



The LEGO Group  
Responsibility Report 2018

# Imagine

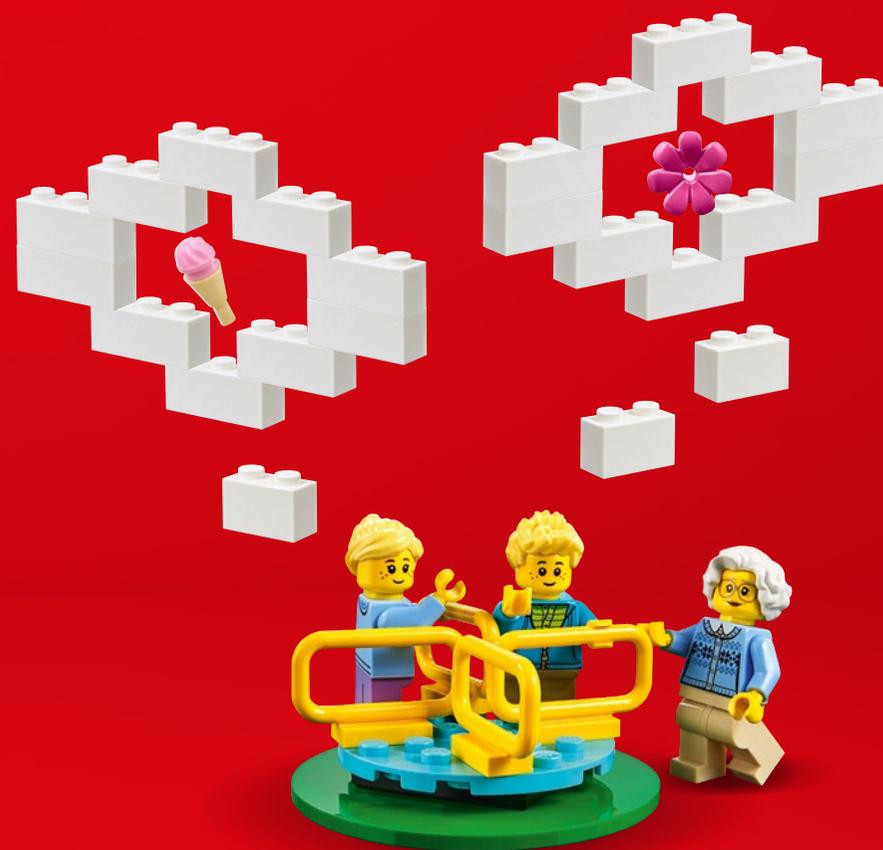


a more  
sustainable  
world

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**At the LEGO Group, we're committed to playing our part in helping to build a sustainable future, and through the power of play inspire the children of today to become the builders of tomorrow.**

Play helps all of us imagine and create a better, brighter world for children to inherit. Working with our partners and local communities, we will continue to do our very best to nurture these builders of tomorrow, their environment and communities.



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## This report is interactive

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## Owner's letter

# Through the eyes of a child...

**We believe children are our role models. Their inbuilt sense of curiosity, imagination and resilience inspires me every day – and is something I believe we can all learn from.**

These incredible natural abilities are honed and extended through play. Yet amidst the busy, achievement-oriented nature of modern life, playtime is under threat. Parents, educators, even children themselves are making less time for unstructured play and instead defaulting to structured learning and pre-planned 'play by appointment'.

This can – and must – change. Indeed, it's our ambition to make the simple, instinctive act of playing available to children all over the world. As a source of joy and fun, yes, but also as a way to learn and to lay the foundations for a bright future – where every child is able to achieve their potential.

Doing so has never been more important. Technology is transforming our lives, the world around us, and our workplaces almost beyond recognition. The world of the future will be built on sustainability and social responsibility. The next generation must bring with them a whole new range of capabilities.

Only by providing children with the time, space and encouragement to play today can we help them gain the skills they need to thrive tomorrow. Skills like collaboration, communication and, most importantly, creativity.

And we have to be honest with ourselves. It's not happening quickly enough.



As a company with play, learning and creativity in its DNA, we feel a sense of responsibility to lead the way into a new era of play. Indeed, ever since the words Leg Godt – 'Play Well' in English – were first put together by my great grandfather in the 1930s to create the name LEGO®, our mission has been clear: help children grow and develop through play.

This hasn't changed – nor will it ever. We will always believe in the power of play to enrich lives, bring people together and give children of all ages a springboard to thrive and succeed. That's why now is not a time for us to reflect but to act. A time to help a new generation of builders to shape their future. Brick by brick.

A handwritten signature in black ink, which appears to read 'Thomas Kirk Kristiansen'.

**Thomas Kirk Kristiansen**  
Representing the fourth generation owners of the LEGO Group



## A letter from the CEO

# Encouraging progress made in 2018

**How do we create a safer, more unified society, meet the shifting needs of the world in the 21st century and preserve the long-term health of our planet?**

Finding an answer to that question is, perhaps, our greatest challenge. One that will have far-reaching consequences for future generations and that's already re-defining daily life for people and businesses all over the world.

What's more, young people aren't sitting back and waiting for us 'grown-ups' to act. They demand change and they're committed to doing everything they can to make it happen. I receive many letters from children sharing their ideas for creating a better world.

These young people are the leaders, pioneers and game-changers of the future. We owe it to them – and those coming after them – to get the job started now – and give them a say in their future.

I'm pleased to say that, as a company, the LEGO Group is making progress.

We're using our position to **champion the importance of play**. We know that children learn when they play – and that play helps develop critical 21st century skills, such as creativity and collaboration. We continued our work in 2018 to bring the power of play to more children all around the world, including those in need, such as refugees and those who live in underprivileged communities.

We continue to work towards achieving **zero impact operations**. We strive to increase our waste and energy efficiency, continuing to balance our energy usage with renewables. And, we will continue to increase the use of sustainable materials in our products and packaging without compromising quality or safety.

Indeed, whether it's by promoting the power of play, becoming a more socially-active, sustainable business or **giving today's young people a voice** on the key social, environmental and community issues of our – their – time, 2018 saw us take many positive steps towards creating the future we aspire to. But the journey really is just beginning. Tomorrow starts today – and every single one of us is a part of it.



**Niels B. Christiansen**  
CEO of the LEGO Group



## Our responsibility approach

# Making a positive impact

The planet is facing challenges today that will have a significant impact on the lives of future generations. At the LEGO Group we want to make a positive impact on the lives of children, our colleagues, our community and the planet. We strive to inspire and develop children and to give them a voice on environmental and social issues.

Our responsibility approach is based on the LEGO® Brand Framework, which encompasses our mission, aspiration, values and the LEGO Group's Planet Promise. The UN Global Compact and the 17 Sustainable Development Goals provide a guiding framework for our strategy. Key partnerships with UNICEF and the World Wide Fund for Nature (WWF) inspire and challenge us as we strive to play our part in creating a sustainable future for our children.

## Children

### Our focus areas:

1. Inspire and engage children in learning through play
2. Inspire employees to become play ambassadors
3. Maintain the highest standards for quality and safety

## Environment

### Our focus areas:

1. Use resources sustainably
2. Invest in climate action

## People

### Our focus areas:

1. A safe workplace
2. Increase diversity
3. Support a responsible supply chain



# Responsibility ambitions and performance

## Children

### Our commitments and goals:

- Zero product recalls
- Reach more than 400,000 children through Local Community Engagement (LCE) activities
- More than 2,000 employees engaged in LCE activities

### 2018 performance

#### Product recalls

Result	Target
0	0

#### Children reached by LCE activities

Result	Target
839,120	≥ 400,000

#### Employees engaged in local community engagement activities

Result	Target
2,408	≥ 2,000

## Environment

### Our commitments and goals:

- Use sustainable materials in products by 2030 and packaging by 2025
- Eliminate waste from factories and offices by 2025
- Increase waste efficiency by 10% by 2020
- Maintain 100% renewable energy achievement
- Increase carbon efficiency by 10% by 2020

### 2018 performance

#### Recycled waste

Result	Target
93	≥ 93

#### Waste efficiency improvement

Result	Target
-3.4	≥ 3

#### Carbon efficiency improvement

Result	Target
11.3	≥ 10

## People

### Our commitments and goals:

- Zero accidents
- Gender balance at manager level positions and above
- Suppliers must abide by the LEGO Group's Responsible Business Principles

### 2018 performance

#### Injury rate with absence

Result	Target
1.3	≤ 1.4

#### Female managers appointed and recruited

Result	Target
43	≥ 40

#### Business integrity training

Result	Target
100	100

#### Percentage of suppliers audited

Result	Target
93	100

#### Percentage of suppliers with no non-conformities that require immediate correction

Result	Target
67	≥ 70



## Performance highlights

# We are on our way



### Sharing the gift of play

Through our #BuildToGive campaign, we helped brighten the holidays for over 520,000 children in need of play. During the campaign in November and December, LEGO® builders around the world were encouraged to build a holiday ornament with LEGO bricks. For each ornament created and shared at LEGO stores or online, we donated one LEGO set to our local charity partners in 20 countries.

### Making LEGO® products responsibly, brick by brick

We strengthened our existing Code of Conduct by introducing 12 new Responsible Business Principles, covering both mandatory and best-practice standards. The new principles ensure LEGO products produced around the world are done so responsibly, and all workers making LEGO products are treated fairly. The principles also ensure the protection of children and the environment.



### Learning, coding and problem-solving

As part of the RE:CODE London programme, we provided 3,000 primary schoolchildren with the opportunity to learn valuable 21st century skills such as coding and robotics. In 2018, the programme won the UK Digital Leaders Cross-Sector Digital Collaboration of the Year Award. Following the success of RE:CODE London, similar programmes are underway in other countries including China and the United States.



### Supporting children affected by conflict

To help the millions of children affected by the Rohingya and Syrian crises, the LEGO Foundation awarded \$100 million to Sesame Workshop and their efforts to bring the power of learning through play to children in need. The grant will benefit some of the world's most vulnerable children and help transform the way the humanitarian system serves children affected by crisis in early childhood. Working in partnership with the international development organisation (BRAC), the International Rescue Committee (IRC) and New York University's Global TIES for Children, the grant will aid refugee children in Bangladesh, Jordan and Lebanon.



## Performance highlights continued



### Thinking out of the (sustainable) box

We brought forward our ambition to use sustainable materials in all our packaging. With our original target set at 2030, we are now aiming to remove single-use plastic from our packaging by 2025. In 2018, we also introduced the How2Recycle® labels in the US, encouraging consumers to recycle their packaging correctly. We maintained our use of 100% FSC™ certified cardboard and paper which contained on average 75% recycled material.

### Towards our zero waste ambition

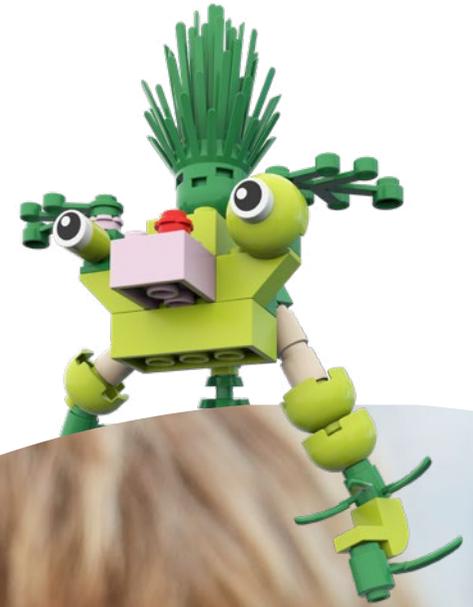
The LEGO Group aims to send zero waste to landfill by 2025, and in 2018 recycled 93% of all waste from our operations. Additionally, 100% of all plastic waste produced during the moulding of LEGO® bricks was recycled. This includes reusing some of the plastic resin in our own processes, as well as sending some of the waste to suppliers to be recycled and turned into other plastic products.

### Maintaining our 100% renewable record

We are proud to have maintained our 100% renewable energy achievement. In 2018, the total energy output from our investments in renewable energy was greater than the energy used at LEGO factories, offices and stores. We also installed over 4,000 solar panels at our new offices in Denmark, making it a highly energy-efficient workplace.

### Using real plants to make LEGO® trees

We introduced the first LEGO elements made from sustainable sources, a huge step on our journey towards our ambition of using sustainable materials in all our products by 2030. Our botanical elements such as leaves, bushes and trees, as well as more than 80 other elements are now made from plant-based plastic sourced from sugar cane.



## Sustainable Development Goals (SDGs)

# Our commitment to the UN Sustainable Development Goals



In 2003, we became the first toy company to join the United Nations Global Compact – the world’s largest corporate social responsibility initiative – and remain committed to this universal call to action to end poverty, protect the planet and to ensure that all people enjoy peace and prosperity.

Today, both the UN Global Compact and the 17 UN Sustainable Development Goals (SDGs) provide guidance for our responsibility approach. The LEGO Group is committed to making a positive impact for children, and therefore we are particularly inspired by SDG’s 4, 12, 13 and 17, which are the goals where we see our contribution making the greatest impact on the lives of children and the planet.

## Sustainable Development Goals (SDGs) continued



### Quality education

Ensure inclusive and quality education for all and promote lifelong learning.

We advocate for the transformative power of play to be adopted in education and early childhood development around the world. To do this, we provide high-quality products that stimulate learning through play, our LEGO® Education solutions promote play in the classroom, and partnerships and projects supported by the LEGO Foundation support education around the world. We also want to inspire and engage children on sustainability. In 2018, we held a series of sustainability focused 'Build the Change' events across the world and launched a LEGO wind turbine model containing an instruction booklet with interesting facts about climate change and wind energy.

Read more on page 17.



### Responsible consumption and production

Ensure sustainable consumption and production patterns by reducing, reusing and recycling.

The LEGO Group's biggest impact on the planet is the sourcing of materials used to make our products. We took a big step in our journey to use sustainable materials by 2030 and started to use plant-based plastic for our soft, flexible elements such as trees, flowers and bushes. We also increased our ambitions for sustainable packaging and now strive to use sustainable materials in packaging by 2025. We also aim to achieve zero waste by eliminating all waste to landfill from our operations by 2025.

Read more on pages 32 and 35.



### Climate action

Take urgent action to combat climate change and its impact.

Since 2017, we have balanced 100% of energy used at factories, offices and LEGO retail stores globally with energy from renewable sources. We do this through direct investment, by both KIRKBI A/S and the LEGO Group, in offshore wind energy and onsite solar energy. And we're going further, increasing energy efficiency and reducing CO<sub>2</sub> emissions per LEGO brick produced in our factories and working with key suppliers in our value chain to reduce their carbon impact.

Read more on page 38.



### Partnerships

Revitalise the global partnerships for sustainable development.

We work with strong and inspiring partners to make the greatest positive impact for children's development, the planet and our local communities. Our partnerships with UNICEF and the WWF provide a source of constant guidance, expertise and inspiration.

Read more on pages 23, 37 and 49.



# LEGO Foundation Builders of tomorrow

We believe in the power of play  
and in the potential of children.

The LEGO Foundation shares the overall mission of the LEGO Group – to inspire and develop the builders of tomorrow. We are dedicated to re-defining play and ensuring children develop the broad set of skills needed to thrive and succeed. The LEGO Foundation works to highlight the importance of children’s physical, social, cognitive, creative and emotional skills and how these skills complement and interact with one another. We call these the Five Holistic Skills.

## Did you know?

The LEGO Foundation owns 25% of the LEGO Group, and every year profits generated from the sale of LEGO® products are used to support learning through play activities around the world.

## Why do we need to re-define play and learning?

Play is under threat and extremely undervalued, not only as a source of fun for children, but also as a means of learning and development. This stems from the misconception that play is something we do outside of the sphere of learning and development – that it’s a ‘nice to have’ rather than a ‘need to have’. We need to change the perception of play, so people recognise how essential it is.<sup>1</sup>

<sup>1</sup> [https://www.legofoundation.com/media/1062/learningthroughplay\\_leaflet\\_june2017.pdf](https://www.legofoundation.com/media/1062/learningthroughplay_leaflet_june2017.pdf)

## The Five Holistic Skills:

- Cognitive
- Emotional
- Social
- Physical
- Creative



**LEGO Foundation** continued

**Helping refugee children through play**

The scale of the global refugee crisis is staggering. Today, 12.5 million children are refugees and they are expected to be displaced for an average of 10 years. This means that millions of children are spending a significant part of their childhood without access to adequate early childhood development opportunities.

Less than 3% of the global humanitarian aid budget is currently dedicated to education, with only a small fraction benefiting young children. This is despite clear evidence that early childhood interventions have immediate and long-term benefits for both children and their communities.

In December 2018, the LEGO Foundation announced a donation of \$100 million to Sesame Workshop. The money will be allocated to bringing the power of learning through play to children affected by the Rohingya and Syrian refugee crises. With partners in the international development organisation (BRAC), the International Rescue Committee (IRC) and New York University’s Global TIES for Children, the programme will support children in Bangladesh, Jordan and Lebanon. It will also support the development of critical new insights into effective models of learning through play for children affected by crisis.

“Research shows that not only is play vital for children’s psychological, emotional and cognitive health and development, but it also hones the resilience they need to overcome adversity and build their futures. By providing play-based learning to children in crisis, we can help mitigate the detrimental, long-term effects of displacement and trauma, ultimately giving a generation of refugee children a path forward.” – John Goodwin, CEO of the LEGO Foundation.

“**With the LEGO Foundation’s extraordinary award, Sesame Workshop and our partners have an unprecedented opportunity to reach and teach some of the world’s most vulnerable children by harnessing the power of learning through play.”**

Jeffrey D. Dunn, President & CEO of Sesame Workshop



## Listening to our children



At the LEGO Group, children are our role models and we take their views and concerns seriously. Children are the builders of tomorrow and we believe understanding the issues that matter to them is critical if together we are to build a more sustainable planet. That's why we've undertaken research with children around the world, asking them to express their worries, hopes and dreams using LEGO® bricks. We were surprised and inspired by what they shared, and you'll see their answers throughout this report. 



In 2018, we spoke to children and their parents in some of our key markets to identify their worries, hopes and dreams, and will use this research to shape our ongoing responsibility approach.



## Learning through play

# Play is powerful



### Did you know?

The name 'LEGO' comes from the Danish phrase 'LEg GOdt', which means 'play well'. Play is what we're all about – it's even in our name.

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. The great and powerful thing about play is that children can build valuable life skills while they have fun.

According to our LEGO® Play Well report, published in August 2018, 83% of children say they learn more, and learn better, when there is play involved. 93% of parents and 81% of children believe that play should be an integrated part of educational settings. However, 64% of parents believe their children have fewer opportunities to play than they did as a child.

Given the many benefits of play, we want to ensure that parents, caregivers and teachers around the world inject more play into their homes, schools and communities.

## Learning through play continued



### Our playful approach to inspiring children, employees and communities

At the LEGO Group, we believe creativity is linked to innovation and to problem-solving – the twin drivers of economic growth in many economies. According to a recent World Economic Forum report, “65% of children entering primary school today will ultimately end up working in completely new job types that don’t yet exist” and it cites creativity as one of the top three skills the workers of tomorrow will need. We want to help develop children’s critical life skills, so they become creative thinkers who are ready to solve the challenges of the future.

**At the LEGO Group, we want to encourage all employees to become LEGO® play ambassadors.**

*Definition – Play ambassadors are adults who are inspired by children’s innate creativity, curiosity and unstoppable appetite to question, learn and problem-solve. They understand how play supports the development of these skills and believe that by injecting play into our everyday lives, we can reconnect with these abilities, improve our work, and have fun together. Play ambassadors infuse play into their work, their homes and local communities to inspire and develop children.*

Employees begin their journey with the LEGO Group by taking the PlayStarter course, to gain a deeper understanding of learning through play. Once a year, the LEGO Group celebrates Play Day, a day set aside exclusively for all LEGO employees to play and get a hands-on experience of enthusiastic play. From there, employees can sign up for our Play Agent programme where they learn how to facilitate exciting and engaging play sessions in their communities.

Our employees are encouraged to bring their enthusiasm for play to their communities through our Local Community Engagement (LCE) programme. It operates in 26 countries around the world and we are working hard to expand it even further. The programme relies on thousands of passionate LEGO employees and support from the LEGO Foundation and LEGO Education.



## Learning through play continued

### Our performance

In 2018, we continued to grow our level of engagement with children around the world, inspiring them with fun and exciting activities designed to support learning through play.

We are particularly proud that this year we reached almost 840,000 children in our local communities. Some of the highlights from the year include:

- Through the #BuildToGive campaign we donated more than 520,000 LEGO® sets to children in need of play.
- Over 270,000 children participated in one-off play activities such as Build the Change. This is a programme that gives children the opportunity to use LEGO bricks to express their ideas to create positive change for their society and environment. Build the Change events were held in 15 countries around the world. One example was in Monterrey, Mexico, where over 17,000 children and their families used LEGO bricks to show how to improve their local parks and make them more playful and exciting for the whole family.

- As part of our LCE programme we have a strategy to develop long-term partnerships with charities and schools focusing on developing 21st century skills. In 2018, 7,000 children directly benefited through these partnerships.
- 2018 was a record year for LEGO Play Ambassadors, with more than 6,000 employees trained in the Play Starter programme and more than 1,000 employees and external partners trained as Play Agents.
- More than 2,400 employees volunteered to support children play at events in their local communities.

#### Commitment

**Engage ≥2,000 employees in local community and employee engagement play activities.**

#### Performance

**Engaged >2,400 employees in activities supporting children in their local communities.**

For more results, see our full results table on page 53.



#### Performance

#### Reached

# 840,000

children in our local communities in 26 countries, supporting them to create, play, learn and have fun.

#### Commitment

#### Reach

# ≥400,000

children through our local community play engagement activities and help brighten the holidays for children in need of play.





I would like to see a world where we would help each other. Take care of each other. Be safe and healthy. Keep everything clean. Put things in the bin. Everyone has toys and lots of fun.



Malakai, 9, US



## Our stories

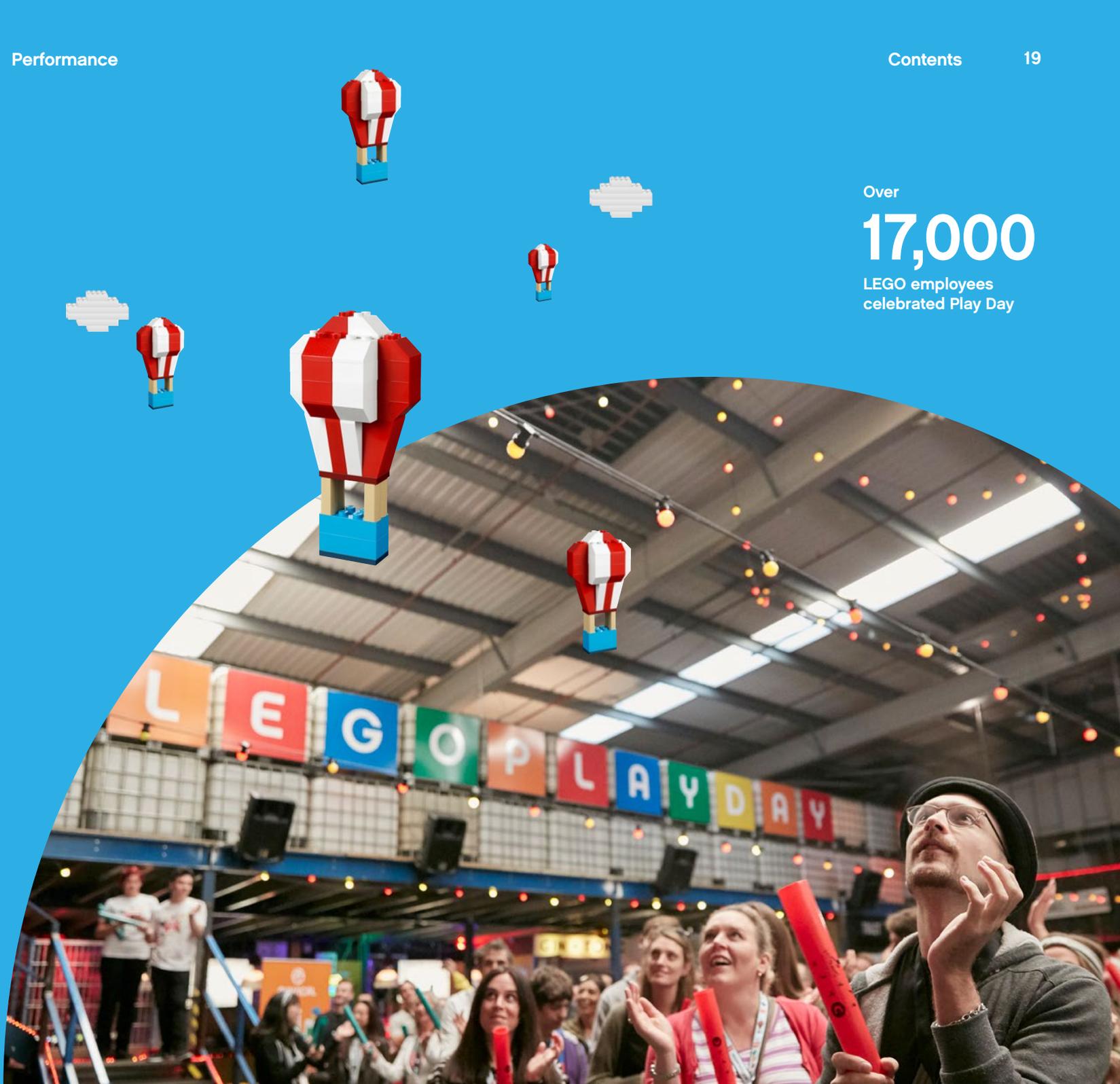
# Play Day!

In September, more than 17,000 LEGO® employees gathered together to celebrate our second ever LEGO Play Day.

Employees were engaged in hands-on play activities. These have been designed to support and communicate the development of the Five Holistic Skills that children develop through play, and underpin learning for life (creative, physical, social, cognitive and emotional). Activities included building LEGO blindfolded, learning magic tricks with LEGO bricks, solving challenging puzzles, painting and building, and driving LEGO cars.

80% of participants surveyed said that Play Day had increased their awareness of the Five Holistic Skills, playing an important part in supporting employees to become play ambassadors.

Over  
**17,000**  
LEGO employees  
celebrated Play Day



Our stories continued

# Coding around the globe

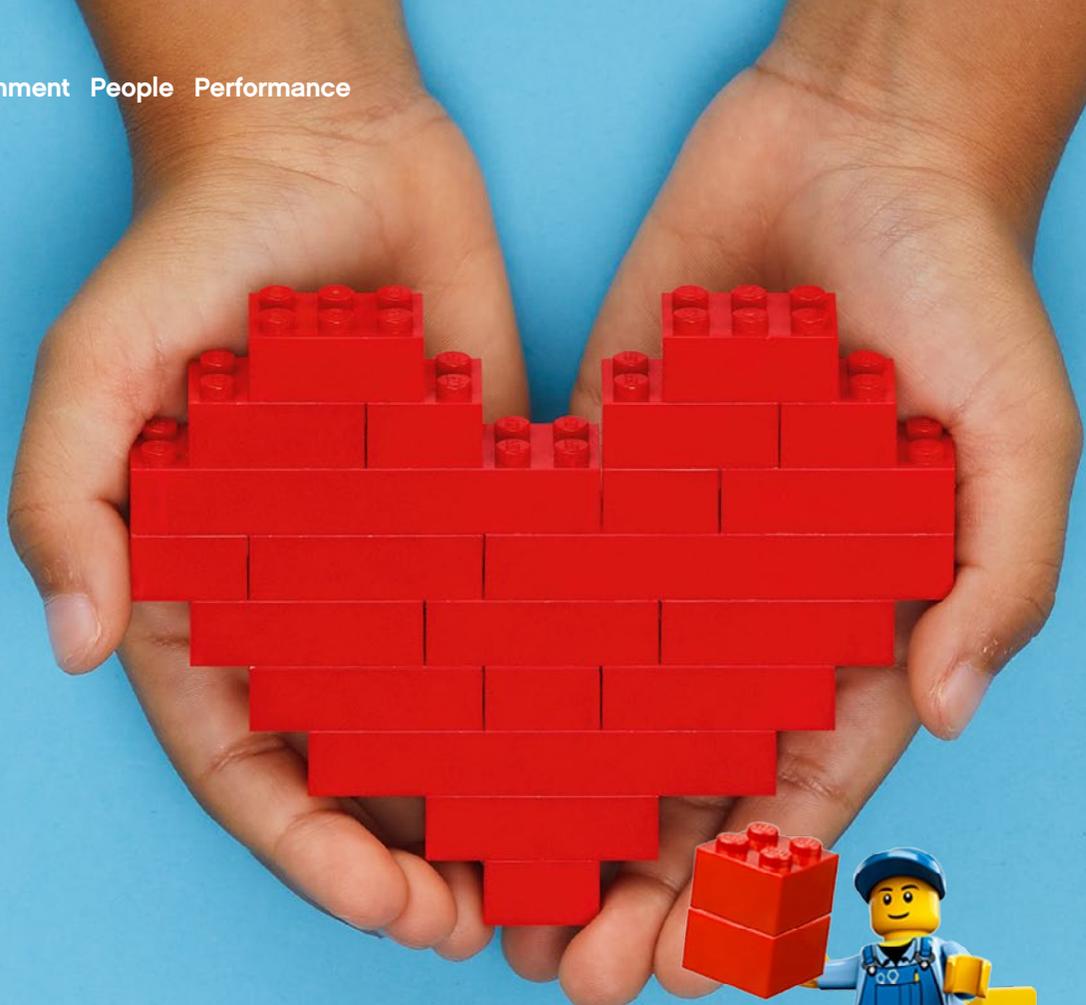
We provided 3,000 primary schoolchildren in London with coding and robotics-based challenges as part of the RE:CODE London programme. The programme is aimed at helping to build children's confidence, creative problem-solving, and STEAM skills (Science, Technology, Engineering, Arts and Maths) and is a partnership with the Mayor of London, Raising Robots and the Institute of Imagination.

This year, the challenges focused on air pollution and electric cars, supporting the Mayor's plans to improve air quality. We also introduced our first adapted event for children with Special Educational Needs, including children with autism, Down's syndrome and dyspraxia.

We are extremely proud that the programme won the UK Digital Leaders Cross-Sector Digital Collaboration of the Year Award. Following the success of RE:CODE London, similar programmes are under way in China, Czech Republic, Hungary, Mexico and the United States.



Our stories continued



# Sharing the gift of play...

The holiday season should be a time of laughter, joy and festive cheer, but for many children and families, it can be a difficult period. Through #BuildToGive, we wanted to help brighten the holidays for children in need of play. For every LEGO® ornament built and shared in LEGO stores or online, we donated one LEGO set through local charity partners in 20 countries, giving over 520,000 children around the world the chance to play.

The campaign not only created the opportunity for families to build together, it also engaged children in giving back to those in need, which parents told us was highly relevant and appreciated. Fans of all ages joined in at 164 LEGO stores across 11 countries and used their LEGO bricks at home to create their own ornaments. Creations were displayed in-store, at events in malls, schools and our offices, and shared on social media and in LEGO Life. Our employees helped to deliver the sets to children in hospitals, care homes and toy drives – bringing a fun, holiday play experience on top of the donation.

“Holiday seasons should be all about joyful moments, a time of creating happy memories with loved ones. We were wowed by the amazingly creative ornaments shared by fans from around the world who most importantly helped to brighten the holidays for half a million children.”

Kathrine Kirk Muff, Vice President of Social Responsibility and Engagement at the LEGO Group

 The internet takes away part of childhood. Too few games played outside, too little family time. 

Parent, Germany



## Championing children's safety, rights and voices

# Children are our future

### Our child rights approach

At the LEGO Group, we strive to provide children with the safest possible products and experiences and have a relentless focus on product safety. This extends to ensuring we protect children in all our interactions with them, both online and offline – from the physical and digital play experiences we provide, to the calls we take in consumer services centres, to when we work with children on product testing or welcome them to our stores.

In our approach to digital child safety, we are helping to empower children to become capable digital citizens. Our aim is to educate children on how they can stay safe online when using LEGO® Life, our digital social network for kids and tweens. In 2018, we launched an update to LEGO Life, which introduces children to key safety elements while using the app. For example, they are taught to share with care, to respect fellow LEGO Life users, and to report something if it feels wrong.

We are also committed to helping children get their views heard on the issues that matter to them, in their local communities and in the wider world. Children are our role models and we are committed to listening and acting upon their opinions and feedback.

We were the first toy company to sign up to the Children's Rights and Business Principles, developed by the United Nations Global Compact, Save the Children and UNICEF. We use these as a guiding framework to assess our operations and entered into a global partnership with UNICEF in 2014.



## Championing children's safety, rights and voices continued

### Complying with the highest standards on product safety

Product safety is of utmost importance to the LEGO Group, and we have always been committed to providing products that live up to the highest global toy safety standards. Our products meet, and often exceed, toy safety requirements globally, including the EU Toy Safety Directive and the US Consumer Product Safety Improvement Act.

We also comply with international legislation for chemical use and only approve materials that meet the highest safety standards. Any new material used must be approved by our internal rigorous safety assessment. We request the chemical recipes for raw materials used in LEGO® products and make safety assessments based on the highest standards. Furthermore, we apply a very strict mechanical safety-approval process for every new element that is designed – it's our safety by design approach.

### Our seven steps to digital child safety:

We are committed to creating safe and appropriate LEGO online experiences for children. Our Digital Child Safety Policy reinforces our belief that building a safe and trusted digital experience is as important as developing a fun, engaging product. This applies globally and includes third-parties who deliver LEGO branded digital experiences aimed at children.

The Digital Child Safety Policy outlines the seven following pledges. We promise to:



Provide children with fun, safe and enjoyable digital experiences, within which they can create, play and learn good digital habits



Recognise children as key stakeholders with rights



Empower parents to understand the potential risks as well as opportunities of the online world, providing them with relevant controls to tailor their child's digital LEGO experiences



Use tools, like moderation and 'house rules', to create a child-friendly environment



Have adequate and robust escalation processes in place so that misuse is dealt with swiftly and effectively



Meet industry standards for digital child safety, like those set by the UK Council for Internet Safety and the UNICEF/ITU Child Online Protection initiative



Conduct regular self-assessments to measure compliance with our policy



## Championing children’s safety, rights and voices continued

### Our performance

In 2018, we continued our relentless focus on product safety and protecting children online. There were once again zero product recalls, a record we have proudly maintained for nine years through constant focus on the highest standards of quality and safety.

We continue to implement the 10 Children’s Rights and Business Principles throughout the company, and through our partnership with UNICEF we supported the launch of their Child Safeguarding Toolkit for Business – a practical guide that allows companies to identify, assess and address risks to children with whom they interact. The materials in the toolkit were developed and tested together with UNICEF who we are working with to help promote the toolkit and encourage other businesses to implement child safeguarding policies.

At the LEGO Group we are rolling out e-learning for employees who directly interact with children, helping to build awareness of why and how we can protect children across all areas of the business.

Through our partnership with UNICEF, we have further strengthened our child safeguarding policies to ensure the children we interact with are engaging in safe physical and digital play experiences. We hope the new Child Safeguarding Toolkit will inspire and provide guidance to other companies seeking to implement a child rights approach to their business.

For more results, see our full results table on page 53.

“**Child safeguarding is a key pillar of our efforts to promote better business for children. With this toolkit we want to help companies analyse child-related risks and make decisions that are good for children and good for business. The partnership with the LEGO Group and their ongoing safeguarding journey has been critical in informing the development of the toolkit.**”

Gary Stahl, Director of UNICEF’s Private Fundraising and Partnership Division



Commitment

**Achieve zero**  
product recalls for the ninth successive year



## Our stories

# First of its kind, digital child safety partnership in China



Children under the age of 18 account for an estimated one in three internet users around the world, according to UNICEF. And in China, internet users under 18 account for roughly one quarter of the total number.<sup>2</sup>

As more children connect digitally, safe online play experiences are a vital issue for parents and for the LEGO Group. We believe that the best way to improve digital child safety for children is through strong partnerships between industry, parents, policymakers and civil society.

In 2018, we were excited to strengthen our partnership with Chinese technology company Tencent to create an online eco-system covering platforms, content and experiences that bring fun, creative and safe digital offerings to children with games such as LEGO® CUBE. Our focus is on protecting players through different means ranging from product design and user registration protection systems, to parental controls and user interaction safeguards. The entire system has been set up to comply with external standards, as well as the LEGO Group Digital Child Safety Policy, which was developed with input from UNICEF and Tencent.



**Faced with the tendency of lower age in internet users, the cooperation between the LEGO Group and Tencent can leverage technological and innovative means to build a healthy online environment for children.”**

Anna Gao, Vice President of Tencent Games

<sup>2</sup> 40th Statistical Report on the Internet Development State in China by China Internet Network Information Center.

Our stories continued



# Giving children a voice on their future

World Children's Day, celebrated on 20 November, is a global day of action 'for children, by children'. Organised by our partner UNICEF, it is a day when leaders are held to account on their promises to protect and promote children's rights, including their right to be in school, safe from harm and to fulfil their potential.

To mark this year's World Children's Day, the LEGO Group and LEGO Foundation invited more than 3,000 children around the world to attend 'Build the Change' events and build their 'ideal learning spaces': where play, creativity and fun are at the heart of everything they do.

Facilitated by employee volunteers, the events took place in six countries – China, Denmark, Hungary, Mexico, South Africa and the UK. Using LEGO® bricks as a tool to communicate and express themselves, we encouraged children to think about their entire school experience: the building, the surrounding play areas, the material they learn, the teachers – and everything in between.

Imagine a better

# environment

for future generations



LEGO® Planet Promise

# Making a positive impact



Our world gives us so much – food, fresh air, clean water – but the strain on natural resources is beginning to show. The world continues to experience increasing concentrations of greenhouse gases, extreme weather conditions and rising sea levels. Landfills are overflowing with waste and most people will have seen increasing levels of plastics in our seas, affecting marine life. Only through working on a global scale, will we be able to halt these trends.

At the LEGO Group, we want to play our part and make a positive impact on society and the planet, which our children will inherit, and it is this focus on future generations that drives our work. We believe we have a responsibility to minimise the environmental impact of our operations. However for us, minimising is not enough, we want to aim for zero environmental impact on the planet.

**We will do this by:**

- Reducing our impact on resources – using sustainable materials in our products and packaging; reducing waste and water consumption; and
- Tackling climate change – investing in energy efficiency and renewable energy.

We comply with all relevant legislation, standards and identified requirements. All our production sites are certified according to the international environmental standard ISO 14001.

 I hope people can ride bicycles more, to protect natural resources and the environment. Also, the wheels on the bicycle means going forward. So it means the wheels will bring my dreams to the future. 

Hao, 10 years old, China



Sustainable materials

# Protecting natural resources

Resource depletion is one of the biggest global challenges of our time. To address this challenge the LEGO Group is working hard to find sustainable sources for all materials used to make our products and packaging. In addition, we are investigating ways to keep LEGO® bricks ‘in play’ for as long as possible, and ensuring they are recyclable at the end of their long life.



## Our approach to sustainable materials

Our long-term goal is to eliminate the environmental impact of making our much-loved LEGO bricks. This means finding and investing in sustainable materials to make our products. The LEGO Group’s ambition is to use sustainable materials in all our packaging by 2025, and products by 2030.

In 2018, we took the first steps on our journey to making our products and packaging from sustainable sources.

For the LEGO Group, a sustainable material is one that:

- Reduces our environmental footprint compared to the previously used material
- Is made with sustainable chemistry
- Is made from sustainably sourced and manufactured feedstock
- Creates minimum waste in the value chain

Non-negotiables for sustainable materials:

- Meets our high quality, safety and durability standards
- Maximises the play value of our products

The LEGO Group’s sustainable packaging ambition more specifically focuses on finding sustainable packaging alternatives by 2025 that are:

- **Renewable** – We will eliminate single-use plastic from all our packaging, and all our LEGO boxes, bags and other packaging will be made from recycled materials or sustainably sourced bio-based materials.
- **Efficient** – We will continue to optimise and reduce packaging, balancing consumer appeal with environmental action.
- **Recyclable** – We will continue to design packaging that makes it easier for consumers to recycle in our major markets.

In 2018, we brought forward our ambition on sustainable packaging from 2030 to 2025, in recognition of the need to find better packaging solutions sooner. And across our entire value chain, we want to ensure that environmental impacts are minimised wherever possible. All suppliers must abide by the LEGO Group’s Responsible Business Principles (see **page 48**). Suppliers who manage their environmental impacts will be better placed to respond to new legislation and other challenges such as scarce resources.

## Sustainable materials continued

### Our performance

We will continue to research, invest in and develop new sustainable materials. We will also work with the WWF, the Bioplastic Feedstock Alliance and other partners to ensure the resources of the planet are available for future generations. It is our intention to ensure that we use materials in line with the circular economy. During 2019, we will create tools and processes to analyse the possibilities for implementing recycled materials and identifying how to measure circularity of our products and packaging.

To ensure that the chemicals used in materials meet our standards for sustainability and safety, we established the LEGO® Advisory Board on Chemistry in Sustainable Materials. The board is comprised of a team of leading independent chemical experts who can guide us on developing processes and principles to ensure new sustainable materials will meet customers' and consumers' future expectations.

For more results, see our full results table on page 53.

#### Commitment

**Use sustainable materials in our packaging by 2025.**

#### Performance

**We introduced recycled materials in blisters on packaging.**

**More than 75% recycled content was used in our cardboard packaging. Since 2015, we have maintained our achievement of using 100% Forest Stewardship Council™ (FSC™C117818) certified paper and cardboard in our packaging.**

**LEGO boxes in the US and Canada started to feature the How2Recycle® label, promoting packaging recycling and providing US and Canadian consumers with clear guidance to responsibly recycle their LEGO packaging.**

**All plastic trays used in LEGO Advent Calendars were replaced with recyclable paper-pulp trays, saving more than one million plastic trays from going to landfill.**

#### Commitment

**Use sustainable materials to make LEGO products by**

#### Performance

**We launched the first LEGO elements made from plant-based plastic.**

**Over 80 LEGO elements are now being made using sustainably sourced sugar cane.**



## Our stories

# Plants from plants

Did you know that plastic can be made from plants? In 2018, we started to use green polyethylene, which is a plant-based plastic made from sugar cane that is grown in Brazil. It looks the same as traditional polyethylene but comes from a sustainable source.

We began by using plant-based plastic to make more than 80 LEGO® botanical elements, such as leaves, bushes and trees. The plant-based plastic used in the elements meets our highest standards for quality and safety.

This is an important first step out of many on our journey towards using 100% sustainable materials by 2030.

It is important for the LEGO Group that the sugar cane used to make the green polyethylene is grown sustainably using the best ethical practices. To address this the LEGO Group sources sugar cane that is certified by the Bonsucro Chain of Custody standard for responsible sourcing.

We are also a partner of the Bioplastic Feedstock Alliance (BFA). The BFA was founded by the World Wide Fund for Nature (WWF) and is a multi-stakeholder forum focused on increasing awareness around the environmental and social performance of potential feedstock sources for plant-based plastics.



**Making the change to bio-based sources is a multi-step journey. It's not a one-step process, nor an easy one at that, because ready-made solutions just don't exist. Solutions need to start from scratch. But despite this challenge, the LEGO Group has made a bold commitment to join and engage with the BFA to find those solutions."**

Erin Simon, Director, Sustainability R&D, WWF



Made from plants  
Bush

Made from plants  
Limb element

Made from plants  
Bamboo leaf

Made from plants  
Spruce tree

Made from plants  
Palm leaf

Our stories continued

# Spreading the word about sustainability

We want to inspire the builders of tomorrow to learn more about the natural environment and act on issues that concern them. As a result, this year we invited millions of builders around the world to join in the celebration of our new plant-based elements.

We called on children to combine the new plant elements with existing LEGO® bricks they have at home and build 'Plantus Maximus' – our sustainability superhero. We asked children to join Plantus Maximus and his friends on their mission to protect the planet.

Throughout August, 2,700 children participated in special events at our retail stores in New York and Berlin, and at the Natural History Museum in London. In addition, more than three million people engaged with our campaign on social media. The event at the Natural History Museum was the first in a year-long partnership to help inspire children to explore and take care of the natural world through play.



## Waste

# Reduce, reuse, recycle

### Our approach to waste management

Our use of resources is based upon three principles:

1. Reduce our consumption of resources.
2. Reuse as many resources as possible.
3. Recycle the resources we cannot reuse.

Reducing our waste is not only good for the environment but is good for business, as fewer raw materials are required to produce the equivalent amount of LEGO® elements.

Our work to reduce waste is based on several targets, including a yearly waste improvement target, a medium-term target set together with the WWF to improve waste efficiency by 10% in 2020 vs 2016 and a long-term ambition – zero waste to landfill from our operations by 2025. And we are determined to achieve this.

### Our performance

In 2018, we generated 18,549 tonnes of waste, an increase of 16.9% compared to 2017. We did not meet our target for waste efficiency improvement but maintained our high recycling levels from 2017.

In order to meet our waste efficiency targets, we have implemented new processes. At our factory in Monterrey, Mexico, for example, single-use wooden pallets were accounting for a large amount of waste, so in response we implemented a project which substitutes single-use pallets with a reusable solution. Additionally, internal multi-use pallets are being modified to ensure increased lifespan. Although we hoped to start the project at the beginning of the year, we ultimately didn't begin until August. Despite the delay, this project has had a huge impact in 2018. In 2019 and onwards we expect the project will reduce our waste generation more than 10%, removing 2,000 tonnes of waste per year.

### Did you know?

In 2018, we recycled 93% of all waste coming from our stores, offices and factories. As part of this achievement, 100% of all plastic waste produced during the moulding of LEGO bricks was recycled. This includes reusing some plastic in our own production processes, as well as sending some to be recycled by other companies who use it to make their own plastic products.

#### Commitment

Improve waste efficiency by 3% in 2018 vs 2017.

#### Performance

Waste efficiency improvement fell by 3.4%.



#### Commitment

Recycle 93% of all waste and 100% of element waste.

#### Performance

All waste recycled

93%



Element waste recycled

100%



## Water

# Reducing water use

### Our approach to water management

At our factories we use water for process cooling and air conditioning systems. Water consumed by our five factories is sourced from public water supplies, and we monitor and track the use of water from all our production facilities. We use this data to identify any opportunities to reduce water in our operations.

At present, we measure our monthly and yearly water consumption. While water use is very low in the production of LEGO® bricks, we always strive to use it as efficiently as possible and are working on a strategy and target to ensure we maintain our focus in this important area.

### Our performance

In 2019, we will implement new onsite water wells at our facilities, and we have already designed one at our factory in Nyíregyháza, Hungary. We will continue to work to increase our resource efficiency as we scale up production at our factories.

For more results, see our full results table on page 53.

### Did you know?

In 22 countries, mostly in Northern Africa, Western, Central and Southern Asia, the water stress level is above 70%, indicating the strong probability of future water scarcity.<sup>3</sup>

#### Commitment

Reduce water use in our operations.

2017

684,000m<sup>3</sup>

#### Performance

In 2018, we consumed 683,000m<sup>3</sup> of water, a slight decrease compared to 684,00m<sup>3</sup> in 2017, despite increased production activity across the LEGO Group.

2018

683,000m<sup>3</sup> ▲



<sup>3</sup> <https://sdg.iisd.org/news/fao-report-analyzes-global-trends-in-water-stress/>

# Climate change

# Tackling climate change

## Our approach to energy efficiency, renewable energy and emissions

Our Environmental Policy outlines our approach to tackling climate change. We implement energy efficiency actions across our operations as our first priority, before looking to invest in onsite and offsite renewable energy capacity.

In order to guide us we constantly monitor and evaluate our performance to take the necessary actions to reach our targets. One example of our investments in onsite renewable energy capacity is the installation of solar panels at our new campus office in Billund, Denmark.

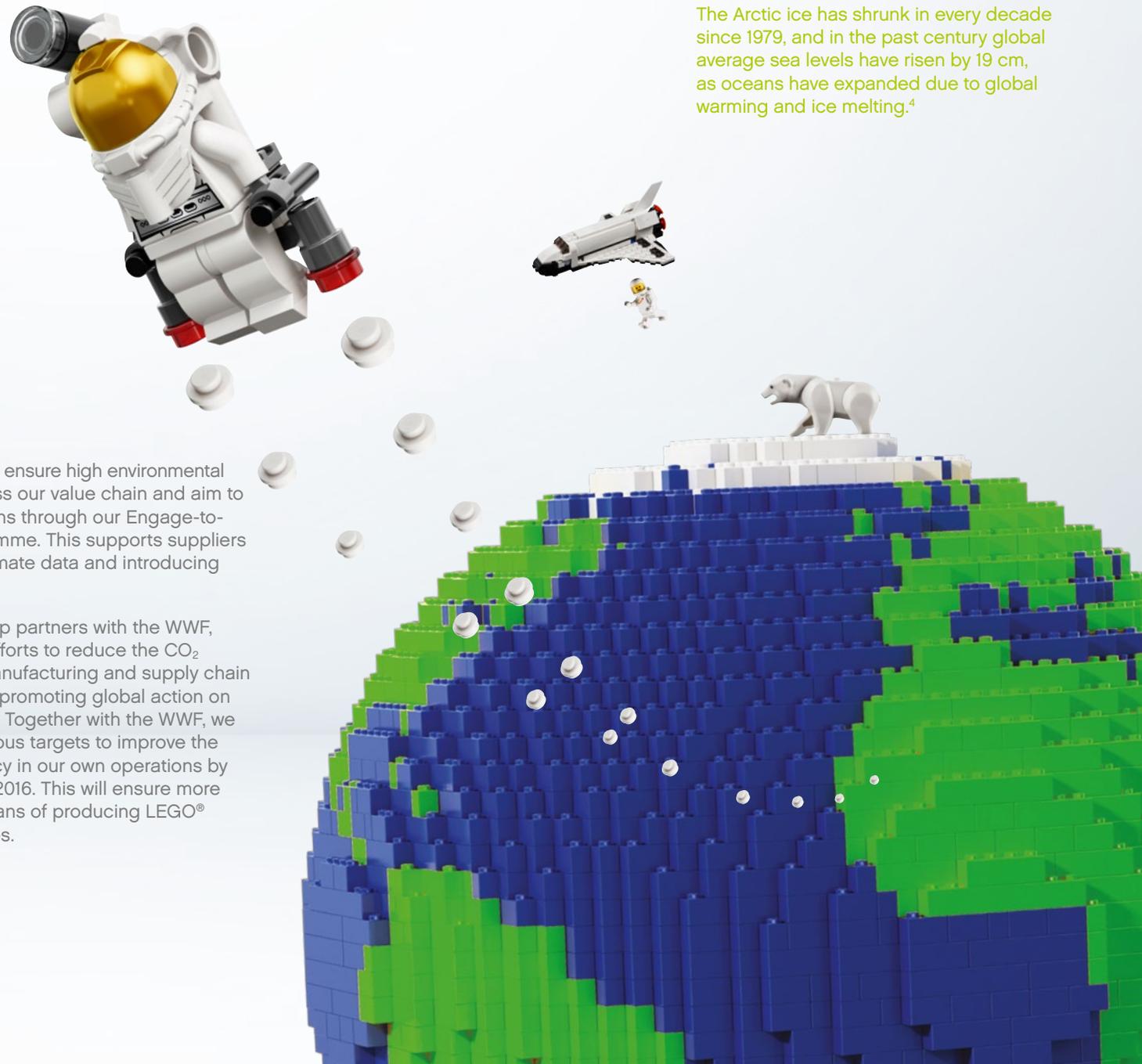
We also strive to ensure high environmental standards across our value chain and aim to reduce emissions through our Engage-to-Reduce programme. This supports suppliers in collecting climate data and introducing carbon targets.

The LEGO Group partners with the WWF, as part of our efforts to reduce the CO<sub>2</sub> emissions in manufacturing and supply chain operations and promoting global action on climate change. Together with the WWF, we have set ambitious targets to improve the carbon efficiency in our own operations by 10% in 2020 vs 2016. This will ensure more sustainable means of producing LEGO® play experiences.

<sup>4</sup> Source: <http://www.un.org/en/sections/issues-depth/climate-change/index.html>

## Did you know?

The Arctic ice has shrunk in every decade since 1979, and in the past century global average sea levels have risen by 19 cm, as oceans have expanded due to global warming and ice melting.<sup>4</sup>



## Tackling climate change continued

### Our performance

In 2018, we consumed 340 GWh of energy at LEGO® factories and offices around the world, an increase of 8.6% compared to 2017. This was due to an increase in production levels globally.

Meeting our 2020 carbon efficiency target remains a challenge. In 2016, when we set our current target baseline, efficiency in our factories was high as they were working at optimal capacity. However, in 2017 two factors affected our efficiency; firstly, our new factory in Jiaxing was included in our carbon reporting for the first time. The factory was coming on-stream and gradually building its production volumes which meant it had low production utilisation. Secondly, lower than anticipated sales and corresponding production levels during 2017 reduced production efficiency, impacting our long-term efficiency ambitions.

Every year we publish our overall, full value chain climate impact and our CO<sub>2</sub> footprint calculation is currently being finalised. We will publish a CO<sub>2</sub> figures appendix in 2019 alongside our 2018 carbon footprint figures (greenhouse gas inventory).

We reported our climate strategy and performance to the CDP (formerly the Carbon Disclosure Project), a not-for-profit charity that runs the global disclosure system for organisations that manage their environmental impact. We are proud to be awarded an industry-leading score of 'A' in 2018 for our efforts in tackling climate change and curbing our carbon emissions.

For more results, see our full results table on page 53.

#### 2018 Commitment

**Further engage key suppliers to reduce CO<sub>2</sub> emissions in our supply chain.**

#### 2018 Performance

**50% of our suppliers in the Engage-to-Reduce programme now have a corporate energy target, and 75% have started to implement their own energy-reduction projects.**

#### Commitment

**Improve carbon efficiency in our own operations by 10% in 2018 vs 2017.**

#### 2017 Performance

**-25.4%**

#### 2018 Commitment

**Continue to balance 100% of the energy consumption from our factories with renewable energy produced onsite and offsite.**

#### 2018 Performance

**The LEGO Group continues to balance 100% of the energy consumption from our factories with renewable energy produced onsite and offsite.**

#### 2018 Performance

**Carbon efficiency improved by**

**11.3%**



## Our stories

# Renewable energy



### We're big fans of wind power!

We're proud of our achievement of being 100% balanced by renewable energy, due to the investments made in offshore wind farms in Germany and the UK by KIRKBI A/S – parent company of the LEGO Group. In 2018, the energy output from our investments in renewables was greater than the energy used at LEGO® factories, offices and stores.

In order to spread the word about the power of renewable energy, and at the same time celebrate play, creativity and imagination, we unveiled the Vestas® Wind Turbine set, and included one of the all-new sustainably sourced plant-based plastic LEGO elements.



**We strive to make a positive impact on the environment and are committed to climate action and to using sustainable materials in products and packaging. This wind turbine celebrates our first steps in bringing these ambitions to life and we hope it will inspire builders to learn about renewable energy."**

Tim Brooks, Vice President, Environmental Responsibility, at the LEGO Group



### One of Denmark's largest rooftop solar energy systems

We don't just build our products with great innovation – we also build innovation into our buildings. Our new LEGO Campus in Billund meets our own Build Better standards, as well as leading Danish and international building requirements. For example, by using stronger plasterboard in its construction, we saved 22,000 kg of steel and 353,000 kg CO<sub>2</sub> emissions. In 2018, we went further and invested DKK 8 million in 4,150 solar panels, so the LEGO Campus will meet leading standards for sustainability and energy efficiency.

The panels cover 6,500m<sup>2</sup> of the roof of the parking house and will produce more than 1 million kWh every year. This will provide approximately 50% of the energy needs of our LEGO Campus – that's enough electricity to power 200 households. The solar panels will also provide energy for the cooling plant used to cool down the building during the summer months.

As a result of installing the solar panels, our LEGO Campus not only meets, but also significantly exceeds, the low-energy, Danish 2020 building standard. Going forward, we will explore options to expand renewable energy capacity at our manufacturing sites even further.

Imagine motivated

# people

fulfilling their potential





## Our People Promise

# Putting people first

**We care deeply for the 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 which includes:**

### Our employees

We focus on the wellbeing of employees and work to create a safe, motivating and inclusive workplace that maintains the highest standards of ethical behaviour.

### Our supply chain

We want to ensure that everyone involved in the production of LEGO products is treated fairly and with respect, and that suppliers and partners share our values and commitment to business integrity.

### On children

We strive to create family-friendly workplaces, where the wellbeing of families is considered, both in the LEGO Group and at our suppliers.



## An ethical workplace

# Keeping our values at heart



Every day at the LEGO Group, we engage with millions of people over social media, at our LEGO® Brand Retail stores, and the people who contact our consumer services team. We are humbled that so many people believe in our company and love LEGO products as much as we do. We want to exceed their expectations and will never sacrifice our values for short-term gains. This is at the very heart of the LEGO brand and the foundation of our Ethics Code.

### Our approach

- Every employee and third-party acting on behalf of the LEGO Group anywhere in the world must apply high ethical standards and principles of integrity, honesty and legality in all they do. They must comply with our LEGO Code of Ethical Business Conduct ('Ethics Code'), even if it means losing business or reducing profitability.
- Our Ethics Code covers numerous issues, including anti-bribery and corruption, charitable donations, children's rights, competition compliance and avoiding conflicts of interest. Clear guidelines and training also provide certainty for employees so they are aware of the latest legislation and internal policies and can act while maintaining the highest standards for legal and ethical behaviour.
- To acquaint new employees with our Ethics Code, they are required to take online courses in safety, security and business ethics within the first few months of employment.

### Our performance

#### Anti-bribery and corruption

One area covered by our Ethics Code is corruption. Corruption raises serious moral, economic and political concerns, damages trust, undermines good governance, hinders development and distorts competition.

When acting on behalf of the LEGO Group, employees and third-parties must adhere to our Anti-Corruption Policy and not take part in any form of bribery (including facilitation payments). Where local regulations are stricter than this policy, they take precedence.

People managers are trained to encourage open discussions regarding anti-bribery and corruption issues among their teams. We handle all reports of breaches discreetly, taking every effort to protect the identities of anyone making a report, within legal limits. We also ensure there is no retaliation from the company for making a report.

In 2018, 100% of employees at director level and above completed mandatory training on bribery and anti-corruption.



## Health, safety and motivation

# Let's all watch out for each other!

### Our approach to managing health, safety and motivation

Safety for employees is a top priority and we aim for zero accidents at our factories, stores and offices. Our Occupational Health and Safety Policy ensures all activities are carried out with health and safety in mind. We comply with national and international legislation, as a minimum requirement.

Every year, we measure the motivation, satisfaction and work-life balance of all employees. We benchmark the results against similar companies in 18 countries to ensure that our results are consistent with best practice.

### Did you know?

Across the LEGO Group, we have two global processes for reporting, investigating and monitoring any environmental, health and safety (EHS) incidents. LEGO® employees must flag any incident and add it to a central database where they are tracked and handled to prevent future incidents. From there, a plan of action is created to prevent re-occurrence. Verification of process compliance is carried out by our Corporate Quality and EHS department. We are transferring our OHSAS 18001 certification to ISO 45001, and have created an EHS Handbook, which describes expectations towards incident handling.



## Health, safety and motivation continued

### Our performance

In 2018, we expanded our Dare to Care health and safety programme and initiated rigorous procedures in operations to reduce incidents in our factories and packaging facilities. This is founded on four Environmental, Health and Safety principles.

We are pleased to report that the injury rate in 2018 of 1.3 injuries per million working hours is one of the best results recorded by the LEGO Group and is very close to our long-term ambition of world-class safety.

In 2017, our employees' motivation and satisfaction were impacted by the reduction in the size of our organisation. However, in 2018, we're pleased that motivation and satisfaction increased across all employee groups. We are now 12 points above the external benchmark and have regained nearly half the drop from 2016 to 2017. It's critical that we do not take this progress for granted and continue to focus on creating a space where everyone can feel energised every day, can do their best work and be their best selves.

For more results, see our full results table on page 53.

#### Commitment

**Employee motivation and satisfaction scored eight points ahead of the industry employee wellbeing benchmark.**

#### Performance

**Employees reported that their motivation and satisfaction increased four points from 2017. The score was 12 points ahead of the external benchmark.**



2014  
**1.7**



2015  
**1.4**



2016  
**1.3**



2017  
**1.4**



2018  
**1.3**



#### Commitment

**To achieve zero work related accidents; <1.4 injury rate with absence\* by 2018.**

#### Performance

**In 2018, we met our target for injury rate with a result of 1.3.**

\*The rate of occupational injuries is calculated for all employees, excluding external agency workers, as the number of injuries per one million working hours.

## Diversity and inclusion

# Encouraging diversity

### Our approach to managing diversity and inclusion

Our People and Culture Policy sets out our approach to respecting fundamental labour rights and a fair workplace. We provide equal opportunities for all employees and no employee may be discriminated against because of background, race, religion, age, disabilities, sexual orientation or gender.

Our Responsibility and Human Rights Policy describes our efforts to prevent and mitigate adverse human rights impacts. The policy reflects our continued commitment to our LEGO® Brand Framework and to the UN Global Compact, the UN ‘Respect, Protect, and Remedy Framework’ and its ‘Guiding Principles’. It covers all aspects of our value chain and applies to all LEGO branded products and services.

### Our performance

During 2018, we strived to ensure that diversity was reflected in new hires and promotions across the organisation. We met our target of more than 40% of new hires or appointments at manager level and above being women. We took the initial steps to form a new global Diversity & Inclusion Council, which will launch in 2019 following the conclusion of the company-wide application process.

We also plan to appoint another woman to the LEGO A/S board which currently comprises seven people. We have set a target for this increase by 1 January 2020. No changes to the board were made in 2018. In addition, the board of LEGO System A/S (a subsidiary to LEGO A/S) meets Danish legislative guidelines for gender balance because one out of four general assembly elected board members is female.

For more results, see our full results table on page 53.

### Did you know?

According to research from McKinsey the most ethnically diverse companies are 35% more likely to outperform the least ethnically diverse companies.<sup>5</sup> So a diverse workforce that provides equal opportunities is not only fair, it makes business sense too.

#### Commitment

**More than 40% of all employees hired or appointed at manager level and above are women.**



#### Performance

**43% of employees hired or appointed at manager level and above were women.**

<sup>5</sup> Source: <https://blog.teamable.com/6-statistics-that-will-convince-you-to-prioritize-diversity-inclusion>

 I want to live in a good city. Where people are kind and the homeless people are warm. 

Boy, 9, US



# A responsible supply chain

# Supporting workers who make LEGO® products

**At the LEGO Group, we want to ensure all workers involved in producing LEGO® play experiences are protected, and that absolutely no children are allowed to work at any point in our value chain.**

In addition, across our entire value chain, we want to ensure that anyone involved in the production of LEGO products is treated fairly and with respect, and that suppliers and partners share our values and commitment to business integrity. All forms of modern slavery or forced labour are prohibited. Forced labour is defined as any situation where workers are forced to work against their will or under pressure from a threat of punishment.

The International Labour Organization (ILO) estimates 40.3 million people are in modern slavery or forced labour. This shocking statistic grows even more grim with the fact that one in four are children.

## Our approach

We are committed to upholding human rights and ensuring safe and healthy workplaces in our supply chains. Every year we conduct audits with our key suppliers, focusing on high-risk countries. The audits are conducted together with third-party auditors and, while we recognise that this is a 'snapshot' of performance on just one day or week, we see audits as an opportunity to identify learning and improvement points, and most audits will identify some areas for improvement. These are categorised as low, medium and high-priority issues. We also categorise the most serious issues, including any form of forced labour, as a 'zero tolerance' issue requiring a review of our business relationship. Suppliers are required to commit to corrective actions for all improvement areas, but the high-priority issues with higher risk require correction immediately.

## Did you know?

To make our iconic LEGO products, we operate five LEGO production sites in China, Czech Republic, Denmark, Hungary and Mexico and work with roughly 150 direct suppliers across the globe. In addition, we work with over 40 different licensing partners, who themselves work with over 450 suppliers.



## A responsible supply chain continued

### Our performance

Although we worked hard throughout the year to limit the number of high-priority non-conformities and perform all audits as planned, we didn't achieve our targets, and will seek to improve this year. We have implemented an action plan to address our auditing process and the suppliers we were not able to audit in 2018 were audited by February 2019. Suppliers have welcomed the greater clarity around our expectations and the intention to recognise existing best practices.

The high-priority issues we identified in 2018 related to fire safety, working hours and transparency. We are working with those suppliers to evaluate the root causes and prevent future recurrence. We are pleased that we identified no zero-tolerance issues in 2018.

We will continue our journey towards greater transparency and surpassing minimum compliance to protect and enhance the lives of all workers. We will work more closely with our licensing partners, further embedding our new Responsible Business Principles across our licensing supply chain.

In 2018, we introduced our new Responsible Business Principles. These 12 Principles reinforce our ethical way of working and how we relate to children, our planet and colleagues. The primary purpose is to ensure all workers involved in the production of LEGO® products are treated with respect, and that the environment is safeguarded for future generations.

For more results, see our full results table on page 53.

#### Commitment

**Achieve 100% of suppliers audited according to the required frequency, in 2018.**

#### Performance

**We didn't reach the target in 2018 as only 93% of suppliers were audited according to our schedule.**

#### Commitment

**Achieve 70% of our suppliers with no high-priority non-conformities requiring immediate correction by the end of 2018.**

#### Performance

**We didn't reach target as only 67% of our suppliers were evaluated to have no high-priority non-conformities requiring immediate correction.**



## Family-friendly workplaces

# Supporting families

### Our approach

Our approach to family-friendly workplaces is based on the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, the UN Convention of the Rights of the Child, The Children's Rights and Business Principles and other applicable UN and ILO conventions.

The LEGO Group adheres to the principle that no child should be harmed by any business operation, either directly or indirectly. Child labour in any form is prohibited. Yet we want to go beyond this to have a positive impact on children. By supporting families, parents and carers in the workplace, we can have a positive impact on child development, particularly in the early years, while also promoting worker retention and loyalty.

### Our performance

Our Responsible Business Principles includes a principle on creating family-friendly workplaces. Study after study from the LEGO Foundation shows the importance of parents and caregivers for children in early childhood, and we want to help parents and caregivers make this possible.

The principles cover our own workplaces and extends to our suppliers, to encourage best practice and recognise suppliers who go beyond minimum legal requirements in areas such as protecting pregnant women, maternity leave, and time and secure spaces for breastfeeding. Moving forward, we will explore and study the impact our family-friendly workplaces have and where we can improve.

We developed our Family-Friendly Workplace principle with input from our key partner, UNICEF, who provided expertise on child development.



Improving practices in relation to parental leave, breastfeeding support, childcare and flexible working time arrangements are critical ways in which businesses can support early childhood development. By introducing family-friendly workplace policies to its supplier code of conduct, the LEGO Group has taken a leadership position in supporting the ability of workers in its supply chain to better connect with their children.”

Gary Stahl, UNICEF's Director of Private Fundraising and Partnerships



Our stories

# Summer camp in China

In China, millions of rural children are left behind in the countryside, while their parents work in far-away cities. This long-term separation causes significant strain on relationships, the wellbeing of parents and children's development.

As part of our family-friendly workplace, we worked with IETP (ICTI Ethical Toy Program) to sponsor children of employees at five factories in our supply chain to join a summer camp programme in China. A total of 110 children were able to spend the summer living with their parents and enjoying LEGO® play experiences at the summer camps. This included Six Bricks training and activities, our hands-on tool for learning which teaches different skills, such as problem-solving and collaborative working.



 Living responsibly to me means making sure you are taking care of your family and doing what you love. 



Parent of 11-year-old, US



Our consolidated

# performance



## Performance data

Unit of measure	Accounting policy	KPI name	2014 result	2015 result	2016 result	2017 result	2018 result	2018 target	2019 target	
<b>Children</b>										
Score	1	Net Promoter Score®	70.5	71.8	73.0	72.7	72.7	●	≥70	≥70
Number	2	Product recalls	0	0	0	0	0	●	0	0
Number	3	Children reached by Local Community Engagement activities	n/a	n/a	n/a	n/a	839,120	●	≥400,000	≥1,100,000

## Environment

Tonnes	4	Waste (t)	15,638	16,496	15,625	15,859	18,549		n/a	n/a
Percentage	5	Recycled waste	91	93	93	94	93	●	≥93	≥93
Percentage	6	Waste efficiency improvement	n/a	n/a	1.6	-2.9	-3.4	●	≥3	≥0
GWh	7	Energy consumption (GWh)	284	309	303	313	340		n/a	n/a
Percentage	8	Carbon efficiency improvement	n/a	n/a	n/a	-25.4	11.3	●	≥10	≥1
1,000 m <sup>3</sup>	9	Water consumption	424	528	538	684	683		n/a	n/a

● target achieved ● target not met

## Waste in 2018

Disposal method	Non-hazardous (t)	Hazardous (t)	Total (t)
Incineration	–	20	20
Landfill	495	62	557
Recovery	427	241	668
Recycled	17,091	213	17,304
<b>Total</b>	<b>18,013</b>	<b>536</b>	<b>18,549</b>

## Water by site

	Cubic metres (1,000)
Billund, Denmark	65
Jiaxing, China	133
Kladno, Czech Republic	53
Monterrey, Mexico	261
Nyíregyháza, Hungary	171
<b>Total</b>	<b>683</b>

## Energy by type

	GWh
District heating	9.2
Natural Gas	89.3
Electricity	241.5
<b>Total</b>	<b>340</b>

Performance data continued

Unit of measure	Accounting policy	KPI name	2014 result	2015 result	2016 result	2017 result	2018 result	2018 target	2019 target	
<b>People</b>										
Number	10	Motivation and satisfaction	14	16	16	8	12	●	≥8	≥10
Rate	11	Injury rate with absence	1.7	1.4	1.3	1.4	1.3	●	≤1.4	≤1.3
Percentage	12	Female managers appointed and recruited	43	43	44	41	43	●	≥40	≥40
Percentage	13	Business integrity training	100	99	100	89	100	●	100	100
Percentage	14	Percentage of suppliers audited	n/a	n/a	n/a	100	93	●	100	100
Percentage	15	Percentage of suppliers with no non-conformities that require immediate correction	n/a	n/a	n/a	71	67	●	≥70	≥70
Number	16	Employees engaged in Local Community Engagement activities	n/a	n/a	n/a	n/a	2,408	●	≥2,000	≥3,000

● target achieved ● target not met

# Accounting policies

The LEGO Group is a privately held, family-owned company with headquarters in Billund, Denmark, and main offices in Enfield, USA, London, UK, Shanghai, China, and Singapore. Founded in 1932 by Ole Kirk Kristiansen, and based on the iconic LEGO® brick, it is one of the world's leading manufacturers of play materials.

Data has been calculated by consolidating data for the parent company (LEGO A/S) with data from all subsidiaries. LEGO A/S is owned by KIRKBI A/S (75%) and the LEGO Foundation (25%). LEGO A/S consists of several subsidiaries that together constitute the LEGO Group.

Data relating to health and safety includes data from sites with 100 or more employees and Brand Retail Stores. New sites will be added to the reporting scope by the beginning of a new reporting year. Similarly, environmental data relates only to production facilities. New production facilities will be added to the reporting scope on 1 January, +12 months from the handover of the entire manufacturing facility from project to operational facility department. Definitions, data measurement methods and the basis of calculations are addressed below. Any changes to historical data are only made if considered material.

## 1. Net Promoter Score®

In connection with consumer engagement with LEGO products and experiences (e.g. LEGO Stores and LEGO.com), randomly selected consumers are asked how likely they are, on a scale from 0–10 (10 = extremely likely), to recommend the product or experience to others. The result is calculated as percentage of promoters (levels 9 and 10) minus percentage of detractors (levels 6–0). The product NPS is calculated based on various product lines.

## 2. Product recalls

Product recalls account for the number of official recalls according to Rapex (EU) and CPSC (US). The number reflects launched LEGO products recalled from the market due to product safety issues. A recall is based on a specific non-compliant component that can be part of several LEGO products; hence, an official recall can potentially cover more than one product number.

## 3. Children reached by Local Community Engagement (LCE) activities

Children are reached through the following activities: 1) Direct: Participation in an LCE or employee volunteer hosted activity. 2) Indirect via product donation: 1 Play box = 15 children and 1 product box = 1 child (minifigures and small polybags excluded). 3) Indirect via financial donation: Number of children reached is provided by the cooperation partner and requires the submission of documentation detailing the programme supported and number of children reached with the financial donation in addition to a formal receipt acknowledging funding

received. All numbers are reviewed by the LEGO Group and must be appropriate for the purchasing power parity of the country as well as the intensity of the programme intervention.

## 4. Waste (tonnes)

Waste is calculated as the recorded quantities of waste disposed of by the LEGO Group. Only data from LEGO Group sites with production are included. Reported data from sites are based on documentation provided by external contractors.

## 5. Recycled waste

The recycled waste percentage is calculated as the recycled quantities of waste disposed of compared to the total quantities of waste disposed of. Only data from LEGO Group sites with production is included. Reported data from sites are based on documentation provided by external contractors.

## 6. Waste efficiency improvement

The waste efficiency improvement is calculated as the rate between weight of waste and weight of boxes produced. The efficiency improvement is calculated by comparing the current year with the given baseline year (baseline year is 2016 in the period 2016–2020). Only data from LEGO Group sites with production are included. Reported data from sites is based on documentation provided by external contractors.

## 7. Energy consumption

Energy consumption is calculated as the total energy in the form of electricity and heating supplied to the LEGO Group. Only data from the LEGO Group sites with production is included. Reported energy data from sites is based on meter readings.

## 8. Carbon efficiency improvement

The carbon efficiency KPI is calculated as the rate between Carbon (Ton CO<sub>2</sub>e) generated by energy consumption and (kg) LEGO bricks produced. The efficiency improvement is calculated by comparing the current year with the given baseline year (baseline year is 2016 in the period 2016–2020). Only data from LEGO Group sites with production is included. Reported energy data from sites are based on meter readings for the energy types used, which are electricity, gas and district heating.

## 9. Water consumption

Water consumption is calculated as the quantity of water supplied to the LEGO Group. Only data from LEGO Group sites with production is included.

## 10. Motivation and satisfaction

The Motivation and Satisfaction index is based on the LEGO Motivation & Satisfaction score. It is calculated based on four questions in our annual employee engagement survey 'the LEGO Pulse' (1. I always look forward to going to work. 2. I feel motivated in my job. 3. From an overall point of view, how satisfied are you with your job at the LEGO Group? 4. Imagine the perfect place of work. How close is this ideal to your place of work?). Our score is

## Accounting policies continued

compared to an external benchmark, the Ennova Employee Index (EEI). The EEI is based on a yearly survey, which is conducted by Ennova, but independent from the Pulse survey. The survey is conducted globally and is representative of each country's full labour market. A LEGO® specific benchmark is calculated using the EEI results from the 18 countries where the LEGO Group has its largest employee base (China, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Japan, Mexico, Netherlands, Norway, Poland, Russia, Spain, Sweden, UK and US).

### 11. Injury rate with absence

The rate of occupational injuries is calculated for all employees, excluding external agency workers, as the number of injuries per one million working hours. An occupational injury is defined as resulting in at least one day's absence following the day of the injury. Only data from sites with 100 or more employees and LEGO Brand Retail stores are included. Only cases clarified within the accounting year are included in the full-year calculations. Cases pending decisions from local authorities throughout the accounting year are not included in the full-year calculation.

### 12. Female managers appointed and recruited

The number of females internally appointed or externally recruited at management levels is shown as a percentage of all employees internally appointed or externally recruited into and at management levels. Specialist functions at management levels are included. Internal appointments include both promotions and horizontal moves.

### 13. Business integrity training

The percentage is calculated as the number of employees at the director level and above (employed for more than three months) who have completed the e-learning programme in Business Conduct biennially, out of the total number of employees at the director level and above (employed for more than three months) in the LEGO Group.

### 14. Percentage of suppliers audited

All direct suppliers of materials, components, or items used in finished LEGO products are audited by a nominated third-party. This happens annually if based in a high-risk country, and bi-annually if based in a medium-risk country. Country risk is annually assessed based on external objective information. Suppliers in low-risk countries are audited sporadically and are not included in the calculation. If a supplier is either a potential new supplier with no orders, or is removed during the year, the supplier will not be part of the percentage calculation. Suppliers of transport/shipment packaging or internal components of finished products are not audited or included in the calculation.

### 15. Percentage of suppliers with no non-conformities to the LEGO Code of Conduct that require immediate correction

The percentage of audited suppliers in high- and medium-risk countries without non-conformities that require immediate correction, is calculated as the number of suppliers audited (see terms of the previous accounting principle) without identification of any 'high-priority non-conformities'. This is regardless of whether the non-conformity has since been resolved. A high-priority non-conformity is defined as a significant breach of the LEGO Group Code of Conduct that requires immediate correction. Non-conformities are assessed by external third-party auditors and the LEGO Group Code of Conduct team, according to the LEGO Group grading matrix. The latter is reviewed every six months to ensure it is up-to-date and in line with international recommendations and industry standards.

### 16. Employees engaged by Local Community Engagement (LCE) activities

Employees engaged accounts for the number of unique LEGO employees that have volunteered for a LCE event during the accounting year.

## Limited assurance report of the independent auditor

### To the Stakeholders of the LEGO Group

The LEGO Group engaged us to provide limited assurance on the Performance data set out in the Responsibility Report 2018 of the LEGO Group for the year ended 31 December 2018.

#### Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that data in scope for our limited assurance engagement in the LEGO Group Responsibility Report 2018 for the year ended 31 December 2018 have not been prepared, in all material respects, in accordance with the accounting policies as stated on **pages 55-56** of the LEGO Group Responsibility Report 2018.

This conclusion is to be read in the context of what we say in the remainder of our report.

#### What we are assuring

The scope of our work was to provide limited assurance over the Performance data on **pages 53-54** of the LEGO Group Responsibility Report 2018.

#### Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'. A limited

assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

#### Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

#### Understanding reporting and measurement methodologies

The performance data on **pages 53-54** needs to be read and understood together with the accounting policies (**pages 55-56**) of the LEGO Group Responsibility Report 2018, which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

#### Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the data and information. In doing so and based on our professional judgement, we:

- Through inquiries, obtained an understanding of the LEGO Group's control environment and information systems relevant to quantification and reporting of the Performance data in scope;
- Made site visits in Denmark and in China to assess the completeness of the non-financial data sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected were based on an assessment of materiality and the application of a rotation principle. Our procedures included obtaining an understanding of the local reporting processes and, on a selective basis, reconciliation to underlying documentation and systems used at these sites;

- Planned and conducted interviews and show-me meetings with Group functions to understand the consolidation and reporting processes, use of company-wide systems and controls performed at Group level; and performed trend analysis of consolidated data and made enquiries to understand significant developments in reported data over time; and
- Performed trend analysis of consolidated data and made enquiries to understand significant developments in reported data over time.

#### Management's responsibilities

Management of the LEGO Group is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the Performance data in the LEGO Group Responsibility Report 2018 that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies (**pages 55-56**) for preparing data and information;
- Measuring and reporting the Performance data in the LEGO Group Responsibility Report 2018 based on the accounting policies; and
- The content of the LEGO Group Responsibility Report 2018.

## Limited assurance report of the independent auditor continued

### Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Performance data in the LEGO Group Responsibility Report 2018 are free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Stakeholders of the LEGO Group.

Aarhus, 21 February 2019

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 3377 1231



**Claus Lindholm Jacobsen**  
State Authorised Public Accountant



**Henrik Trangeled Kristensen**  
State Authorised Public Accountant

## About the 2018 Responsibility Report

The LEGO Group is one of the world's leading manufacturers of play materials. LEGO® products are produced at our factories in China, Czech Republic, Denmark, Hungary and Mexico, and sold through retailers, online and our own LEGO Brand Retail stores. Our operations have an impact on consumers, local communities in which we operate, the environment and our supply chain. The activities outlined in this report describe the work done by the LEGO Group to minimise the impact of our operations and make a positive impact for children, communities and the environment.

### Our policies

The foundation for how we operate is described in our corporate policies.

[LEGO.com/en-gb/aboutus/responsibility/our-policies-and-reporting/corporate-policies](https://www.lego.com/en-gb/aboutus/responsibility/our-policies-and-reporting/corporate-policies)

### Reporting

In our annual report, you can find detailed information on the LEGO Group's 2018 financial results.

[LEGO.com/en-us/campaign/2018highlights](https://www.lego.com/en-us/campaign/2018highlights)

### Responsibility

You can also find more stories, videos and our non-financial results for 2018 online.

[LEGO.com/en-us/campaign/responsibilityreport2018](https://www.lego.com/en-us/campaign/responsibilityreport2018)

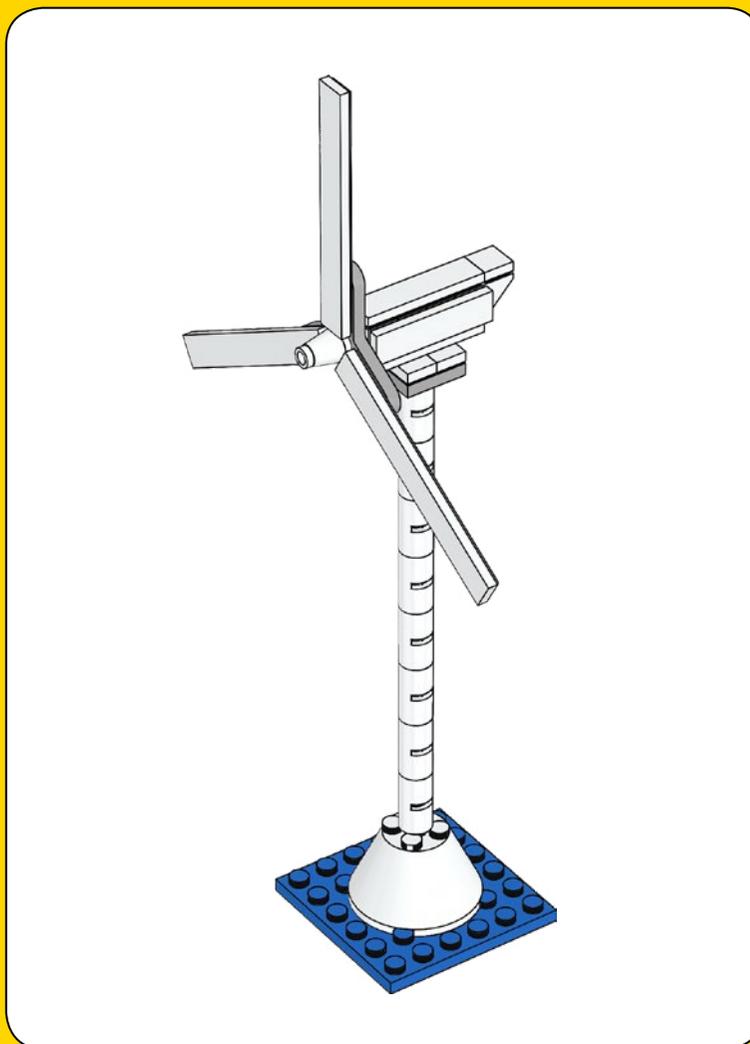


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### Mini LEGO wind turbine

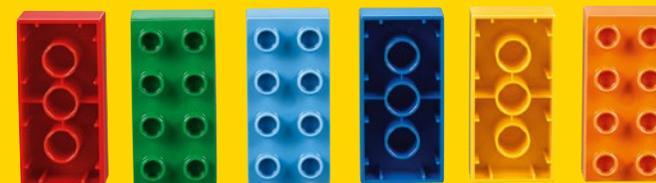
Do you want to build a cool mini LEGO wind turbine?  
Download the building instructions [here](#).



### Six Bricks

Through fun and short activities with sets of LEGO® DUPLO® bricks in six bright colours, children can practice their memory, movement, creativity and more. You can adapt activities and of course make your own activities to match the children's skills and interests.

Find inspiration for learning through play in this [booklet](#) containing 25 activities and extension ideas.



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Consultancy, design and production by Radley Yeldar | [www.ry.com](http://www.ry.com)

