

## Appendix

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

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

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

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

The LEGO Group consists of:

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

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

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

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

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

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

## Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

It includes a focus on modern slavery, highlighting practices that are not acceptable, including: excessive and involuntary overtime; withholding personal papers, deposits or compensation; and inappropriate loans and salary advances that tie workers to the workplace. In addition, the RBP includes a mandatory requirement that workers should not be required to pay recruitment fees or deposits to suppliers or agents to gain employment. In cases where a fee has been paid, the RBP requires that the supplier promptly reimburses the worker. All of the above can represent subtle forms of forced labour and are considered high-risk or critical non-conformities. The RBP also requires suppliers to have grievance mechanisms in place to allow workers to raise concerns on a confidential basis, without fear of retribution.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

**Future strategy**

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

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

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



### Approval

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

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

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

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



**Thomas Kirk Kristiansen**  
Chair of the Board