

THE LEGO GROUP

MODERN SLAVERY STATEMENT

2020

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), and The Commonwealth Modern Slavery Act (2018) for Australia.

The document covers the full operations of the LEGO Group, including the UK subsidiary LEGO Company Ltd and the Australian subsidiary LEGO Australia Pty. Ltd, both 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 in its business operations and supply chains during the fiscal year from 1st January 2020, ending 31st December 2020.

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 signature of and commitment to the 10 Children's Rights & Business Principles.

We believe in high levels of transparency and report our progress annually in our [Sustainability Progress Report](#).

We recognise that forced labour and 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.

Modern Slavery is the term used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom.

Forced labour describes situations where the victim is either not free to stop working or not free to leave their place of work.

Human Trafficking describes the recruitment, harbouring and movement of a person for exploitation through modern slavery.



INTERNAL ACCOUNTABILITY & GOVERNANCE

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

In 2019, the Board of Directors established an internal audit committee whose role includes monitoring the process of sustainability targets and reporting (covering climate, environmental and social impacts), however the Board of Directors retain the ultimate authority and accountability on these matters.

Modern Slavery Risks are managed within the Responsible Sourcing team which sits within the wider Social Responsibility team under the Corporate Affairs function. The Head of Corporate Affairs sits in the Executive Leadership team (ELT) and has the ultimate responsibility for the LEGO Group's Sustainability agenda, including the Social Responsibility, Environmental Responsibility, Government and Public Affairs and Corporate Brand Communications teams. A Corporate Compliance board has been appointed by the ELT to monitor compliance with legislation that applies to the LEGO Group within sustainability and other Corporate Social Responsibility (CSR) areas.

THE LEGO GROUP ACTIVITIES ARE ANCHORED IN OUR LEGO® BRAND FRAMEWORK AND OUR FOUR FUNDAMENTAL PROMISES:



Planet Promise "Positive impact"

We want to play our part in helping build a sustainable future and make a positive impact on society and the planet, which children will inherit. We believe we have a responsibility to minimise the environmental impact of our operations and aim for zero environmental impact on the planet.



People Promise "Succeed together"

We care deeply for our people who are part of making LEGO play experiences possible and are committed to upholding human rights and ensuring safe, healthy and respectful workplaces for our employees. We strive to champion responsible business principles across the company.



Play Promise "Joy of building, Pride of creation"

We know that play is vital to every child's development. When children play, they learn to solve problems, to be creative, and to become resilient. It helps them thrive in a complex and challenging world.



Partner Promise "Mutual Value Creation"

Building partnerships with customers, suppliers and intellectual property partners based on mutual value creation are fundamental to the LEGO Group as we seek to meet the challenges and complexity of today's world.

THE CHALLENGES OF 2020 AND THE GLOBAL PANDEMIC

The LEGO Group has continued to take steps to assess and address Modern Slavery risks during the COVID-19 pandemic. However, 2020 brought multiple challenges. This statement elaborates how the LEGO Group has worked and responded to these challenges, including supplier monitoring restrictions.

ORGANISATION STRUCTURE AND SUPPLY CHAIN

ABOUT US

The LEGO Group is headquartered in Billund, Denmark and is a privately held and family-owned company.

The LEGO Group is 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 and safest play experiences to children (Our 'Play Promise') while also delivering on our commitments to our people, partners and planet.

The LEGO Group's main activity is the development, production, marketing and sales of play materials and experiences – both offline and online – operating in the traditional toy market. LEGO products and experiences are available in more than 140 countries.

All commercial activities are conducted through the LEGO Group 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: [The LEGO Group Annual Report 2020](#).

Additional information is required for this statement on the Australian subsidiary in compliance with The Commonwealth Modern Slavery Act (2018). LEGO Australia Pty. Ltd provides sales, marketing and operations services with 47 employees based out of the office in Macquarie Park, New South Wales.

LEGO Australia Pty. Ltd is incorporated under the laws of New South Wales and does not own or control other entities. Management and relevant employees of LEGO Australia Pty. Ltd were consulted in the preparation of this statement through the LEGO Group Responsible Sourcing team.

LEGO A/S is the Parent company of LEGO Australia Pty Ltd and as such when ensuring human rights standards in contracts with suppliers, this includes suppliers to our Australian entity, where alignment to the LEGO Group policies and expectations must be ensured.

Our operations include:

- More than 18,000 employees worldwide
- Headquarters in Billund, Denmark
- 4 office hubs in the UK, US, Singapore and China
- 37 sales offices globally
- 161 owned and operated LEGO branded stores



OUR FACTORIES

FIVE OWNED AND OPERATED
MANUFACTURING FACILITIES IN:

- Denmark
- Czech Republic
- Hungary
- Mexico
- China

OUR SUPPLIERS

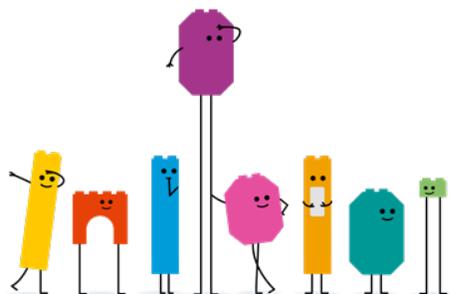
In addition to our own manufacturing facilities, the LEGO Group works with a number of direct suppliers that provide us with raw materials, parts and finished goods.

These suppliers are predominantly located in Europe, Mexico and China and a list of these suppliers is published on the LEGO website- [The LEGO Group supplier list](#). The LEGO Group 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 Responsible Business Principles (RBP) audit programme.

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

The LEGO Group understands that we have a large and complex supply chain with multiple tiers in both the direct and indirect areas of the business. Our ambition is to continue to look deeper into our supply chain and increase visibility into all areas of operations.



OUR PARTNERS

The LEGO Group further grants licenses to a number of Licensing Partners to manufacture goods under the LEGO brand. The portfolio covers a range of products that includes books, bedding, clocks and clothing.

We require full visibility from our licensing partners of all facilities where the LEGO brand is present. The process is similar to how we evaluate direct suppliers; we determine the risk level of partner facilities and subsequently conclude if the submission of third party audits to the LEGO Group are required.

As with our direct suppliers our licensing partners also agree for their own and their supplier operations to be evaluated against the LEGO RBP by the LEGO Group or its representatives if deemed necessary.

STAKEHOLDER ENGAGEMENT THROUGHOUT 2020

Throughout the COVID-19 pandemic the LEGO Group has maintained a close dialogue with our suppliers and licensing partners and has encouraged open communication regarding COVID-19 risks.

The LEGO Group also made use of membership of multi-stakeholder initiatives and organisations such as the Nordic Business Network for Human Rights, DIEH (Danish Ethical Trading Institute) and ICTI Ethical Toy Program (IETP) to identify best-practice approaches to protecting vulnerable workers and upholding human rights during this time.

The LEGO Group is also following the discussions at World Economic Forum level around Environmental, Social and Governance (ESG) reporting and contributing to EU discussions on Sustainable Corporate Governance.

POLICIES

IN RELATION TO MODERN SLAVERY & HUMAN TRAFFICKING

Our [Responsibility & Human Rights policy](#) sets the framework for specific actions in this area across our own operations and our supply chain.

The LEGO Group RBP forms part of the contractual agreement with all direct suppliers and relevant indirect suppliers and business partners. The 12 Responsible Business Principles 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 UN and ILO Conventions.

The RBP clearly prohibits any form of modern slavery or forced labour and includes a more detailed focus on modern slavery risks. Forced labour 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 has introduced 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 labour and so are considered high risk or zero tolerance non-conformities¹. 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.

The RBP outlines the 'right to audit', which allows the LEGO Group or its representatives to carry out assessments of suppliers, sub-contractors and sub-suppliers to enable them to demonstrate that they are applying the RBP in their business and operations.

Policies regarding Human Rights at the LEGO Group are therefore predominantly enforced through the LEGO Group RBP auditing programme and the high level of engagement the Responsible Sourcing team has fostered with the direct supply chain.

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

Additional policies relating to this statement:

- [LEGO Group policy on conflict minerals](#) – details our commitment & policy to ensure sourcing conflict free minerals used in our products.
- [The LEGO Group Communication Letter on expected Ethical, Social and Environmental conduct](#) – outlines what is expected of LEGO employees and partners to apply high ethical standards and principles of integrity, honesty and legality.
- [The People & Culture Policy](#) – defines the ambition, and direction of the LEGO Group on our company's approach to our people, organizational culture and leadership. It respects fundamental human and labour rights to ensure that the LEGO Group is a high standard work place.

¹ A High-risk or Zero tolerance NC is defined as a severe issue/breach of local law and/or the LEGO Responsible Business Principles with immediate/high risk to employees/workers or to The LEGO Group.



DUE DILIGENCE

The LEGO Group supports the United Nations Guiding Principles (UNGP) approach to Due Diligence and recognises the need to have processes in place to identify, prevent, mitigate and account for how the impact on human rights are addressed. It is recognised that this is an ongoing process, as risks may change over time in line with any operational changes or external influences.

The LEGO Group welcomes and supports the increasing momentum towards Mandatory Human Rights Due Diligence around the world and as an active member of the Nordic Business Network for Human Rights (NBNHR) issued a joint statement to reflect this². We are following closely the developments at an EU level and are welcoming global and regional activities on this topic. Moreover, the LEGO Group has been aware of the discussions at the World Economic Forum (WEF) level and specifically the work of the WEF International Business Council (WEF IBC) to deliver a set of universal, ESG-based metrics for non-financial business reporting for large global companies.

The LEGO Group establishes strong business relationships with our direct supply chain as an important tool to identify risks. This is demonstrated through robust engagement plans and communication with our direct suppliers to better understand and identify actual and potential Human Rights impacts.

A key component of our approach is the requirement that all direct suppliers and relevant indirect suppliers³ and business partners, must sign and comply with the LEGO Group Responsible Business Principles (RBP). 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 following sections on Verifications & Supplier Audits, Assessing Modern Slavery Risks in our Supply Chain and Assessing Effectiveness give details of the current systems in place to ensure Human Rights Due Diligence.

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 third 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 that we deem are high risk due to country of manufacture, LEGO brand proximity or type of production.

The LEGO Group has developed a new auditing methodology based on the LEGO RBP, within which there is a clear inclusion of the Modern Slavery Indicators such as withheld documentation and freedom of movement. This new methodology was introduced in 2020 and will continue to be developed and improved upon in 2021. Developing a LEGO specific audit methodology means the LEGO Group is able to focus on specific areas of concern within modern slavery such as recruitment practices for migrant labour as well as working directly with the audit companies and suppliers to better understand risks and root causes.

Our 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.

² The Danish Institute for Human Rights moderates the Nordic Business Network for Business and Human Rights of which 12 member companies demonstrate their support for human rights due diligence legislation at EU level in a joint statement – [Nordic Business Network supports EU legislation on mandatory human rights due diligence](#).

³ The risk and applicability of RBP signatures for indirect suppliers is determined by criteria including vulnerability of workforce and LEGO brand proximity.



The frequency of audits depends on level of risk, taking account factors such as country risk and past audit performance against the LEGO RBP. We have a stringent follow-up system to ensure that any non-conformances are addressed within a specified time frame and we report on these in our annual Sustainability Progress Report, as transparency and accountability are paramount to the LEGO Group.

Supplier audits are viewed 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 if no effort is taken to remediate the concern.

The LEGO Group Responsible Sourcing team also works in close collaboration with our licensing partners. The LEGO Group systematically monitor and assess compliance to our Responsible Business Principles through third party audits provided by the partners. The licensing partners are expected to work with their suppliers to mitigate risks and provide the LEGO Group with detailed follow up on any identified risks.

SUPPLIER MONITORING THROUGHOUT 2020 – AUDIT CHALLENGES

Supplier audits are our current main method of risk identification but the ability to conduct onsite audits has been affected by the global pandemic. The pandemic has resulted in restrictions on travel, factory closures and ultimately a need to postpone some audits. However, the LEGO Group has still been able to complete 85% of scheduled onsite audits. When onsite audits haven't been possible, an expanded toolbox of monitoring methods have been deployed including virtual audits and self-assessment to ensure we can monitor all necessary production facilities.

The LEGO Group recognize that Modern Slavery and Forced Labour indicators are one of the more challenging risks to identify through virtual or self-assessment methods. However, the new monitoring tools and elevated communication with suppliers will also be able to support onsite audits in the future.

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 related to sourcing of certain raw materials and goods and services not intended for re-sale (e.g. marketing materials and facilities management).

Plant based raw materials from sugar cane production are used in our assortment for some softer elements such as leaves and trees. Shifting to plant based materials for these components is a key part of our journey and commitment to make all core LEGO products from sustainable materials by 2030. We currently require our suppliers to source sugar cane that is certified under the BonSucro⁴ standard as part of our risk mitigation processes.

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.

⁴ [BonSucro](#) is a global membership organisation that promotes sustainable sugarcane production, processing and trade around the world.



The LEGO Group also acknowledges the risks in our licensing supply chain. The types of risks are similar to our direct supply chain. However, the manufacturers of our licensing partners are located in many more countries than our own supply chain and the variety of products is much greater, which further diversifies the risks.

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 via email at responsibility@lego.com.

ASSESSING EFFECTIVENESS OF STEPS TAKEN TO PREVENT MODERN SLAVERY

The LEGO Group regularly reviews the effectiveness of our policies and processes for preventing human rights abuses to ensure they reflect new developments.

To assess the requirements set out in our LEGO Group Responsible Business Principles and non-conformities in our direct supply chain, the Responsible Sourcing team sets a clear KPI focused on the number of higher risk non-conformities (NCs)⁵ identified at applicable suppliers' audits. For 2020 this KPI was set as no more than 30% of audited suppliers to have higher risk NCs.

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. The LEGO Group report on this KPI as part of the annual Sustainability Progress Report and it is regularly reviewed throughout the year by the Responsible Sourcing and leadership teams.

⁵ KPI for suppliers with higher risk non-conformities (NCs) is calculated as the percentage of audited suppliers with 'high-risk' or 'zero tolerance' NCs. A High-risk or Zero tolerance NC is defined as a severe issue/breach of local law and/or the LEGO Responsible Business Principles 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.

CHALLENGES TO THE LEGO GROUP RBP AUDITING PROGRAMME AND POLICIES DURING 2020

The most frequent risk identified at the LEGO Group suppliers as a direct impact of the pandemic has been an increase in working hours. The contributing factors vary worldwide with some suppliers required to produce essential (COVID-19 related) materials for other customers, such as packaging for medical equipment and hand sanitizers. Some factories reduced capacity to protect vulnerable workers and others faced restrictions on worker travel which led to staff shortages in factories.

Given the unprecedented challenges of COVID-19 on working hours, the LEGO Group is exploring ways to support our suppliers to return to reasonable working hours, while simultaneously maintaining our high expectations for all other provisions of the LEGO RBP which should not be impacted by the challenges. During the COVID-19 pandemic workers have also still been able to access the grievance procedures through the normal channels.

The limit on face-to-face interaction with suppliers has been a challenge in supporting suppliers to resolve non-conformities but has also allowed the Responsible Sourcing team to develop new ways of engaging with suppliers with a need for robust supplier communication strategies. This has included an expanded use of online supplier training on the LEGO RBP, this year focused on working hours and health & safety measures.

The Responsible Sourcing team are working on a number of operational KPIs for 2021, which we will continue to review, develop and report on, covering:

- Training levels for the LEGO Group employees
- Supply chain monitoring and verification
- Capability building interventions to support suppliers in addressing root causes of non-conformities
- Supplier progress in identifying, managing and mitigating risk

The LEGO Group regularly assesses our risk profiling tools such as the Country risk matrix through third parties and our involvement in multi-stakeholder initiatives and organizations.

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 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 organisation, but a whistle-blower infrastructure (compliance line) provides employees with another reporting method.

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

Direct training with our suppliers also plays a big role in understanding, addressing and mitigating against Human Rights risks in our supply chain including Modern Slavery. The LEGO Group Responsible Sourcing team is currently establishing a capability building program with our suppliers. This includes a training academy that aims to strengthen suppliers competencies to reach a higher level of compliance and enables them to resolve high-risk issues proactively.



In 2020, the LEGO Group hired a Human Rights Due Diligence lead within the Responsible Sourcing team to strengthen efforts in addressing Modern Slavery Risks, including scaling up internal and external training.

Key colleagues in the LEGO Group have participated in third party training relating to Modern Slavery Risks including:

- Managing compliance with environmental and human rights laws
- Sustainable procurement: integrating modern slavery risk
- Modern Slavery in Business & Supply Chains

FUTURE STRATEGY

In 2020, the LEGO Group announced a considerable investment of up to US\$400m over three years to accelerate sustainability and social responsibility initiatives. The investment will cover both long-term investments and ongoing costs. The LEGO Group strongly believes in building a better planet for future generations and therefore believes it is increasingly urgent and important to prioritise environmental and social activity.

As part of this strategy the Responsible Sourcing team will focus on three key workstreams:

1. Capability Building programme – to better support suppliers in improving compliance
2. Broadening and Widening audit scope – to deepen understanding of Human Rights risks in the LEGO Group operations outside of our direct supply chain
3. Modern Slavery Risk Mapping – to deepen understanding of risks in all LEGO operations and therefore allow for development of more robust mitigation efforts

In addition to the above a training needs matrix focused on modern slavery risks will be developed for internal teams and relevant stakeholders, recognising that training in this area is an investment for the future and must be fit for purpose.

The Responsible Sourcing team will focus on cascading knowledge and training on Modern Slavery risks to relevant internal stakeholders and increasing engagement within the LEGO Group. Opportunities will also be investigated to extend third party training programmes to a wider internal audience.

The challenges of 2020 required a need for adaptability, focus and creativity alongside enhanced communication and engagement. We hope to be able to take the learnings and tools developed during this time into our daily working practices. For example, we hope to use alternative monitoring tools in the future for greater visibility of risks in our global operations outside of the RBP audit programme.

In 2021, the LEGO Group will carry out a full review of existing policies, processes, and procedures in relation to Modern Slavery with the aim being to strengthen how we address associated risks and integrating this into a broader UNGP Due Diligence approach to Modern Slavery and Human Rights.



APPROVAL

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

The statement was approved by the LEGO Group Board of Directors.

DocuSigned by:
Thomas Kirk Kristiansen
8DEF958462924F8...

SIGNATURE
(Signed by Chairman of the Board)

