

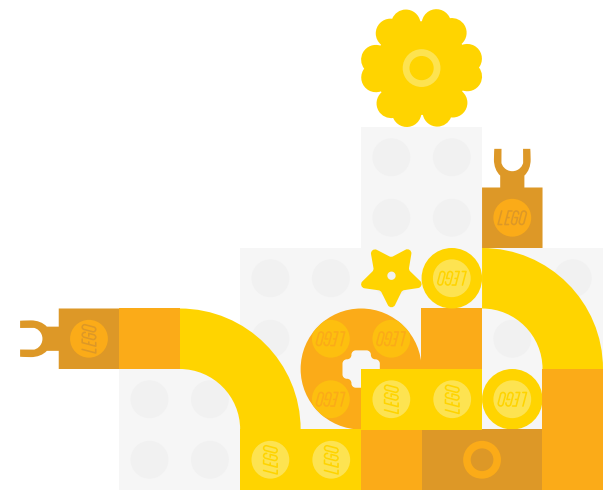
# Modern Slavery Statement 2022



# Content



- 03** Modern Slavery Statement 2022 – Introduction
- 04** Organisation structure
- 05** The LEGO® Brand Framework and fundamental promises
- 06** LEGO factories and supplier locations
- 07** Responsible Business Principles
- 08** Human rights policies
- 09** Due diligence
- 14** Internal and supplier training
- 15** Capability building in 2022
- 16** Case Studies
- 17** Working with others
- 18** Internal accountability and governance
- 19** Future strategy



# Modern Slavery Statement 2022

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 Limited 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 and human trafficking in its business operations and supply chains, during the fiscal year from 1st January 2022, ending 31st December 2022.

## Introduction

At the LEGO Group we take our responsibility to 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.

For many years we have had policies and processes in place to achieve this ambition.

In 2022, we further strengthened this with the introduction of an updated Human Rights and the Rights of Children Policy. This policy outlines the steps the LEGO Group and our suppliers must take to protect all those who are impacted by our products, operations, and business relationships.

This latest policy replaced an existing Responsibility and Human Rights policy and further builds on our previous commitments and adherence to globally recognised initiatives including:

- United Nations 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 ILO declaration of Fundamental Principles and Rights at work.

It also complements our Responsible Business Principles which have been in place since 2018 and require 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 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 terms used in this report are defined as follows:

**Forced labour** is described as all work or services which is extracted from any person under the menace of any penalty and for which the said person has not offered themselves voluntarily<sup>1</sup>.

**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.

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

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.

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 2022, our assessment and verification processes found no forms of modern slavery, forced labour or child labour in our own operations or our supply chain.

# Organisation structure

## About us

The LEGO Group is a privately held family-owned company headquartered in Denmark. The LEGO Group is owned by the Kirk Kristiansen family who founded it 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 planet.

See more on our [fundamental promises](#) as part of the LEGO® Brand Framework on the following page.

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

Our operations include:

- More than 27,000 employees worldwide
- Headquarters in Billund, Denmark
- 4 additional office hubs in the UK, US, Singapore and China
- 37 sales offices globally
- 185 owned and operated LEGO Brand Retail stores
- 5 owned and operated manufacturing facilities (Growing to 7 facilities by 2025)

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 which can be found [here](#).

Additional information is required for this statement on the Australian subsidiary in compliance with Australia's Modern Slavery Act (2018).

LEGO Australia Pty. Ltd. provides sales, marketing and operations services with 53 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 Central 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.

SUSTAINABILITY FOCUS ACROSS OUR VALUE CHAIN



## Our Licensing Partners

The LEGO Group grants licenses to a number of partners which manufacture goods under the LEGO brand. The portfolio covers a range of products, including books, magazines, home accessories, and apparel. We contractually require full visibility from our licensing partners of all facilities where the LEGO brand is present. Licensed partner facilities are also included in audit scope and are therefore responsible for submitting an independent audit report to the Responsible Sourcing Operations team for review.

## Our customers

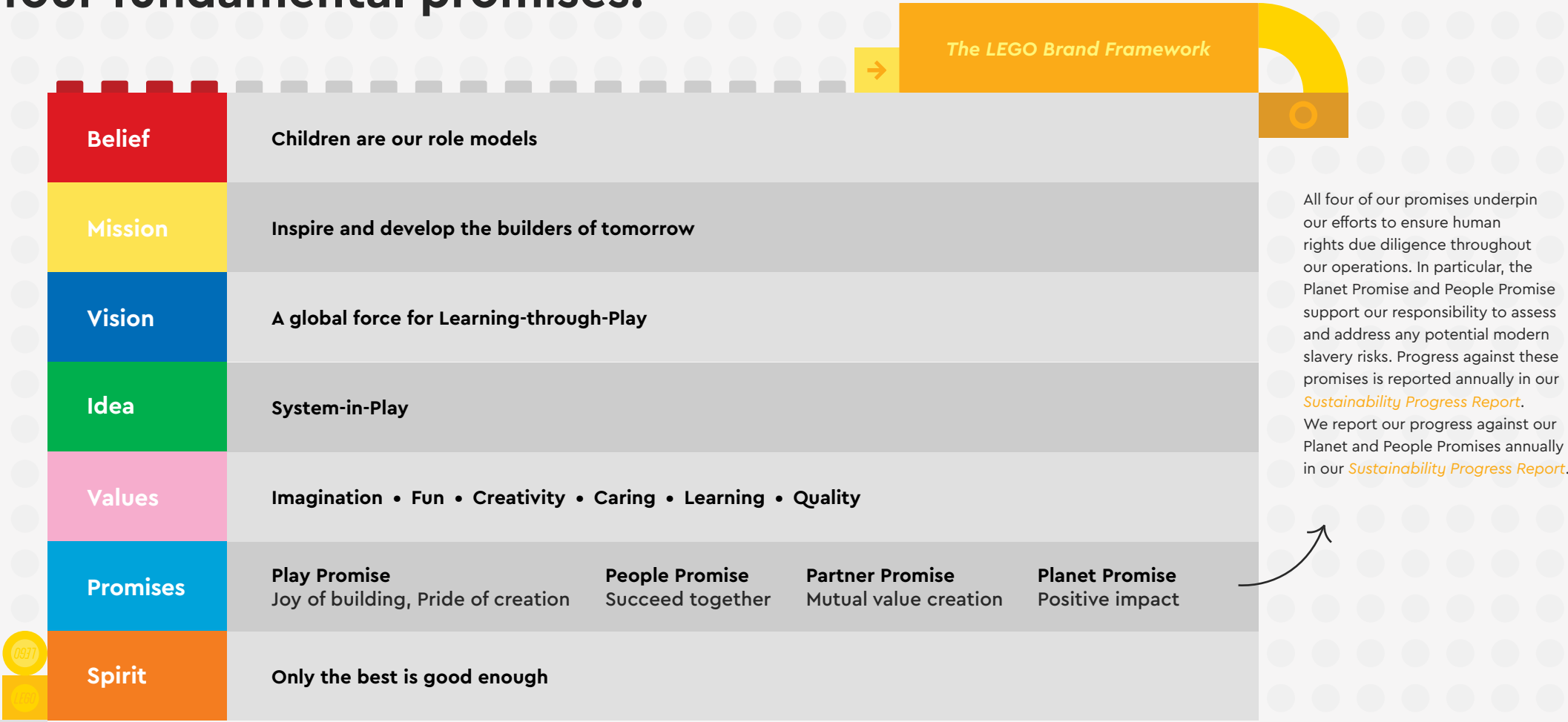
Customers include retailers, wholesalers, distributors, and consumers.

## Our consumers

Consumers are individuals who purchase our products. Our primary consumers are parents and caregivers who purchase LEGO products and experiences for their children, as well as adult fans, grandparents, and gift givers.

**Our factories and our suppliers are detailed on page 6**

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



# LEGO® factories and supplier locations

## European suppliers

- 2 Austria
- 2 Belgium
- 6 Czech Republic
- 11 Denmark
- 9 Germany
- 5 Hungary
- 1 Ireland
- 7 Poland
- 2 Slovakia
- 1 Spain
- 6 Sweden
- 1 Switzerland
- 3 The Netherlands
- 2 UK

20 Mexico

Brazil 1

## # Our Suppliers

109 direct suppliers in 2022  
Supplies: Raw materials, parts, and finished goods

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](https://www.lego.com).

We also require that all sub-suppliers<sup>2</sup> 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.

## Our manufacturing facilities

We own and operate five manufacturing sites in three continents. These factories are located close to our largest markets. By 2025, there will be two new factories manufacturing for the LEGO Group, one in Ho Chi Minh City, Vietnam currently under construction and one in Virginia, USA with ground breaking in 2023.

### Billund, Denmark

750 colleagues\*  
Moulding  
Supplies: Europe, Middle East & Africa\*\*

### Kladno, Czech Republic

3,400 colleagues  
Processing & packing  
Supplies: Europe, Middle East & Africa

### Nyíregyháza, Hungary

3,200 colleagues  
Moulding, processing & packing  
Supplies: Europe, Middle East & Africa

### Monterrey, Mexico

4,900 colleagues  
Moulding, processing & packing  
Supplies: The Americas

### Jiaxing, China

1,400 colleagues  
Moulding, processing & packing  
Supplies: China and Asia

### Ho Chi Minh City, Vietnam

Up to 4,000 colleagues planned when operational  
Moulding, processing & packing  
Will supply: Asia

### Virginia, USA

Over 1,700 colleagues planned when operational  
Moulding, processing & packing  
Will supply: The Americas

China 22

South Korea 1

Thailand 1

Taiwan 2

Indonesia 1

2. A sub-supplier is a manufacturing site where LEGO branded items and/or materials that are being produced are not being delivered directly to the LEGO Group, but instead to a supplier of the LEGO Group.

\*Figures represent approx. data from December 2022  
\*\*Primary markets

# Responsible Business Principles

Our Responsible Business Principles (RBP) set 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 International Labour Organisation (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.

The LEGO Group supplier definitions:

- **Direct suppliers** provide materials, components, or items used in finished LEGO products
- **Sub-suppliers** are manufacturing sites, providing the same as direct suppliers, but where the LEGO branded items and/or materials that are being produced are not being delivered directly to the LEGO Group, but instead to a supplier of the LEGO Group
- **Indirect suppliers** are suppliers of supporting goods and services not for re-sale, such as; marketing, distribution, professional services, facilities and capital equipment

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

It includes a focus on modern slavery, highlighting 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 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 zero tolerance 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.

## Responsible Business Principles



- 
- 1 Business is conducted with transparency and integrity
  - 2 Work is voluntary
  - 3 Workers are treated equally and with respect
  - 4 Workers have the right to freedom of association and expression and access to grievance mechanisms
  - 5 Employment practices and relationships are clearly documented
  - 6 Working hours are reasonable
  - 7 Workers are paid fair wages
  - 8 Vulnerable workers are protected
  - 9 Workers' health and safety is protected at work
  - 10 Child labour is prohibited
  - 11 Workplaces are family friendly
  - 12 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](#).

# Human rights policies

In 2022, the LEGO Group released its "*Human Rights and the Rights of Children Policy*" to replace the previous Responsibility and Human Rights Policy.

This policy gives a greater focus on our human rights commitments including the rights of children, demonstrating how we live up to these across all our business operations. This revision increases clarity to our commitments and provides a proactive and enabling document to move forward in our strategy aims. It will continue to act as a foundation for the activities that we are involved in, linking together other policies that support our People Promise and our Planet Promise.

The Human Rights and the Rights of Children Policy was approved by the LEGO Group Corporate Compliance Board, appointed by the Executive Leadership Team and therefore ensuring approval from the most senior levels of the organisation.

This policy sets the framework for specific actions in this area across our own operations and our entire value chain.

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 ensure sourcing conflict-free minerals used in our products.
- *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.
- *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.

## Child Rights commitments

In 2022, we reaffirmed our commitment to children's rights and well-being throughout our entire value chain with the new Human Rights and the Rights of Children Policy.

The policy outlines our heightened ambition level and commitment considering the voices of children in our business decisions whilst promoting their safety and well-being. It also highlights our responsibilities towards assessing and preventing the risk of adverse impacts to children as a distinct and vulnerable group. This will allow us to ensure that we continue to keep children safe and are able to address the root causes of risks to children's rights and well-being, as well as develop effective processes to mitigate and remedy risks if needed.

## Conflict Minerals policy and process update

The updated conflict minerals policy highlights our continued commitment to respecting human rights in our own operations and global supply chains, ensuring focus in potential high-risk areas of our supply chain.

This 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 2022, we have collected data from our direct electronic component suppliers using industry standard survey tools including the Conflict Minerals Reporting Template (CMRT) and Extended Minerals Reporting Template (EMRT) issued by the Responsible Minerals Initiative (RMI). We have verified this data against the Active/Conformant Smelter and Refiner (SOR) list to check if SORs have been audited and to access the summaries of their audits. We can therefore confirm that only minerals and metals from approved SORs have been identified in our supply chain.



# 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 is addressed. It is understood that this is an ongoing activity, 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 ultimately 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 include the new Corporate Sustainability Reporting Directive, as well as the Corporate Sustainability Due Diligence Directive, which is still being negotiated. We also remain engaged in discussions with varied global forums on ESG-based metrics for corporate sustainability reporting for large global companies. Alongside the above, we are monitoring related legislative initiatives on combatting modern slavery and forced labour.

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

## 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 various 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 on their performance 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 included in the audit programme.

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. By developing a LEGO specific audit methodology, we can focus on particular 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. Suppliers must provide full access to the site and relevant documentation and make available randomly selected employees for confidential interviews. The frequency of audits depends on level of risk, taking

into account factors such as country risk and past audit performance against the LEGO RBP.

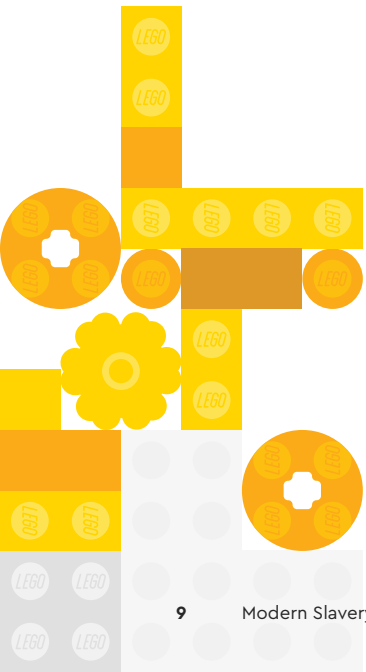
In 2022, the Responsible Sourcing team carried out a stringent review on how country risk is assessed. Following this, starting in 2023, the Country Risk Matrix will be based on a number of sources to ensure risk is assessed against all four pillars of our RBP. Some of our data sources include:

- 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).

We use country risk ratings as a key determining factor in several processes. 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.

Transparency and accountability are paramount to the LEGO Group which is why we continue to increase the information we share in the annual Sustainability Progress Report, providing more details on the types of higher risk non-conformities identified and the related remediation status.



### Grading non-conformities

Non-conformities identified through supplier audits 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 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 takes a zero-tolerance approach to issues related to forced or child labour and such issues will be treated with the highest urgency if identified.

### Monitoring licensing partners

We also work in close collaboration with our licensing partners by systematically monitoring and assessing compliance to our RBP through third-party audits provided by the partners. The 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.

### 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).

### Audit challenges in 2022

During 2022, the continued impact of the pandemic, especially in Asia affected the ability to conduct onsite audits. In order to ensure continued compliance, we worked closely with suppliers to arrange for audits to be carried out safely wherever possible. This collaboration resulted in all audits in the region being successfully completed. However, in other regions, further considerations such as site relocation and audit lead times meant that audits were delayed, leading to 94% of scheduled audits being completed onsite in 2022.

Where onsite audits weren't possible in 2022 we used a virtual audit toolbox to complete assessments. This toolbox was first introduced in 2020 and continues to provide an effective method of ensuring oversight and compliance where necessary.

The limit on face-to-face interaction with suppliers has been a challenge in supporting suppliers to resolve non-conformities. It has however allowed the Responsible Sourcing Operations team to develop new ways of engaging with suppliers, with a need for robust supplier communication strategies. This included an expanded use of online supplier training on the RBP, focusing on labour practices, internal monitoring systems and identifying root causes.

Read more on our Capability Building programme, including our training academy [here](#)

We continue to expand the range of bio-based LEGO® elements made from Brazilian sugarcane to create bio-polyethylene (bio-PE), a soft, durable, and flexible plastic. There are currently almost 200 elements made from bio-PE, such as LEGO botanical elements and Minifigure accessories. At least one of these bio-PE elements can be found in more than half of our boxes. We also make sure that the sugarcane used to make these elements grows at the same rate as we use it, is sourced sustainably using guidance from our partner WWF and doesn't compromise food security. Shifting to plant based materials for these components is a key part of our journey and commitment to making LEGO products from more sustainable materials.

Other 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 which includes a requirement to only source from smelters and refiners participating in the Responsible Minerals Assurance Process (RMAP) or an equivalent globally recognised standard. In 2022, the LEGO Group became affiliate member of the Responsible Business Alliance (RBA) and a member of the Responsible Minerals Initiative (RMI). Through this we are able to implement OECD-aligned minerals supply chain due diligence using industry recognised tools and resources.

We also acknowledge the risks in our licensing supply chain. However, risks are more diverse in licensing partnerships: 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.

### Strengthening grievance mechanisms

We recognise that grievance mechanisms (e.g. compliance or worker 'hotlines') can provide an important channel for workers to raise issues and to report on non-conformities and therefore enable the LEGO Group to respond and address these concerns.

Our commitment to providing access to grievance for employees, workers in our supply chain, and external stakeholders (including customers) is activated through providing clear access to grievance channels:

- **The LEGO Compliance Line** is our global 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 by all, at any time, and in any language without fear of retaliation. In 2022, the [LEGO Compliance Line](#) became available for external parties through promotion on LEGO.com.
  - **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 IETP** (International Council of Toy Industries 'ICTI' Ethical Toy Program) **worker hotline** is also available to our suppliers in China that are part of the IETP programme.
- See more about our work with IETP [here](#).

In 2022, we continued to work with our auditing partners to ensure that effective communication of the LEGO Group Worker Voice mailbox is adequately assessed as part of the RBP auditing programme. An additional programme focused on enhancing the promotion of this mailbox to workers in our supply chain has also been continued including posters, information cards and training. The promotional material has been provided in key languages appropriate for our supply chain (English, Chinese and Spanish) and workers are able to respond in any language. Through follow-up and corrective actions made off the back of concerns identified through the Worker Voice mailbox, several improvements have been made and worker satisfaction rate has increased significantly as verified during follow-up RBP audits and worker interviews.

**52 suppliers have also attended grievance management systems training with positive results, as part of our capability building programme.**

Learn more on our capability building successes in 2022 [here](#).

In 2023, we will further evaluate various effective assessment mechanisms outside of audits to ensure that our Worker Voice mailbox is fully communicated throughout our supply chain. We will also be strengthening our worker hotline by integrating into a third-party operational grievance mechanism enabling enhanced reporting and addressing of any human rights concerns.



### Identifying vulnerable workers in our supply chain

Under Section 8 of the RBP, vulnerable workers include temporary, agency, home, migrant and pregnant workers. Throughout 2022, we have focused on identifying where agency workers exist within our supply chain and supporting factories in ensuring that their RBP management systems include protecting ALL workers in their facility including those considered vulnerable as above.

Based on our risk mapping, we know that vulnerable workers in our supply chain are also at the highest risk of modern slavery or forced labour.

We have shared a guidance document with our suppliers which includes the following topics:



#### Responsibility Foundations

- 8.1 All legal obligations and limitations regarding recruitment and employment of young workers, below the age of 18, are adhered to.
- 8.2 Workers below 18 years of age are protected from any hazardous work, night shifts or any kind of work that may negatively impact their health, safety or well-being.
- 8.3 Vulnerable workers, including temporary workers, agency workers, home workers, migrant workers and pregnant workers, who may be subject to less protection under national law, are provided with equal benefits and opportunities as other workers.
- 8.4 Factory managers are responsible for ensuring the **Responsibility Foundations** are applied to all workers on their site whether they are directly employed or engaged through an agency.

8.5 Where agency or migrant workers are hired, processes must be in place to ensure that workers do not pay recruitment fees to gain employment. In cases where a fee was collected, the worker must be promptly reimbursed by the supplier.

8.6 All workers on the premises, including agency workers, must be documented and have the right to work legally with records of the proof maintained.

#### Best Practice Benchmarks

8.7 Where agency workers are used, there is a clear written agreement with the agency to safeguard the rights and welfare of workers covering health and safety, employment terms, compensation and equal opportunities. Compliance with this agreement is monitored regularly.

- Responsibilities of factory management to protect vulnerable workers (whether employed directly or indirectly)
- How to ensure that for those employed through employment agencies, their worker rights are safeguarded
- How to ensure employment agents follow the RBP
- The importance of relationship management with employment agencies, including good communication and ongoing dialogue
- Data accessibility for verification and audit processes

In 2023, we will continue to work alongside our suppliers and partners to establish full visibility of vulnerable workers in our supply chain and the potential associated risks.

## 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.

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.<sup>3</sup> 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 2022, this KPI was set as no more than 36% of audited suppliers to have higher risk non-conformities.

**We identified higher risk non-conformities in only 25% of audits undertaken, which in part indicated that capability building and supplier engagement continue to have a positive impact on suppliers.**

None of these identified higher risk non-conformities in 2022 detected any forms of modern slavery, forced labour or human trafficking.

We report this KPI in the annual Sustainability Progress Report and it is regularly reviewed throughout the year by the Responsible Sourcing teams, 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.

Our focus in 2022 has been to identify and measure the impact our capability building programme has had on our suppliers. We will continue this in 2023 alongside ensuring systems are in place to monitor the success of all strategic ambitions.

Learn more on our capability building successes in 2022 [here](#).

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

3. 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.



## MOST CRITICAL RISKS IDENTIFIED AND ADDRESSED IN 2022

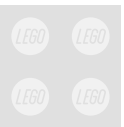
### Overtime policies

Towards the end of 2022, a zero-tolerance non-conformity was identified in one supplier factory relating to inappropriate overtime policies and processes that posed a risk of workers being unable to refuse overtime. As a potential forced labour indicator, this was immediately investigated to eliminate the concern that forced labour was happening in this factory. Although no modern slavery was identified, it was recognised that a policy and process change was necessary at factory level to make sure this wouldn't happen in the future.

The Responsible Sourcing Operations team, in collaboration with the Procurement team, held multiple engagement meetings with the factory to discuss how this can be improved. Support and guidance were provided, leading to remediation steps being taken by factory management, including a revised policy and increased communication to workers on the voluntary nature of overtime. Allowing time for the new policies and procedures to be fully implemented into the factory and communicated to all staff, an audit is planned in the first half of 2023 to verify the improvements.

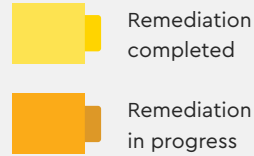
### Excessive overtime

In 2022, two supplier factories were found to have zero-tolerance non-conformities relating to excessive working hours. Following investigation, worker absences due to COVID-19 were cited as the reason and immediate improvement was agreed. Regular submission of working hours documentation was requested and reviewed with limited progression at first. However, through collaboration between the Responsible Sourcing and LEGO Procurement teams, alongside the supplier, working hours were verified as improved.



# Higher risk non-conformities in 2022

Category split – % of total higher risk non-conformities



## 2022 audit results

In 2022, 25% of audits identified higher risk non-conformities. The most frequently identified higher risk non-conformities remained related to excessive working hours and lack of adequate record keeping, with health and safety concerns also notable. No audits identified any form of modern slavery, forced labour or child labour.

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.





# 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 regarding 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 whistleblower infrastructure (LEGO Compliance Line) provides employees with another reporting method.

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 2022, procurement colleagues have been embedded in the capability building programme, and invited to many of the training options alongside suppliers.

Direct training with our suppliers and licensing partners also plays a big role in understanding, addressing, and mitigating against 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 of suppliers and risks identified. 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, we now provide them all with the opportunity to cascade the learnings through their supply chain.

Joining forces with our partners is a 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.

**“ It was the first time I participated in the LEGO Group training; it was super good! The training is beneficial to us. There are lots of takeaways which we can use to develop our training deck to suppliers. Looking forward to the further training opportunities.**

— Licensing partner who completed grievance management systems training.

Continued learning remains a priority for colleagues within the Responsible Sourcing teams who constantly seek insights and inspiration from external training, through peer-to-peer engagement in multi-stakeholder initiatives and strong industry networks. Identifying and resolving complex challenges in global supply chains requires our Responsible Sourcing teams to keep up to date with upcoming regulations globally; to be aware of potential risks arising in the world, and to keep an eye on emerging technologies that can support our programme in a fast-paced environment.

# Capability building in 2022

80%

of **PROCUREMENT COLLEAGUES** (241) completed forced labour e-learning

94%

of **GLOBAL PROCUREMENT COLLEAGUES** completed RBP e-learning

62%

of the **WORKFORCE OF THE FACTORIES** that participated in the Quizrr pilot have been trained on their workplace rights. This equates to

3,500 **WORKERS**,

82% of which were non-management.

84 participants from 52 suppliers attended grievance management systems training, with a

99%

**SATISFACTION RATE**

71%

**DIRECT SUPPLIERS** completed RBP e-learning

80%

of **DIRECT SUPPLIERS** indicated that improvements have been made to their grievance systems.

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. We equip them with the knowledge and tools required to increase their capabilities and compliance level. The aim is to ultimately establish their own management systems 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 ultimately improve compliance and worker conditions.

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

- **'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 training on a variety of topics. In 2022, this included:
  - Responsible Business Principles – an introduction
  - Forced labour prevention for factories
  - Preventing bullying, harassment, and sexual harassment
- **'Advanced training'** provides a more in-depth off-line training, enabling a more focused approach to identified risks and/or concerns. In 2022, this has included:
  - Six-month pilot with 19 suppliers in Mexico and China, to train workers in our supply chain directly on their workplace rights through a digital training platform (Quizrr)
  - In person training sessions on grievance management systems in China for multiple suppliers
  - Three-day 'Social Compliance Management Systems' training for four suppliers in Indonesia and Thailand
- **'Targeted training'** provides a tailored approach to specific suppliers which in 2022 has included:
  - Six-month training programme deployed to a strategic supplier in China with identified lower level of RBP performance

+98%

of **WORKERS & MANAGEMENT** say they 'learned something new' from the Quizrr training

92%

of **LICENSING PARTNERS &**

88%

of **LICENSING PARTNER FACTORIES** completed the RBP e-learning

# Case studies

## Responding to concerns raised through the LEGO Workers Voice Mailbox

Following the promotion of the LEGO Worker Voice mailbox with all direct suppliers, the Responsible Sourcing team began to receive and review messages from workers through this channel from a newly onboarded supplier in Thailand.

The concerns ranged from insufficient health & safety measures to poor facilities and were submitted anonymously in the workers' own language. Through investigation into these reports, it was recognised that the factory had poor management systems particularly related to employee grievances and would benefit from support and guidance.

A working group was established between Responsible Sourcing, Procurement and Quality colleagues in the LEGO Group to ensure we were communicating to factory management with a single voice.

Local COVID-19 restrictions created challenges for both parties in this process, which is why we doubled

down on creating more regular communication with the factory alongside establishing virtual tours of the facility to make sure we were able to oversee progress.

The management was invited to take part in multiple 'light touch' e-learning trainings as part of the capability building programme but was also invited to join a three-day course on 'Improving Management Systems'. This course aimed to provide the tools to enable the factory to put in place robust policies and processes to protect workers, ensuring the responsibility foundations of the RBP were being met. The training, support, and guidance have been well received by the factory and follow-up audits have identified significant improvements and implementation of all suggested actions. Improved methods of communicating with their workforce has now been established. This included conducting a worker survey to understand worker needs and complaints, which encouragingly has resulted in an increase in worker satisfaction levels.

Additionally, the factory has continued to work with local support to develop their management systems and grievance mechanisms as arranged by the LEGO Group.

## Supporting factories on their management of agency workers

In 2022, we worked with the ICTI Ethical Trade Program (IETP) to ensure agency workers (workers employed through agencies) were covered in the audit scope and so requested 'add-on

audits' where required to assess any potential risks in factories where agency workers are commonly used.

These audits identified that a factory in China had multiple non-conformities relating specifically to workers that were employed through agencies (e.g. security staff), ranging from insufficient contract clauses, and inaccurate time records to lack of sufficient rest days.

Through dialogue with the supplier, it became clear that the factory management lacked experience managing agency workers.

We created clear guidance for suppliers on how to include agency workers in their RBP management system and provided regular follow-up support in how to implement this in the factory.

The factory was recommended to carry out senior level meetings with their employment agencies to secure their commitment to working together to make the necessary improvements. We also suggested that experts from the factory's HR and admin departments were appointed to train agents to establish clear policies and procedures for employment practice and working hours management. Follow-up audits identified that the majority of non-conformities were closed within 3 months. The factory has also been supported with internal audit tools and training to enable management to carry out in-house verification of agency workers and agent management to prevent re-occurrence.



# Working with others

We continue to leverage memberships of multi-stakeholder initiatives and organisations such as the Nordic Business Network for Human Rights, ICTI Ethical Toy Program (IETP), and Responsible Business Alliance (RBA) to identify best-practice approaches to protecting vulnerable workers and upholding human rights.

Through these memberships, and alongside 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.

## ICTI Ethical Toy Program (IETP)

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

We also participate in **IETP Family Friendly Spaces program** in China which includes factory summer camps and migrant parent trainings.



These initiatives are in line with the LEGO Responsible Business Principle of Family Friendly Workplaces and brings 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 and trade association and civil societies alongside other stakeholders to **strengthen collaboration** and drive for more responsible and sustainable value chains.



## UNICEF

The LEGO Group has partnered with UNICEF since 2015 and within 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 efforts to implement the Principles through our 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.



UNICEF does not endorse any company, brand, product or service.

## 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 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.

We **collaborate** with RBA members and suppliers through **working groups and multi-stakeholder initiatives** as well as engaging in RMI workshops to discuss how to improve 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 15 member companies. The Danish Institute for Human Rights takes the role of secretariat and moderator of the network.

In 2021, a **joint statement** was signed by the LEGO Group alongside 11 other companies in the NBNHR in support of EU legislation on mandatory human rights due diligence.



## Centre for Child Rights and Business

The Centre for Child Rights and Business 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.



# Internal accountability and governance

## 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 Central Team** sits 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** sits 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 Responsible Sourcing teams.



# Future strategy

As we end one sustainability strategy period in 2022, we evolve into another cycle towards 2025 and beyond. Within this, our focus will be on enhancing a systematic **Human Rights & Environmental Due Diligence Approach** across the LEGO Group supply 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 over the 3-year period:



## 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.
- 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.
- Review our **Responsible Business Principles** to ensure that they are appropriate for all areas of our supply chain, include a clear environmental focus and are aligned with expectations of our stakeholders.



## 2. Accelerate the decarbonisation journey

- Focusing on **environmental impacts and risks** and to support the LEGO Group's **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 responsible sourcing is embedded throughout the organisation.



## 4. Transparency of supply chain risks

- 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

- 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.

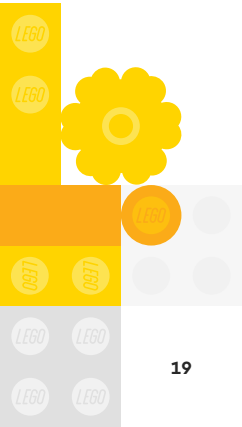
### Further efforts

To ensure fit for purpose, 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 ongoing 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 a broader human rights due diligence approach based on the UN Guiding Principles.





# 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 of Directors on 1 March 2023.

**Thomas Kirk Kristiansen**  
Chairman of the Board