



Responsibility Data 2017

Report on Social Responsibility and Diversity, cf. Sections
99a and 99b of the Danish Financial Statements Act

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Every year, the LEGO Group publishes a Responsibility Report. The report outlines our responsibility strategy and yearly activities, as well as the goals and targets that we achieved.

The 2017 report is split into two parts: our Responsibility Report 2017 detailing focus areas and achievements, and the Responsibility Data 2017 report, which contains non-financial metrics. Both are available at www.lego.com/en-us/aboutus/responsibility/story/report/, along with additional supplemental information.

This Responsibility Data download is part of the management review of the LEGO A/S' Annual Report 2017. Annual Reports and previous year's Responsibility Reports are available at www.lego.com/en-gb/aboutus/lego-group/annual-report/.



Introduction

Each year, the LEGO Group reports on key non-financial metrics to measure our results against our targets. These metrics reflect our focus on those critical areas where we can have the largest positive impact on children, the environment and society.

The LEGO Corporate Policy Framework embraces our spirit, 'Only the best is good enough', and sets the corporate

behavioural direction and framework for our company processes. The Framework consists of 12 Corporate Policies and a number of underlying Corporate Standards. Our Corporate Policies and Standards are global. They are expected to be adhered to by all LEGO® employees. Corporate Policies of external relevance are listed below, and are available at www.lego.com/aboutus/responsibility/our-policies-and-reporting/corporate-policies.

Focus area	Relevant corporate policy	LEGO Group objective
Resources	Environment	Zero impact target by using sustainable materials and zero waste by 2030
Climate	Environment	Investment in renewable energy to ensure the production of LEGO elements is 100% balanced by renewable power
Social and staff matters	Gender diversity	Commitment to gender balance at manager level positions and above
Human rights	Responsibility and human rights	All suppliers must abide by the LEGO Group's Code of Conduct
Anti-corruption and bribery	Communication Letter on Expected Ethical, Social and Environmental Conduct	All LEGO employees at the Director level and above must be trained in business ethics

Children

At the LEGO Group, we are committed to ensuring children have safe and high-quality play experiences with our products. We take the feedback from our consumers seriously when designing new play experiences.

Net promoter score

In 2017, more than 1.1 million consumers provided feedback on LEGO products and experiences and reported a high level of satisfaction.

LEGO consumer satisfaction is measured by the Net Promoter Score (NPS), a global loyalty metric that asks children and shoppers their likelihood of recommending LEGO products and experiences.

Success is measured against internal targets that are based on historical performance with a mindset toward continuous improvement. Since we began measuring Product NPS in 2011, the targets continue to be raised annually and were exceeded in five out of six years and met in one (2013). The NPS reached high levels and exceeded our target by 2.7 points in 2017.

Product recalls

In 2017, we met our goal of zero product recalls for the eighth consecutive year.

Accounting policy	KPI name	2015 result	2016 result	2017 result	2017 target
1	Net Promoter Score® (relative to base year 2014)	+1.3	+2.6	+2.2	-0.5 ●
2	Product recalls	0	0	0	0 ●

● = target achieved ● = target not achieved

Environment

To minimise our impact on the environment, we will continue to improve our operational efficiency. This is important as we continue to grow and increase our production capacity. In 2017, we expanded our reporting scope to include a new manufacturing site in Jiaxing, China.

Waste, recycled waste and waste efficiency

We set an ambitious target of eliminating all waste from our factories, offices and stores by 2030. To achieve zero waste, we must improve waste efficiency. Our first target is to improve efficiency by 10% by 2020, compared to the 2016 level. In 2017, we recycled 94% of all waste, 100% of element waste, and we developed an innovative process for reusing element waste. Our total waste generated grew to 15,859 tonnes because we expanded our manufacturing capacity. The table below shows total waste by disposal method for 2017.

Based on standard procedures for operations of new factories, we set applicable targets for waste and carbon efficiency improvements in 2017. In 2017, we saw a decrease in waste efficiency of -2.9%. This was an improvement on our target of -4.5%, which took into consideration the new factory ramp-up and lower production volumes.

Process optimisations have been carried out in 2017, and we expect to further improve our waste efficiency in 2018.

Energy consumption

The overall energy consumption across our manufacturing sites was 313 GWh in 2017. This figure increased compared to 2016 because the new reporting scope included the Jiaxing factory in China. In previous years, we have also reported on our energy efficiency improvements. In 2017, this metric has been replaced with carbon efficiency improvement.

Carbon efficiency

We strive to reduce the amount of CO₂ emitted during the lifecycle of LEGO® products. We manufacture in five countries. Each country has a different power generation system, which impacts the level of CO₂ emissions emitted from energy production. To better guide our efforts in reducing CO₂ intensity, we changed our target from energy efficiency to carbon efficiency per tonne of LEGO bricks.

In 2017, we saw a decrease in carbon efficiency of minus 25.4%. This was below our target of minus 24%, which took into consideration the new factory ramp-up and lower production volumes. We aim for a more positive development in the coming years to meet our 2020 ambitions.

Process optimisations have been carried out in 2017, and we expect to continue to improve our carbon efficiency in 2018. The total amount of CO₂ produced in the LEGO Group value chain in 2017 will be published by 1 September 2018.

Accounting policy	KPI name	2015 result	2016 result	2017 result	2017 target
3	Waste (t)	16,496	15,625	15,859	n/a n/a
4	Recycled waste	93%	93%	94%	≥ 92% ●
5	Waste efficiency improvement	6.7%	1.6%	-2.9%	≥ -4.5% ●
6	Energy consumption (GWh)	309	303	313	n/a n/a
7	Carbon efficiency improvement	n/a	n/a	-25.4%	≥ -24% ●

● = target achieved ● = target not achieved

Waste in 2017

Disposal method	Non-hazardous (t)	Hazardous (t)	Total (t)
Incinerate	441	174	615
Landfill	356	54	409
Recycled	14,670	164	14,835
Total	15,467	392	15,859

People

Caring is one of the LEGO Group's values and captures our desire to make a positive difference in the lives of children and for our partners, colleagues and the world we live in, all while considering their perspective in everything we do. We strive to operate ethically and transparently, and to uphold human rights.

In 2017, the LEGO Group made the difficult decision to reduce the size of the organisation to reflect current business requirements. This impacted approximately 8% of the global workforce and affected our ability to achieve a selection of people-related targets.

Motivation and satisfaction, work-life balance

Having an engaged and motivated global team is important for the success of the LEGO Group. Each year, we measure our employees' motivation, satisfaction and work-life balance. We set ourselves ambitious targets, and seek to be ten points ahead of the industry benchmark. In 2017, our employees' motivation and satisfaction were impacted by the reduction in the size of the organisation. The score was +8 points ahead of the external benchmark and below our target of +10.

Injury rate with absence, sick leave

The health and safety of our employees is a key priority that we will never compromise. In 2017, we met our target for injury rate. However, the LEGO Group's reorganisation impacted the sick leave rate, and our target was not met.

Female staff appointed and recruited

As part of increasing our diversity, it is our ambition to have a balanced composition of genders on all organisation levels by 2032. In 2017, 41% of newly appointed and recruited managers were women, which was above our target of 40%.

The LEGO A/S board comprises seven members. In 2017, Jørgen Vig Knudstorp, former CEO of the LEGO Group, was appointed to the Board as Chairman.

We have set a target of having two female board members by 1 January, 2020. Currently, one member of the board is female, and as a result, the target is not yet reached.

However, the board of LEGO System A/S (a subsidiary to LEGO A/S) meets legislative guidelines for gender balance because one out of four general assembly elected board members is female.

The above constitutes our reporting on gender diversity according to section 99b in the Danish Financial Statements Act.

Business integrity training

We are committed to operating at the highest ethical standards. To enable our employees to achieve this, we conduct mandatory business integrity training. We aim to train 100% of employees at the director level and above. In 2017, 89% of these employees completed the training. In 2018, we are committed to training 100% of employees at the director level and above in 2018.

Percentage of suppliers audited

All suppliers in high-risk countries are audited annually by an independent third party, and any non-compliances to our code of conduct are addressed through a corrective action plan. In 2017, 100% of suppliers in scope were audited. We also conduct our own in-house monitoring of suppliers, and work with them to promote continuous improvements.

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

Our audits for 2017 show that 71% of suppliers had no non-conformities requiring immediate correction. The result exceeded our target of 70%. We ask suppliers with high-priority non-conformities to commit to a correction plan within three working days and to resolve them within 90 days, and we closely monitor their progress. We focus on addressing root causes, and share what we learn with other suppliers, to prevent high-priority issues occurring anywhere else.

Accounting policy	KPI name	2015 result	2016 result	2017 result	2017 target	
8	Motivation and satisfaction (compared to external benchmark)	+16	+16	+8	≥ +10	●
9	Work-life balance (compared to external benchmark)	+6	+10	+6	+ 0	●
10	Injury rate with absence	1.4	1.3	1.4	≤ 1.4	●
11	Sick leave	2.0%	2.0%	2.3%	≤ 2.1%	●
12	Females appointed and recruited	43%	44%	41%	≥ 40%	●
13	Business integrity training	99%	100%	89%	100%	●
14	Percentage of suppliers audited	n/a	n/a	100%	100%	●
15	Percentage of suppliers with no non-conformities that require immediate correction	n/a	n/a	71%	≥ 70%	●

● = target achieved ● = target not achieved

Accounting policies

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

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

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

1. Net Promoter Score®

In connection with consumer engagement with LEGO products and experiences (e.g. LEGO Stores and LEGO.com), randomly selected consumers are asked how likely they are, on a scale from 0–10 (10 = best), to recommend the product or experience to others. The development in promoters (levels 9 and 10), minus the development in detractors (levels 6–0), is calculated using 2014 performance as the benchmark. The product NPS is calculated based on various products lines.

2. Product recalls

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

3. Waste (tonnes)

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

4. Recycled waste

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

5. Waste efficiency improvement

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

6. Energy consumption

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

7. Carbon efficiency improvement

The carbon efficiency KPI is calculated as the rate between Carbon [Ton co2e] generated by energy consumption and [kg] LEGO bricks produced. The efficiency improvement is calculated by comparing the current year with the given baseline year (baseline year is 2016 in the period 2016–2020). Only data from LEGO Group sites with production is included. Reported energy data from sites are based on meter readings for the energy types used, which are electricity, gas and district heating.

8. Motivation and satisfaction

The Motivation and Satisfaction index is based on the LEGO Motivation & Satisfaction score. It is calculated based on four questions in our annual employee engagement survey 'the LEGO Pulse' (1. *I always look forward to going to work.* 2. *I feel motivated in my job.* 3. *From an overall point of view, how satisfied are you with your job at the LEGO Group?* 4. *Imagine the perfect place of work. How close is this ideal to your place of work?*). Our score is compared to an external benchmark, the Ennova Employee Index (EEI). The EEI is based on a yearly survey, which is conducted by Ennova, but independent from the Pulse survey. The survey is conducted globally and is representative of each country's full labour market. A LEGO-specific benchmark is calculated using the EEI results from the 18 countries where the LEGO Group has its largest employee base (China, Czech Republic, Denmark,

Finland, France, Germany, Hungary, Italy, Japan, Mexico, Netherlands, Norway, Poland, Russia, Spain, Sweden, UK and US).

9. Work-life balance

The work-life balance index is based on the LEGO® work-life balance index score. It is calculated using one question in our annual employee engagement survey 'the LEGO Pulse' (*I feel good about the workload in my job*). Our score is compared to an external benchmark, the Ennova Employee Index (EEI). The EEI is based on a yearly survey, which is conducted by Ennova, but independent from the Pulse survey. The survey is conducted globally and is representative of each country's full labour market. A LEGO specific benchmark is calculated using the EEI results from the 18 countries where the LEGO Group has its largest employee base (China, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Japan, Mexico, Netherlands, Norway, Poland, Russia, Spain, Sweden, UK and US).

10. Injury rate with absence

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

11. Sick leave

Sick leave is calculated as time lost due to the employees' own illness. Sick leave is calculated as the number of absence hours as a percentage of the total number of working hours, excluding holidays and non-business days. Only data from sites with more than 100 employees and LEGO Brand Retail stores are included. Working hours and absence hours for external agency workers are not included.

12. Females appointed and recruited at management levels

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

13. Business integrity training

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

14. Percentage of suppliers audited

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

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

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

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responsibility-story](https://lego.com/responsibility-story)

Limited assurance report of the independent auditor

To the stakeholders of the LEGO Group

The LEGO Group engaged us to provide limited assurance on the data and information described below and set out in the Responsibility Data 2017 report of the LEGO Group for the year ended 31 December 2017.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that data in scope for our limited assurance engagement in the LEGO Group Responsibility Data 2017 report for the year ended 31 December 2017 has not been prepared, in all material respects, in accordance with the accounting policies as stated on pages 6-7 of the LEGO Group Responsibility Data 2017 report.

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

What we are assuring

The scope of our work was to provide limited assurance over the non-financial data in the LEGO Group Responsibility Data 2017 report.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm

applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting principles (pages 6-7 of the LEGO Group Responsibility Data 2017 report), which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed

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

- through inquiries, obtained an understanding of the LEGO Group's control environment and information systems relevant to quantification and reporting of non-financial data,
- made site visits in Denmark and in Czech Republic, and held video conferences with the health and safety organisation in North America to assess the completeness of the non-financial data sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected were based on an assessment of materiality and the application of a rotation principle. Our procedures included obtaining an understanding of the local reporting processes and reconciliation to underlying documentation and systems used at these sites,
- planned and conducted interviews and show-me meetings with Group functions to understand the consolidation and reporting processes, use of company-wide systems and controls performed at group level as well as limited substantive testing of non-financial data prepared at Group level to underlying documentation, and

- performed trend analysis of consolidated data and made enquiries to understand significant developments in reported data over time.

Management's responsibilities

Management of the LEGO Group is responsible for:

- designing, implementing and maintaining internal control over information relevant to the preparation of data in the LEGO Group Responsibility Data 2017 report that are free from material misstatement, whether due to fraud or error,
- establishing objective accounting principles (pages 6 - 7) for preparing data and information,
- measuring and reporting data and information in the LEGO Group Responsibility Data 2017 report based on the accounting principles, and
- the content of the LEGO Group Responsibility Data 2017 report.

Our responsibility

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether non-financial data in the LEGO Group Responsibility Data 2017 report are free from material misstatement, whether due to fraud or error,
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained, and
- reporting our conclusion to the Stakeholders of the LEGO Group.

Hellerup, 26 February 2018

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