Meeting with [Redacted] of LEGO
Brussels, 25 April 2023

Steering brief

Scene setter
You will meet [Redacted] of the LEGO Group. He will also meet VP Suica and Commissioner Breton on the same day. You might want to discuss the LEGO Group’s digital ambitions including protection of children, the EU’s industrial future, sustainability and the upcoming revision of the Toy Safety Directive.

In 2022, LEGO’s revenue increased by 17 percent to DKK 64.6 billion compared to DKK 55.3 billion in 2021¹, landing above expectations and building on the exceptional growth in 2021. Revenue growth was driven by strong consumer demand, despite ceased commercial operations in Russia and the continued impact of COVID-19 restrictions in China. LEGO had 27 338 employees in 2022 (24 484 in 2021).

Digital presence and protection of children online
LEGO has an online store and offers educational videos and video games focused on children, promoting their products. LEGO has recognised itself as an online platform, falling within the scope of the Digital Services Act, and has published the number of active users of their online platform for period 1 August 2022 to 31 February 2023, which they calculated to be 812 470². They have however not published the methodology that has led them to this number, neither have they clarified which service(s)/online platform this number concerns/they recognise to fall under the DSA.

LEGO is very active on protection of children online. LEGO has been working, alongside UNICEF and other experts around the world to embed the concept of ‘safety-by design’ across their operations. For example, LEGO has co-created UNICEF’s child safeguarding toolkit, a guidance on how to identify and mitigate actual and potential safeguarding risks. For accessing certain parts of their website/platforms, LEGO requires parental consent based on documentation.

In 2017, Lego Life (a social app) was created as an example of what a safe and social online space could look like and LEGO has been recognised for this work by the UK Government on Online Harm as well as the Australian E-Safety Commissioner.

LEGO is an engaged member of the Alliance to Better Protect Minors Online, an EC-facilitated platform with leading ICT and media companies designed to improve the online environment for children and young people. The Alliance is on standby to avoid interference with preparatory steps for the DSA implementation and the kick-off of the Code of conduct on age-appropriate design under the new Better internet for kids strategy (BIK+). The LEGO group is interested in playing an active role in such a Code. They have applied to be part of the ‘special group’ which will draft the Code. LEGO is expected to be involved in the process. However, the outcome of the selection cannot be publicly disclosed before the designation process of the VLOPs is finalised. The kick-off of the Code is tentatively expected in May.

LEGO’s Digital Empowerment Program offers resources for children and families to help them learn about digital child safety and well-being, topics like cyberbullying, strong passwords, privacy etc.

LEGO is ramping up its hiring for its experience in virtual worlds. In April 2022 it was announced that LEGO was partnering with Epic Games to build a metaverse experience.

¹ Annual report 2022: Excluding the impact of foreign currency exchange rates, revenue increased by 11 percent against 2021.
https://www.lego.com/cdn/cs/aboutus/assets/blt70ef2efdd8d21dc7/LEGO_Annual_Report2022_Fin al_WEB.pdf

² https://ideas.lego.com/eu_dsa_notice
**LEGO and climate**

In 2020, LEGO was the first large toy company to announce a science-based emissions reduction target. They want to *reduce their absolute CO₂ emissions by 37 percent by 2032, compared to 2019*.

Two percent of LEGO’s CO₂ emissions come from their factories, stores and offices. Most emissions come from LEGO’s supply chain, including emissions from the raw materials used, transportation and what happens when LEGO products are not used anymore.

While LEGO is reducing environmental impact from all parts of their business, their emissions have gone up in the short-term (2019-2021) due to a high demand for products and a subsequent growth in production and product sales.

**LEGO and circular economy**

As a plastic toy producer, the LEGO Group has a real interest in updating their business model in line with the transition away from single-use plastics. Mr Christiansen met with Commissioner Sinkevičius in January 2023 at Davos to discuss the durability of plastics, high-quality recyclable materials and the transition time for businesses.

*Circularity is an integral part of LEGO’s ambition to reduce their carbon emissions. LEGO bricks are made from a type of plastic called acrylonitrile butadiene styrene or ABS. This type of plastic is very durable and decomposes only after 100,000 years. LEGO Group’s Sustainability reporting recommends "passing your bricks on to relatives or friends as the most environmentally friendly way of disposing of your bricks".*

LEGO aims to have “zero environmental impact on the planet” and are working to achieve this through commitments to “make all core LEGO products from sustainable materials by 2030” and “by 2025 all LEGO packaging from renewable or recycled materials”.

A new *recycled prototype* (of bricks), which uses PET plastic from discarded bottles, was announced in June 2021. LEGO might be therefore interested in the Ecodesign for Sustainable Products Regulation, mainly in the product requirements linked to recycled content.*

In 2018, LEGO began producing elements from bio-polyethylene (bio-PE), made from sustainably sourced sugarcane.

The proposed review of Packaging and Packaging Waste legislation requires that plastic packaging for toys would need to contain 35% recycled content by 2030. The proposal does not contain minimum requirements for biobased plastics, nor does it foresee that the recycled content inclusion rates for plastic packaging could be achieved with biobased plastic polymers, as there is no equivalence between recycled and biobased content.

To advance their circular ambitions, LEGO also have a REPLAY project allowing consumers to donate LEGO bricks to children in need. Since 2020, they have also been partnered with the Ellen MacArthur Foundation (EMF) – in 2022, they launched a new resource with the EMF which hopes to educate children aged 7 to 12 on the circular economy.

**LEGO’s investments in sustainability**

In 2021, LEGO has announced plans to invest up to USD 400 million over three years to accelerate sustainability and social responsibility initiatives.

In 2021, LEGO Group joined the *Green Consumption Pledge pilot initiative* (together with the Colruyt Group, Decathlon, L’Oréal and Renewd). The Green Consumption Pledge was an initiative of the European Commission. The pledges have been developed in a joint effort between the Commission and companies. LEGO committed to continue to reduce the company’s carbon footprint; to ensure that its climate data is easily available to the public; and to promote sustainable practices to its consumers.
In the second half of 2022, LEGO started building a USD 1 billion factory in Vietnam to be close to its major markets in Asia. A key reason for locating the new factory in Vietnam was the Vietnamese government’s goal of net-zero emissions by 2050. The facility, which will be producing in 2024, will be the company’s first carbon-neutral factory.

In June 2022, the LEGO Group announced plans to invest more than USD 1 billion to build a new factory in Chesterfield County, Virginia. The Virginia facility will be designed to operate as a carbon-neutral factory, which means it will be a highly energy-efficient site and 100 percent of its energy needs will be matched by onsite renewable sources.

LEGO requires all their suppliers and partners to adhere to their 12 Responsible Business Principles (subject to regular audits) to ensure the rights and well-being of those involved in the LEGO supply chain.

The LEGO Group are quite active in promoting their environmental efforts. They might be interested in what Directive on Green Claims (proposed on 22 March 2023) could mean for them. While they will need to ensure their voluntary environmental claims are backed up, this should be seen as an opportunity as it will enable them to stand out from competitors who might have been overstating their sustainability effort, thus making the most of their investments in circularity.

LEGO will be interested in the state of play of the revision of the Toy Safety Directive. They may fear that the introduction of new requirements for chemicals in toys will make it more difficult for their products to comply. They have strong concerns about non-compliant toys being sold in the Union market through e-commerce.

**Key messages**

*On child protection online/DSA*

- The Commission is fully committed to supporting children’s protection, empowerment and respect in the digital transformation.

- Protection of minors is one of the key new elements in the DSA. The goal is to create a safer and more trustworthy online environment, including by setting up targeted rules for the protection of minors online.

- The DSA requires the Commission to encourage the drawing up of Codes of Conduct.
• Under BIK+, the Commission will facilitate the design of a comprehensive EU code of conduct on age-appropriate design built on the regulatory framework provided in the DSA and in line with the Audiovisual Media Services Directive and the General Data Protection Regulation (AVMSD and GDPR).

• Another key commitment under BIK+ is to strengthen effective age verification methods. The Commission is working on a request for a European standard on online age verification to prove age in a privacy-preserving and secure manner, to be recognised EU-wide.

• The Commission will establish, via the BIK portal, an Age Verification Toolkit to promote and raise awareness of existing effective and privacy-preserving methods of age verification and to support interoperability among different age verification methods.

• Implementing the objectives covered under 3 pillars of the BIK+ strategy - safer online experiences, digital empowerment and active participation – requires concerted efforts from the policymakers, civil society and, in particular, industry.

• We value that Lego takes a proactive approach to online safety and welfare of children interacting with Lego digital products, channels and experiences.

**EU-US Coordination**

• The protection and empowerment of minors online is also a clear priority for both the EU and the US and is one of the topics of conversation as part of the Trade and Technology Council (TTC) Working Group 5 on Data Governance and Technology Platforms.

• Both the EU and the US believe we should look into ways to shape the global platform space into not only a safe, but also a positive environment for children.

**On the EU’s Initiative on Virtual Worlds**

• Before summer, the Commission will launch a non-legislative initiative on virtual worlds.

• We should avoid that virtual worlds platforms become walled gardens with consumers locked into a closed system. This would lead to the emergence of gatekeepers controlling access to such virtual worlds.

• We are consulting EU stakeholders.

**On industrial policy and semiconductors**

• The main goals of EU industrial policy remain the green and digital transitions as well as the resilience of our industry.

• The Chips Act will enable the Union to anticipate future chips crises.

• We are developing early warning indicators to anticipate future shortages in the semiconductor supply chain and prevent semiconductor crises.

• The Commission is engaging in dialogues with international partners in view of establishing partnerships aiming at increasing the strategic autonomy and limiting the chances of supply disruption in the Union.

• We would be interested in an update on how you see the supply chain, and whether you are still experiencing shortages of certain chips.

**On sustainability**

• The Commission welcomes LEGO’s commitment and improvements towards achieving their climate and sustainability goals.
On 22 March, the Commission adopted the proposal for a Green Claims Directive. It will deliver on the European Green Deal commitment to reduce the risk of greenwashing, mobilising industry for a clean and circular economy and enabling buyers to make more sustainable decisions.

The proposal will create a level playing field and allow for rewarding of companies [such as LEGO] that make a genuine effort on environmental sustainability.

Plastics are an important material in our economy that are everywhere in our daily lives but can present negative environmental and health impacts.

The Commission is fully committed to making plastics "circular".

If raised – taxonomy:

LEGO’s expenditures can be earmarked as green if they comply with the Taxonomy’s sustainability criteria (this wouldn’t apply to LEGO’s core business but to assets such as buildings, research, energy or plastic manufacturing in its primary form). This in turn can allow LEGO to turn to lenders to receive lending facilities that are targeted towards LEGO’s green expenditures. LEGO could therefore benefit from more favourable financing conditions for its green expenditures.

On the revision of the Toy Safety Directive

We are finalising the proposal for the revision of the Toy Safety Directive. This proposal should be adopted before the summer.

We are aware of your concerns in relation to the high number of non-compliant toys present in the Union. We share your concerns; around 25% of alerts of dangerous products notified by Member States in the Safety Gate concern toys coming from outside the EU. Reducing the high number of unsafe toys in the EU will be one of the main objectives of the Commission proposal.

Online commerce and the safety of products sold online are already addressed through the Digital Services Act and the General Product Safety Regulation.

We intend to step up enforcement of the Toy Safety rules by relying on digital technologies (digital product passport) and require automatic controls of compliance information at customs. As a result, unsafe toys will be more easily detected and will be stopped at the EU borders.

If raised: We should not strengthen the requirements for chemical substances in toys. This runs the risk of removing from the market toys which are safe, and limit choice for consumers.

From the results of the Evaluation of the Toy Safety Directive and the studies we conducted to support the Chemicals Strategy for Sustainability, we believe we need to increase the protection of children from the most harmful chemicals.

Children are particularly vulnerable.

We share the objective of preserving consumer choice and we are convinced that our proposals will still allow for sufficient flexibility so as not to unnecessarily ban safe toys.

Contact – briefing coordination: (SG.A.4)

Contact – briefing contribution: CLIMA, CNECT, ENV, GROW