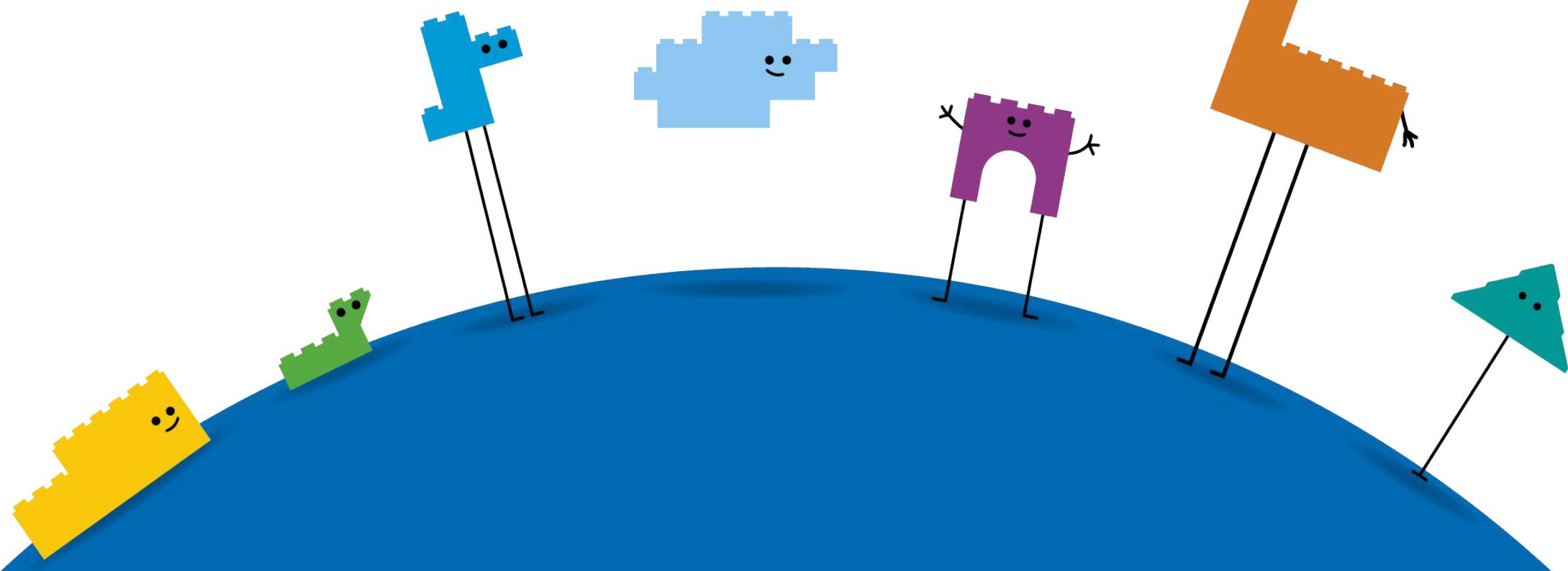




The LEGO Group

# Sustainability Progress 2020



# Accelerating our sustainability efforts

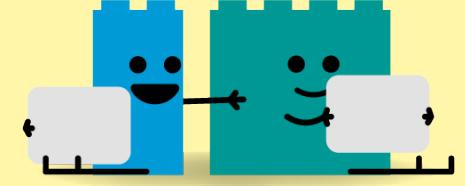
Each year, the LEGO Group sets ambitious environmental and social responsibility targets, and I am pleased to say that in 2020 we drove ourselves even further to create a more sustainable world for children. We announced our most extensive plan to date: committing up to US\$400 million investment to accelerate our environmental and social responsibility initiatives. These funds will be spent over three years to create more sustainable products and packaging, to achieve zero waste and carbon neutral operations, and in close collaboration with the LEGO Foundation, to inspire children to learn through play.

We are trialling recyclable paper bags as a replacement for single-use plastic bags in our boxes to help our packaging become 100% sustainable by 2025. We are on track to achieve carbon-neutral manufacturing operations by 2022 and we announced a Science Based Target, which commits us to reduce our absolute carbon emissions by 37% by 2032.

When the pandemic dramatically paused the education of millions of children, we brought Learning through Play to homes around the world through our digital campaign 'Let's build together'.

With more children at home and online, digital child safety and well-being became even more critical. Through 'Build and Talk', a series of creative digital challenges, we offer parents and kids an enjoyable, guided way to discuss how to be safe while online and be responsible digital citizens.

Our mission is 'to inspire and develop the builders of tomorrow', and therefore it is important for the LEGO Group to be a family friendly workplace. I am pleased to announce that all LEGO® employees will receive an extended paid parental leave globally: 26 weeks for the primary caregiver and eight weeks for the secondary caregiver. We believe this supports children's well-being and development.



In 2003, the LEGO Group became the first toy company to join the United Nations Global Compact and we remain committed to upholding its 10 principles. In 2020, we signed on to the UN Women's Empowerment Principles in support of gender equality and workplace empowerment, and we became members of the Ellen MacArthur Foundation to share ideas and drive the global transition to a circular economy.

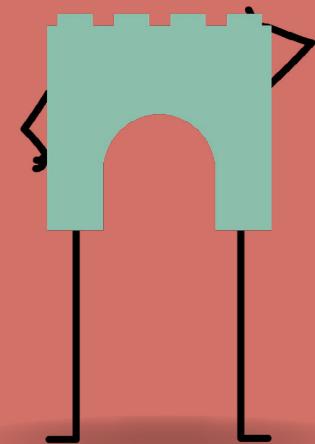
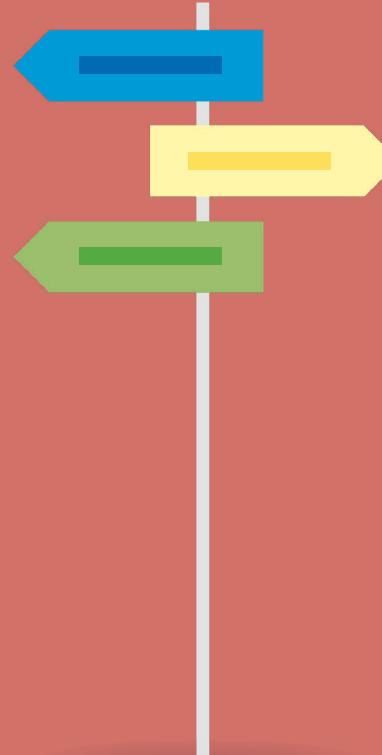
Our ambition is to scale our programmes to bring Learning through Play to reach eight million children by the end of 2022. We will bolster our current efforts and think boldly with our resources, expertise, and platforms, to invoke change.



Niels B. Christiansen  
CEO of the LEGO Group

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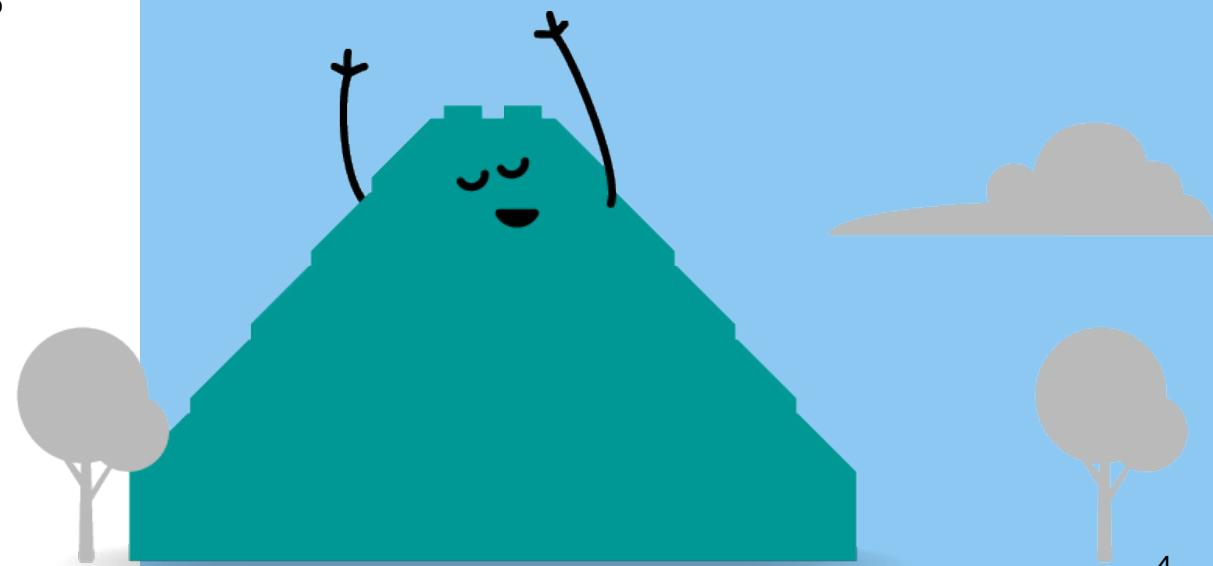
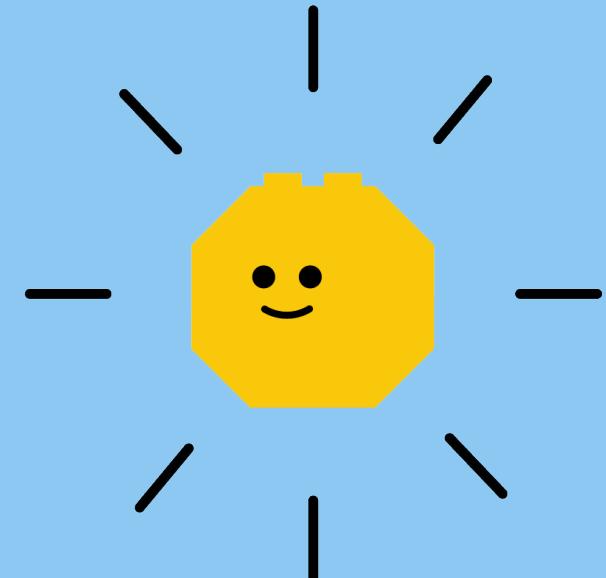
This Sustainability Progress Report is part of the Management's Review of LEGO A/S' Annual Report 2020 and constitutes the LEGO Group's report on Corporate Social Responsibility and Diversity cf. Sections 99 a and 99 b of the Danish Financial Statements Act. Our annual sustainability progress report outlines our key ambitions and targets from the LEGO Group's sustainability efforts over the past year, summarizing our performance as well as learnings and challenges.

# Together, we can rebuild the world

At the LEGO Group, we're playing our part in building a sustainable future and creating a brighter world for our children to inherit. We're joining forces with children and parents, our employees, partners, NGOs and experts to have a lasting impact and inspire the children of today to become the builders of tomorrow. We are proud of the journey we are on and recognize that there is much more to do and learn. We will continue to do everything we can to achieve our ambitions.

On our [sustainability reporting website](#) you can find more information about our initiatives, ambitions and progress.

In our [annual report](#) you can read about the financial results of 2020.

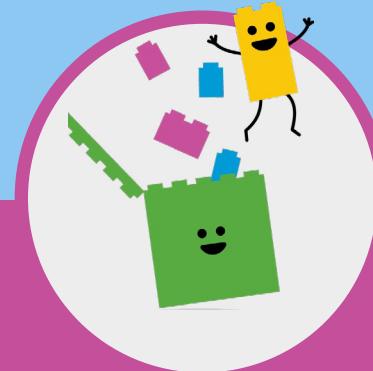


# The LEGO Group business model



## Suppliers

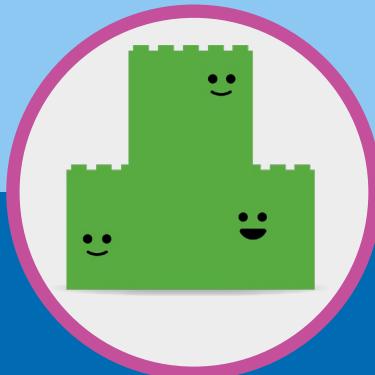
Our global supply chain provides us with the raw materials to produce our products. Supply chain risks include human rights violations such as modern slavery, working hours, child labour and bribery. Mitigations include regular audits and follow-up in high- and medium-risk countries to ensure compliance with our Responsible Business Principles. Roughly 90% of our total CO2 footprint comes from our supply chain, we actively work with suppliers to reduce this impact through our 'Engage-to-reduce' programme which was set up in 2014.



## Licensing partners

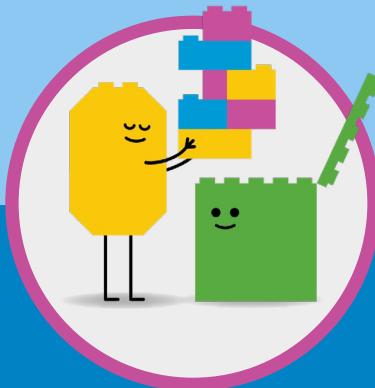
The LEGO Group partners with a number of licensing partners and has strong focus on product quality and safety. The portfolio covers a range of products, that includes books and bedding, clocks and clothing. The types of risks are similar to our own supply chain. However, the manufacturers of our licensing partners are located in many more countries than our own supply chain and the variety of products is bigger which diversifies the risks. Mitigations include a close collaboration with our licensing partners. They work with their suppliers to mitigate risks and we monitor compliance to our Responsible Business Principles through third party audits and follow-up.

# The LEGO Group business model



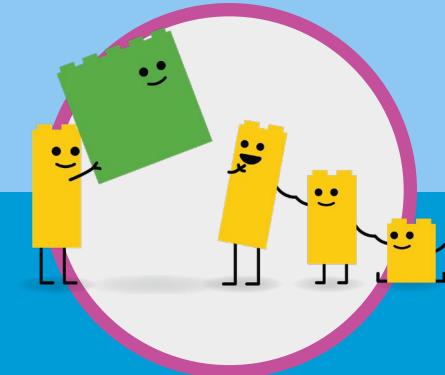
## Customers

Customers include retailers where the LEGO Group operates globally, LEGO® stores and partner stores. Risks include ethical issues such as bribery and corruption, and sustainability of products and packaging. Mitigations include ethical business training for leaders, the 2030 sustainable materials ambition and 2025 sustainable packaging ambition.



## The LEGO Group's facilities

The LEGO Group has a global production footprint with factories in Denmark, China, Mexico, Hungary and Czech Republic, as well as multiple packaging facilities and warehouses. Risks include employee safety and a negative impact on climate and the environment from CO<sub>2</sub>, waste and water use. Mitigations include health and safety training and CO<sub>2</sub>, waste and water reduction projects, e.g. investment in renewables.



## Consumers

Consumers are individuals who purchase our products. Our primary consumers are parents who purchase LEGO products for their children as well as adult fans, grandparents and gift givers. Risks include product and digital safety and sustainability of products. Mitigations include safety by design, responsible engagement policies, strict compliance to child advertising rules such as COPPA (Children's Online Privacy Protection Act), the 2030 sustainable materials ambition and 2025 sustainable packaging ambition.

# children

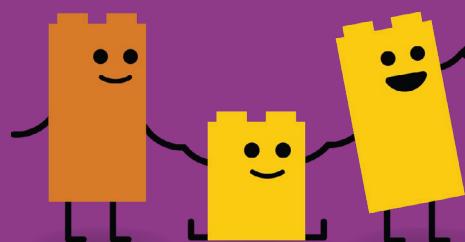
## Learning through Play

We believe every child should have an opportunity to achieve their potential. Play nurtures and develops the breadth of skills children need to solve problems creatively while boosting confidence and resilience. The LEGO Group, LEGO Foundation and LEGO® Education work together to be a force for Learning through Play bringing play to children in need in our communities around the world.

Many of our traditional programmes are event based, bringing children together to learn through play. In 2020, the COVID-19 pandemic forced us to rethink how to reach children and parents with Learning through Play initiatives. In collaboration with the LEGO Foundation, we shifted our focus to financial grants to charity partners in our local communities to help them reach crisis-affected children with vital supplies and opportunities to learn through play to support their well-being and the development of essential life skills.

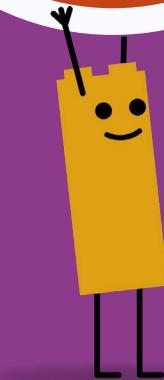
## Inspire and engage parents in Learning through Play

Our programme 'Prescription for Play' is for healthcare providers in the United States seeing 18- to 24-month-old patients. Families that receive a prescription to play will get a LEGO® DUPLO® box containing a variety of animals, encouraging parents to spend time playing with their children. Caregivers and parents are critical in developing children's essential skills for the 21<sup>st</sup> century. This programme aims to develop parental and caregiver behaviour towards Learning through Play and equip them to bring quality Learning through Play opportunities into the home. In 2020, we reached over 650,000 parents and caregivers and aim to reach 750,000 in 2021 with a further refined programme.





**3.2  
million**



### **Build to Give**

The holiday season is the most wonderful time of the year for many, but for some children, it doesn't always come with the same excitement. That's why for the fourth year running we encouraged families to get creative and give the gift of play to a child-in-need, simply by making a holiday ornament out of LEGO bricks. For every holiday creation shared on social media using the hashtag #BuildtoGive, the LEGO Group donates a LEGO set to a child-in-need giving children in hospitals, children's homes or vulnerable communities globally the chance to play this holiday season. This year we donated 1.2 million LEGO sets through Build to Give.

In total we reached over 3.2 million children with our Learning through Play programmes and activities in 2020, our ambition for 2021 is to reach 3.5 million children.

### **Inspire and educate children on sustainability**

Build the Change continues to be a focal point within the LEGO Group's sustainability 2022 ambition giving all children the opportunity to learn about sustainability through play and giving them a voice on some of the biggest sustainability challenges that the world is facing. In 2020, we pivoted the decade-old events-based programme into an at home digital experience that could be done with any creative materials – including, but not limited to, LEGO® bricks. It was soft-launched at the end of the year with a full launch slated for 2021.

### **Product safety**

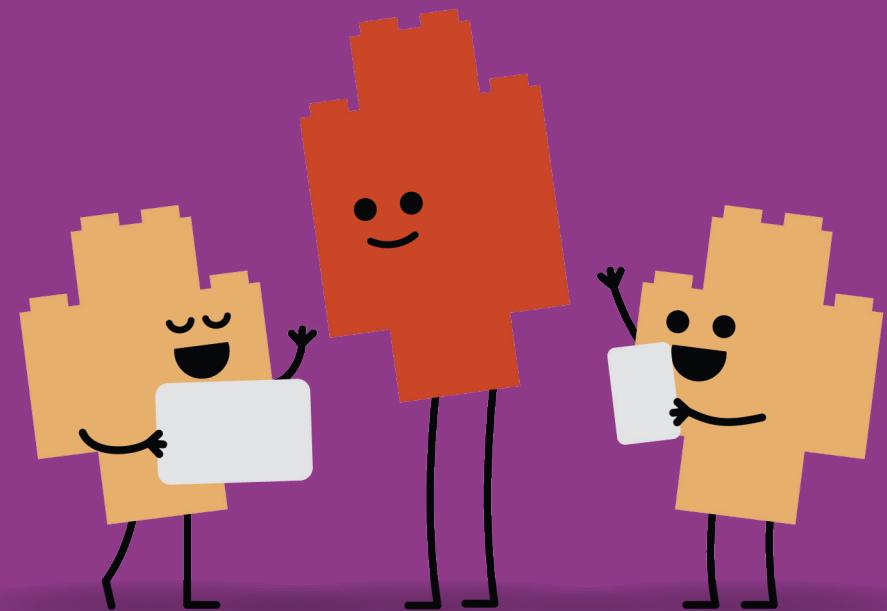
Throughout our almost 90-year history, children and parents have trusted us to provide safe, high-quality products that meet or surpass even the most rigorous international toy safety regulations and standards. In 2020, we had our 11<sup>th</sup> consecutive year of zero product recalls.

## Digital safety and well-being

The LEGO Group is committed to world-class safety-by-design digital experiences that enable children to play and learn online in a fun and safe environment. In 2020, we launched 'Build and Talk', a series of creative challenges which offer parents and their children a guided way of engaging in conversations about digital safety and how to be responsible digital citizens. In November, during anti-bullying week and World Children's Day, we expanded the activity to help families discuss how to address cyberbullying in an engaging and proactive way. Our parent targeted engagement on digital safety and well-being had the combined reach of over 55 million families during 2020.

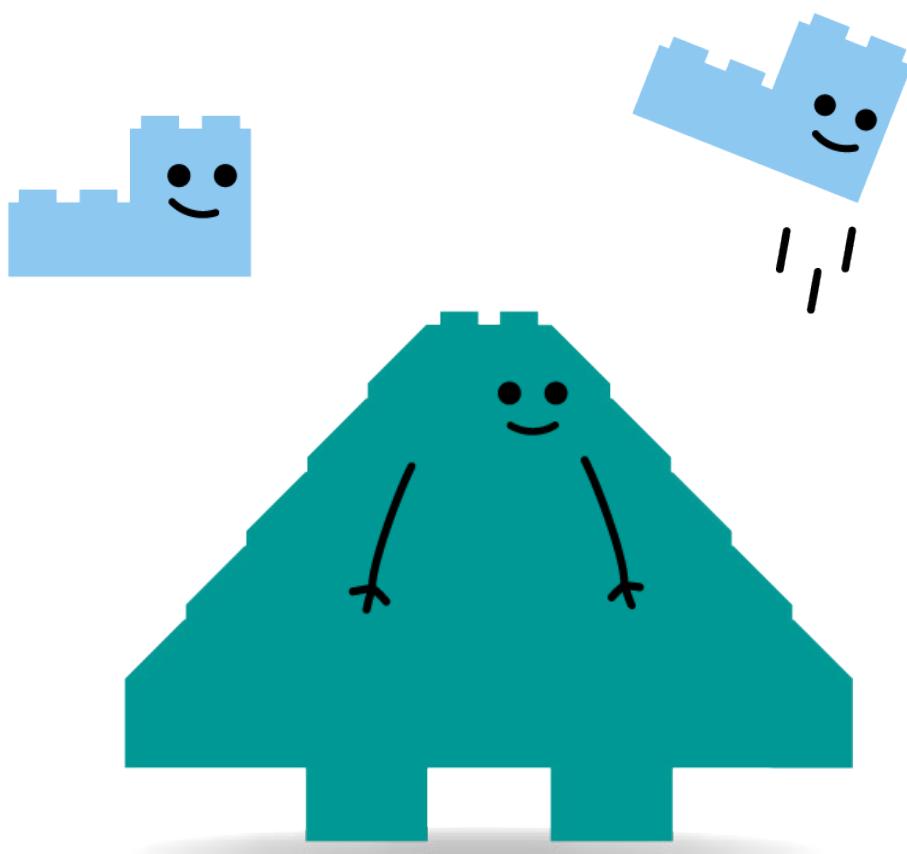
Social media and digital networks can provide friendship lifelines for many children globally, particularly at a time when many remain out of school due to the pandemic. To celebrate this, we launched #BoostUp in our LEGO® Life app where children were encouraged to take part in a series of polls, storytelling quizzes and virtual building activities to help support those who have experienced cyberbullying. The app and encouragement from other children helped them build the courage to act on abuse witnessed online and encouraged supportive online behaviours.

55  
million



# Environment

Our Environmental Policy outlines our approach to climate change and our environmental footprint. We comply with all relevant legislation, standards and identified requirements. All LEGO® production sites are certified according to the international environmental standard ISO 14001. In addition, our production site in Jiaxing, China is also certified according to ISO 50001.



## Sustainable materials and packaging

The LEGO Group strives to 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 and have set an ambitious target to have all products made from sustainable materials by 2030. It is a bold ambition that requires the invention of new materials. In 2020 we produced a total of 98,674 tonnes of LEGO bricks. So far, 100 different types of LEGO elements are made from sustainable sources.

In 2020 we used a total of 68,697 tonnes of packaging material.

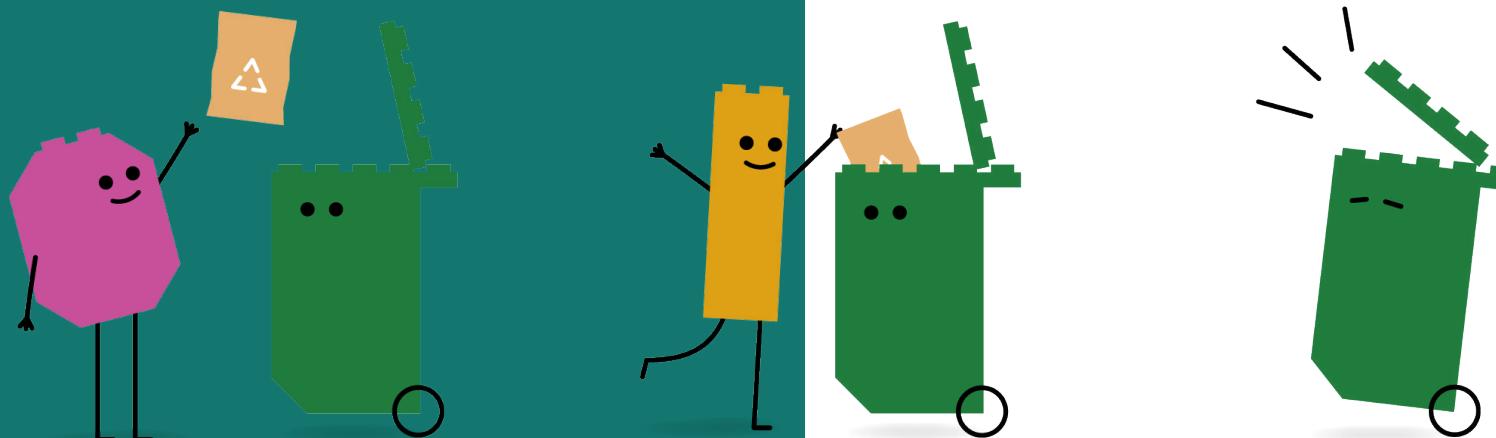
By 2025, we aim to have 100% sustainable packaging. As a next step, we will begin to phase out single-use plastic bags used in LEGO® boxes to package the loose bricks. Several prototypes made from a range of different sustainable materials have so far been tested with hundreds of parents and children. From 2021, recyclable paper bags, certified by the Forest Stewardship Council® (FSC®C117818) will be trialled in boxes, if successful the new bags will be phased in over a four-year period, from 2021.

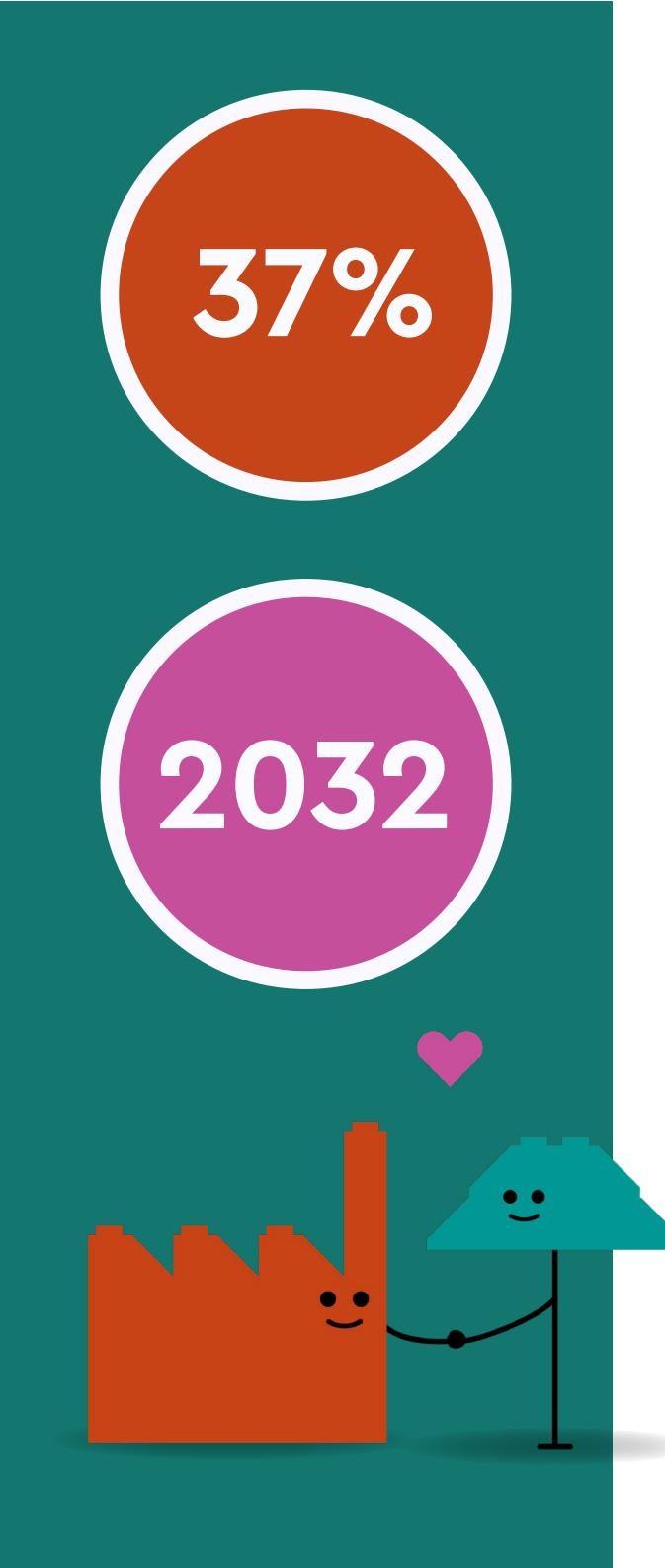
In 2020, the LEGO Group announced plans to invest up to US\$400 million over three years to accelerate sustainability and social responsibility initiatives. The investment will cover both long-term investments and ongoing costs, including costs associated with removing single-use plastic in all our products, packaging and operations, the development of new sustainable materials and the investments in manufacturing equipment.

## Zero waste

In 2016, in partnership with World Wildlife Fund (WWF), we set a very ambitious target to improve waste efficiency from our own operations by 10% by 2020. This is the amount of waste generated in our factories compared to the amount of LEGO boxes produced. We improved waste efficiency by 5.8% compared to 2016, not meeting the 10% target. This is due to a number of reasons, such as increased production and unplanned waste from storage systems in our warehouses and a delay in reducing the use of pallets at our Mexico factory.

We will keep focusing on waste efficiency and we are aiming for zero waste which means that no waste from any LEGO factory, office or owned and operated store will be landfilled by 2025. We will also remove single-use plastic in our operations by the end of 2022. We currently recycle 91% of all waste, including 100% of the plastic waste from our moulding machines. In 2020, 381 tonnes of waste went to landfill.





37%

2032

## Reducing climate impact

We continue to be 100% balanced by renewable energy, due to investments in offshore wind by our parent company KIRKBI A/S and investments in onsite renewable energy by the LEGO Group. We define 'balanced by renewable energy' as: energy generated from renewable sources (either on- or offsite) as being equal to, or more than the energy we use at our locations. We purchase and retire all available Renewable Energy Certificates (RECs) from our renewable energy investments and supplement these with accredited RECs when those investments are not available. How we handle RECs:

Burbo Bank Extension: KIRKBI A/S owns and retires the RECs on our behalf.

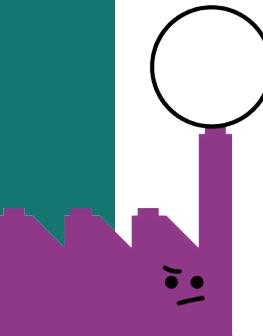
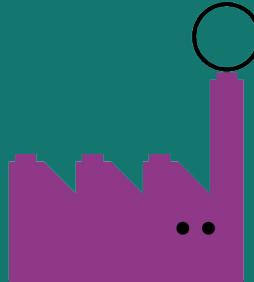
Borkum Riffgrund 1: There are currently no RECs available for this wind farm. We expect certificates to be available in 2025, at which time KIRKBI A/S will secure and retire the certificates. Between 2020 and 2025 we will purchase and retire the equivalent number of certificates from the open market.

In 2016 we partnered with WWF to set a target to improve the carbon efficiency of making a LEGO® brick by 10% by 2020. This target is calculated by dividing the tonnes of carbon emitted by the weight of LEGO bricks produced. Although we did not meet this ambitious target, we reduced the carbon footprint, by 2.9%, per kilo bricks produced, compared to 2016. We recognise that we need to do more, and we will continue to invest in energy efficiency and remain committed to installing solar panels at all our factory sites with projects in China and Hungary during 2021. In addition, we will also invest in green gas supplies and purchase accredited renewable energy certificates.

In December 2020, we were the first large toy company to announce a Science Based Target, which commits us to reduce our absolute carbon emissions by 37% by 2032. This covers emissions from our own operations which equates to roughly 10% of total emissions and includes energy use in our owned and operated stores, our factories and offices, and from our supply chain which equates to almost 90% of emissions including areas such as raw materials and distribution. The target has been approved by the Science Based Target initiative as consistent with levels required to keep global warming to below 1.5°C, the most ambitious goal of the Paris Agreement.

## To achieve this target, we will:

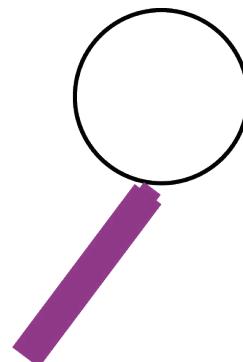
- Continue to invest in sustainable materials research to reduce the carbon footprint of LEGO® products and packaging and making our business more circular
- Continue to work with suppliers through the LEGO Group's 'Engage-to-Reduce' programme which was set up in 2014 to guide and support them to reduce their own impact
- Increase energy efficiency throughout our operations, expand renewable energy production at factories and ensure procurement of 100% renewable energy across factories, offices and stores
- Increase investment in renewable energy capacity in all regions where we operate, with the aim of running carbon neutral operations by the end of 2022
- Design offices and factories to the highest environmental standards, aiming for LEED Gold on all new construction projects



We achieved an A- leadership status for this year's CDP Climate Change questionnaire. This is the 5<sup>th</sup> consecutive year the LEGO Group receives a leadership level CDP Climate Change Rating. CDP is an independent climate action NGO. The score recognises our actions in cutting emissions, mitigating climate risks, and developing the low-carbon economy. Nearly 10,000 companies submitted their data this year, and the LEGO Group was placed within the top 15%.

To maintain our leadership status for the future, we will need to maintain progress towards our Science Based Target for CO2 emissions, continue investing in energy efficient technologies, and harness alternative energy sources.

While water use is very low in the production of LEGO bricks, we always strive to use it as efficiently as possible, we aim to reduce our water usage by 10% by the end of 2022 which also contributes to our carbon reduction target.





# People

## A safe and motivating workplace

Employee safety and well-being is a top priority, and we aim for zero accidents in 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. In 2020, the number of lost time injuries was 0.4 per million working hours.

We strive to ensure that the LEGO Group is a motivating workplace and survey the motivation and satisfaction of all employees regularly. The resulting score is calculated from the answers to four questions in the annual

employee engagement survey run by Ennova and called 'the LEGO Pulse'. Despite the challenges of the pandemic, colleagues' motivation and satisfaction were extremely high – above 2019 levels and amongst the strongest of all companies tracked by external partner, Ennova. In 2020, we exceeded our target with a score of 82 points, 8 points above the external benchmark score of 74.

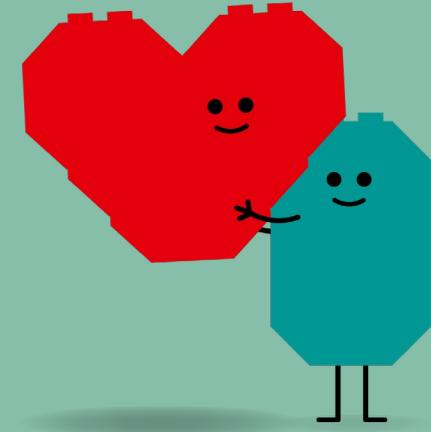
We will continue to take steps to ensure the health, safety and mental well-being of all colleagues working in our offices, factories and stores and to provide support services for anyone working from home for extended periods.

## Human rights

We collaborate closely with our suppliers to ensure they uphold our Responsible Business Principles. These 12 principles reinforce our ethical way of working and how we relate to children, our planet and our colleagues. Their primary purpose is to ensure all workers involved in making LEGO® products have fair and decent working conditions and that the environment is protected for future generations. If a supplier shows non-conformities with our Responsible Business Principles during a third-party audit, we work in partnership with our supplier to identify the root causes and ensure they are corrected. Our aim is to create long-term, sustainable solutions which benefit everyone.

We completed 85% of scheduled onsite audits against a target of 100%. Largely due to the outbreak of COVID-19 and its continuous impact, audits have been affected with health and safety concerns, resulting in restrictions on travel, factory closures and the decision to postpone audits. An expanded ‘toolbox’ of monitoring methods has been developed and deployed to ensure we can monitor all necessary production facilities even if onsite audits haven’t been possible.

In 42% of audits undertaken, we identified higher-risk non-conformities against a target of maximum 30%. The most frequently identified risk was related to increased working hours often linked to production of goods associated with managing the spread of COVID-19. For example, some suppliers manufactured packaging materials for medical equipment and



hand sanitizers for other customers. Some factories have reduced capacity to protect vulnerable workers while others have been affected by travel restrictions which have led to staff shortages in factories. Looking ahead, we do not expect to meet the current 30% target in the short- to medium-term due to the extended impact of COVID-19 and anticipated additional complexity in our supply associated with portfolio innovation.

We are currently working with some manufacturers to explore ways to meet compliance, despite ongoing COVID-19 restrictions. These include extending delivery deadlines and actively working with suppliers to return to reasonable working hours, despite the continuous implications of restricted movement and extra health and safety measures.

We currently provide online training in Responsible Business Principles with focus on working hours and health and safety measures and will increase focus on this during the coming year given the challenging working environment. We will also establish a capability building programme with our suppliers. This is a training academy that strengthens their competences to reach a higher level of compliance and proactively resolve high-risk issues.

# Ethical

# Business

# Conduct

## Ethics

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. It is essential that they comply with our LEGO® Code of Ethical Business Conduct ('Ethics Code'), even if this 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. Employees and third parties must adhere to our Anti-Corruption Policy and must not take part in any form of bribery, including facilitation payments. Where local regulations are stricter than the Ethics code the local policy takes precedence. We measure ethic compliance through

numbers of fines or settlements for non-compliances with anti-bribery and corruption laws where the target is zero.

As part of our commitment to ethical business conduct, we target 100% attendance on ethical training for employees at director level and above. Our people leaders are accountable for ensuring training and observance of the LEGO Code of Ethics and anti-bribery requirements.

In 2020, we added a question about the LEGO code of Ethical Business Conduct to our annual employee engagement survey 'the LEGO Pulse'. 83% of our salaried employees confirmed knowing the 'Ethics Code'. Further efforts will be dedicated in 2021 to raise an even greater knowledge across the company.



## A diverse and inclusive workplace

It is our ambition to build a diverse and inclusive organisation that helps us reach and inspire all children, regardless of who they are or where they come from.

We aim to build inclusive behaviours and ensure equal opportunities for all. As we work to accelerate our diversity and inclusion we partner with a select number of organisations that are leaders in their respective areas of D&I. The partners we choose will reflect our broad definition of diversity, encompassing gender, ethnicity, background, lifestyle and family, and help us shape both our workplace practices and creative output.

We are working with UNICEF child rights and development experts to clearly understand how discriminatory norms, stereotypes and practices impact children. With a focus on product, entertainment and marketing activity, this partnership work seeks to develop a thought-leadership position that will contribute significantly to the LEGO® brand's ambition to reach as many children as possible and help create a more inclusive, equitable world for children everywhere.

In 2020 we signed a partnership with UN Women and in turn, the United Nations Women's Empowerment Principles (WEPs) which outline how businesses can deliver on gender equality and women's empowerment. With this partnership, we are committed to taking bold steps, as part of our Sustainability 2022 ambitions, to advance gender equality in our workplace, marketplace and community.

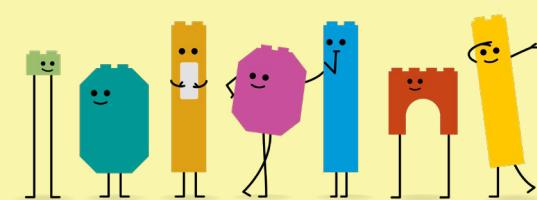
To evaluate our D&I progress, we include specific questions, on belonging, feeling safe to share opinions and appreciated to bring full self to play, in our employee engagement survey 'the LEGO Pulse'. In 2020 the Pulse inclusion score landed at 86 which is slightly above target and 3 above the 2019 results. On representation, we measure the share of women across various positions, we report on women in Director+ positions and in 2020 women held 38% of Director+ positions in the LEGO Group which represents a 2% increase from 2019.

In 2020, we announced the introduction of extended parental leave globally. All employees, no matter their location, will receive a minimum of 26 weeks paid childcare leave for the primary

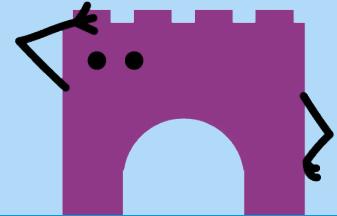
caregiver and 8 weeks paid leave for the secondary caregiver, by the end of 2022. We also introduced four weeks of caregiver leave to make it easier for LEGO employees to take care of loved ones. Further to these initiatives we have implemented a global safety net to ensure financial safety for colleagues and their families in case of death or permanent disability.

## Board of Directors

In 2020, Kåre Schultz stepped down from the Board of Directors in LEGO A/S. Anne Sweeney, a member of the Board of Directors at Netflix, and Fiona Dawson, the Global President of Mars Food, Multisales and Global Customers, were appointed to the Board of Directors. The boards of LEGO A/S and LEGO System A/S (a subsidiary to LEGO A/S) meet Danish legislative guidelines for gender balance and the requirement of section 99 b of the Danish Financial Statements Act.



# Sustainability governance



## Board of Directors

Approves the sustainability commitments, targets and reporting, and monitors that targets are achieved.

**Chair:** Thomas Kirk Kristiansen,  
Chairman of the Board of Directors  
LEGO A/S

## Audit Committee

A board committee appointed by the Board of Directors which reviews data governance, sustainability targets and reporting and in turn makes recommendations to the Board of Directors.

**Chair:** Søren Thorup Sørsensen,  
Deputy Chairman of the Board of  
Directors LEGO A/S and  
Chief Executive Officer KIRKBI A/S

## Executive Leadership Team (ELT)

Accountable for sustainability programmes. Proposes sustainability commitments and targets to the Board of Directors and ensures they are achieved.

**Chair:** Niels B. Christiansen,  
Chief Executive Officer

## Corporate Compliance Board

Appointed by the ELT.  
Monitors compliance with legislation that applies to the LEGO Group within sustainability and other CSR areas.  
**Chair:** Jesper Andersen, Chief Financial Officer

## Sustainability ELT Sponsor Group

Appointed by the ELT.  
Manages the advancement of our Sustainability agenda built on Children, Environment and People along 7 workstreams.  
**Sponsor:** Loren I. Shuster, Chief People Officer and Head of Corporate Affairs  
**Co-Sponsors:** Carsten Rasmussen, Chief Operations Officer, Julia Goldin, Chief Product & Marketing Officer and Jesper Andersen, Chief Financial Officer

# Sustainability performance data

KPI name	Accounting policy	Unit of measure	2016 result	2017 result	2018 result	2019 result	2020 target	2020 result	2021 target
<b>Children</b>									
Children reached by Local Community Engagement activities	1	Number	n/a	n/a	839,120	1,859,601	≥2,000,000	3,229,390	≥3,500,000
Employees engaged in Local Community Engagement activities	2	Number	n/a	n/a	2,408	3,168	≥3,300	375	n/a
Parents reached with Learning through Play training	3	Number	n/a	n/a	n/a	n/a	n/a	654,156	≥1,000,000
Product recalls	4	Number	0	0	0	0	0	0	0
<b>Environment</b>									
Waste to landfill	5	Tonnes	506	409	557	480	n/a	381	≤153
Carbon emissions	6	Tonnes	98,865	100,444	109,310	110,637	n/a	111,037	≤132,000
Water reduction	7	Percentage	n/a	-61.5	17.2	-3.1	n/a	14.2	≥-5
Sustainable packaging materials	8	Percentage	93	93	91	91	n/a	91	≥90
<b>People</b>									
Motivation and satisfaction	9	Index score	79	72	76	79	74	82	≥74
Females at Director+ levels	10	Percentage	34	35	36	36	n/a	38	≥39
Fines or settlements for non-compliances with anti-bribery and corruption laws	11	Number	n/a	n/a	n/a	n/a	n/a	0	0
Lost time injury rate	12	Rate	1.3	1.4	1.3	0.9	≤1.2	0.4	≤0.9
Suppliers with higher risk non-conformities	13	Percentage	n/a	29	33	31	≤30	42*	≤38

\*In 2020 the audit scope was expanded to include key sub-suppliers, therefore the figures are not fully comparable (see accounting policy 13)

# Supplementary sustainability performance data

2020 waste by disposal method and hazardousness (tonnes) (2019 in parentheses)

Disposal method	Non-hazardous (t)	Hazardous (t)	Total (t)
Incineration	0 (1)	139 (2)	140 (3)
Landfill	377 (444)	3 (37)	381 (480)
Recovery	739 (610)	113 (154)	852 (764)
Recycled	17,294 (16,917)	165 (65)	17,459 (16,982)
Treatment	105 (0)	168 (0)	272 (0)
<b>Total</b>	<b>18,528 (17,997)</b>	<b>589 (273)</b>	<b>19,117 (18,270)</b>

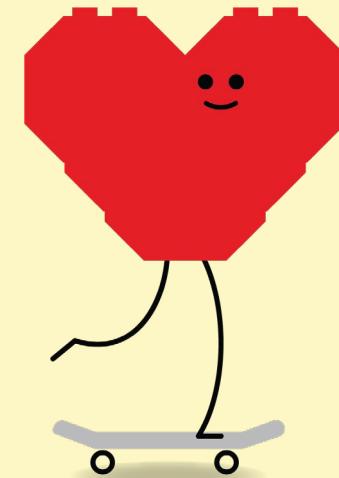
Water by site, cubic metres (nearest 1000)	2018	2019	2020
Billund, Denmark	65	64	70
Jiaxing, China	133	127	115
Kladno, Czech Republic	53	56	50
Monterrey, Mexico	261	303	297
Nyíregyháza, Hungary	171	161	170
<b>Total</b>	<b>683</b>	<b>712</b>	<b>703</b>

# Supplementary sustainability performance data

Energy by type (GWh)	2018	2019	2020
District heating	9.2	8.1	9.1
Natural Gas	89.3	79.5	64.7
Electricity	241.5	252.7	280.8
<b>Total</b>	<b>340.0</b>	<b>340.3</b>	<b>354.5</b>

Percentage of females/males by seniority

Level	Females	Males
CXO	18%	82%
Senior Vice President	21%	79%
Vice President	33%	67%
Senior Director	36%	64%
Director	40%	60%



# 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.

Unless otherwise stated, data have 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 and its subsidiaries constitute the LEGO Group.

Definitions, data measurement methods and the basis of calculations are addressed below. Any changes to historical data are only made if considered material.

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

Children reached by Social Impact & Partnerships (SI&P) and Local Community Engagement (LCE) activities: Children are reached through the following activities:

1) DIRECT: Participation in a SI&P/LCE or employee volunteer hosted activity. The number of children reached is provided by the cooperation partner or facilitator of the activity.

2) INDIRECT VIA PRODUCT DONATION: 1 Play box = 20 children and 1 product box = 1 child (minifigures and small polybags excluded). Documentation via SAP and email confirmation of received donation by cooperation partner.

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) INDIRECT VIA TRAINING: Children are indirectly reached through train the trainer programmes focusing on play based learning. Each trainer trained is counted as 100 children reached. The number of trainers is provided by the cooperation partner or by the facilitator.

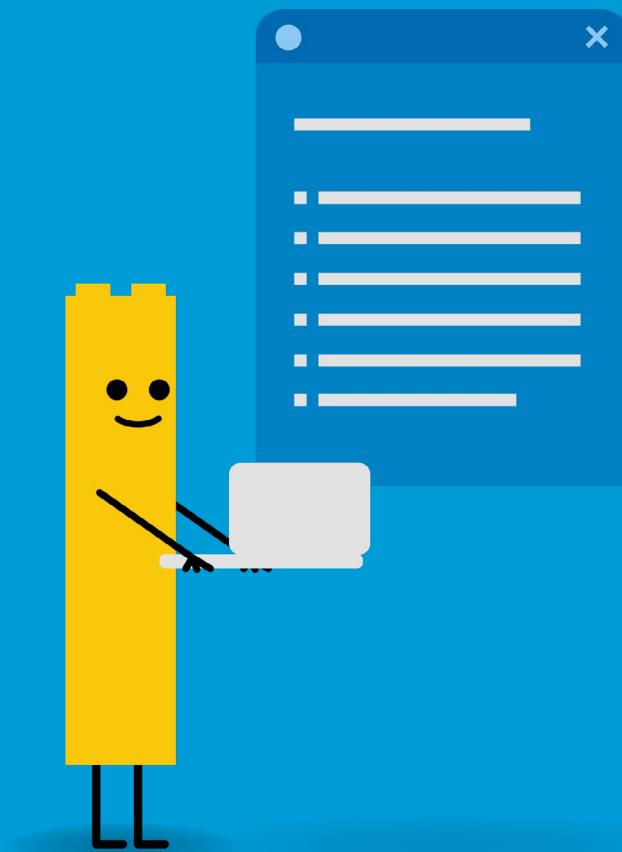
5) DIRECT ONLINE: Participation in a SI&P/LCE or employee volunteer hosted online activity or online camp experience. The number of children reached is provided by the cooperation partner or facilitator of the activity.

6) INDIRECT ONLINE (Build the Change): Session completed by 75% on Build the Change online experience. The data is provided by the tracking tool in form of a monthly report.

7) Children reached via parents or caregivers participating in parenting programmes, assuming 1 parent reached = 1 child reached. Parents reached is based on: A) the number of Play prescriptions and accompanying LEGO® DUPLO® Ducks supplied to parents through the 'Prescription 4 Play' programme. Each Play Prescription and DUPLO Duck shipped to a doctor's office is counted as 1 parent. B) Parents attending and completing parenting workshops (physical or virtual) supported by the LEGO Group, either virtually or in person. Number of Parents reached is provided by the cooperation partner.

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

Employees engaged by Social Impact & Partnerships (SI&P) and Local Community Engagement (LCE) activities. Employees engaged accounts for the number of unique LEGO employees that have volunteered and registered as confirmed for an event in the LCE SharePoint list during the accounting year.



### **3. Parents reached with learning through play training**

Parents reached is based on: 1) the number of Play prescriptions and accompanying LEGO® DUPLO® Ducks supplied to parents through the 'Prescription 4 Play' programme. Each Play Prescription and DUPLO Duck shipped to a doctor's office is counted as 1 parent. 2) Parents attending parenting workshops supported by the LEGO Group, either virtually or in person. Number of Parents reached is provided by the cooperation partner.

### **4. Product recalls**

Product recalls account for the number of official recalls according to Safety Gate (EU), CPSC (US) and DPAC (China). 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. The KPI excludes licensed products where the LEGO Group is not the legal manufacturer.

### **5. Waste to landfill**

Waste to landfill [tonnes] is calculated as the recorded quantities of waste disposed of by the LEGO Group to landfills. Only data from LEGO Group sites with production are included; these are Billund in Denmark, Nyíregyháza in Hungary, Monterrey in Mexico, Kladno in the Czech Republic and Jiaxing in China. Reported data from sites are based on documentation provided by external contractors. Waste is disposed of through the following methods: Landfill, Recycling, Treatment, Incineration, Incineration with energy recovery. 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.

### **6. Carbon emissions**

Carbon emissions [tonnes co2e] is calculated by multiplying energy consumption with energy type/country specific emission factors.

Energy consumption is calculated as the total energy in the form of natural gas, electricity and district heating supplied to the LEGO Group. Only data from the LEGO Group sites with production are included; these are Billund in Denmark, Nyíregyháza in Hungary, Monterrey in Mexico, Kladno in the Czech Republic and Jiaxing in China. Reported energy data from sites are based on metre readings. 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.

### **7. Water reduction**

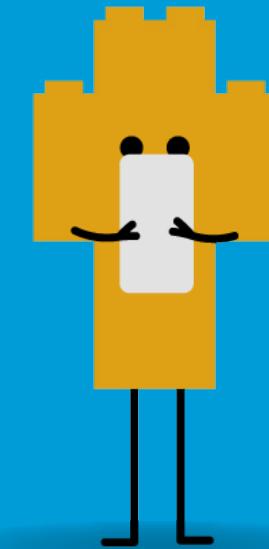
Water reduction is calculated by comparing the rate between consumed water [m<sup>3</sup>] and LEGO bricks produced [tonnes] for the current year and last year using the formula:  
$$1 - ((\text{water current year} / \text{LEGO bricks current year}) / (\text{water last year} / \text{LEGO bricks last year}))$$

Water consumption is calculated as the quantity of water supplied to the LEGO Group. Only data from LEGO Group sites with production is included; these are Billund in Denmark, Nyíregyháza in Hungary, Monterrey in Mexico and Jiaxing in China, and the packaging production site in Kladno in the Czech Republic. 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.

### **8. Sustainable packaging materials**

Sustainable packaging materials [percentage] is calculated as the rate between the weight of all sustainable packaging materials and the total weight of packaging materials from products that are sold to either retail customers or directly to consumers via LEGO owned sales channels in a given calendar year.

Included in the calculation is packaging materials used for products manufactured at LEGO Group sites or LEGO supplier sites. These include 1) LEGO boxes, the pre-packed bags inside the boxes and finished goods in bags, 2) products made for LEGO Education,



3) products made for the LEGO Foundation and 4) other products made for special marketing campaigns, give aways / gift with purchases, merchandise etc.

Sustainable packaging is defined by the LEGO Group as (1) sourced from renewable materials, (2) recyclable by the consumer, (3) removes single-use plastic and (4) optimized for efficiency. Packaging materials in the LEGO Group consist of paper, cardboard and plastic. Paper/cardboard packaging, when determined to be recyclable by the consumer and is certified by the Forest Stewardship Council® (FSC®C117818), as required by the LEGO Group, is determined to be sustainable packaging based on the LEGO Group definition. All plastic based packaging materials are currently not regarded as sustainable based on the LEGO definition.

Packaging material is defined as both primary (material that goes into the products directly), and secondary (material that is used in connection with transportation of goods to customers). Storage and Play-function packaging, e.g. plastic buckets or suitcases sold with bricks are not defined as strictly packaging material as these are either part of the playing experience or add additional value beyond standard packaging.

Data used to calculate the percentage of sustainable packaging materials is provided through internal LEGO SAP systems.

## 9. Motivation and satisfaction

The Motivation and Satisfaction score is an index 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 compared with an external benchmark, the Global Employee & Leadership Index (GELx). The GELx is compiled by our survey provider, Ennova, and is comprised of a number of multi-national and Scandinavian companies from their clientele base.

## 10. Females at Director+ levels

The Females at Director+ levels KPI is based on HR Masterdata and calculated as the number of females in Director+ positions divided by the total number of employees in Director+ positions. People leader

and specialist positions without direct reports at the following levels are included: Director, Senior Director, Vice President, Senior Vice President and CXO.

## 11. Fines or settlements for non-compliances with anti-bribery and corruption laws

Number of fines or settlements against the LEGO Group for non-compliance with anti-bribery and corruption laws issued by a governmental authority with jurisdiction and reported to the Audit Committee. Cases are included once a final decision has been issued by the governmental authority.

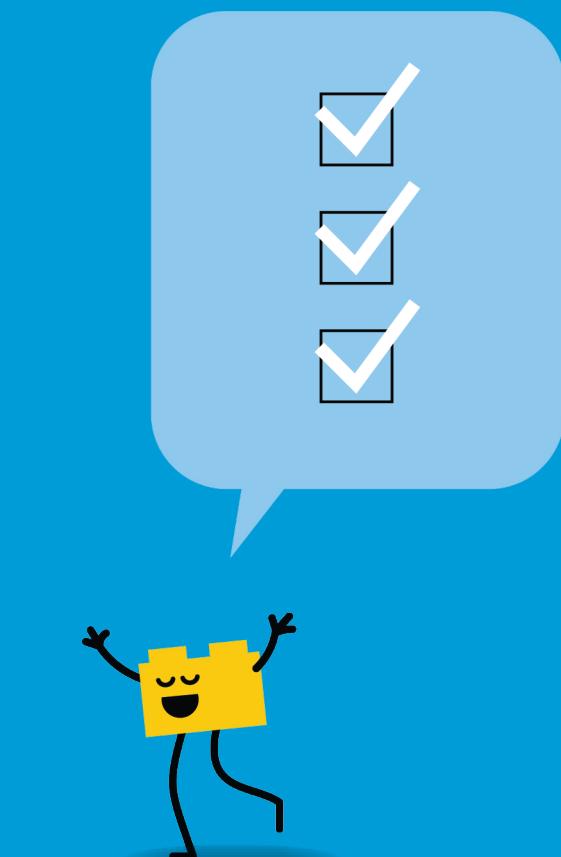
## 12. Lost time injury rate

The Lost time injury rate is calculated as the number of injuries per one million working hours. The scope of lost time injury rate is all employees, including external agency workers, but excluding external contractors. A Lost time injury is defined as an injury that results in at least one day's absence following the day of the injury. The number of lost time injuries are based on registrations in the Incident Management system. The number of working hours are based on registrations in the Time & Attendance system.

## 13. Suppliers with higher-risk non-conformities

Suppliers with higher risk non-conformities (NCs) is calculated as the percentage of audited suppliers with 'high-risk' or 'zero tolerance' NCs.

A High-risk or Zero tolerance NC is defined as a severe issue/breach of local law and/or the LEGO Responsible Business Principles with immediate/high risk to employees/workers or to the LEGO Group requiring immediate correction and verification within 90 days. NCs are assessed by third party auditors and the LEGO Group, according to the LEGO Group grading matrix. Resolved NCs continue to be part of the calculation. Direct suppliers of materials, components, or items used in finished LEGO products, and sub-suppliers in high risk countries that produce a major part of the finished items or produce, process or make up any part of a finished item with LEGO ID or a third party licensor's IP present, are audited by a third party. Third party audits are required annually if based in a high-risk country, and biennially if based in a medium-risk country. New suppliers without orders and suppliers of internal components of finished products are not audited.



# 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 Sustainability performance data stated on pages 19-21 in the Group Sustainability Progress Report 2020 of the LEGO Group for the period 1 January - 31 December 2020.

## Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing has come to our attention that causes us not to believe that the Sustainability performance data are free of material misstatements and are prepared, in all material respects, in accordance with the accounting policies as stated on pages 22-24.

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 limited to assurance over

the Sustainability performance data on pages 19-21 for the period 1 January - 31 December 2020.

## 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' and, in respect of the greenhouse gas emissions stated on page 19, in accordance with International Standard on Assurance Engagements 3410 "Assurance engagements on greenhouse gas statements". Greenhouse Gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. 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

Data and information need to be read and understood together with the accounting policies (pages 22-24), 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. 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 Sustainability performance data;
- Performed review of reported data from the production sites in Denmark, Hungary, the Czech Republic, Mexico and China, including assessment of the completeness, data collection methods, assumptions applicable to the sites and reconciling reported data to underlying documentation;

- 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;
- Performed trend analysis of consolidated data and made enquiries to understand significant developments in reported data over time; and
- Evaluated the obtained evidence.

## 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 Sustainability performance data on pages 19-21 that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing data;
- Measuring and reporting the Sustainability performance data based on the accounting policies; and
- The content of the LEGO Group Sustainability Progress Report 2020.

## Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain

- limited assurance about whether the Sustainability performance data for the period 1 January – 31 December 2020 on pages 19-21 are free from material misstatement, and are prepared, in all material respects, in accordance with the accounting policies;
- Forming an independent conclusion, based on the procedures we performed and the evidence obtained; and
- Reporting our conclusion to the stakeholders of the LEGO Group.

Aarhus, March 3<sup>rd</sup> 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 3377 1231

Claus Lindholm Jacobsen

State Authorised Public Accountant

Mads Melgaard

State Authorised Public Accountant

# Appendix data

In 2020 we reviewed our KPI setup. KPIs that will no longer be part of our reporting going forward are included here.

Accounting policies for the appendix data are available in our 2019 sustainability progress report.

KPI name	Unit of measure	2014 result	2015 result	2016 result	2017 result	2018 result	2019 result	2020 result	2020 target
<b>Children</b>									
Net Promoter Score®	Score	70.5	71.8	73.0	72.7	72.7	72.1	74.8	≥70
<b>Environment</b>									
Recycled waste	Percentage	91	93	93	94	93	93	91	≥94
Waste efficiency improvement	Percentage	n/a	n/a	1.6	-2.9	-3.4	0.5	11.3	≥2
Carbon efficiency improvement	Percentage	n/a	n/a	n/a	-25.4	11.3	-0.1	12.8	≥10
<b>People</b>									
Females appointed and recruited	Percentage	43	43	44	41	43	43	46	≥40
Business integrity training	Percentage	100	99	100	89	100	100	100	100
Percentage of suppliers audited	Percentage	n/a	n/a	n/a	100	93	100	85	100

