

LEGO RESPONSE 2023_2_23

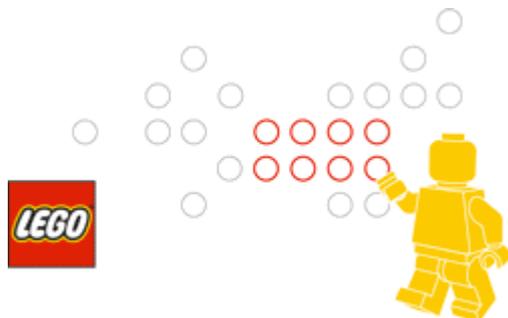
Dear B4Ukraine,

Thanks for getting in touch with the LEGO Group.

As you know, we stopped shipments into Russia in early March 2022. In July 2022, we closed our business indefinitely and ended our partnership with Inventive Retail Group.

Throughout the war our actions have been focused on children and families impacted. Together with the LEGO Foundation and Ole Kirk's Fond, the LEGO Group has donated over \$30M to support the rehabilitation and rebuilding of the education system within Ukraine and the educational needs of the children and families who have fled to neighbouring countries.

Yours sincerely



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Niels B. Christiansen
Chief Executive Officer
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RE: The LEGO Group's business operations in Russia

January 31, 2023

Dear Mr. Christiansen,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. We expect companies to demonstrate opposition to Russia's war of aggression, public support for the people, democracy, and territorial integrity of Ukraine, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs). At stake is not only the sovereignty and territorial integrity of a democratic Ukraine, but also the continuity of the rules-based international order and the prosperity of the global economy.

We request an urgent dialogue regarding potential inconsistencies between The LEGO Group's (LEGO) stated policies on human rights and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

We acknowledge that Lego has policies in place to guide the company toward ethical behaviour. According to Lego's Responsible Business Principles, LEGO is committed to the principles of the UN Guiding Principles, the United Nations Global Compact, and its 10 fundamental values related to Human Rights, labour standards, the environment and the fight against corruption.¹ The company reinforced this approach and its stated commitment to human rights with its Human Rights and the Rights of Children Policy. According to the company:

"The LEGO Group supports the UNGP approach to due diligence and as such follows guidance set out by the OECD due diligence guidance for responsible business conduct; we recognise the need to have processes in place to identify, prevent, mitigate, and account for how the impact on human rights is addressed."²

In its Modern Slavery statement, the company proclaims:

"At the LEGO Group we know that every day we impact human beings around the world through our products, operations and business partnerships. We have a responsibility to

¹ The LEGO Group, "Responsible Business Principles," https://www.lego.com/cdn/cs/sustainability/assets/blt123637cf697b8687/1023787_LEGO_Responsible_Business_Principles_130618_FINAL.pdf (accessed January 30, 2023).

² The LEGO Group, "Human Rights and Children Policy," https://www.lego.com/cdn/cs/aboutus/assets/blta69c5d0342bf6011/Human_rights_&_the_rights_of_children_policy.pdf (accessed January 30, 2023).

ensure that the impact is positive and to take all the necessary steps to protect human rights wherever we do business.”³

These commitments are reinforced in LEGO’s Sustainability Progress Report 2021, The LEGO brand values, and other company documents.⁴

It has been almost one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, and forcible transfer of civilians). More than 18,000 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.⁵ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

This legislation entails new and significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁶

³ The LEGO Group, “Modern Slavery Statement 2021,” https://www.lego.com/cdn/cs/aboutus/assets/blt9f5ba61a33c6cde4/The_LEGO_Group_ModernSlaveryStatement2021.pdf (accessed January 30, 2023).

⁴ The LEGO Group, “Sustainability Progress Report 2021,” https://www.lego.com/cdn/cs/aboutus/assets/blt9f5ba61a33c6cde4/The_LEGO_Group_ModernSlaveryStatement2021.pdf (accessed January 30, 2023); “The LEGO brand values,” <https://www.lego.com/en-us/aboutus/lego-group/the-lego-brand> (accessed January 30, 2023).

⁵ Federal Law No. 31-FZ of February 26, 1997 “On mobilization training and mobilization in the Russian Federation” (as amended), <https://base.garant.ru/136945/> (accessed January 2, 2022).

⁶ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, “Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward,” September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed January 2, 2022); The Sentry, “Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate,” July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed January 2, 2022); Rfi, “French technology firm charged over Libya cyber-spying,” July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed January 2, 2022); Preston Lim, “Canadian Supreme Court Allows Corporate Liability for International Law Violations,” Lawfare, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed January 2, 2022); Sherpa, “Aiding and abetting war crimes in Yemen: Criminal complaint submitted

Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁷

In response to this unprovoked and unjustified war⁸ many companies have left Russia. According to the Kyiv School of Economics Institute's (KSE) #LeaveRussia [company tracker](#), LEGO temporarily suspended its shipments to Russia.⁹ On March 4, the company announced it has “paused shipments of products to Russia given the extensive disruption to the operating environment.”¹⁰ Following this, in July 2022, LEGO announced that it is pulling out of Russia indefinitely and cutting off its partnership with the local company, Inventive Retail Group, which runs the Russian stores. This included the closure of all LEGO’s 81 stores and the ending of employment for the Russian staff.¹¹ Despite this, our research suggests that LEGO remains exposed to the Russian market.

On October 3, 2022, Insider reported that the Inventive Retail Group is opening 65 stores in Russia, in place of the former LEGO businesses called ‘the World of Cubes’. While LEGO claims that it has not exported to Russia since March, the World of Cubes website advertised a wide range of LEGO products.¹² LEGO products are still widely available on the World of Cubes websites.¹³ Further, Russian media announced that while some of the LEGO stores in Russia have closed, the fate of the rest is unknown. The media also notes that the Inventive Retail Group will be able to sell LEGO products bought through parallel imports, and that only the name of the stores will have to change.¹⁴

Additionally, Russian customs data, obtained by the B4Ukraine Coalition, shows imports of LEGO products to Russia throughout March 2022, as well as a parallel import in September, stemming from a supplier in China.

These activities risk enabling and financing Russia’s violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine and violating LEGO’s Global Human Rights Policy and the company’s stated commitment to abiding by the UNGPs. It remains to be seen how directly LEGO will be impacted by the partial mobilisation and the heightened legal, regulatory, operational, and

against French arms companies,” June 2, 2022, <https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed January 2, 2022).

⁷ Venable LLP, “Do You Contract with State Governments? If So, Beware of Emerging State Sanctions’ Obligations Related to Russia and Belarus,” *JD Supra*, June 3, 2022, <https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed January 2, 2022).

⁸ The UN General Assembly condemned Russia’s “aggression against Ukraine” and demanded that Moscow “unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders.”

⁹ KSE, Leave Russia, “The LEGO Group,” <https://leave-russia.org/lego> (accessed January 30, 2023).

¹⁰ The LEGO Group, “Statement on Ukraine & Russia,” March 4, 2022, <https://www.lego.com/en-us/aboutus/news/2022/march/statement-on-ukraine-russia> (accessed January 30, 2023).

¹¹ Maryam Zakir-Hussain, “Lego pulls out of Russia ‘indefinitely’ and closes 81 stores,” July 13, 2022, <https://www.independent.co.uk/news/world/europe/lego-russia-stores-boycott-ukraine-b2122041.html> (accessed January 30, 2023).

¹² Mia Jankowicz, “Russia is replacing Lego with ‘World of Cubes’ after the toymaker refused to do business there,” October 3, 2022, <https://www.businessinsider.com/russia-to-open-lego-store-substitute-world-of-cubes-2022-10?r=US&IR=T> (accessed January 30, 2023).

¹³ мир кубиков, <https://mir-kubikov.ru/> (accessed January 30, 2023).

¹⁴ Маша Цепелева, “Lego прекратит работу с главным партнёром в России и уйдёт из страны,” July 12, 2022, <https://vc.ru/trade/460902-lego-prekratit-rabotu-s-glavnym-partnerom-v-rossii-i-uydet-iz-strany> (accessed January 30, 2023).

financial risks associated with companies being required to provide direct support to the internationally sanctioned Russian military.

We seek to understand how LEGO has conducted and continues to conduct heightened HRDD and how the findings of such a process has resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine's Declaration,¹⁵ we request an urgent dialogue with LEGO's relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, February 14th, 2023.

Please do not hesitate to get in touch if you require any further information.

Sincerely,

The B4Ukraine Coalition

¹⁵ B4Ukraine, "About," <https://businessforukraine.info/about>(accessed January 2, 2022).