



## THE LEGO GROUP – MODERN SLAVERY & TRANSPARENCY IN SUPPLY CHAINS STATEMENT

This statement has been published in accordance with the requirements of the California Transparency in Supply Chain Act of 2010 and the United Kingdom Modern Slavery Act 2015. It sets out the steps taken by the LEGO Group to prevent modern slavery and human trafficking in its business and supply chain during the year ending 31<sup>st</sup> December 2017.<sup>i</sup>

### Introduction

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

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

We recognise that 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, however small, and to take steps to prevent and mitigate these wherever possible.

### Our business and supply chain

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

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

Our core product is mainly manufactured at our own LEGO facilities in Denmark, Hungary, Czech Republic, Mexico and China. We publish an annual LEGO Group Supplier List on our website, covering the main suppliers who provide raw materials, parts and finished goods to the LEGO Group. These suppliers are predominantly located in Europe, Mexico and China.

### Policies & Certification

Our **Responsibility & Human rights policy** ([www.lego.com/responsibility](http://www.lego.com/responsibility), see 'Our Policies & Reporting') sets the framework for specific actions in this area across our own operations and our supply chain.

A key component of our approach is the requirement that all our suppliers and, where relevant, business partners, must sign and comply with the **LEGO Group Supplier Code of Conduct**. This forms part of the contractual agreement with suppliers and is a means of self-certification to the requirements in the Code. 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 Code clearly states that ‘forced, bonded or compulsory labor, including forms of modern slavery such as trafficking’ must not be used or benefitted from. The Code defines forced, bonded or compulsory labour as *‘forcing people to work against their will or under pressure from threat or 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. All of the above can represent subtle forms of forced labour and so are considered high risk non-conformities.

The Code also requires suppliers to have grievance mechanisms in place to allow workers to raise concerns on a confidential basis, without fear of retribution.

### **Verification & Supplier Audits**

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

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

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

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

We regularly assess our human rights risks and impacts, through a combination of internal assessments and consultation with external stakeholders. During 2017, we further extended the scope of our risk assessment to new categories including goods and services not for re-sale, such as marketing materials and facilities management.

We also reviewed our use of minerals in LEGO products (eg in electronic components) and introduced a new LEGO Group policy on conflict minerals with supporting due diligence processes ([www.lego.com/responsibility](http://www.lego.com/responsibility), see ‘Caring, Ethical & Transparent’). This policy defines our expectations for responsible minerals sourcing including a requirement to use smelters who are part of the Conflict Free Minerals Program or an equivalent globally recognised program.

We recognise that grievance mechanisms (eg 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. A number of our suppliers are part of the International Council of Toy Industries ‘ICTI’ Care Programme in China and workers at these sites have access to the ICTI worker hotline.

## Internal Accountability and Training

The LEGO Group Board of Directors holds the Executive Leadership Team accountable for ensuring that we live up to our commitments, including our Planet Promise, and always conduct business in an ethical and legally compliant manner.

The LEGO Group's Code of Business Conduct requires all employees to comply with the letter and spirit of all applicable laws, rules and regulations, which includes those regarding modern slavery and trafficking. All salaried LEGO 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. More details on the above, including the number of employees trained and issues raised via our compliance line, are reported in our annual Responsibility Report.

We also deliver regular updates to LEGO purchasers on the LEGO Supplier Code of Conduct to ensure that they have the necessary knowledge and skills to integrate the Code into their dialogue with suppliers.


## Assessment of effectiveness in preventing Modern Slavery

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

- The requirements set out in our LEGO Supplier Code of Conduct
- Training levels for LEGO staff
- Non-conformities in our direct supply chain
- Actions to further strengthen and extend our supply chain monitoring and verification
- Capacity building interventions to support suppliers in addressing root causes of non-conformities.

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

**Signed**



Chairman of the LEGO Group Board of Directors

**Date:**

August 29, 2017

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