Framework embraces our spirit "Only the best is good enough" and sets the corporate behavioural directions and frameworks for our company processes.

All Corporate Policies and Standards are in nature global and are adhered to by all LEGO employees.



\* Includes: Conflict Minerals Reporting Tool (CMRT), Extended Minerals Reporting Template (EMRT) and the Active/Conformant Smelter and Refiner (SOR) List.



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# Responsible Business Principles

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**Business is conducted with transparency and integrity**

**Work is voluntary**

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**Workers are treated equally and with respect**

**Workers have the right to freedom of association and expression and access to grievance mechanisms**

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**Employment practices and relationships are clearly documented**

**Working hours are reasonable**

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**Workers are paid fair wages**

**Vulnerable workers are protected**

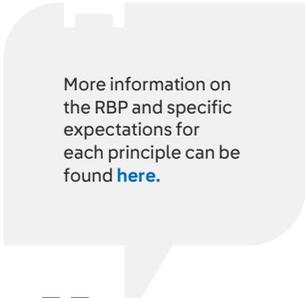
**Workers' health and safety is protected at work**

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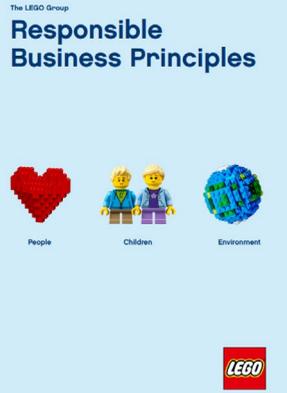
**Child labour is prohibited**

**Workplaces are family friendly**

**Business is conducted in a way that minimises environmental impact and embraces sustainability**



More information on the RBP and specific expectations for each principle can be found [here](#).



## EMBED

Our RBP sets out our expectations for our own production sites, suppliers, and partners in relation to ethics, people, children, and the environment based on national laws, international standards, and applicable United Nations (UN) and ILO conventions.

The RBP forms part of the contractual agreement with all direct suppliers, relevant indirect suppliers, and business partners which includes the 'right to audit'. This allows the LEGO Group and its representatives to carry out assessments of suppliers and sub-suppliers to ensure that they are applying the RBP in their business operations. If non-conformities against the RBP are identified, we will first and foremost work with suppliers to address and mitigate the issue. However, there are clear consequences to not adhering and we withhold the right to terminate the business relationship with immediate effect if no effort is made to remediate.

### The RBP strictly prohibits any form of modern slavery or forced labour

It includes a focus on modern slavery, highlighting practices that are not acceptable, including: excessive and involuntary overtime; withholding personal papers, deposits or compensation; and inappropriate loans and salary advances that tie workers to the workplace. In addition, the RBP includes a 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 reimburses the worker. All of the above can represent subtle forms of forced labour and are considered high-risk or critical 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.





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## IDENTIFY AND ASSESS

# Verification and supplier audits

We strictly 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 third-party audits, in-house assessments, and regular dialogue to ensure that suppliers both understand and are equipped to meet our expectations. We also monitor selected sub-suppliers that we deem are high-risk due to a variety of factors including country of manufacture and type of production.

All direct suppliers, licensing partners, and relevant indirect suppliers must contractually agree for their own operations as well as their sub-suppliers' operations to be evaluated against the LEGO RBP. If deemed necessary, they must also allow the LEGO Group or its representatives to carry out assessments even if they are not initially included in the audit programme.

By developing a LEGO specific audit methodology, based on the LEGO RBP, we can focus on particular areas of concern within modern slavery such as recruitment practices, as well as including modern slavery indicators such as withheld documentation and freedom of movement. We also work directly with the audit companies and suppliers to better understand risks and root causes.

The audits are carried out in all territories where we have direct suppliers including: North America, Latin America, Asia, and Europe. Suppliers must provide full access to the site and relevant documentation and ensure randomly selected employees can be made available for confidential interviews. The frequency of audits depends on the level of risk, taking into account factors such as country risk and past audit performance against the RBP.

The LEGO Group Country Risk Matrix is based on a number of sources to ensure risk is assessed against all four pillars of our RBP. Some of the data sources include:

- The World Governance Indicators
- The UNICEF Child Labour Index
- The Global Slavery Index (Walk Free Foundation) and
- Conflict Affected and High-risk Areas for minerals (CAHRAs)

Within our RBP audit programme, audit applicability and frequency are partly determined by whether the facility is based in a high, medium, or low risk country. This rating is also used for ethics and integrity screening and in our supplier selection process.

We have a stringent follow-up system to ensure that any non-conformities are addressed within a specified time frame and continue to assess ways in which data management systems, tools, and processes can be improved to better monitor how non-conformities are being resolved.

### Grading non-conformities

Non-conformities identified through supplier audits are ranked on a scale from low to critical risk. Our general approach is to work with suppliers to address root causes and promote continuous improvement. However, if we identify high or critical risk issues, we demand an urgent response from the supplier and hold the right to

terminate the business relationship with immediate effect if no effort is taken to remediate the concern.

Forced or child labour is classified as a critical risk and treated with the highest urgency.

**In 2023, we terminated business with one supplier due to continued lack of commitment to remediating working hours concerns, see [here](#) for more information.**

### Monitoring licensing partners

We also work in close collaboration with our licensing partners by systematically assessing compliance to our RBP through third-party audits of their suppliers provided by the partners. Licensing partners are expected to work with their suppliers to identify and mitigate risks and are required to provide the LEGO Group with detailed follow-up on any identified non-conformities.

We acknowledge the risks in our licensing supply chain are more diverse than in our own supply chain: the variety of industries we work with, the depth and extent of their supply chains, and their location in higher risk geographies are all factors to be considered. In 2023, we have taken steps to embed sustainability considerations earlier in our selection of partners. By creating a framework for the initial scouting phase it means we are better equipped to approach potential partners that have the same ambition and ethos for sustainability as the LEGO Group. Using a set of predefined criteria we evaluate the compatibility of their social and environmental ambitions and select which might best match our standards to progress to the next stage.



## IDENTIFY AND ASSESS

1

### Assessing modern slavery risks 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 in our direct supply chain as well as those related to sourcing certain raw materials and those we define as indirect (goods and services not for re-sale e.g. marketing materials and facilities management).

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Raw materials in focus include metals and 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 - see details [here](#).

4

Through implementation of this policy and membership of the Responsible Business Alliance (RBA) and the Responsible Minerals Initiative (RMI)\*\* we are able to implement OECD-aligned minerals supply chain due diligence.

5

Through collaboration with a third-party consultancy, we completed a risk mapping exercise focused on modern slavery risks in our operations and supply chains. Conclusions from this have guided us in development areas of our strategy as shown in the table to the right:

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## Outcomes of modern slavery risk mapping

Actual or potential risk area	Mitigation plans	Putting plans into action in 2023	How we will continue to address
<b>Lack of suppliers' understanding, capability and/or ability to identify and mitigate risks.</b>	Strengthen the LEGO Group Responsible Sourcing programme: <ul style="list-style-type: none"> <li>• Provide <b>guidance and training</b> on managing labour supply chains and performing <b>supply chain due diligence for modern slavery risks</b></li> </ul>	Responding to the risks identified, specifically in relation to agency workers, baseline and advanced <b>training focused on 'responsible recruitment'</b> . See more on our capability building efforts <a href="#">here</a> .	Continue to use our successful <b>capability building programme</b> to support suppliers and licensing partners to <b>take ownership of their management systems</b> , ensuring good compliance and worker conditions.
<b>Lack of adequate human rights due diligence in supply chain management, including lack of processes when recruiting vulnerable workers*.</b>	Strengthen our due diligence approach across our business and value chain including: <ul style="list-style-type: none"> <li>• <b>Update policies</b> to strengthen commitment across responsible recruitment and management of vulnerable workers both internally and in our value chain</li> <li>• <b>Translate commitments</b> into RBP revisions to increase focus on vulnerable workers and forced labour indicators</li> <li>• <b>Embed due diligence</b> into our <b>procurement</b> supplier management and selection processes</li> <li>• <b>Grievance mechanisms strengthened</b> to ensure accessibility to all workers at all stages of the value chain and their employment</li> </ul>	<b>RBP Revision started</b> which will include <b>forced labour indicators in mandatory RBP requirements</b> .  We have continued to <b>promote grievance mechanisms</b> within our supply chain, increasing language options and accessibility to potentially vulnerable workers. See more <a href="#">here</a> .	Drive the roadmap towards a <b>systematic approach to assessing, acting on and reporting environmental and human rights risks</b> across our value chain.  Our <b>revised RBP</b> will be rolled out to all our suppliers.  <b>Internal processes updated to embed human rights commitments</b> further in our own operations, supported by procurement colleagues.
<b>Lack of visibility of risks in our value chain.</b>	Evaluate risks and impacts throughout the value chain through increased monitoring and risk assessments including: <ul style="list-style-type: none"> <li>• Enhance RBP audit programme where necessary to identify vulnerable workers in our supply chain through forced labour indicators</li> <li>• Supplier engagement project with selected 'indirect suppliers' in categories of potential high risk, to develop tools for effective risk screening and management of suppliers outside of our audit programme</li> </ul>	We have supported suppliers to ensure they <b>have adequate management systems in place to protect agency workers</b> in their facilities or supply chain. We were then able to better assess this risk by ensuring <b>all RBP audits include agency workers in scope</b> (including non-production services such as canteen, security or janitor staff).  We have continued to work with suppliers to <b>urgently address</b> a minority of agencies found with <b>poor recruitment and worker management processes</b> . We've supported them to cascade good working practices throughout their supply chain.  A <b>number of indirect suppliers</b> have been chosen to continue the <b>risk assessment process</b> through tailored 'deep-dives'.	Through a programme of <b>deep-dive engagement projects</b> , we will work collaboratively with selected indirect suppliers to better understand their own supply chain management and risk identification processes, leading to developing a toolbox to monitor, assess and mitigate risks for all suppliers. See more on our future plans and strategic ambitions <a href="#">here</a> .

\* Under Section 8 of the RBP, vulnerable workers include temporary, agency, home, migrant and pregnant workers.

\*\* See more details on these memberships [here](#).



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## IDENTIFY AND ASSESS

# Strengthening grievance mechanisms

Grievance mechanisms can provide an important channel for workers to raise issues and to report on non-conformities directly, enabling the LEGO Group to respond and address these concerns.

We commit to providing grievance mechanism access for employees, workers in our supply chain, and external stakeholders (including customers) through the following channels:

- **The LEGO Compliance Line** is our globally accessible channel for reporting concerns securely and safely. This is a confidential service, managed by an external third party, which also makes use of a sophisticated case management platform. Those making reports can choose to do so anonymously, if desired. Grievances can be raised at any time, and in any language by all (including external parties through promotion on LEGO.com) without fear of retaliation
- **The LEGO Worker Voice Mailbox** is available to all workers in our supply chain. Any issues can be raised confidentially and anonymously and without fear of retaliation via email at [responsibility@LEGO.com](mailto:responsibility@LEGO.com)
- **The Ethical Supply Chain Program** worker hotline is also available to our suppliers in China, Indonesia and Vietnam that are part of the programme. See more about our work with the Ethical Supply Chain Program [here](#)

In 2023, we have improved our grievance management and reporting processes by integrating our responsibility mailbox into the LEGO compliance line, whereby the Responsible Sourcing team will receive relevant grievances directly, enabling faster responses. Integrated in this tool is a set of questions to determine more detail on the grievance, these questions have been amended to be more worker friendly and provide the best results.

**Five grievances were raised through the LEGO Worker Voice Mailbox in 2023 requiring Responsible Sourcing attention. The team spoke directly and confidentially to the factory management to discuss the concern and follow the remediation efforts until resolved. These actions included updating collective bargaining agreements and overtime request processes to ensure it remains voluntary.**

We continue to promote the LEGO Worker Voice Mailbox to workers in our supply chain, with communication materials, alongside the questions integrated in our Compliance Line, available in 12 languages. In 2023, we also implemented a dedicated worker hotline for construction workers at our new LEGO site in Vietnam. This was supported by local teams from the Ethical Supply Chain Program who visited the site and trained workers and managers on the purpose and how to use effectively. We have a dedicated team to manage enquiries and a robust escalation and remedy process.

Following concerns identified through grievance mechanisms, improvements have been made and worker satisfactions rate has increased significantly which has been verified during follow-up RBP audits and worker interviews.

In 2023, we deployed a supplier grievance effectiveness survey to help us identify opportunities for improvement.

We will analyse the full results in the beginning of 2024, evaluating against the eight "Effectiveness Criteria" in the UN guiding principles on Business and Human Rights, which will enable us to address improvements required and further capability building needs.

### Grievance management systems training continued as part of our capability building programme, both online and in person.

An online training session was held for our Europe-based suppliers and licensing partners. The session helped participants understand the importance of a grievance mechanism, how to evaluate its effectiveness and how to identify areas of improvement. The main takeaway was the importance of building trust with workers, by ensuring all channels are available to all, simple, transparent and effective.

A two-day in person grievance training for suppliers was also held in Monterrey, Mexico. The training was well attended through interactive sessions where attendees were able to share experiences and discuss all aspects of a grievance mechanism system. Attendees were open and engaged throughout, making it a truly valuable training. Outcomes include achievable action plans to strengthen the effectiveness of suppliers' systems, ensuring that all workers have effective avenues to raise concerns.

A guidance document was developed and shared with all suppliers, which will be supported in 2024 by further online training for all suppliers globally covering the key criteria of effective grievance mechanisms. In person workshops in the local language will be continued based on capability needs assessments.

Learn more on our capability building successes in 2023 [here](#).





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## IDENTIFY AND ASSESS

### Assessing effectiveness of steps taken to prevent modern slavery

The LEGO Group regularly reviews the effectiveness of its policies and processes related to human rights, to ensure they are up to date and reflect new developments.

Every year, we set a key performance indicator (KPI) that takes into account any higher risk non-conformities identified in our direct supply chain through third-party audits, as an assessment of compliance to the RBP\*. Any instances of modern slavery, forced labour or human trafficking are classified as higher risk non-conformities and therefore this KPI provides a baseline indication level of risk based on current monitoring methods.

For 2023, this KPI was set as no more than 30% of audited suppliers to have higher risk non-conformities. In 2023, we also set a new KPI to focus on the number of suppliers with the most critical non-conformities, where our target was set at zero.

We report these KPI results in the annual Sustainability Progress Report and it is regularly reviewed throughout the year by the Responsible Sourcing team, the Executive Leadership Team and the Audit Committee.

In addition, we continue to develop and review additional ways in which we can analyse the effectiveness of due diligence activities which will also allow us to transparently report on challenges and successes. This includes measuring the impact that our capability building programme has had on our suppliers alongside ensuring systems are in place to monitor the success of all strategic ambitions.

## Most critical risks identified and addressed in 2023

### Excessive working hours

Four critical non-conformities were identified and addressed in four different supplier facilities, all of these due to excessive working hours. For three suppliers, the concerns were closed through collaborative remediation, however **one supplier we made a decision to cease working with, due to continued lack of commitment to remediate excessive working hours.**

Where excessive working hours were identified we took steps to investigate the root cause and confirmed that in all cases overtime was voluntary. Although critical level working hours were isolated, in the majority of cases high risk working hours were identified in countries where the issue is systematic and therefore require long term remediation.

However limited, instances of working hours at a critical level have a significant impact on those workers and their families involved and so we support suppliers to improve their management systems to ensure working hours are urgently controlled to reasonable limits.

For two of the four suppliers, we did not identify critical level working hours for their direct or production workers, but instead for a small number of agency workers providing services such as security, cleaning or canteen roles. Ensuring that all agency workers are included in audit scope has meant we have been able to identify that the biggest risk of excessive working hours lies in the management of this worker group. Following this we have engaged with our suppliers to support them to improve their management systems, specifically for vulnerable worker groups. Subsequently the non-conformities have since been closed.

### Non-conformities

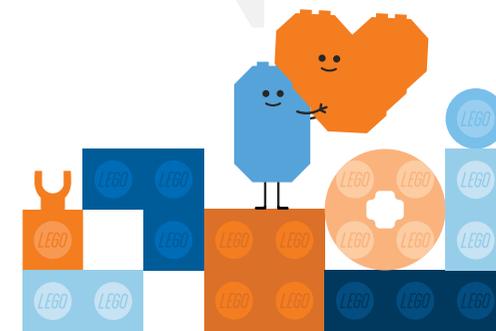
We identified higher risk non-conformities in 35% of audits undertaken, and four critical non-conformities were noted in four separate suppliers which means we did not meet our target. However through strong supplier engagement and capability building programmes we have been able to support our suppliers in remediating these concerns.

We of course continue to strive for a lower % of higher risk non-conformities and reducing critical non-conformities to zero remains our target. However, our priority is to enable transparent and open supplier dialogue, combined with a robust audit programme, so that if any concerns are identified, we are able to investigate root causes, support remediation and develop ongoing mitigation actions.

None of these identified higher risk non-conformities detected any forms of modern slavery, forced labour or human trafficking.

Learn more about our capability building successes [here](#).

Learn more about our future strategy [here](#).



\* KPI for suppliers with higher risk non-conformities (NCs) is calculated as the percentage of audited suppliers with 'high-risk' or 'critical' NCs. A high-risk or critical NC is defined as a severe issue/breach of local law and/or the LEGO RBP with immediate/high risk to employees/workers or to the LEGO Group requiring immediate correction and verification within 90 days. NCs are assessed by third-party auditors and the LEGO Group, according to the LEGO Group grading matrix. Resolved NCs continue to be part of the calculation.



IDENTIFY AND ASSESS TRACK REPORT

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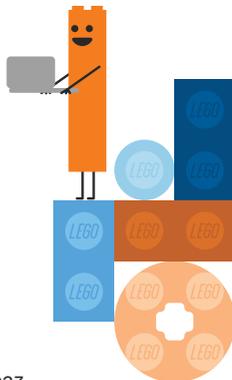
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### 2023 audit results

In 2023, 35% of audits identified higher risk non-conformities. The most frequently identified remained related to excessive working hours and lack of adequate record keeping, with health and safety concerns also notable.

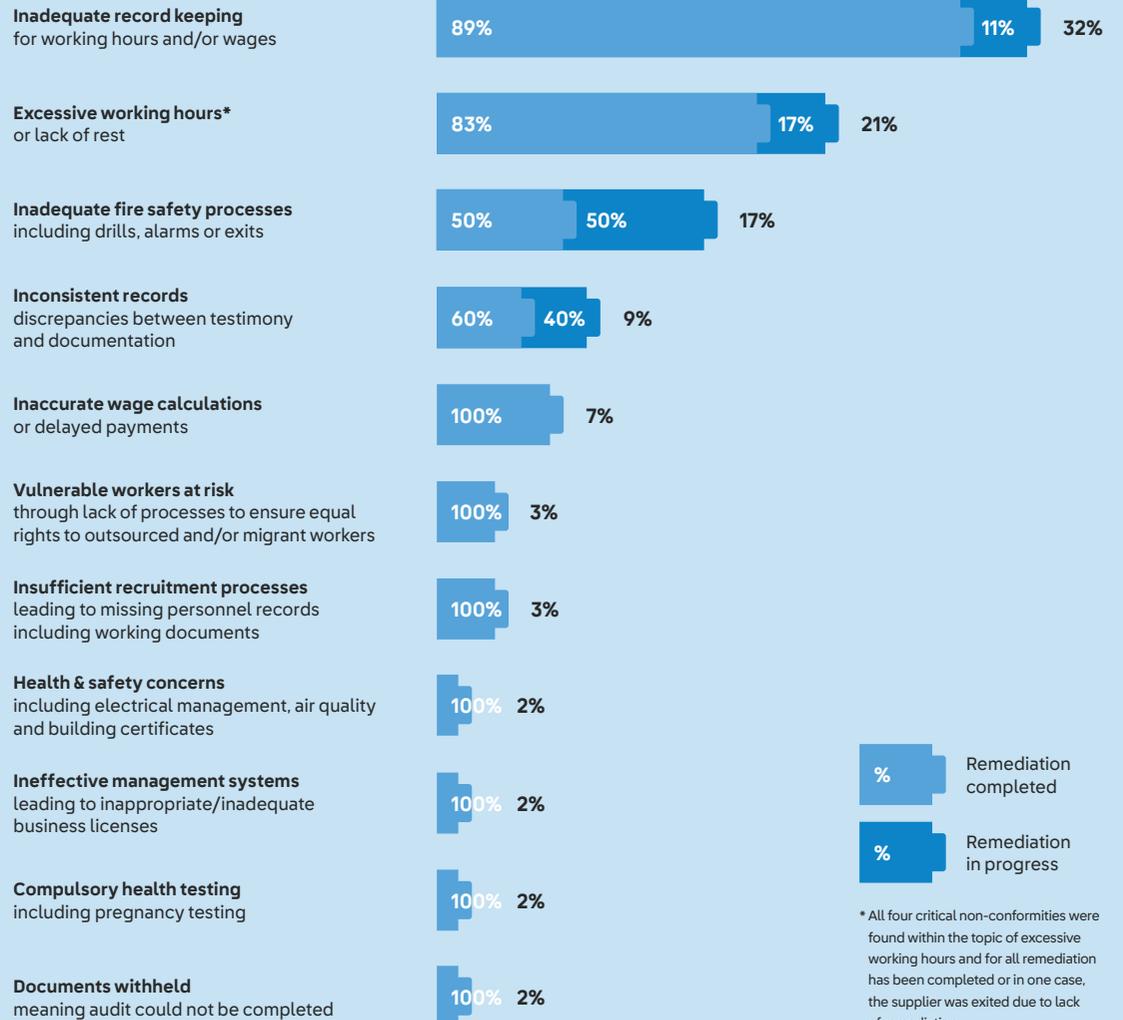
Through root cause analysis and supplier dialogue, we assessed potential risk indicators of forced labour based on the non-conformities identified. This confirmed that forced labour is not a contributing factor to, or outcome of, any of the identified working hours and record keeping concerns.

Here you can see audits from 2023, which show no identified form of modern slavery, forced labour or child labour.



## Higher risk non-conformities in 2023

Category split - % of total higher risk non-conformities



\* All four critical non-conformities were found within the topic of excessive working hours and for all remediation has been completed or in one case, the supplier was exited due to lack of remediation.



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## ADDRESS

# Internal and supplier training

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 include those relating to modern slavery and human trafficking. All salaried LEGO Group employees must complete our training on business conduct every second year.

Internal bulletins regularly remind and encourage all employees to speak up and report any violation against any of the company policies, as well as any applicable law or regulation. This should preferably be done through internal dialogue, but a whistle-blower infrastructure (LEGO Compliance Line) is also available.

We also deliver regular updates to our procurement organisation to ensure that they have the necessary knowledge and skills to integrate the RBP into their dialogue with suppliers. In 2023, procurement colleagues continue to be included in the capability building programme and are invited to many of the training options alongside suppliers. As part of this, all procurement colleagues are requested to complete

Throughout 2022 and 2023, 242 procurement colleagues (80% of global procurement) have completed training modules on forced labour, covering colleagues at all levels and categories within the procurement organisation including senior leadership.

'Forced Labour' training, enabling those in our business working closest to our suppliers to gain a better understanding of the potential risks and impacts in our supply chain. RBP e-learning is also offered to procurement on an ongoing basis.

Through our Responsible Sourcing quarterly newsletter, we communicate updates about upcoming RBP trainings and resources to internal and external stakeholders.

Direct training with our suppliers and licensing partners also plays a big role in understanding, addressing, and mitigating human rights risks and modern slavery in our supply chain. Our capability building programme continues to expand which includes a training academy tailored to the needs and risks of suppliers. The programme aims to strengthen suppliers' competencies to reach a higher level of compliance and enables them to resolve high-risk issues proactively.

By including licensing partners in the training academy, they are empowered to cascade the learnings through their supply chain. Joining forces with our partners is a

**"The training was super helpful to us. My key takeaway is how to identify and reduce risks in the recruitment process, especially how to evaluate and select labour agencies."**

Supplier attendee  
from in-person responsible recruitment training

way for us to drive knowledge sharing and accelerate improvement of practices in their facilities. Sharing our capability building resources creates a common understanding and aligned ambition between our core business and our licensing partners to have a positive impact on human rights.

Continued learning remains a priority for colleagues within the Responsible Sourcing team who constantly seek insights and inspiration from external training, through peer-to-peer engagement in multi-stakeholder initiatives and strong industry networks.

ADDRESS

# 1 Capability building

Our capability building programme continues to empower our suppliers and licensing partners to manage their own performance to meet the LEGO Group Responsibility Foundations and to develop a stable and resilient supply chain. The aim is to equip them with the knowledge and tools required to establish their own management systems. This will enable them to monitor and improve their performance in order to build a sustained and resilient supply chain, to mitigate human and environmental risks and proactively resolve non-conformities to improve compliance and worker conditions.

The supplier training academy, a key component of the programme, provides training at different levels, tailored to respond to identified risks.

## 'Advanced training'

provides a more in-depth off-line training, enabling a more focused approach to identified risks/concerns. In 2023, this has included:

- In person workshops on responsible recruitment in local language in multiple locations including North China, South China, Poland and Mexico
- In person workshops on effective grievance mechanism management in both Mexico and Europe

### 100%

In China, 64 participants from 39 direct suppliers and licensing partners attended the responsible recruitment advanced training with a 100% satisfaction rate.

### >70%

In Europe, 15 participants attended the responsible recruitment advanced training - over 70% felt that the training would significantly help them to improve their recruitment system and improve the management of agency workers and recruitment agencies/labour contractors.

## 'Targeted training'

provides a tailored approach to specific suppliers where 1-to-1 support is recommended, which in 2023 has included:

- Management Systems improvement training in China
- Internal Auditor training in China - intended to deliver the following outcomes:
  - Improve understanding of the LEGO RBP
  - Better maintain the RBP Compliance system and strengthen internal audits skills on RBP compliance
  - Manage and control operational risks in the factory effectively

### 30

attendees from 5 factories received internal auditor training, with a 100% satisfaction rate and 50% knowledge increase.

**“What has inspired me the most is that the project has enhanced my awareness of risk-based thinking in factory management, as well as my application of ‘Plan Do Check Act’ and root cause analysis tools. Our front-line leaders have also learned how to control working hours and realise how to arrange overtime reasonably... they can understand and cooperate with my Production [team] for work arrangement well now.”**

## 'Baseline training'

is provided to all suppliers and licensing partners and includes access to a responsible sourcing resource centre holding training materials and guidance documents alongside e-learning on a variety of topics.

In 2023, this included:

- Responsible Business Principles - an introduction
- Responsible Recruitment: ethical recruitment, working with labour brokers, the hiring process, recruitment and selection and working with students and young workers

- Worker Engagement (suppliers in China): through Quizrr, building effective workplace dialogue and grievance channels

After the training on responsible recruitment, suppliers will be able to:

1. Understand responsible recruitment standards and how to identify, prevent and mitigate related risks
2. Learn how to ensure workers are fairly treated and ensure workers are retained longer
3. Know the key steps in hiring and the measures to control the hiring process

### 25

suppliers enrolled in Quizrr training in 2023, in total 5,423 employees were trained with 41,229 modules completed.

### 74

participants from 46 direct suppliers completed the responsible recruitment e-learning courses modules, meaning in total 370+ modules were completed.

### 95%

of global procurement colleagues completed RBP e-learning.

### >100

Human Resources staff of our suppliers were trained on responsible recruitment.

## ADDRESS

# Case studies

**Developing supplier capabilities through targeted training:** Management Systems Improvement programme.

### Supplier selection:

- Through procurement recommendation as a strategic supplier
- Commitment from the supplier to remediate recurring high risk non-conformities of consecutive working days

### Actions taken:

- The supplier completed tailored Management Systems Improvement training over 6 months which supported them to establish labour and ethics systems within their facility
- 18 improvement indicators were established including a focus on working hours, agency worker management and contract management

### Outcome:

- Implementation of processes and tools to continuously control working hours
- Targets were met for the majority of indicators with facility managers reporting behavioural changes including **"better communication with employees, more efficiency in their work...we have also learned how to carry out due diligence on the conformance of freely chosen employment of new workers"**

**Reducing critical level working hours for agency workers:** Through continued support and collaboration with a long-term supplier in China, excessive working hours have been reduced, verified through regular monitoring and RBP audits.

### What risks were identified and how:

- Four higher risk non-conformities identified related to agency workers, specifically excessive working hours
- Annual RBP audit, 2022

### Improvement and support needs identified through root cause analysis:

- Guidance and training on policies, processes, and tools for agency worker management (similar non-conformities at other suppliers suggested a universal need)

### Actions taken:

Over the last two years, the Responsible Sourcing team have therefore implemented a programme of work to collaborate with our suppliers, to monitor the performance of indirect agency workers and provide training and support to manage these workers in their facilities appropriately. In this case we have:

- Engaged with the supplier on higher risk issues through monthly reviews
- Asked the supplier to provide relevant working hours data monthly, to monitor progress
- Provided training regarding indirect agency workers and our working hours requirements

- Provided guidance on managing agencies allowing the supplier to review their capabilities and competencies

### Follow up:

In 2023, the number of higher risk non-conformities had reduced, however one remained whereby a canteen worker was found to be working critical levels of excessive overtime. This instance was limited and isolated to an agency worker and so we understood the root cause to be inadequate agency worker management.

### Outcome:

- The supplier was able to phase out agencies that could not meet the LEGO Group's requirements and use an improved onboarding process for new agencies to meet our combined expectations
- We have supported the suppliers on setting up their agency management processes. This includes agency workers being an integral part of internal audits whereby performances will be regularly reviewed between the supplier and the LEGO Group Responsible Sourcing Operations team
- Following monthly reviews, we believe this supplier has adequately addressed this issue, with no higher risks related to agency workers expected to be seen in next year's audit cycle



ADDRESS

# Working with others

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We continue to leverage memberships of multistakeholder initiatives and organisations such as the Nordic Business Network for Human Rights, Ethical Supply Chain Program, and Responsible Business Alliance to identify best-practice approaches to protecting vulnerable workers and upholding human rights. Through these memberships, partnerships and collaborations with organisations such as UNICEF who help support and develop our focus on children's rights, the LEGO Group aims to enhance worker protection and promote strong management systems to prevent modern slavery, human trafficking, and associated risks in global supply chains.

### Ethical Supply Chain Program

The LEGO Group has been a member of the Ethical Supply Chain Program, formerly the ICTI Ethical Toy Program (IETP) since 2018. Through this we support **industry collaboration** to address common challenges. The Ethical Supply Chain Program has a strong audit programme in place to monitor social and environmental compliance in supply chains. By partnering with the Ethical Supply Chain Program, we accept their audit programme which **reduces audit fatigue** and we collect workers' feedback through their **worker helpline programme**.

We also participate in **Ethical Supply Chain Program's Family Friendly Factory Initiative** which in 2023 was expanded beyond China to Vietnam and Mexico. 33 factories were enrolled in the programme this year, which included 14 in our supply chain. The LEGO Group supports the full programme for all factories which includes factory summer camps, policy work, and migrant parent trainings. These initiatives are in line with the LEGO Responsible Business Principle of Family Friendly Workplaces and bring positive intervention to the workers in the LEGO supply chain.

### Ethical Trade Denmark

A membership-based, nationwide non-profit organisation with the purpose of **promoting ethical trade**. Ethical Trade Denmark allows the LEGO Group to join companies, business, trade association and civil societies alongside other stakeholders to **strengthen collaboration** and drive for more responsible and sustainable value chains.

This includes a professional responsible sourcing network for companies who work with human rights impacts in their organisations or supply chains.

### UNICEF\*

The LEGO Group has partnered with UNICEF since 2015. Through this partnership we are **developing**

**resources** and **advocating** to support businesses in implementing the Children's Rights & Business Principles in their policies and practices. The LEGO Group has also made efforts to implement the Principles through its whole value chain. With this partnership we work to create the **enabling environment** needed to support safe and playful learning and equip children with the breadth of skills needed to thrive in the 21st century.

### Responsible Business Alliance (RBA)

As an **affiliate member** of the RBA, we commit to progressively aligning our own operations with the provisions of the RBA code of conduct.

We participate in the Responsible Minerals Initiative (RMI) and use **industry recognised tools** and resources to address and mitigate issues related to the sourcing of minerals in our supply chain. These include risk assessments, minerals reporting templates, The RMI Learning academy, and public global smelter/refiner lists.

In 2023, we participated in monthly working groups, on environmental sustainability, responsible recruitment and worker voices, tackling the key issues related to forced labour and grievance mechanisms. We are able to **collaborate and engage** with RBA members to discuss improving working and environmental conditions in our operations through leading standards and practices.

### Nordic Business Network for Human Rights (NBNHR)

A professional network for global companies who work with human rights impacts in their organisations or supply chains. Being part of this network helps the LEGO Group **stay updated** on what is happening in the business and human rights space and facilitates important **peer sharing and learning** amongst the 20 member companies. The Danish Institute for Human Rights takes the role of secretariat and moderator of the network.

### The Centre for Child Rights and Business

The Centre for Child Rights and Business (The Centre) is a social enterprise with extensive expertise in the **child rights** and business area as well as a strong global network of consultants. We are active members in their Child Rights in Business (CRIB) Working Group and work with The Centre on **child labour prevention** and remediation, children's rights impact assessments in value chain hot spots and establishing child-friendly spaces. In 2023, we worked in collaboration with The Centre to complete a Child Rights impact assessment related to our new factory site in Vietnam.

### UN Global Compact

The LEGO Group has been a participant of the UN Global Compact since 2003 in Denmark and in 2023 joined the UK local network to continue strengthening our engagement. The UN Global Compact local and global networks enable us to **connect with peers across industry sectors** through a global community of thousands of businesses; **learn and gain insights and practical knowledge** through a wide range of content and events designed to help businesses integrating sustainability further. In 2023, our CEO Niels B. Christiansen, together with 39 other leading Danish businesses signed a UN Global Compact statement to **stand together with high ambitions** for a just and green transition to a net-zero future.



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# Internal accountability and governance

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## Board of Directors

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

## Audit Committee

The Audit Committee, appointed by the Board of Directors, reviews data governance, sustainability targets and reporting (covering climate, environmental, and social impacts), and in turn, makes recommendations to the Board of Directors. However, the Board of Directors retains the ultimate authority and accountability on these matters and approves sustainability commitments, targets, and reporting.

## Executive Leadership Team

The Executive Leadership Team is accountable for sustainability programmes and proposes sustainability commitments and targets to the Board of Directors and ensures they are achieved.

## Corporate Affairs

The Corporate Affairs function includes Social Responsibility, Environmental Responsibility, Government & Public Affairs, and Corporate Brand Communications teams. The Head of Corporate Affairs sits on the Executive Leadership Team.

## Corporate Compliance Board

The Corporate Compliance Board is the highest decision authority with respect to non-compliance issues in the LEGO Group, and it reports directly to the Board of Directors. The Corporate Compliance Board reviews any major non-compliance issues including the development of non-compliance reports every quarter, required by external regulations and internal policies, and sets the direction for company activities within the compliance agenda, including Corporate Social Responsibility and Sustainability.

## Responsible Sourcing

In 2022, the Responsible Sourcing team developed further to be able to better support the strategy and our ambitions in the future.

The team is now split into two:

**1. The Responsible Sourcing team** sit within the Environmental Responsibility function, covered by Corporate Affairs. This team sets the strategic ambition and activities related to responsible sourcing from both a social and environmental lens. This allows us to work with suppliers and internal stakeholders as one team across environmental and social efforts and to focus on how to translate sustainability ambitions to strategy.

**2. The Responsible Sourcing Operations team** sit within Corporate Quality, covered by the Operations function within the LEGO Group, as part of ongoing work to embed sustainability into the business. This team will sit alongside other compliance functions such as Quality and EHS to give a united approach when communicating to suppliers and internal stakeholders. This team will focus on executing the Responsible Sourcing programme, including onboarding/screening suppliers, audit programme

management, executing capability building activities for suppliers as well as RBP compliance for our own manufacturing sites.

This organisational structure enables environmental and social agendas to be driven with a coherent and clear approach towards our suppliers and will enhance our collaboration across the business. Modern Slavery risks are managed across both teams.

# Future strategy

We continue our roadmap towards a systematic approach to assessing, acting and reporting environmental and human rights risks across our full value chain. Through anchoring the six steps of our due diligence approach, we can work step by step to understand and reduce potential harm to people and planet. The Responsible Sourcing team are driving the roadmap but collaboration across departments and ownership of the commitment from our leadership are integral to its success and so this remains a priority for the LEGO Group.

## Further efforts

Internal training needs will be reviewed and improved on an ongoing basis as well as investigating opportunities to increase third-party training programmes for relevant colleagues as part of the internal capability building programme.

Ongoing challenges of the audit programme have required adaptability, focus, and creativity alongside enhanced communication and engagement. We will continue to take the learnings and tools developed into our daily working practices, particularly how we can respond to risks identified through in-depth risk analysis of our global operations.

As part of successful due diligence, we will share more with external stakeholders on how identified potential and/or actual adverse human rights impacts are assessed and addressed within our organisation. This means we will continue to review and improve information provided in our annual sustainability reporting.

We will also continue to review policies, processes and procedures related to modern slavery with the aim to strengthen how we address associated risks and ultimately integrate into our broader human rights due diligence approach, based on the UN Guiding Principles.

Our strategy focuses on enhancing a systematic Human Rights & Environmental Due Diligence Approach across the LEGO Group value chain.

Five key priorities are outlined as part of the Responsible Sourcing strategy. The main drivers to manage modern slavery risks within this strategy include the overall strengthening of our Responsible Sourcing programme as well as increasing transparency of supply chain risks. Our strategy includes the following activities:

### 1. Strengthening the Responsible Sourcing Programme

- Continue to use our successful capability building programme and training academy to support suppliers and licensing partners to take ownership of robust management systems to improve compliance and worker conditions. This will include a comprehensive e-learning on Environmental and Human Rights Due Diligence that will be used both for our suppliers and our internal colleagues to raise awareness on what this means for our value chain
- Strengthen grievance mechanisms for our full value chain, to ensure that any human rights concerns can be reported safely and securely and addressed meaningfully. Our grievance mechanism will be available 24 hours a day, 7 days a week, in multiple languages, and easily accessible to vulnerable groups, including young workers and children. We commit to coordinating with stakeholders to provide access to remedy where appropriate
- Update our RBP to ensure that they are appropriate for all areas of our supply chain and aligned with the expectations of our stakeholders. This will include a clear environmental focus and a review of auditing processes to ensure forced labour indicators are fully assessed

### 2. Accelerate the decarbonisation journey

- Focusing on environmental impacts and risks, alongside supporting the LEGO Group's commitment to a Science-based Target. This priority will focus on understanding ways to reduce carbon emissions in our supply chain and to build better visibility of and responses to water, forests and waste concerns in our supply chain

### 3. Enhance integration of sustainability into the business

- Further leverage sustainability in supplier selection and management as well as in licensing partnership processes to ensure environmental and social risks are addressed throughout the organisation

### 4. Transparency of supply chain risks

- Complete a corporate level human rights impact assessment to give a clear view of salient risks across our value chain and recommendations to mitigate
- Develop a comprehensive framework to assess social and environmental risks within the LEGO Group value chain to enable prioritisation of salient risks

### 5. Transparency in reporting

- Use our corporate human rights impact assessment and collaboration with internal stakeholders to define a comprehensive value chain map and governance structure
- Continue to improve ESG reporting related to Responsible Sourcing, including increasing transparency to demonstrate our progress on both social and environmental dimensions and live up to legislation

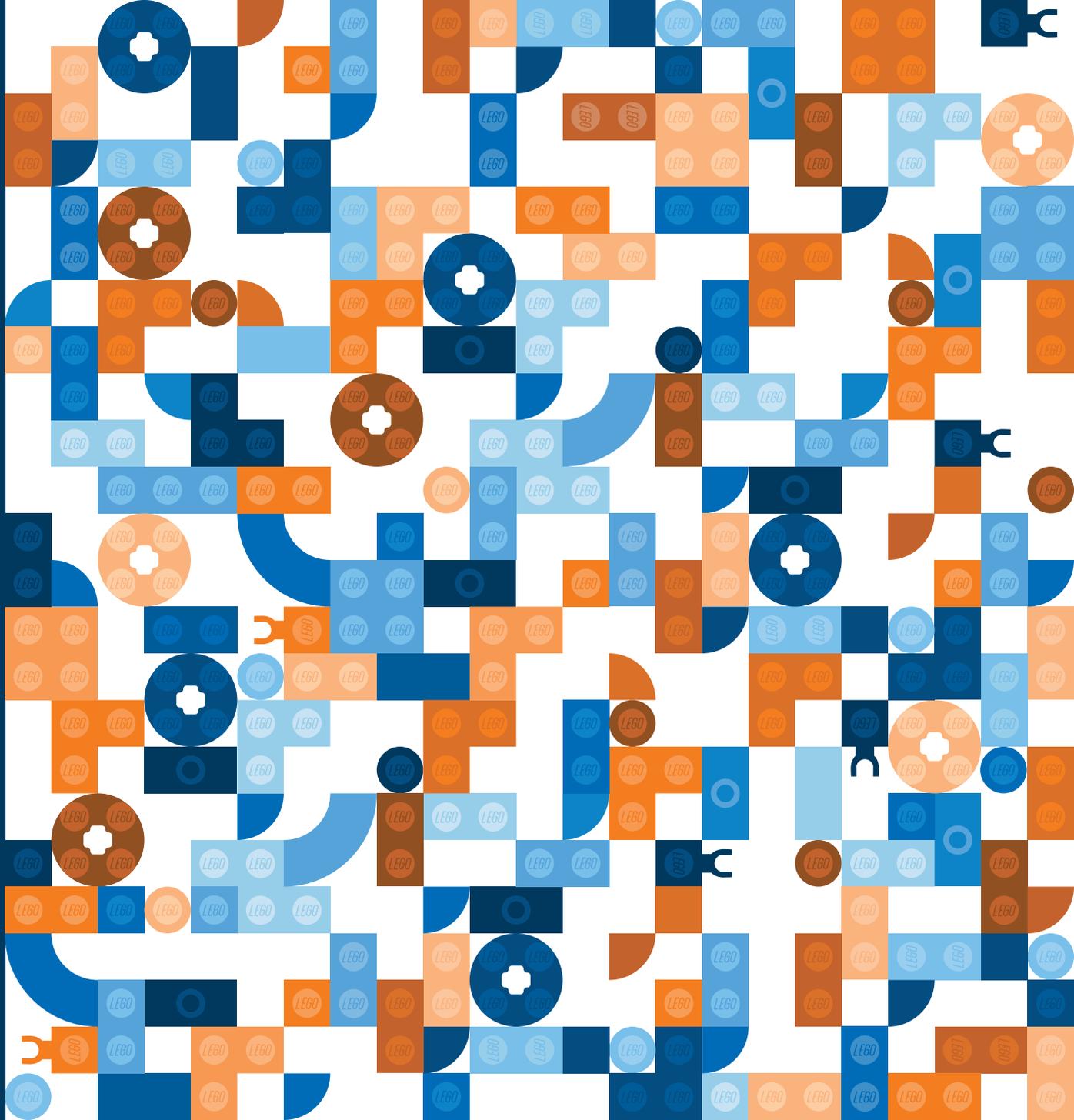
# Approval

This statement covers the LEGO Group and all subsidiaries and as such it has been agreed that the LEGO Group Board of Directors has approved this statement on behalf of all subsidiaries.

The statement was approved by the LEGO Group Board of Directors on 4 March 2024.



**Thomas Kirk Kristiansen**  
Chair of the Board



## Appendix

# The LEGO Group and LEGO Canada Inc. Joint Modern Slavery & Transparency Statement 2023

For details of the group structure and subsidiaries of the LEGO Group please refer to the latest Annual Report which can be found [here](#).

This statement has been published in accordance with the requirements of Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act.

The LEGO Group is a privately held family-owned company headquartered in Denmark, founded by Ole Kirk Kristiansen in 1932. The LEGO Group's main activities are the development, manufacturing, marketing, and selling of games, toys, digital products, educational materials, and LEGO® branded merchandise across the globe. All commercial activities are conducted through the LEGO Group, which consists of LEGO A/S and its subsidiaries. All subsidiaries must follow the LEGO Group policies.

The LEGO Group consists of:

- 1 headquarters in Billund, Denmark
- 4 office hubs
- 5 owned and operated manufacturing facilities in Denmark, Czech Republic, Hungary, Mexico and China
- 28,528 colleagues worldwide
- 37 sales offices
- 195 owned and operated LEGO Brand Retail stores

In addition to our own manufacturing facilities, our global

direct supply chain provides us with the raw materials, parts, and finished goods for the LEGO Group products. Our direct suppliers are predominantly located in Europe, Mexico, and China and a list of these suppliers is published on [LEGO.com](#).

LEGO Canada Inc. provides sales of LEGO products on the Canadian market with 35 employees based out of our office in Ontario, Canada and 305 in LEGO Brand retail stores. LEGO Canada Inc. is a 100% owned subsidiary of LEGO A/S established under the laws of the province of Ontario, without owning or controlling any other entities.

Management and relevant employees of LEGO Canada Inc. were involved in the preparation of this statement through the LEGO Group Responsible Sourcing team. LEGO A/S is the parent company of LEGO Canada Inc. and as such when ensuring human rights standards in contracts with suppliers, this includes suppliers to our Canadian entities, where alignment to the LEGO Group policies and expectations must be ensured.

Topics related to Human Rights Due Diligence and Modern Slavery mitigation are managed by the Responsible Sourcing and Responsible Sourcing Operations teams that sit within the LEGO Group (see [here](#) for internal accountability and governance), and are therefore responsible for setting strategic ambition, policies and processes related to Responsible Sourcing and cascading this to all subsidiaries.

The Modern Slavery & Transparency Statement 2023 outlines the steps taken by the LEGO Group to continue the work to assess, prevent, and mitigate the risks of modern slavery and human trafficking in its business operations (including LEGO Canada Inc.) and supply chains, during the financial year 1 January to 31 December 2023.

## Introduction

At the LEGO Group we take our responsibility of having a positive impact on the people and communities where we work very seriously.

We are committed to protecting the human rights of people who work throughout our value chain and interact with our products.

This commitment is outlined in the Human Rights and the Rights of Children Policy which describes the steps the LEGO Group and its suppliers must take to protect all those who are impacted by our products, operations, and business relationships.

It also describes our continuous commitment to adhering to globally recognised initiatives including:

- United Nations (UN) Global Compact, and commitment to the Children's Rights Principles
- UN Guiding Principles on Business and Human Rights, specifically aligning with the 'Protect, Respect and Remedy' framework
- International Bill of Human Rights and the International Labour Organisation (ILO) declaration of Fundamental Principles and Rights at work

**Our Responsible Business Principles (RBP)**, established in 2018 (replacing our Code of Conduct in place from 1997-2018), support this commitment by requiring our suppliers and own sites to adhere to a set of agreed standards of operating to protect employees, the environment, and providing safe workplaces for all.

Forced labour and modern slavery are part of these policies and frameworks. It is a critical and growing global issue which businesses must address through rigorous monitoring, risk assessment, prevention, and action.

The LEGO Group's Modern Slavery & Transparency Statement sets out the policies and procedures we have in place to ensure sufficient due diligence regarding human rights and forced labour risks. It also highlights the progress we've made during the past year to educate, monitor, and take action where we identify risks or non-conformities.

**The Human Rights and the Rights of Children policy, alongside the RBP outline our fundamental commitments relating to human rights and are supported by further guidelines and procedures for handling actual and potential impacts on fundamental human rights and decent working conditions including forced labour risks.**

The Human Rights & the Rights of Children policy outlines how the LEGO Group commits to respecting all internationally recognised human rights as enshrined in the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the eight ILO Core Conventions. Our RBP sets out the expectations for our own production sites, suppliers, and partners to live up to those commitments.

We ensure our due diligence efforts are aligned to the OECD\* guidelines for Multinational Enterprises and in 2023 the LEGO Group has anchored and defined its approach to due diligence in 6 key steps:

1. Commit – clear commitment to protecting and respecting Human Rights and the Environment
2. Embed – integrating our commitments into operational procedures and policies
3. Identify & Assess – systematic approach to identifying our biggest risks and impacts
4. Address – taking action to address risks
5. Track - establishing KPIs to monitor the effectiveness of our risk monitoring and mitigation

6. Report - sharing risks and actions taken to address them, internally and externally

**The RBP strictly prohibits any form of modern slavery or forced labour**

It includes a focus on modern slavery, highlighting practices that are not acceptable, including: excessive and involuntary overtime; withholding personal papers, deposits or compensation; and inappropriate loans and salary advances that tie workers to the workplace. In addition, the RBP includes a 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 reimburses the worker. All of the above can represent subtle forms of forced labour and are considered high-risk or critical 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.

We are committed to ensuring that all workers involved in making LEGO® products have fair, decent, and safe working conditions.

**Our due diligence programme allows us to regularly assess our actual and potential human rights risks and impacts, including those related to child and forced labour, through a combination of internal assessments and consultation with external stakeholders.**

Alongside the RBP audit programme, the LEGO Group has identified risks and impacts through standalone risk mapping projects and through improved grievance mechanisms.

Through collaboration with a third-party consultancy, we completed a risk mapping focused specifically on

modern slavery risks in our operations and supply chain. Conclusions from this have guided us in development areas of our strategy – three key risks were identified across our supply chain:

1. Lack of suppliers' understanding, capability and/or ability to identify and mitigate risks
2. Lack of adequate human rights due diligence in supply chain management including lack of processes when recruiting vulnerable workers
3. Lack of visibility of risks in our supply chain

See more details on how we are responding to these risks [here](#).

We strictly adhere to the principles of the RBP in our own operations and actively monitor our direct suppliers' and licensing partners' facilities to ensure that they meet the requirements. This process involves a combination of third-party audits, in-house assessments, and regular dialogue to ensure that suppliers both understand and are equipped to meet our expectations. The LEGO Group has developed an independent auditing methodology based on the LEGO RBP, which includes modern slavery indicators such as withheld documentation and freedom of movement.

The most frequently identified higher risk non-conformities identified through audits remained related to excessive working hours and lack of adequate record keeping, with health and safety concerns also notable. Where excessive working hours were identified we took steps to investigate the root cause and confirmed that in all cases, overtime was voluntary. High working hours and inadequate record keeping were identified as a particular concern for agency workers in the supply chain.

In 2023, our assessment and verification processes found no forms of modern slavery, forced labour or child labour

For full details on due diligence efforts at the LEGO Group, including LEGO Canada Inc, please see the [LEGO Group Modern Slavery & Transparency statement](#), however a summary is included in the following pages.



\* The Organization for Economic Cooperation and Development.

in our own operations or our supply chain, therefore no remediation efforts were required in this respect.

During 2022, we focused on identifying where agency workers exist in our supply chain and supporting suppliers to ensure adequate management systems were in place to protect them. In 2023, we were then able to better assess this risk by ensuring all RBP audits include agency workers in scope (including those who provide service to production such as canteen, security or janitor staff). In doing so we found that a minority of agencies used by our suppliers have not complied with key operating requirements, such as providing consistent working conditions. We will continue to work closely with all suppliers to urgently address these issues and ensure ongoing compliance with our RBP.

**Once actual or potential risks and impacts have been identified, measures are taken to respond to and mitigate these risks.**

Our capability building programme in 2023 continues to empower our suppliers and licensing partners to manage their own performance to meet the LEGO Group Responsibility Foundations and to develop a stable and resilient supply chain. We equip them with the knowledge and tools required to increase their capabilities and compliance level. The supplier training academy, a key component of the programme, provides training at different levels, tailored to respond to specific identified risks. Responding to the risk identified related to vulnerable workers, in particular agency workers, in 2023 the Baseline training for all suppliers focused on responsible recruitment e-learning modules.

After the training on responsible recruitment, suppliers will be able to:

1. Understand recruitment standards and how to identify, prevent and mitigate the risks
2. Learn how to ensure workers are fairly treated and ensure workers stay longer
3. Know what the key steps are in hiring and the measures to control the hiring process

Advance training on responsible recruitment was also provided in areas of high risk through in person workshops.

More information on our capability building programme and case studies demonstrating how we have supported suppliers in addressing identified risks can be found [here](#).

In 2023, all procurement colleagues continue to be included in the capability building programme, and as part of this were requested to complete 'Forced Labour' training, enabling those working closest to our suppliers to gain a better understanding of potential risks and impacts in our supply chain. Throughout 2022 and 2023, 242 colleagues (80% of global procurement) have completed this training, covering colleagues at all levels and categories within our procurement organisation, including senior leadership.

We also continue to leverage memberships of multistakeholder initiatives and organisations such as the Nordic Business Network for Human Rights, the Ethical Supply Chain Program, and Responsible Business Alliance (RBA) to identify best-practice approaches to protecting vulnerable workers and upholding human rights. More details on these collaborations can be found [here](#).

**The LEGO Group regularly reviews the effectiveness of its policies and processes for preventing human rights abuses and to cease and mitigate actual or potential risks or adverse impacts.**

Every year, we set a key performance indicator (KPI) that takes into account any higher risk non-conformities identified in our direct supply chain through third-party audits, as an assessment of compliance to the RBP. We identified higher risk non-conformities in 35% of audits undertaken, and four critical non-conformities were noted in four separate suppliers which means we did not meet our target of maximum 30% and 0 respectively. However, through strong supplier engagement and capability building programmes we have been able to support our suppliers in remediating these concerns. We of course continue to strive for a lower % of higher risk non-conformities and reducing critical non-conformities to zero remains our target. However, our priority is to enable transparent and open supplier dialogue, combined with a robust audit programme, so that if any concerns are identified, we are able to investigate root causes, support remediation and develop ongoing mitigation actions.

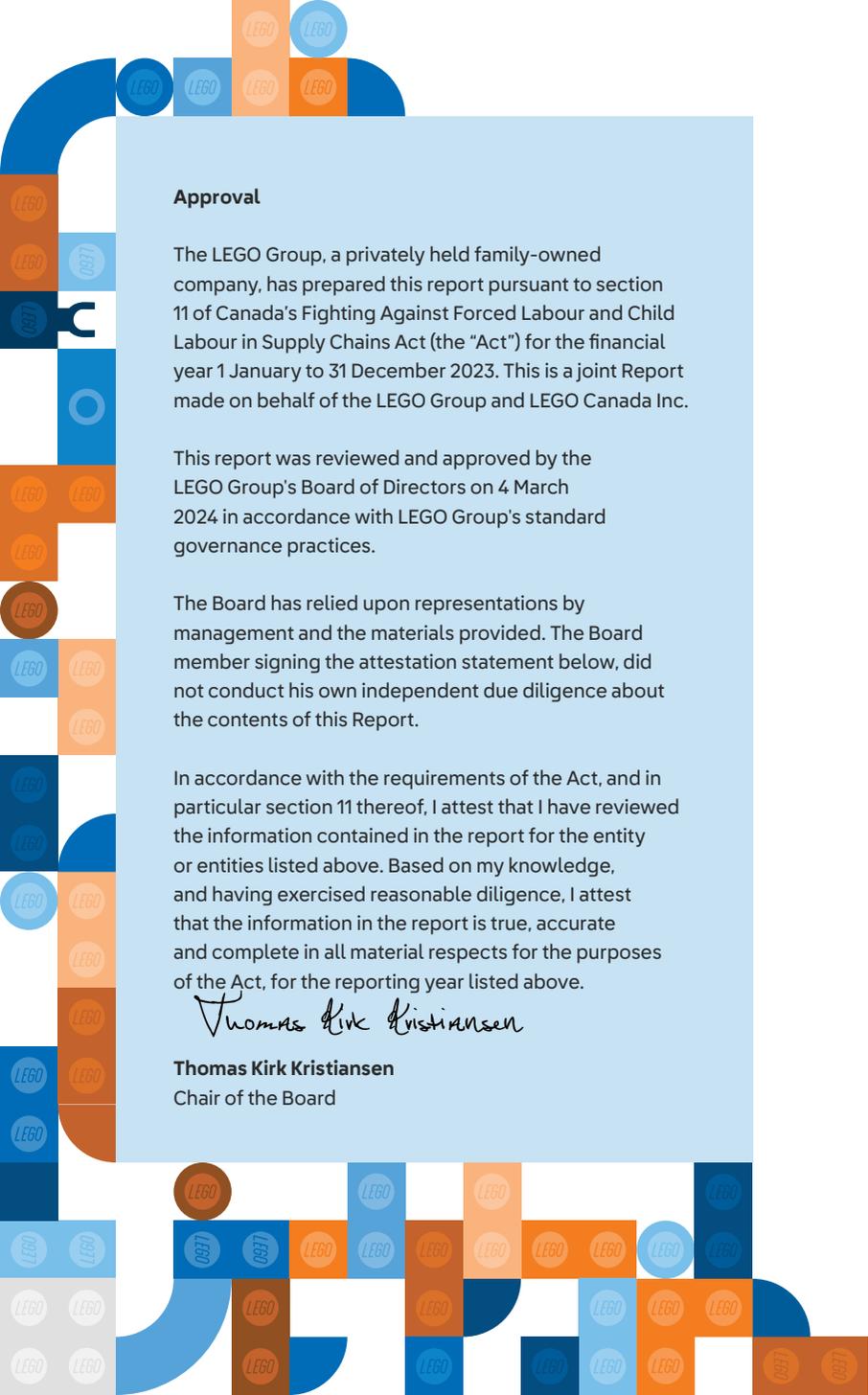
**Future strategy**

We continue our roadmap towards a systematic approach to assessing, acting and reporting environmental and human rights risks across our full value chain. Through anchoring the six steps of commit, embed, identify & assess, address, track and report, we can work step by step to understand and reduce potential harm to people and planet. The Responsible Sourcing team are driving the roadmap but collaboration across departments and ownership of the commitment from our leadership are integral to its success and so this remains a priority for the LEGO Group.

Our strategy towards 2025 focuses on enhancing a systematic Human Rights & Environmental Due Diligence Approach across the LEGO Group value chain.

Five key priorities are outlined as part of the Responsible Sourcing strategy and you can find details on the activities that are planned as part of this strategy [here](#).





## Approval

The LEGO Group, a privately held family-owned company, has prepared this report pursuant to section 11 of Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act") for the financial year 1 January to 31 December 2023. This is a joint Report made on behalf of the LEGO Group and LEGO Canada Inc.

This report was reviewed and approved by the LEGO Group's Board of Directors on 4 March 2024 in accordance with LEGO Group's standard governance practices.

The Board has relied upon representations by management and the materials provided. The Board member signing the attestation statement below, did not conduct his own independent due diligence about the contents of this Report.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.



**Thomas Kirk Kristiansen**  
Chair of the Board