The LEGO Group

Sustainability Progress

CVR: 54 56 25 19
Hello!
Good to see you here. If you ever get lost, just click on the LEGO® brick in the corner and find yourself back here.


Our annual Sustainability Progress Report outlines our key ambitions and targets from the LEGO Group’s sustainability efforts over the past year, summarising our performance as well as learnings and challenges.

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Introduction

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As a company that puts children at the heart of everything we do, we want to play our part in creating a better and more sustainable world for them to inherit.

I am proud we were able to make progress on our sustainability agenda in a year shaped by extraordinary global events, including COVID-19 and the war in Ukraine.

Year at a glance
In 2022, we reached substantial milestones at the LEGO Group:
• We reached 9.8+ million children through our Learning through Play activities and programmes, more than ever before.
• We rolled out the first LEGO® boxes with paper-based packaging in Europe to replace single-use plastic.
• We announced two new carbon-neutral run factories in Vietnam and the U.S. that will be constructed to uphold a minimum standard of LEED Gold certification.
• We had a record year for our Build To Give holiday campaign with more than two million LEGO sets donated to children in need of play around the world.
• We achieved the important milestone of less than 1 percent of waste from our factories going directly to landfill.

Planet and Play Promise
As the first toy manufacturer to join the Global Compact back in 2003, we remain dedicated to the principles of the United Nations Global Compact outlining the basic principles for corporate sustainability.

To make a positive impact on the planet our children will inherit, we must both minimise the environmental impact of our operations and at the same time bring the joy and developmental benefits of LEGO play to as many children as possible.

We know that Learning through Play enables children to solve problems creatively, boosting confidence and resilience. That is why I’m proud to see that we have engaged and impacted more children than ever before with these specific activities in 2022.

We are investing in renewable energy across our sites, emphasising energy efficiency, and engaging our partners to lower their own carbon footprint with our Engage-to-Reduce programme.

We are also making strides in sustainable materials. We have expanded our range of bio-PE elements made from renewable materials. They are found in more than half of our boxes now.

The progress and learnings are a true testament to the hard work and dedication of our sustainability experts across the LEGO Group.

The builders of tomorrow
Our mission to inspire and develop the builders of tomorrow includes a society that supports diversity and inclusion. Together with our partners, we will continue to work towards this in the years to come.

Thank you for joining the LEGO Group on this journey.

Niels B. Christiansen
CEO of the LEGO Group
Sustainability impact areas

The following pages share our key highlights from 2022 within each of our three sustainability impact areas.

WHAT WE DID IN 2022

- Reached 9.8+ million children with Local Community Engagement activities.
- Reached 2+ million parents and caregivers with Local Community Engagement activities.
- 3,100+ LEGO employees volunteered as part of our Local Community Engagement activities.

LEARNING THROUGH PLAY

- Lead the effort for children to develop and apply the breadth of skills needed to thrive and solve problems creatively with Learning through Play.

WHAT WE DID IN 2022

- Introduced a shadow carbon price tool into our day-to-day decision making.
- Almost 200 LEGO® elements, included in more than half our boxes, are now made from the renewable material, bio-PE.
- During 2022, less than one percent of waste from our factories has gone directly to landfill.

CLIMATE ACTION

- Minimising our environmental footprint by promoting a business model where products never become waste.

CIRCULARITY

WHAT WE DID IN 2022

- All employees are eligible to receive a minimum of 26 weeks (primary caregiver) or eight weeks (secondary caregiver) paid childcare leave.
- We identified higher risk non-conformities in 25 percent of audits of suppliers undertaken in 2022, below our set annual maximum of 36 percent. Remediation is either in progress or completed.
- 41 percent of positions at Director level and above at the LEGO Group were held by women.

RESPONSIBLE WORKPLACE

- Build equitable, inclusive and responsible workplaces – ours and our suppliers.

RESPONSIBLE SOURCING

- Responsible sourcing

To play our part in building a sustainable future and making a positive impact on society and the planet.
Sustainability focus across our value chain

Suppliers
Our global supply chain provides us with the raw materials to make our products. Supply chain risks include human rights violations, such as modern slavery, excessive working hours, child labour, and bribery. Mitigations include capability building with suppliers, regular audits and follow-up in high- and medium-risk countries to ensure compliance with our Responsible Business Principles. We collaborate closely with our suppliers to explore ways to reduce our collective carbon footprint through our Engage-to-Reduce programme, which was set up in 2014. We have set a science-based target to reduce our absolute carbon emissions by 37 percent by 2032 compared to a 2019 baseline.

Licensing Partners
The LEGO Group works with a number of licensing partners and has a strong focus on product quality and safety. The portfolio covers a range of products, including books, magazines, home accessories and apparel. The types of risks to workers are similar to our own supply chain. However, risks are more diverse in licensing partnerships: the variety of industries we work with, the depth and extent of their supply chains, and their location in higher risk geographies are all factors to be considered. 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.

LEGO® facilities
The LEGO Group has a global production footprint with factories in Denmark, China, Mexico, Hungary and the Czech Republic, as well as multiple distribution centres. During 2022, the LEGO Group has announced two new carbon-neutral run* factories in Vietnam and the U.S., as well as a new Kornmarken Campus in our hometown in Denmark. Risks include employee safety and a negative impact on climate and the environment from CO₂ emissions, waste and water use. Mitigations include employee health and safety training and CO₂ emissions, waste and water reduction projects.

Customers
Customers include retailers, wholesalers, distributors and consumers. Risks include ethical issues, such as bribery and corruption, and the sustainability of products and packaging. Mitigations include ethical business training for leaders.

Consumers
Consumers are individuals who purchase our products. Our primary consumers are parents and caregivers who purchase LEGO® products and experiences for their children, as well as adult fans, grandparents and gift givers. Risks include product and digital child safety and the sustainability of products. Mitigations include safety by design, responsible engagement policies and strict compliance to child advertising rules.

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* A factory or operational site that can demonstrate net-zero emissions from electricity and fuel use (scope 1 + 2) through the use of on-site or off-site renewable energy.
Children

We have a vision to become a global force for Learning through Play! We put children at the centre of everything we do.

We are committed to protecting and enhancing children’s rights and supporting their well-being offline and online. We have worked with UNICEF since 2015 to implement the children’s rights and business principles and to develop best practice tools to inspire others, because we believe it’s the best way to protect and inspire the builders of tomorrow.

- LEARNING THROUGH PLAY
- RESPONSIBLE ENGAGEMENT WITH CHILDREN

Our definition of Learning through Play is based on years of research from the LEGO Foundation and their partners and we have defined 5 characteristics of when an experience is playful learning. The experience: 1) is joyful, 2) helps children find meaning in what they are doing or learning, 3) involves active, engaged, minds-on thinking, 4) as well as iterative thinking (experimentation, hypothesis testing, failing, trying again etc.) and 5) social interaction – playing with others is more fun. Learn more: A World of Learning through Play.

Cool trick alert! Just click on the blue LEGO® brick, and you’ll be back here.
With a global pandemic, wars and energy crisis, the need to support Learning through Play through the community is more important than ever. Over the past two years we have increased the number of community organisations we collaborate with in order to reach more children. For example, First Book in the U.S., Campfire Circle in Canada, Fondo Unido in Mexico, the Science Centre in Singapore, and Seoul National University Hospital in South Korea have joined our roster of partners.

The LEGO Foundation* has a 25 percent ownership in the LEGO Group, which means that 25 percent of our profit dividends are contributing to giving children the chance to learn and play. With the LEGO Foundation and many great partners, we reached 9.8+ million children with Learning through Play activities in 2022. This was 3.8+ million children above our target set for 2022.

Empowering parents and caregivers

Our programme ‘Prescription for Play’ is for U.S. based healthcare providers who see 18- to 36-month-old patients. The aim is to develop parental and caregiver understanding of the benefits of Learning through Play. During routine pediatric visits, families receive a LEGO® DUPLO® brick kit and learn about the importance of dedicating time to play for their children’s learning and development. During 2022, we shipped more than 800,000 brick kits to clinical practices, and trained 1,500 providers in Learning through Play.

Building on the success of the U.S. programme we launched pilots in China, India and the UK where the health care systems are very different compared to the U.S. The pilots are providing valuable insights into implementing the programme through community health networks (India) and national health systems (China, UK). We’re beginning to roll out an expansion of the programme in China, distributing 250,000 brick kits through our regional partner.

Promotional efforts targeted practitioners in Federally Qualified Health Centers where most patients are low-income. Preliminary research indicates the programme has a positive impact on both provider and caregiver knowledge, attitude and behaviour around the importance of play in children’s healthy development. Efforts are underway to ensure the programme is easy to implement and embed in the standard Well-Child Visits.

Learning through Play in China

During 2022, we expanded several of our programmes in China despite the ongoing COVID-19 restrictions.

Learn more about them here:

Partnering with Save the Children in China
Since 2019, we have reached 53,000+ children, 2,100+ teachers and 39,000+ parents with Learning through Play in Yunnan Province in China, with visible progress for teachers and parents as a result.

PlayBox in China
Through the PlayBox programme in China we have reached 740,000+ children, donated 37,000+ PlayBoxes, and trained 8,000+ teachers and social workers in Learning through Play.

Hosted the first Brick Talks in China
With the Danish Embassy in Beijing, we hosted the first Brick Talks – a stakeholder engagement format – in China, where 17 stakeholders discussed engaging children in sustainability conversations.

Supporting children and families impacted by COVID-19
Since 2020, the LEGO Group has donated more than DKK 5.8 million for basic daily supplies, epidemic prevention supplies and play support, including 21,000+ PlayBoxes, to children and families in need.

* Through Koldingvej 2, Billund A/S
Learning about sustainability through play

Build the Change

Build the Change is a playful, hands-on programme designed to empower children and give them a voice to address real-world issues for people and planet. The programme continued to grow in 2022, engaging 900,000 children in quality Learning through Play activities and increasing our focus geographies from three to five countries, adding Mexico and China to the U.S., Denmark and UK.

In relation to the celebration of the LEGO Group’s 90th anniversary, a playground was built in Harlem, New York City. The resulting “Fly Away Isles” playground came to life through ideas from children sourced through Build the Change activities. The playground was a collaboration with artist Hebru Brantley with input from non-profit youth development organisation, The Brotherhood Sister Sol (BroSis). It received a the Drum award in 2022.

Equipping educators

We know the best way to reach and engage children on sustainability is to connect with educators. That’s why, during 2022, we launched ‘A Future without Waste’ course with the Ellen MacArthur Foundation. The course reached more than 900 educators equipping them to introduce key concepts of the circular economy such as how we can reduce, reuse, and repurpose waste.

With the world opening following the pandemic, in-person Build the Change events and workshops were back on the table:

→ Build the Change partnered with UNICEF Supply Division in Denmark to gather children’s ideas on child-friendly refugee camps and educational kits being distributed from UNICEF’s humanitarian hub. This successful project brought LEGO® bricks to school children in rural areas of Cambodia, Madagascar, Costa Rica and Egypt and gave them a say in issues that matter to them.

↑ A partnership with The Nature Conservancy in China saw 5,000+ children in Shanghai and Jiaxing connect with local wildlife and learn about their urban biodiversity through an immersive installation called the Habitat Garden.

→ In Mexico, a new partnership with Educación para Compartir has seen 12,000+ children across three states receive in-school Build the Change workshops run by expert partner facilitators where children were encouraged to build safe habitats for animals threatened by climate change.

→ In the UK, Build the Change has seen 45,000+ children work on designing habitats for a variety of species with Comic Relief – an annual fundraising campaign to ensure a healthy future for all children.

© UNICEF/Pelle
Build the Change in China
On World Earth Day 2022, 9,000+ children and parents participated in the Build the Change online building challenge to share their ideas for a sustainable future through brick creations.

We launched a Build the Change Biodiversity building challenge both online and offline, and encouraged children to share their ideas about how to protect biodiversity through creative building with LEGO bricks. We engaged 6,000+ children and families in the challenge.

Supporting neurodiversity and disability
The LEGO Foundation launched a new accelerator programme in February 2022, ‘Play for All’, which provides equity-free funding and fixed-term mentorship opportunities for social enterprises, ventures and organisations who wish to support autistic children and children with ADHD with play-based learning. Colleagues from the LEGO Group are supporting the programme as mentors and judges throughout the selection process.

In 2020, the first LEGO® Braille Bricks were launched. The Braille Bricks are a Learning through Play-based concept to teach braille to children with visual impairment. We continue to extend the availability of the LEGO Braille Bricks in partnership with local sight loss organisations, and LEGO Braille Bricks can now be found in 11 languages and 20 countries.

LEGO colleagues bringing Learning through Play to children
We activate our brand vision among LEGO colleagues to become a global force for Learning through Play. Playful learning benefits children and a playful workplace drives creativity, well-being and deeper team connections for all colleagues, making it a unique workplace that attracts and retains talents. Throughout the year, we inspire and equip our colleagues to get engaged in Learning through Play in various ways: training them as Play Agents, offering Learning through Play activities to integrate in the workday, and inviting all colleagues to our yearly Play Day for a hands-on minds-on experience.

All employees are encouraged to dedicate two work days a year to participate in volunteering activities. Although COVID-19 restrictions continued to impact the level of volunteering throughout 2022, we were proud to see 3,100+ colleagues supporting local communities and bringing playful learning experiences to children. We are setting ambitious goals to do even more in the coming three years.

The LEGO Playful Learning Museum Network
Established in 2021, the network now consists of 16 children’s and science museums across the U.S. In its second year, the museums received funding for a dual focus: heightening Learning through Play experiences for children and caregivers in their exhibits and programmes, and developing deeper, higher impact programming for underserved children through reciprocal partnerships with community organisations.

In the first year of the network the museums reached over 1.8 million children and 1 million caregivers in the U.S.
RESPONSIBLE ENGAGEMENT WITH CHILDREN

What does well-being mean to children in a digital age? This is the focal point of a study developed through workshops with 300+ children from 13 countries along with analysis of existing survey data from 34,000 children aged 9–17 across 30 countries.

The study was published as part of a new, pioneering partnership called the Responsible Innovation in Technology for Children (RITEC) project, announced in April 2022. The project is co-founded by the LEGO Group and UNICEF and funded by the LEGO Foundation.

The ambition is to create practical tools for businesses and governments to put the well-being of children at the centre of digital design and digital play.

Updated Human Rights and the Rights of Children Policy
We want to play our part as a leading brand in promoting and respecting children’s rights and well-being, no matter where they are or how and where they play, both online and offline. To meet this ambition we updated our Human Rights and the Rights of Children Policy in 2022 to more clearly highlight our commitment to children and their rights.

The updated policy helps us to make sure rights of children are safeguarded in our operations. We also believe it will help us, through partnerships with NGOs and industry stakeholders, identify and address root causes of child rights impacts throughout our value chain and operations.

Assessing and acting on our impacts on children
A key step in implementing the updated policy is identifying and assessing our impacts on children and their rights. We have therefore initiated our first Child Rights Impact Assessment around our new factory site in Vietnam and are awaiting the results in the first half of 2023. This will provide us with needed insights and will help identify key partners to deliver on our responsibility and ambitions towards children in our community. We expect to provide a blueprint for a model that we will roll out across our factory sites and key business areas.

Strengthening our digital child safety foundations
To ensure that children’s rights, safety and well-being are at the core of how we innovate and build new digital play experiences we have:

• Developed the Child Rights and Well-being principles that set the overall umbrella for how we will engage with children in five Principles: Digital safety, Digital empowerment, Responsible digital play, Digital Privacy and Digital Well-being.
• Updated the digital child safety policy.
• Created new operational guidelines.
• Revamped and rolled out: Digital Child Safety training globally.
• Created a new digital product level risk assessment.

These tools, principles and frameworks will help guide us and our partners.

Putting the well-being of children at the centre of digital design

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The LEGO® Digital Empowerment Programme
During 2022, we stepped up efforts to empower children, and their parents and caregivers in support, with core digital life skills to stay safe, healthy and happy in the digital world:
• Safer Internet Day 2022: Launching a playful campaign in LEGO Life providing children with Critical Thinking skills.
• Gloom Busters game launch: Playing and learning online kindness.
• Two Build & Talk activity launches empowering families in the UK, U.S., Germany and China on new digital safety topics such as cyberbullying and online security.
• Received Gold Play for Change 2022 award (Life skills category) for Doom the Gloom and shortlisted for Drum award for Safer Internet Day 2022 kids campaign on critical thinking.

New Build & Talk adventures
Our fun, free Build & Talk resources use the joy of LEGO play to help parents and caregivers start relaxed conversations with their children about digital safety and well-being. This year, we’ve expanded our range of Build & Talk activities with three new interactive stories on cyberbullying, online security, and digital footprints, reaching 88 million parents and caregivers in 2022 through social media channels, up from the 77.5 million parents reached in 2021. The Build & Talk adventures encourage children to build an imaginary online character using LEGO bricks, giving parents and caregivers simple talking points to educate their children on digital safety and empowerment.

D&I Partnerships for children
We proudly partner with UK-based charity, Diversity Role Models, which works to educate children about inclusivity. We also participate in the Confederation of Danish Industry’s Special Committee on Diversity & Inclusion (D&I) to contribute collectively with other companies to Denmark’s progress and priorities on D&I.

We also make sure that we prioritise diversity and inclusion in our design of experiences, products and communications. To learn more about our approach click here.

Good news! In 2022, I helped teach parents and caregivers how to have conversations about cyberbullying, cyber security, and digital footprints.

88 million
77.5 million
PARENTS AND CAREGIVERS have been reached with our Build & Talk educational packs through social media channels.

D&I in products
Infusing diversity & inclusion into product design is critical to future-proofing our brand, and we continue to evolve D&I in our products to ensure our portfolio makes LEGO play experiences possible for everyone! We do this because we know children are asking for a fairer, more equitable world with 9 out of 10 (91 percent)* saying they care about everyone being treated equally.

Council of Europe Digital Partnership
In June 2022, we joined the Council of Europe’s Digital Partnership, an initiative aimed at fostering cooperation between companies, organisations and the 46 member states of the Council of Europe to shape their digital policies, guidelines, conventions and treaties. The LEGO Group is the first toy company to join and the first partner with an explicit commitment to advancing child well-being and child rights across these policies.

88 million
77.5 million
PARENTS AND CAREGIVERS have been reached with our Build & Talk educational packs through social media channels.

* Source: 2022 LEGO® Play Well Study.
Environment

We are committed to playing our part in building a sustainable future and making a positive impact on the planet our children will inherit.

We have set targets to make our materials and packaging more sustainable, reduce the carbon footprint of bringing a LEGO® product to market and limit our use of resources.

- CLIMATE ACTION
- CIRCULARITY

Oh yeeees, it’s the same trick here. You just click on the green LEGO® brick, and you’ll be back here.
Science-based CO₂ target
We aim to reduce our carbon (CO₂) emissions from making and selling LEGO® bricks across our factories, offices and stores, as well as our supply chain. In 2020, we were the first large toy company to announce a science-based emissions reduction target.

Our science-based target commits us to reducing our absolute CO₂ emissions by 37 percent by 2032, compared to 2019. An absolute target means that we’re reducing the total amount of emissions being emitted.

Our target has been approved by the Science Based Target initiative, a collaboration between the United Nations Global Compact, CDP, WRI and WWF. They assess and ensure that our CO₂ target is ambitious enough, aligned with the Paris Agreement, and clearly defines our path of emission reductions.

Our CO₂ target covers everything that goes into making and selling our products.

Two percent of these CO₂ emissions come from our own factories, stores and offices (scope 1 + 2). However, most emissions come from outside our operations (scope 3), from our supply chain – including emissions from the raw materials we buy, the transportation we use and what happens to LEGO products when they are no longer needed for play.

To reach our science-based target, we are making decisions to reduce the environmental impact from all parts of our business.

But we know that we can’t meet our targets alone. We are collaborating with our partners through a programme called Engage-to-Reduce and making sustainability a focus of our procurement process.

We are proud of the progress we have made on our sustainability journey this far. It’s a long and ambitious path with no building instructions to guide us, and we know there is more work to be done on all fronts.

Based on our learnings and the changing external context, we see an opportunity to evolve our environmental sustainability strategy and action plan towards 2032, when we will celebrate our 100th anniversary.

Our ambition is to reduce our CO₂ impact by focusing on more sustainable materials and packaging and circularity ambitions.

Within these areas, we will work on different avenues to make our business more sustainable by 2032, including:

1. Experimenting with new materials and innovating to create more sustainable products and packaging.
2. Committing to meeting our approved science-based target by 2032. Having an ambitious near-term target holds us accountable and is motivating us to push forward on all fronts. We will continue exploring and evaluating where we can go even further than our 2032 target in order to move towards our ultimate goal of zero impact on the climate.
3. Expanding our focus on circularity. By taking a more holistic approach, we can better reimagine every stage in the life of a LEGO brick – from production through play to repurposing. Our 2032 goal is to make each stage more sustainable and make sure every brick is played and replayed with.

Did you know?
In 2032, we will celebrate our 100th anniversary.
During 2022, we broke ground on our new factory in Vietnam that will be built to the standards of LEED Gold Certification and to be run carbon-neutral*.

Our business activities
We take carbon emissions into account when making decisions for the future. For us this means:

- MAKING more LEGO® bricks using less energy.
- USING advanced technologies to build more sustainable factories.
- BUILDING solar parks and buying renewable energy.
- INNOVATING with recycled and renewable materials.
- COLLABORATING with our suppliers to help them reduce their emissions.

Climate action in action
Lowering our carbon emissions and meeting our science-based target means focusing on many different parts of our business. We are investing in activities that lower emissions we are directly and indirectly responsible for. By using our emissions data, we can make decisions that consider the environmental impact in our short- and long-term investments.

Reducing CO₂ in our operations
- In our factories: We are prioritising energy efficiency initiatives when producing LEGO bricks. This means investing in new machinery, installing smart systems, changing lighting systems, and optimising cooling and ventilation systems at our sites.
- Adding more renewables: We are investing in renewable energy sources to power our factories, and we want to support the development of renewable energy in all regions where we operate. Since the beginning of 2021, we have doubled solar power capacity and now have installed >14 MW of solar power equivalent to 4.3 percent of the LEGO Group’s annual electricity consumption globally. At our new factories in Vietnam and the U.S., we will install solar panels on roofs where possible and/or build solar parks with local partners.
- Setting our standards high: When we plan and construct new buildings, we aim to meet high environmental building standards. For example, the new LEGO Campus in Billund has Gold level LEED certification, something both of our new factories in Vietnam and the U.S. will also have. Our newly announced Kornmarken Campus aims to be built by the standard of LEED Platinum certification.
- New decision-making tools: In 2022, we introduced a financial tool called a shadow carbon price, which will encourage more investments in low-carbon projects.

* A factory or operational site that can demonstrate net-zero emissions from electricity and fuel use (scope 1 + 2) through the use of on-site or off-site renewable energy.
Total carbon emissions

Every year in September, we calculate and publish the carbon (CO$_2$) footprint of the LEGO Group, meaning this data is not yet available for 2022.

Understanding our climate impact allows us to take action to improve it. By 2032, we have committed to reducing emissions by 37 percent, compared to 2019 levels.

In 2021, total greenhouse gas emissions were 1.5 million tCO$_2$e, up from 1.2 million tCO$_2$e the previous year. In part due to a revenue growth of 27 percent caused by higher demand for and subsequent growth in production of our products. At the same time, we invested in new equipment like machines for paper-based packaging or more energy efficient moulding machines that will help us lower our footprint in the long run.

During 2022 we have experienced continued growth in production and product sales due to high demand, leading us to predict an increase in absolute emissions for the year.

Long-term emissions reduction is not a straight line, but we’re working hard to deliver against our ambition. We know the challenge is urgent, and we are prepared to do what it takes, and are putting plans in place to address it.

We’re making investments and business decisions in sustainable materials innovation, manufacturing technology and our supply chain. These actions combined will ultimately allow us to hit our target in 2032.

Learn more about our accounting methodology [here](#).

CDP

Historically, we have scored within the leadership bracket of companies reporting their sustainability actions (either an A or A-). In 2022, our CDP Climate Change score has been changed to a C. Many factors go into this, but part of the reason is that, as described on this page, our emissions have gone up in the short-term due to a high demand for our products and a subsequent growth in production and product sales. At the same time, the CDP’s scoring methodology became more stringent in 2022.

We are focused and have a strong plan in place to return to our previous performance and rating by CDP. We are currently assessing the measures needed on our end to support this.

Building sustainable businesses together

98 percent of our total carbon emissions come from outside our own operations – from suppliers that provide and deliver raw materials, machines, products, and services related to LEGO® products.

Therefore, since 2014, we have worked with our suppliers and partners through the Engage-to-Reduce programme. During 2022, the programme engaged with 138 suppliers, up from 80 in 2021, an increase of 73 percent. Moreover, the programme has achieved the highest response rate in the UK and Worldwide CDP Supply Chain programme, as 97 percent of the 138 suppliers have responded to the questionnaire. The 138 suppliers account for approximately 68 percent of our total scope 3 emissions and 59 percent have received a CDP score of C or higher for 2022.

One of the many ways we work with these suppliers to lower their emissions is through our Renewable Electricity Initiative targeting our high impact supply base. To date 33 percent of these suppliers are reporting that they are using 100 percent renewable electricity, and a further 53 percent have a plan in place to move to 100 percent renewable electricity.

In 2023, we plan to increase the scope of the programme to reach even more suppliers and drive emission reductions across our value chain.

Learn more about our accounting methodology [here](#).
Building carbon-neutral run factories
As we continue to experience high levels of growth, we have announced the construction of two new factories in the past year – one in Vietnam and the other in the U.S. Having a manufacturing footprint in these regions will allow us the flexibility to respond quickly to shifts in local consumer demand and shorten the supply chain, therefore reducing the environmental impact of shipping long distances. Both facilities will be designed to operate as carbon-neutral with 100 percent of their energy needs to be matched by onsite or nearby solar parks. The aim is to secure LEED Gold certification.

Zero waste to landfill
During 2022, we have achieved the important milestone of less than one percent of waste from our factories going directly to landfill. The common interpretation of achieving zero waste to landfill is that at least 99 percent of generated waste is diverted away from landfill. This means that almost all waste produced at our factories is either reused, recycled, composted, or sent to non-landfill waste treatment options.

In the coming years, we will continue to make progress on the agenda to maintain our target of zero waste to landfill from our factories, offices and stores by 2025.

Removing all single-use plastic from our operations
We had initially aimed to remove all single-use plastic – like plastic wrapping for safe transportation and plastic pallets (due to scarcity of wooden pallets) – from our operations by the end of 2022. We have been making great progress on this, but the impacts of COVID-19 have also been clear on this agenda, as for example global supply chains have been strained. Similarly, we have encountered areas of our operations where it has been harder than expected to entirely remove the use of single-use plastic. We’ve learned that some solutions are not yet in place or ready to scale. This has led us to look more closely into where the use of single-use plastic is still necessary. Working together with suppliers to accelerate implementable solutions is therefore key.

Water impact
We want to make sure that we are using all resources as efficiently as possible. Water is another element that we are working hard to reduce our reliance on.

We are focusing on both water efficiency and absolute reduction to better account for our environmental impact in this area.

Our water efficiency improved during 2022, but we were using more water overall because of our business growth.

In 2022, we improved our water reduction efficiency – or the amount of water used per produced LEGO element – by 4.9 percent.

WASTE TO LANDFILL

In the table on the right, you can see the development on waste from our factories going directly to landfill from 2018 through 2022.

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<th>Year</th>
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During 2022 less than one percent of waste from our factories has gone directly to landfill.
Inspired by circularity
The LEGO® System in Play supports the principles of circular design: a product made of quality materials with the durability, safety and consistency to be passed on and reused. The quality and durability of LEGO products mean that bricks from 60 years ago fit seamlessly with new bricks produced today. In fact, we know from studies that 97 percent of LEGO owners keep or hand down bricks from one generation to the next.

We’re currently exploring how circularity can be embedded across our value chain, from using circular design and materials and eliminating waste to keeping LEGO products in play longer. As part of these efforts, we became a member of the Ellen MacArthur Foundation (EMF) in 2020.

Circularity is also an integral part of our 2032 ambitions to reduce our carbon emissions by 37 percent compared to a 2019 baseline.

Did you know?
In 2022 we have kept more than 66 million bricks in play through this programme.

Making the business more circular also means developing programmes, like LEGO Replay in the U.S. and Canada, to encourage people to donate their pre-loved bricks to children in need of play.

Sustainable materials
We have a commitment to make LEGO bricks from more sustainable sources. We consider our material ambition a bold one as we must develop new materials that are safe and strong enough to last for generations.

For us, a sustainable material must be responsibly produced, using renewable or recycled resources, generate little or no waste, and use more sustainable chemistry, while meeting our high standards for safety, quality and durability.

Research and development
We continuously develop and test new materials, and often join forces with partners such as universities and start-ups that are developing new technologies. We have a team of over 150 experts continually researching and testing new, more sustainable and circular materials to find alternatives for our products. In addition, we are also involved with consortia such as the Bioplastic Feedstock Alliance (BFA) to share learnings and progress, as we know we cannot solve the materials challenge on our own.

We presented a prototype brick made from recycled PET in 2021. Next to other material innovation and research streams, we continue to work on recycled PET like adding colours and working on element shapes and moulding development to make sure it performs and adheres to our standards before it can be introduced into LEGO sets.

CASE STUDY
We believe our bricks have endless play value. Keeping bricks in play has been at the heart of our LEGO Replay programme. Since the launch of LEGO Replay in 2019 in the U.S., and in 2020 in Canada, 335,000+ kg (740,000+ lbs) of LEGO bricks have been donated, resulting in 224,000+ children playing with LEGO Replay bricks.

We know that 97 percent of LEGO owners keep or hand down bricks from one generation to the next*, and with LEGO Replay, we want to inspire and help LEGO brick owners pass along the bricks they aren’t using – keeping LEGO bricks in play and circulation.

To expand the reach of LEGO Replay in North America, we continued our partnership with First Book in the U.S., donating 40,000 playboxes to classrooms which reached 80,000+ children.

In Canada, we partnered with Right to Play, an organisation that works to protect, educate, and empower children in Canada’s Indigenous Communities to rise above the challenges of violence, exploitation and inequality and find their way back to hope.

We’ve been providing LEGO Replay bricks to support dislocated families and children from emergency situations. In addition, we partnered with the Circular Innovation Council of Canada to support education of children about circular economy.

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Mass balance materials
In 2022 we began to purchase sustainable materials based on the mass balance principle. Mass balance is a model used by some suppliers that will increase the amount of renewable and recycled input in our source materials. Our suppliers mix input from virgin fossil sources with certified renewable and recycled sources, to produce the material used to make LEGO products. This approach is part of our aim to drive the sustainable materials industry forward. We will continue to engage and learn about these materials and evaluate their role in our future portfolio.

Expanding our range of bio-based elements
We have a commitment to make LEGO bricks from more sustainable sources. Bio-based content is a key part of our journey towards making LEGO bricks and other elements from more sustainable sources, alongside other material solutions.

We continue to expand the range of bio-based LEGO elements made from Brazilian sugarcane to create bio-polyethylene (bio-PE), a soft, durable, and flexible plastic. There are currently almost 200 elements made from bio-PE, such as LEGO botanical elements and Minifigure accessories. At least one of these bio-PE elements can be found in more than half of our boxes. We also make sure that the sugarcane used to make these elements grows at the same rate as we use it, is sourced sustainably using guidance from our partner WWF, and doesn’t compromise food security.

Sustainable packaging
Currently, 93 percent of our packaging by weight is made from paper, cardboard, and other paper-based materials, while some of our packaging contains single-use plastic. This kind of plastic isn’t recyclable in many parts of the world, which is one of our requirements for a sustainable packaging material. That’s one of the reasons we’ve been working urgently to replace single-use plastic with a paper-based packaging solution on our journey to make all our packaging more sustainable by the end of 2025. In 2022, we used a total of 87,600+ tonnes of packaging material.

During 2021, we completed a successful pilot project to test paper-based bags. This year, we have started rolling out sets with paper-based bags made with paper certified by the Forest Stewardship Council™ (FSC™ C117818) as part of our sustainable packaging strategy. More sets with paper-based bags will gradually become available to fans in Europe in 2023 as our roll out continues. Expansion to other markets is planned for 2024 and 2025.

Since the first half of 2022, our baseplates have been gradually transitioning towards replacing the previous single-use plastic wrapping with a paper-based version made with paper from Forest Stewardship Council™ certified forests and FSC™ controlled wood.

E-commerce packaging
We are changing the way we pack our LEGO sets for shipping. We are removing single-use disposable plastic, such as the air pillows that protect LEGO boxes, to reduce packaging waste and improve recyclability. Shoppers ordering from LEGO.com in Europe and the U.S. will receive a package that uses recyclable paper padding certified by the FSC™.

Licensed products
Our licensing partners are working hard to make the packaging of our licensed products more sustainable. For instance, during 2022, we started replacing foil wrappers for LEGO trading cards with paper-based packaging. We will continue to redesign more packaging in the licensing line to increase our use of paper-based solutions and find opportunities to eliminate unnecessary packaging all together.

In collaboration with our key LEGO publishing partners most books have now eliminated single-use plastic. During 2022 the transition to paper-based packaging for the covermounts of LEGO Magazines began, and all foil bags traditionally wrapping the magazine have been removed or swapped to paper-based materials.

Additionally, all non-brick promotion items from our partner, RDP, are now in paper-based packaging as well as all LEGO Plus started shipping in glassine paper bags, replacing the previously used poly bags.
People

We value and respect our colleagues and believe that we must strive to have equitable, inclusive and responsible workplaces around the world – ours and our suppliers.

We care deeply for our people who play a critical role in making LEGO® play experiences possible for everyone. With the goal of energising everybody every day, we aspire for our colleagues to feel heard and valued, and we focus on removing barriers so each of our colleagues can succeed and be at their best.

We are committed to embedding diversity and inclusion into the delivery of products, experiences and communications for our colleagues, communities, and our role models: children.

› RESPONSIBLE WORKPLACE
› RESPONSIBLE SOURCING

Now you’ve got the hang of it! Just click on the pink LEGO® brick, and you’ll be back here.
A motivating workplace
We recognise the importance of having inclusive and diverse workplaces, where all colleagues feel a sense of belonging.

To ensure progress, we set targets for employee motivation and satisfaction, which we track through our annual employee engagement survey – the LEGO Group People Pulse. We ask specific questions related to belonging, inclusion and psychological safety, which we monitor and work with as part of our Inclusion Index.

In 2022, we once again achieved a strong result in terms of Motivation and Satisfaction rating and scored 83 points, 9 points above the 2022 external target (74 points). The result places the LEGO Group 7 points above Ennova’s external benchmark and among the top 10 percent of their international clients.

A safe, responsible, and inclusive workplace
During 2022, we have updated our inclusive workplace guidance. Our ambition is to build a diverse and inclusive organisation with a unique sense of belonging to inspire and develop all the builders of tomorrow.

For us, employee safety – both physical and psychological safety – and well-being are a top priority, and we aim for zero accidents in our factories, stores, and offices. Our Occupational Health and Safety Policy sets the ambition for all activities to be carried out with health and safety in mind. We comply with national and international legislation as a minimum requirement. In 2022, our lost time injury rate was 0.5, i.e., number of injuries per million working hours.

Opening our Billund, Denmark Campus
In 2022, we celebrated the official opening of the state-of-the-art LEGO® Campus at our headquarters in Billund, Denmark. Achieving a Gold level LEED certification, the Campus is a high quality, low-energy office building partly powered by solar panels installed on the roof of the nearby parking facility.

Inclusive benefits:
Creating a family friendly workplace
In 2020, we launched an extended parental leave policy globally*. Since the end of 2022, all employees, both hourly and salaried, in our offices, production and retail sites irrespective of their location, are eligible to receive a minimum of 26 weeks paid childcare leave for the primary caregiver and eight weeks paid leave for the secondary caregiver. Parents decide who takes the role as the primary caregiver and we encourage all our colleagues to take their time to build a bond with their family.

In the last three years, we also enhanced our global safety net to ensure financial security for colleagues and their families in case of death or permanent disability.

* We adhere to local laws and regulations in our local markets. This global policy was fully implemented, in all markets, by the end of 2022, as the minimum standard for paid parental leave at the LEGO Group. In countries where local/governmental policies offer a more generous leave, the local policies take precedence.

**CASE STUDY**
Click on the arrow! and learn more about our paid parental leave policy and meet more of our co-workers, who share their experiences and how it made a difference to them and their families.

**Extra time to establish as a family**
Carolina is a Director of Government and Public Affairs for the Americas at the LEGO Group. She returned to work in January 2022 after taking parental leave for her second child, who was born in June 2021.

Carolina’s family is now made up of herself, her husband and her two sons. Carolina’s husband is a soccer coach for a professional team, and does not get any paid parental leave from his employer. Luckily, thanks to the LEGO Group’s new parental leave policy, Carolina was able to take almost seven months paid leave to look after her baby – with 26 weeks fully paid through the parental leave and the rest through paid vacation time.

“I wasn’t at the LEGO Group when I had my first child,” explains Carolina. “I had four months leave then, which seemed quite generous at the time, but having the two months extra paid leave this time made a world of difference. At four months, your baby is still very newborn and dependent – by seven months, they can sit up and have started crawling. On top of that, who you are as a new mom yourself at four months is very different to who you are at seven months. You’re still healing and establishing sleep routines, and that can really impact your performance if you’re trying to go back to work at that time too.”
Workplace Diversity & Inclusion in action

We're committed to building a more inclusive and diverse workforce and have rolled out several programmes and workplace initiatives to drive change. This important work has included the following activities:

Focus on disability inclusion and accessibility:
Our organisational approach and roadmap on disability inclusion has three key objectives which are to:

1. Build learning and awareness of disability inclusion across the LEGO Group to engage all colleagues.
2. Improve disability inclusion in practical terms for colleagues through formal policies, processes and working practices, ensuring an enterprise-wide approach, aligning with business areas to drive consistency and continuous improvement.
3. Cultivate an inclusive culture with different, accessible ways of working for diverse employee needs, enabling us to attract and retain a wider pool of talent that increases our workforce diversity.

We joined the UK-based Business Disability Forum in 2022 and will continue to work with them in collaboration to build and strengthen our in-house capability and roadmap on disability inclusion. We also partner with AbilityNet, a UK-based charity, to assess and continuously improve our digital accessibility. In November 2022, our Digital team hosted a workshop, engaging 65+ colleagues in learning on digital accessibility.

Workforce Diversity
We have an organisational ambition to better represent the consumers and communities we serve globally and to reflect their needs and differences in our products and experiences. To deliver against this ambition, we continue to work towards achieving our gender diversity in leadership representation goals each year. Our goal is to become a gender balanced organisation by 2032.

Inclusive branding – marketing, partnerships and products
Our ambition is to continuously create a deep connection between our inclusive people policies and practices and our external brand messaging and product development on diversity and inclusion.

During 2022, we have achieved several significant milestones:

• Removing gender stereotypes from play experiences: We focused on solidifying the LEGO brand’s role in building STEAM (Science, Technology, Engineering, Arts, Mathematics) skills, amidst a society that continues to restrict girls’ access to it.
• International Day of the Girl: We launched a campaign focused on the need to nurture girls’ interests in STEAM through LEGO play experiences.
• World Children’s Day: In partnership with UNICEF, we launched a playbook and industry framework on promoting diversity and inclusion in advertising, particularly in a way which centres children’s rights.
• Annual D&I Audits: With our partner, the Geena Davis Institute, we monitor and analyse TV, video, imagery assets to ensure representation, gender balance etc.

Representation in our Board of Directors

The LEGO A/S Board of Directors reached its previous target of having two women board members by January 1st, 2021, in April 2020. Right now, three of seven members, or 43 percent, are women. Our ambition is that by January 2028, we have a gender balanced Board of Directors (as close as possible), meaning 50 percent of Board members will be women and 50 percent men.
Did you know?
We continue to upskill LEGO colleagues, so that everyone can foster more inclusive ways of working.

Fostering a D&I learning culture
We recognise that fostering a Diversity & Inclusion learning culture is integral to how we continue to embed our commitment on D&I every day in our business operations, underpinned by the behaviours, of being curious, brave, and focused as set out in the LEGO Leadership Playground.

We aim to promote a growth mindset among colleagues to build even greater awareness and accountability on how to interact inclusively, and on aspects such as active two-way listening and being open to new ideas and thinking. We continue to upskill LEGO colleagues, including people leaders, so that everyone can foster more inclusive ways of working.

In 2022, our D&I Conscious Inclusion programme, grounded in the LEGO Leadership Playground behaviours, was rolled out to hourly colleagues in our factories and LEGO® Retail stores. The programme entails tailored training which is designed specifically to reflect the unique working experiences and workplace context of shop floor and retail store colleagues. Shift leaders and store managers were upskilled through a Train-the-Trainer programme enabling them to facilitate local sessions with their teams on site. We are proud to have included 12,600+ hourly LEGO colleagues across 15 countries in the Americas region including Mexico and the U.S., and in Europe including Hungary and France, and China in these learning sessions.

As we expand our D&I Learning Portfolio, we have shared targeted learning content for 2,800+ salaried LEGO colleagues with several offerings including Conscious Inclusion, Building Bridges, Cultural Explorer D&I programmes and Inclusion Month sessions.

Pride Celebrations
Our company celebrated Pride in eight countries, thanks to the support of our 11 D&I Regional Taskforces. We attended Pride parades with dedicated LEGO areas for building activities for children in Hartford, London, Munich, Berlin and Copenhagen, several in partnership with Diversity Role Models. We also had internal celebrations and events with external speakers in the U.S., Mexico, Hungary, Singapore and Western Europe. We continued to deepen our existing relationships with partners, Workplace Pride and Open for Business, focusing on LGBTQIA+ inclusion for our workforce and workplaces.

D&I communities at the LEGO Group
Spearheaded by LEGO colleagues around the world, six global Employee Advocacy Groups (EAGs), strategic self-organised groups of employees and allies advancing D&I in our workplace, were established in 2021.

The six EAG groups focus on supporting LEGO colleagues and communities centred around Age, Asian colleagues, Disability, LGBTQIA+, People of Colour and Women. We have seen a 25 percent rise in the number of LEGO colleagues participating in employee advocacy groups, with event attendees increasing to more than 600 colleagues in 2022.

Similarly, we have successfully established and grown our 11 D&I Taskforces spanning the U.S., Latin America, Denmark, Hungary, Czech Republic, China, Western Europe, Singapore, Middle East & Africa and a global D&I Council to provide local, functional and diverse identity-grounded perspective to our global D&I roadmap and to deliver D&I initiatives locally.

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Human Rights

In 2022, the updated “Human Rights and the Rights of Children Policy” was established to take the place of the previous Responsibility and Human Rights Policy. This policy gives a greater focus on our human rights commitments including the rights of children demonstrating how we live up to these across all our business operations.

This revision increases clarity to our commitments and provides a proactive and enabling document to move forward in our strategy aims. It will continue to act as a foundation for the activities that we are involved in, linking together other policies that support our People Promise and our Planet Promise.

The Human Rights and the Rights of Children Policy was approved by the LEGO Group Corporate Compliance Board, appointed by the Executive Leadership Team and therefore ensuring approval from the most senior levels of the organisation.

The Human Rights and the Rights of Children policy, alongside the Responsible Business Principles (RBP), outline our fundamental policies relating to human rights. The RBP outlines how the LEGO Group commits to respect all internationally recognised human rights as enshrined in the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the eight ILO Core Conventions.

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.

We regularly assess our human rights risks and impacts through a combination of third-party audits, internal assessments and consultation with external stakeholders.

In 2022, the Responsible Sourcing team developed further to be able to better support the strategy and our ambitions in the future.

The team is now split into two functions:

- The Responsible Sourcing Central Team sits within the Environmental Responsibility area, covered by Corporate Affairs. This team sets the strategic ambition and activities related to Responsible Sourcing from both a social and environmental lens.
- The Responsible Sourcing Operations team sits within Corporate Quality, covered by the Operations function within the LEGO Group, as part of ongoing work to embed sustainability into the business. This team will focus on executing the Responsible Sourcing Programme, including onboarding/screening suppliers, audit programme management, executing capability building activities for suppliers as well as RBP compliance for our own manufacturing sites.

This organisational structure enables environmental and social agendas to be driven with a coherent and clear approach towards our suppliers and will enhance our collaboration across the business.

Capability building

In 2020, we launched a capability building programme where suppliers receive training in the Responsible Business Principles, with the aim of building supplier competencies to reach a higher level of compliance and proactively resolve non-conformities.

In 2022, we continued to strengthen the programme and expand the training academy not only with our suppliers and licensing partners but also with our internal colleagues.

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.
**Ethical Business conduct**

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 ethical 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 provide 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 locally.

**Grievance mechanisms**

We recognise that grievance mechanisms provide an important channel to enable any human rights concerns to be reported and addressed. Our commitment to providing access to grievance for employees, workers in our supply chain, and external stakeholders (including customers) is activated through providing clear access to grievance channels:

- The LEGO Compliance Line is our global accessible channel for reporting concerns securely and safely. This is a confidential service, managed by an external third party, which also makes use of a sophisticated case management platform. Those making reports can choose to do so anonymously, if desired. Grievances can be raised by all, at any time, and in any language without fear of retaliation. In 2022, the LEGO Compliance Line became available for external parties through promotion on LEGO.com.
- The LEGO Group Worker Voice Mailbox is available to all workers in our supply chain and continues to be promoted through the RBP audit programme and supplier training. The promotional material including posters, information cards and training has been provided in key languages appropriate for our supply chain (English, Chinese and Spanish) with workers able to respond in any language.
- The IETP (International Council of Toy Industries ‘ICTI’ Ethical Toy Program) worker hotline is also available to our suppliers in China that are part of the IETP programme.

**Collaborations and affiliations**

In 2022 we became affiliate members of the Responsible Business Alliance (RBA), meaning we commit to progressively aligning our own operations with the provisions of the RBA Code of Conduct as well as benefitting from collaborating with RBA members and suppliers through working groups and multi-stakeholder initiatives to improve working and environmental conditions.

Through the RBA and other memberships and partnerships, with organisations such as the Nordic Business Network for Human Rights, DIEH (Danish Ethical Trading Institute) and ICTI Ethical Toy Program (IETP), we are able to identify best-practice approaches to protecting vulnerable workers and upholding human rights. Through these collaborations we aim to enhance worker protection and promote strong management systems.

**Monitoring, assessing, and remediating non-conformities in our supply chain**

In 2022, 94 percent of scheduled on-site audits were completed against an end-of-year target of 100 percent.

The continued impact of the pandemic, especially in Asia in the first half of the year, affected the ability to conduct onsite audits. However, we worked closely with these suppliers to ensure that once restrictions allowed, we resumed the onsite audit programme resulting in all audits in this region being completed. In other regions, further considerations such as site relocation and audit lead times meant that audits were delayed.

We identified higher risk non-conformities in 25 percent of audits undertaken in 2022, below our set annual maximum of 36 percent.

**Our Modern Slavery Statement**

We have published our Modern Slavery Statement for 2022 in accordance with the requirements of the UK Modern Slavery Act (2015), the California Transparency in Supply Chains Act (2010) and the Commonwealth Modern Slavery Act (2018) for Australia.

Click on the arrow to read more.
Higher Risks
Higher risk non-conformities include both high-risk and zero tolerance nonconformities. They are both defined as a severe breach of local law and/or the LEGO RBP, with zero tolerances requiring the most urgent response and mitigation, as it poses an immediate risk to employees or workers. If we identify a zero tolerance, we take immediate action to work with the supplier to remediate. We demand an urgent response from the supplier and hold the right to terminate the business relationship with immediate effect if no effort is taken to remediate the concern.

In 2022, the most frequently identified higher risks remained related to excessive working hours and lack of adequate record keeping, with health and safety concerns also notable, as shown in the chart. None of the higher risk non-conformities in 2022 identified any form of modern slavery, child labour or discrimination.

When we identify a non-conformity, we work closely with the supplier to understand what immediate corrective and remediation action has been taken, and how we can support to ensure it does not happen again in the future. Examples of remediation actions and support include developing guidance documents, providing tailored training and regular supplier communication as well as monitoring of data points. This may include monitoring working hours of relevant suppliers to advise of potential next steps and how to improve management systems to address risks.

Zero Tolerances in 2022
Three zero tolerances were identified and addressed in 2022 in three different supplier facilities.

- In 2022, the most frequently identified higher risks remained related to excessive working hours and lack of adequate record keeping, with health and safety concerns also notable, as shown in the chart. None of the higher risk non-conformities in 2022 identified any form of modern slavery, child labour or discrimination.

When we identify a non-conformity, we work closely with the supplier to understand what immediate corrective and remediation action has been taken, and how we can support to ensure it does not happen again in the future. Examples of remediation actions and support include developing guidance documents, providing tailored training and regular supplier communication as well as monitoring of data points. This may include monitoring working hours of relevant suppliers to advise of potential next steps and how to improve management systems to address risks.

Higher risk non-conformities in 2022
Category split - % of total higher risk non-conformities

<table>
<thead>
<tr>
<th>Category</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excessive working hours or lack of rest</td>
<td>31%</td>
</tr>
<tr>
<td>Inadequate fire safety processes</td>
<td>23%</td>
</tr>
<tr>
<td>Inadequate record keeping for working hours and/or wages</td>
<td>11%</td>
</tr>
<tr>
<td>Vulnerable workers at risk through lack of processes to ensure equal rights to outsource and/or migrant workers</td>
<td>11%</td>
</tr>
<tr>
<td>Health &amp; safety concerns regarding electrical management, air quality and building certificates</td>
<td>8%</td>
</tr>
<tr>
<td>Inaccurate wage calculations resulting in underpayment of overtime</td>
<td>4%</td>
</tr>
<tr>
<td>Ineffective management systems leading to inappropriate/inadequate business licenses</td>
<td>4%</td>
</tr>
<tr>
<td>Insufficient recruitment processes leading to work permits not verified for migrant workers</td>
<td>4%</td>
</tr>
<tr>
<td>Inappropriate overtime policy does not make it explicitly voluntary</td>
<td>4%</td>
</tr>
</tbody>
</table>

All three of these concerns were related to overtime:

- Two factories were found to have excessive working hours. Following investigation, worker absences due to COVID-19 were cited as the reason and improvement was agreed. Regular submission of working hours documentation was requested and reviewed with limited progression at first. However, through collaboration with the Responsible Sourcing Operations and LEGO Procurement teams, alongside the supplier, working hours were verified as improved.
- In the third factory, inappropriate overtime policies and processes were identified, that posed a risk of workers being unable to refuse overtime. As a potential forced labour indicator, this was immediately investigated to eliminate the concern that forced labour was happening at the factory. Although no modern slavery was identified, it was recognised that a policy and process change was necessary at factory level to make sure this didn’t happen in the future. The Responsible Sourcing Operations team in collaboration with the Procurement team held multiple engagement meetings with the factory to discuss how this can be improved. Support and guidance were provided, leading to remediation steps being taken by factory management including a revised policy and increased communication to workers on the voluntary nature of overtime. Allowing time for the new policies and procedures to be fully implemented into the factory and communicated to all staff, an audit is planned in the first half of 2023 to verify the improvements.
Governance

- Sustainability governance
- Responsible tax
**Sustainability governance**

The LEGO® Corporate Policy Framework, which sets the corporate behavioural directions and framework for our company processes, consists of 13 Corporate Policies and a number of underlying Corporate Standards. View all of the Corporate Policies of external relevance, including our Environmental Policy, [here.](#)

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**Corporate Compliance Board**

The Corporate Compliance Board is the highest decision authority with respect to non-compliance issues in the LEGO Group, and it reports directly to the Board of Directors. The Corporate Compliance Board reviews any major non-compliance issues including the development of non-compliance reports every quarter, required by external regulations and internal policies, and sets the direction for company activities within the compliance agenda, including Corporate Social Responsibility and Sustainability.

**CHAIR**

Jesper Andersen, Chief Financial Officer

**MEMBERS**

Loren I. Shuster, Chief People Officer & Head of Corporate Affairs, Pouil Hartvig Nielsen, SVP – General Counsel Kristian Bollerup Jensen, VP Corporate Risk & Internal Audit

---

**Audit 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 Sørensen, Deputy Chairman of the Board of Directors, Chief Executive Officer, KIRKBI A/S

---

**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

---

**Executive Leadership Team (ELT)**

Is 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

---

**Sustainability ELT Sponsor Group**

Appointed by the ELT. Manages the advancement of our sustainability agenda built on Children, Environment and People along eight 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
Responsible tax

We recognise the taxes we pay and the jobs we create are important parts of our contribution to the societies in which we operate. Taxation plays a key role in helping countries finance their policies to achieve the UN SDGs.

Over the past years we have embraced the responsible tax principles allowing them to be endorsed in our Global Tax Strategy, which is approved by the Board of Directors. Overall, we aim to:

• Ensure we pay our fair share of taxes supporting the communities in which we operate.
• Proactively manage and mitigate tax risks and maintain a high quality of tax compliance processes.
• Engage with policymakers, authorities and interest groups to support transparent and responsible tax practices.

Building our responsible tax practices

In 2022, we made our Tax Strategy internally available in more languages and provided training to create awareness amongst employees. The strategy is now available in six languages: English, Czech, Danish, Hungarian, Spanish and Chinese. To make sure that the information about our tax strategy reaches the right people internally, we have created several engagement opportunities, like our Compliance week.

In order to help progress our strategy and make sure that we are evolving our approach to tax in line with our ambitions, we have in recent years focused on building the right capabilities. This includes creating and filling a new role focusing on environmental taxes, with the right skills to help us on this journey as well as investing in further educating our existing team on important themes and topics for our Tax Strategy.

Our reporting framework on the execution of our Tax Strategy, implemented during 2021, has been further evolved to now also include two yearly reports to the Board of Directors on the execution of our strategy.

We have undertaken several advocacy and engagement initiatives focusing on increased tax transparency and how tax frameworks impact and contribute to the execution of new environmental policies. For example, we actively participate in specific external events to share our views on how tax can contribute to achieving environmental policy ambitions.

In the past year, we also worked closely with tax authorities, including the Danish and Australian Tax Authorities’ respective cooperative compliance programmes. The LEGO Group received a score of “high” for our assurance and the second highest score for our Tax Control Framework as part of the Australian Justified Trust Programme. In addition, we are now in dialogue with New Zealand for a similar programme.

Our advocacy efforts are mostly done through recognised industry groups. We are a member of the Tax Executive Institute. In 2022 we joined the Board of the EMEA Chapter. In addition to the national industry groups in Denmark, UK, and the Netherlands, we joined the Czech federation in 2022.

In 2023, we will continue our work to actively engage with policymakers and external partners to support better legislation and responsible tax practices.

Total Tax Contribution (TTC)

Our Total Tax Contribution to public finances for 2022 is DKK 12.3 billion, of which DKK 5.1 billion are borne (compromising of all taxes which are a direct cost to the LEGO Group) and DKK 7.2 billion are collected (including all taxes which the LEGO Group has been withholding from others, not impacting our financial results). To further distinguish our contribution, we divide it into five distinct categories, including:

• Profit taxes: including taxes on the LEGO Group’s profits as well as withholding taxes.
• People taxes: including taxes and social security contributions.
• Product taxes: including indirect taxes on the production and consumption of goods and services, including VAT and sales tax, customs duties, insurance premium tax, etc.
• Property taxes: including taxes on the ownership, sale, transfer or occupation of property.
• Planet taxes: taxes, duties and contributions levied on the supply, use or consumption of goods and services that are considered to be harmful to the environment.

Total Tax Contribution (TTC)

<table>
<thead>
<tr>
<th>Category</th>
<th>Taxes Borne</th>
<th>Taxes Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>81M</td>
<td>319M</td>
</tr>
<tr>
<td>People</td>
<td>958M</td>
<td>3,313M</td>
</tr>
<tr>
<td>Planet</td>
<td>32M</td>
<td>3,823M</td>
</tr>
<tr>
<td>Profit</td>
<td>3,715M</td>
<td>21M</td>
</tr>
</tbody>
</table>

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Appendix

- Sustainability performance data
- Supplementary sustainability performance data
- Accounting policies
- Management’s statement
- Limited assurance report of the independent auditor
## Sustainability performance data

<table>
<thead>
<tr>
<th>KPI name</th>
<th>Accounting policy</th>
<th>Unit of measure</th>
<th>2022 external target</th>
<th>2022 result</th>
<th>2021 result</th>
<th>2020 result</th>
<th>2019 result</th>
<th>2018 result</th>
<th>Supplementary table</th>
<th>2023 External target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Children</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children reached by Local Community Engagement activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td>Number</td>
<td>≥6,000,000</td>
<td>9,882,512*</td>
<td>3,513,924</td>
<td>3,229,390</td>
<td>1,859,601</td>
<td>839,120</td>
<td>N</td>
<td>n/a**</td>
<td></td>
</tr>
<tr>
<td>Employees engaged in Local Community Engagement activities</td>
<td>Number</td>
<td>n/a</td>
<td>3,154</td>
<td>n/a</td>
<td>375</td>
<td>3,168</td>
<td>2,408</td>
<td>N</td>
<td>n/a**</td>
<td></td>
</tr>
<tr>
<td>Parents reached with Learning through Play training</td>
<td>Number</td>
<td>≥1,200,000</td>
<td>2,063,096</td>
<td>625,922</td>
<td>654,156</td>
<td>0</td>
<td>0</td>
<td>N</td>
<td>n/a**</td>
<td></td>
</tr>
<tr>
<td>Product recalls</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>N</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste to landfill</td>
<td>Tonnes</td>
<td>≤15</td>
<td>16</td>
<td>115</td>
<td>381</td>
<td>480</td>
<td>557</td>
<td>Y</td>
<td>&lt;15</td>
<td></td>
</tr>
<tr>
<td>Carbon emissions (CO2e)</td>
<td>Tonnes</td>
<td>≤134,000</td>
<td>150,635</td>
<td>134,047</td>
<td>111,037</td>
<td>110,637</td>
<td>109,310</td>
<td>Y</td>
<td>&lt;137,000</td>
<td></td>
</tr>
<tr>
<td>Water reduction</td>
<td>Percentage</td>
<td>≥0</td>
<td>4.9</td>
<td>8.8</td>
<td>14.2</td>
<td>-3.1</td>
<td>17.2</td>
<td>Y</td>
<td>n/a**</td>
<td></td>
</tr>
<tr>
<td>Sustainable packaging materials</td>
<td>Percentage</td>
<td>≥93</td>
<td>93</td>
<td>93</td>
<td>91</td>
<td>91</td>
<td>91</td>
<td>N</td>
<td>&gt;93</td>
<td></td>
</tr>
<tr>
<td><strong>People</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation and Satisfaction</td>
<td>Index score</td>
<td>Top quartile (&gt;74)</td>
<td>83</td>
<td>83</td>
<td>82</td>
<td>79</td>
<td>76</td>
<td>N</td>
<td>&gt;75</td>
<td></td>
</tr>
<tr>
<td>Females at Director+ levels</td>
<td>Percentage</td>
<td>≥40</td>
<td>41</td>
<td>40</td>
<td>38</td>
<td>36</td>
<td>36</td>
<td>Y</td>
<td>&gt;42</td>
<td></td>
</tr>
<tr>
<td>Fines or settlements for non-compliances with anti-bribery and corruption laws</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>N</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Lost time injury rate</td>
<td>Rate</td>
<td>≤0.9</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>0.9</td>
<td>1.3</td>
<td>N</td>
<td>&lt;0.9</td>
<td></td>
</tr>
<tr>
<td>Suppliers with higher risk non-conformities</td>
<td>Percentage</td>
<td>≥36</td>
<td>25</td>
<td>25</td>
<td>42</td>
<td>31</td>
<td>33</td>
<td>N</td>
<td>&lt;30</td>
<td></td>
</tr>
</tbody>
</table>

* In 2022, 2.2 million children of the children reached were connected to activities carried out by employees across the LEGO Group but funded by a donation from the LEGO Foundation directly to the partner. ** In 2023 we will change/replace the metric and/or measure, to continuously show the progress we are making on our sustainability journey.
## Supplementary sustainability performance data

### 2022 waste by disposal method and hazardousness, tonnes

(2021 full year in parentheses)

<table>
<thead>
<tr>
<th>Disposal method</th>
<th>Hazardous</th>
<th>Non-hazardous</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incineration</td>
<td>147 (198)</td>
<td>3 (24)</td>
<td>150 (212)</td>
</tr>
<tr>
<td>Landfill</td>
<td>4 (7)</td>
<td>12 (108)</td>
<td>16 (115)</td>
</tr>
<tr>
<td>Recovery</td>
<td>323 (260)</td>
<td>1,077 (930)</td>
<td>1,400 (1,190)</td>
</tr>
<tr>
<td>Reuse</td>
<td>0 (0)</td>
<td>81 (0)</td>
<td>81 (0)</td>
</tr>
<tr>
<td>Recycled</td>
<td>353 (180)</td>
<td>24,221 (20,598)</td>
<td>24,574 (20,778)</td>
</tr>
<tr>
<td>Treatment</td>
<td>94 (64)</td>
<td>111 (216)</td>
<td>205 (280)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>920 (709)</td>
<td>25,505 (21,866)</td>
<td>26,426 (22,576)</td>
</tr>
</tbody>
</table>

### Water by site, cubic meters (nearest 1000)

<table>
<thead>
<tr>
<th>Site</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billund, Denmark</td>
<td>61</td>
<td>65</td>
<td>70</td>
<td>64</td>
</tr>
<tr>
<td>Jiaxing, China</td>
<td>154</td>
<td>147</td>
<td>115</td>
<td>127</td>
</tr>
<tr>
<td>Kladno, Czech Republic</td>
<td>67</td>
<td>51</td>
<td>50</td>
<td>56</td>
</tr>
<tr>
<td>Monterrey, Mexico</td>
<td>394</td>
<td>372</td>
<td>297</td>
<td>303</td>
</tr>
<tr>
<td>Nyíregyháza, Hungary</td>
<td>191</td>
<td>186</td>
<td>170</td>
<td>141</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>867</td>
<td>821</td>
<td>703</td>
<td>712</td>
</tr>
</tbody>
</table>

### Energy by type for production sites (GWh)

<table>
<thead>
<tr>
<th>Type</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>District heating</td>
<td>9.6</td>
<td>11.1</td>
<td>9.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>67.9</td>
<td>89.3</td>
<td>64.7</td>
<td>79.5</td>
</tr>
<tr>
<td>Electricity</td>
<td>383.7</td>
<td>326.4</td>
<td>280.8</td>
<td>252.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>461.2</td>
<td>426.8</td>
<td>354.5</td>
<td>340.3</td>
</tr>
</tbody>
</table>

### Electricity consumption for Office, HUBs and LBRs (GWh)*

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total known usage offices &amp; HUBs</td>
<td>20.8</td>
</tr>
<tr>
<td>Total known usage LBRs</td>
<td>4.5</td>
</tr>
<tr>
<td>Estimated usage of remaning offices &amp; HUBs population</td>
<td>2022</td>
</tr>
<tr>
<td>Estimated usage of remaning LBR population</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>38.4</td>
</tr>
</tbody>
</table>

### 2022 percentage of females/males by seniority

<table>
<thead>
<tr>
<th>Level</th>
<th>Females</th>
<th>Males</th>
</tr>
</thead>
<tbody>
<tr>
<td>CXO</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>Senior Vice President</td>
<td>26%</td>
<td>74%</td>
</tr>
<tr>
<td>Vice President</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>Senior Director</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>Director</td>
<td>42%</td>
<td>58%</td>
</tr>
</tbody>
</table>

### Resin procured, tonnes**

<table>
<thead>
<tr>
<th>Year</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>91,477</td>
<td>102,775</td>
<td>133,827</td>
<td>165,657</td>
</tr>
</tbody>
</table>
| Packaging materials, tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60,410</td>
<td>68,697</td>
<td>84,425</td>
<td>87,621</td>
</tr>
</tbody>
</table>

* Accounting policy 15
** Accounting policy 14
The LEGO Group is a privately held, family-owned company with headquarters in Billund, Denmark, and main offices in Enfield, U.S., London, UK, Shanghai, China, and Singapore. Founded in 1932 by Ole Kirk Christiansen, 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 percent) and the LEGO Foundation* (25 percent). 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: One Play box = 20 children, One Replay box = Two children and One product box = One child. 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 10 children reached for trainings up to four hours and as 100 children for trainings of more than four hours. 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, online camp experience, or activity offered via an online partner platform. 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 percent on Build the Change online experience. The data are provided by the tracking tool in form of a monthly report.
   
   7) Children reached via parents or caregivers participating in parenting programmes, assuming one parent reached = one 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 one 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 one 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 (U.S.) 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 energy data from sites are based on meter readings and/or supplier invoices. 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. For electricity location based emission factors from IEA are applied while a supplier specific emission factor is applied for district heating. For natural gas, BEIS emission factors are applied. For renewable energy produced onsite, an emission factor of 0 is applied.

Energy consumption is calculated as the total energy in the form of natural gas, electricity and district heating externally supplied to the LEGO Group plus the energy produced onsite from renewable sources and subtracting the energy sold to grid. Total emissions are calculated by total energy multiplied by the corresponding emission factors.

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 meter readings and/or supplier invoices. 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 [m³] and LEGO® bricks produced [tonnes] for the current year and last year using the formula: 1-((water current year/LEGO bricks current year)/(water last year/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, giveaways/gift with purchases, merchandise, etc.

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 packaging material as these are either part of the playing experience or add additional value beyond standard packaging.

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) optimised for efficiency. All cardboard/paper-based packaging materials used are Forest Stewardship Council™ certified (FSC™C117818), ensuring certified and controlled sourcing from renewable materials. All plastic based packaging materials are currently regarded as being non-sustainable, due to not meeting the first criteria of renewable sourcing. We are at interim reporting our sustainable packaging KPI based on renewably sourced (all cardboard/paper-based) versus not renewably sourced (all plastic). Feasibility to put principles, systems and processes in place to track and report (2) recyclability by the consumer and (4) optimisation for efficiency will be investigated. Data used to calculate the percentage of sustainable packaging materials are 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, LEGO Group People 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.

Included in the annual People Pulse survey are permanent hourly employees at the LEGO Group Manufacturing sites, LEGO Brand Retail store employees, and hourly and salaried employees across all other functions and locations in the LEGO Group. Employees hired after August 31, 2022 and employees on leave during the full survey period are not included in survey.

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. Permanent 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.

14. Resin procured
Resin procured [tonnes] is the weight of all resin procured for internal element production by the LEGO Group in a given calendar year. By internal is meant element production on LEGO owned production plants. Included is also a very small percentage which is sold on to suppliers, who mould elements on behalf of the LEGO Group. Included in the volumes procured is resin for R&D, test moulding, finally approved elements as well as failed/discarded elements. Data are provided through internal spend reports extracted from LEGO SAP systems.

15. Electricity consumptions for Offices, HUBs and LEGO Brand Retail Stores
Data from LEGO Brand Retail Stores*, Offices and HUBs are included in the Supplementary data. Reported electricity data are based on meter readings. Due to the lack of data availability on all locations, an estimation has been made for the part of the population which has not been based on meter readings and does not exceed more than 40 percent of the total energy consumption.

*LEGO Brand Retail stores are owned and operated by the LEGO Group.
Management's statement

The Executive Management and the Board of Directors have today considered and approved the 2022 Sustainability Progress Report of the LEGO Group for the reporting period 1 January to 31 December 2022.

The 2022 Sustainability Progress Report has been prepared in accordance with the stated sustainability accounting principles.

In our opinion, the 2022 Sustainability Progress Report gives a fair presentation of the Group’s sustainability activities and results of our sustainability efforts in the reporting period as well as a balanced presentation of our environmental, social and governance performance in accordance with the stated sustainability accounting principles.

Billund, Denmark
1 March 2023
Independent limited assurance report on the sustainability performance data

To the stakeholders of the LEGO Group

LEGO Group engaged us to provide limited assurance on the sustainability performance data for the period 1 January – 31 December 2022 stated on pages 31–32 in the 2022 Sustainability Progress Report of the LEGO Group (the “sustainability performance data”).

Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us to believe that the sustainability performance data in the 2022 Sustainability Progress Report of the LEGO Group are not prepared, in all material respects, in accordance with the applied accounting policies developed by Management of the LEGO Group as stated on pages 33–35 (the “accounting policies”).

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

What we are assuring

The scope of our work was limited to assurance over the sustainability performance data in the LEGO Group Sustainability Progress Report 2022.

We express limited assurance in our conclusion.

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, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance engagements on greenhouse gas statements’. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

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 independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 sustainability performance data need to be read and understood together with the accounting policies, 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 sustainability performance data 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 sustainability performance 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.

Statement on other sustainability information mentioned in the report

Our conclusion on the sustainability performance data on pages 31–32 does not cover other sustainability information and we do not express an assurance conclusion thereon. In connection with our review of the sustainability performance data, we read the other sustainability information in the 2022 Sustainability Progress Report of the LEGO Group and, in doing so, considered whether the other sustainability information is materially inconsistent with the sustainability performance data, our knowledge obtained in the review or otherwise appear to be materially misstated. We have nothing to report in this regard.

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 in the Sustainability Progress Report that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing the sustainability performance data;
- Measuring and reporting the information in the sustainability performance data based on the accounting policies; and
- The content of the Sustainability Progress Report.

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 2022 are prepared, in all material respects, in accordance with the accounting policies;
- Forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- Reporting our conclusion to the stakeholders of the LEGO Group.

Aarhus, 1 March 2023

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab CVR no. 3377 1231

Claus Lindholm Jacobsen State Authorised Public Accountant mne23328

Mads Melgaard State Authorised Public Accountant mne34354