

Appendix 1

Sustainability Report 2022

This report is an integrated part of our annual report for 2022 setting out the "Statutory report on corporate social responsibility", see section 99a and 99d of the Danish Financial Statement Act.



The Role We Play in the World

The LEGO Foundation is an independent Danish corporate foundation. Social responsibility and diversity are integral parts of our operations. We have three main objectives:

- 1. to secure and support the continued existence and development of the companies within the LEGO Group through our 25% ownership**
- 2. to support research and educational objectives and activities benefiting children**
- 3. to carry out business activities through investments**

You can read more about our investment activities on page three of the annual report.

We have adopted several social responsibility policies, including the areas of human rights, children’s rights, diversity, equity, and inclusion, employees’ safety, travel, anti-bribery and corruption, and the principles for avoiding conflicts of interests.

Our policies refer to international standards and agreements and we are committed to the UN Convention on the Rights of the Child and the Sustainable Development Goals (SDGs).

As a co-owner of the LEGO Group, the LEGO Foundation shares the vision to become a global force for learning through play and the mission to inspire and develop the builders of tomorrow with the other LEGO entities. We also share the LEGO Group’s framework of promises:



Play Promise

JOY OF BUILDING, PRIDE OF CREATION

Partner Promise

MUTUAL VALUE CREATION

People Promise

SUCCEED TOGETHER

Planet Promise

POSITIVE IMPACT

THE ROLE WE PLAY IN THE WORLD

Play Promise

The LEGO Foundation's Play Promise is delivered through our focus on learning through play. In all we do the child is at the centre. We strive to use the unique possibilities we have as a Danish corporate foundation to champion the power of learning through play to help give children across the world the opportunity to develop the skills they need to thrive.

The SDGs guide our work. There are two SDGs, 4 and 17, where we see our contribution making the greatest impact on the lives of children.



SDG4 Quality education: Ensure inclusive and equitable access to quality education and promote lifelong learning for all.



SDG17 Partnerships: Revitalise the global partnerships for sustainable development.

Through play, children explore and find their way. Instead of noting down rigid facts and figures, they hone ways of thinking, creating, working together and testing ideas. These are all skills they will need to thrive throughout their lives.

The sooner we bring learning through play into every home and classroom, the sooner we help our children get set for tomorrow. Like most of our partners, we advocate and invest a significant part of our donations in the transformative power of learning through play to be adopted in education and early childhood development. We are also advocates and advisors on using learning through play to achieve quality education and meaningful lifelong learning opportunities. Our partners' work plays a key part in shaping what we do and with them we co-design programmes and campaigns, training, toolkits, and games that tackle specific challenges in education and child development. We also influence education policy and support behaviour-change programmes to truly change the way the world learns by making play inclusive and accessible to all.



THE ROLE WE PLAY IN THE WORLD

Partner Promise (Human Rights)

The LEGO Foundation works with strong, diverse and inspiring partners to make the greatest positive impact on children's development and the global community. Our valued partnerships provide a mutual source of constant guidance, expertise, and inspiration.

Impact Assessment and vetting frameworks

At the end of 2022, the LEGO Foundation worked with 117 partner organisations across 199 grants in over 65 countries. We create shared value by collaborating to achieve the intended impact of a project, product, or activity. Together with our partners we map, visualise, and optimise the impact for children through co-creating and regularly adapting our joint initiatives. We strive to make sure that the activities we fund are suited for the local contexts.

The LEGO Foundation operates in various countries and cultures where human rights

might not be protected to the standards stated in our principles and policies. We do not tolerate any infringements of our principles, policies or international standards concerning children's rights.

Only potential partners meeting the high standards of the LEGO Foundation are considered for funding. Before we engage with a potential partner, the LEGO Foundation conducts a thorough vetting of the partner and proposed project:

1. A partner-focused due diligence is carried out with assessments of legal status, governance, risk- and financial management, programmatic capacity and policies on the safeguarding of children and diversity, equity, and inclusion.
2. With due diligence completed, the potential partner submits an application where any

recommendations from the due diligence are considered.

3. The proposed project and its intended location undergo a risk assessment where matters such as health and safety of employees, respect for human rights, corruption and the political environment are considered and assessed.

4. After a successful vetting of partner and project, a legal contract is signed. The contract is designed to mitigate any risk-findings from the vetting and incorporates the LEGO Foundation Code of Conduct and child safeguarding policy.

Release of subsequent funding is subject to both demonstrated progress of the project and continued compliance with the principles and policies of the LEGO Foundation, as well as the contractual obligations.

Progress and compliance are confirmed through the partner's reporting and the on-ground follow-up conducted by LEGO Foundation staff.

Further, the LEGO Foundation can initiate external audits of partners.

Policies

The LEGO Foundation has a zero-tolerance policy for child abuse in any form, and everyone working for, or affiliated with us must always treat children decently and respectfully.

Our child safeguarding policy takes all necessary actions to support child safeguarding. The policy is our commitment to safeguard children from fundamental abuse of their rights or dignity.

The LEGO Foundation Code of Conduct is primarily based on the Universal Declaration of Human Rights. The LEGO Foundation Code of Conduct establishes a set of minimum standards and applies the principle that organisations have a responsibility to respect human rights. This means they must avoid infringing the rights of individuals and therefore must exercise appropriate diligence in their operations. Partners are responsible for ensuring that their services, sub-grantees, and subcontractors comply with the LEGO Foundation Code of Conduct and the child safeguarding policy adopted by the LEGO Foundation.

Actions and results

Last year we committed 97 grants to 64 partner (of which 39 were new partners) with a record high total value of DKK 3,181 million, including a commitment of DKK 874 million to new partners from the Build a World of Play Challenge open call.

In 2022 we increased our focus on diversity, equity, and inclusion in our grant making, including our Build a World of Play Challenge.

During 2022, the LEGO Foundation received notifications with allegations of incidents conflicting with our child safeguarding policy and The LEGO Foundation Code of Conduct involving some of our partners. The LEGO Foundation took action to ensure that the allegations are investigated and, if substantiated, mitigated by the partners and that measures are taken to make sure that further incidents will not occur. The partners responded with adequate actions, and we continue to monitor to ensure that the partners continue to work on improving the working environment and educate their staff.

We conducted two external audits and one is ongoing in 2022 that lead to our external auditor making several recommendations. During the year, we made changes in our procedures that addressed the audit findings.

Target for 2023

We will continue to do our utmost to avoid any incidents of child abuse or violation of human rights by anyone working for, or affiliated with, the LEGO Foundation. We intend to further increase our focus on diversity, equity, and inclusion in our

grant making and as an organisation.

The LEGO Foundation intends to initiate a minimum of 2-4 external audits per year to be performed by an independent auditing company, either on-ground or as desktop audits.



THE ROLE WE PLAY IN THE WORLD

People Promise

The motivation and commitment of the LEGO Foundation employees are critical to our success, as is their ability to combine their talents to work towards our goals and objectives. The complexity of the social impact that the LEGO Foundation is looking to achieve requires a team that possesses a wide range of skills and competencies. These are some of the reasons, the LEGO Foundation is committed to diversity, equity, and inclusion.

Impact assessment

We celebrate differences and strive to have extensive diversity among employees. It is the right thing to do, and the smart thing – helping us forge strong partnerships and deliver positive impact for children across the world.

With diversity comes a responsibility to have an inclusive workplace culture. We are striving to build that sense of belonging.

Some of our people will work on projects all over the world, and in regions with security challenges.

We have identified the health and safety of the employees when travelling in regions of the world with security challenges as a people risk.

We want to make sure we are doing what we say to keep the team motivated and engaged. We use status surveys to check we are getting it right. We use the responses to look out for other areas where we can improve across the organisation.

Policies

Our diversity and inclusion policy helps us recruit, develop and lead the team in a fair and inclusive way. The policy celebrates differences and frames our commitment to create an inclusive culture; one in which people can come to work, be themselves and feel a strong sense of belonging.

We also have an anti-harassment policy to make sure all employees can work without bias, prejudice or harassment in a professional atmosphere that promotes equal employment opportunities and prohibits discrimination.

We do not tolerate any kind of harassment, bullying, victimisation or discrimination in the workplace or in any work-related setting outside the workplace.

Our travel security policy and protocol helps us keep our people safe when they are travelling and working abroad for us. We offer everyone travel security training as part of their induction – and anyone travelling abroad for us must complete it.

Actions and results

In 2022, we continued to have workshops and discussed diversity, a safe and inclusive environment, and a sense of belonging. It is an essential part of the organisation to have an understanding and acknowledge diversity, equity, and inclusion. The 125 employees at the LEGO Foundation on 31 December 2022 were spread across 27 nationalities and there were 90 women and 35 men. At the end of 2022 the LEGO Foundation Board of Directors comprised 3 women and 3 men. The LEGO Foundation's other management levels comprised 1 woman and 1 man, and Team Leads comprised 5 women and 4 men.

During 2022, the LEGO Foundation received reports through various channels, including the LEGO Foundation whistleblower line that after due diligence led to changes in internal

processes, organisational structure and management principles. We also saw a decrease in motivation, satisfaction, and engagement across the organisation.

Target for 2023

As an organisation the LEGO Foundation will continue the important journey towards establishing a workplace and culture characterised by diversity, equity and inclusion. We want to ensure that all employees can work without bias, prejudice or harassment in a professional atmosphere that promotes equal employment opportunities and prohibits discrimination. We have a strong ambition to improve motivation, satisfaction, and engagement across the organisation.

We aim to have no serious incidents in relation to the health and security in 2023. If the circumstances allow all current on-ground employees yet to complete the travel security training, as well as new colleagues, should complete the travel security training in 2023.

During 2023, we expect the Board of Directors to adopt a gender balance policy confirming our ambition to maintain a balanced gender composition in the Board of Directors and other management levels.

THE ROLE WE PLAY IN THE WORLD

Planet Promise

The LEGO Foundation strives to have a positive impact on the planet and drive behaviour change throughout the world in close collaboration with our partners on projects.

Impact assessment

In the LEGO Foundation we care about our planet and are committed to create a positive impact on the environment.

Within our investment activities all risks are managed through the approach to responsible investment and ownership. We are guided by environmental, social and governance (ESG) factors.

Our activities and the way we work with our partners require our presence on the ground to monitor progress of projects and compliance in respect of human rights, children's rights, and anti-corruption. We only travel when necessary to limit our negative impact on the environment.

We have five leased offices where energy

consumption and waste handling are focal areas.

Policies

In our investments, through our subsidiary Koldingvej 2, Billund A/S we require an active approach and ensure that the fund or external manager has an established responsibility/ESG policy and disclose their ESG performance and approach; makes available reliable information as to how ESG efforts are measured; processes how ESG evaluations are integrated into investment decisions and defines thresholds and metrics; and ensures an approach that takes advantage of ownership rights through engagement of the investments.

Actions and results

Throughout 2022, we invested responsibly in accordance with our investment approach and active ownership practices.

In 2022 we completed an Energy Audit, a systematic review where we mapped our energy consumption and identified and quantified cost-

effective energy saving options with a focus on real estate owned by the LEGO Foundation, including through our subsidiary Koldingvej 2, Billund A/S, and company cars.

Among the real estate owned directly or indirectly by the LEGO Foundation, the Energy Audit identified buildings where energy improvements could be made. The potential areas of improvements included conversion of heating source from natural gas to district heating, light sources, and circulation pumps.

Having seen a significant decline in emissions from air travel in 2020 and 2021 compared to 2019, which was largely due to our inability to carry out on-ground visits during the global pandemic, our emissions from air travel in 2022 were 78 % of the level in 2019.

Target for 2023

We will continue to invest responsibly for the benefit of the planet.

In 2023, we expect that the potential energy improvements of real estate identified as part of the Energy Audit will be completed.

During 2023, we relaunch our travel policy and during training and implementation we will aim to reduce the average emissions for on-ground visits.

Furthermore, we intend to review our partnership model with a view to assess if our presence on-ground is needed to the levels of today.

Anti-Corruption

Impact assessment

Corruption raises serious moral, economic and political concerns, damages trust, undermines good governance, hinders development and distorts competition. To combat corruption, most countries where the LEGO Foundation is operating have enacted anti-bribery and anti-corruption laws and regulations. These laws and regulations make it a crime to request, offer, give, or accept 'anything of value' directly or indirectly for the purpose of influencing a decision regarding the LEGO Foundation, or to secure an improper advantage of any kind. Yet the LEGO Foundation is also operating in countries and cultures where corruption and bribery on all levels is not uncommon, and in some cases is even socially accepted. Consequently, the LEGO Foundation has identified bribery and corruption as an inherent risk of operating in certain countries and cultures.

Policies

The LEGO Foundation is committed to doing its utmost to prevent bribery and corruption and

has adopted an anti-bribery and anti-corruption policy.

The policy applies to all employees of the LEGO Foundation including subsidiaries, representative offices and third parties acting on behalf of the LEGO Foundation, regardless of the country or jurisdiction where they are based.

The policy provides information and guidance on how to recognise and deal with bribery and corruption issues and sets out responsibilities in observing and upholding the LEGO Foundation's position on bribery and corruption. Pursuant to the policy, all employees or third parties acting on our behalf have an obligation to immediately report any knowledge of breaches or suspected breaches of the policy either to a manager or via the anonymous whistle-blower line.

Actions and results

In 2022, we were made aware of a few cases with allegations of incidents conflicting with our anti-bribery and anti-corruption policy involving

a few of our partners. In each case, a thorough investigation is carried out to assess whether the allegations can be substantiated and if they are, necessary actions are taken depending on the specific case. Such actions could be initiating awareness and education programmes, repayment of some or all the grant funds and involvement of relevant authorities.

Target for 2023

We aim to have no serious incidents in relation to bribery and corruption in 2023. Though we are satisfied with our current policies on the matter as well as our vetting process, we will continuously monitor and evaluate the adequacy of our policies, audits and other measures taken.



Data Ethics

The LEGO Foundation has implemented a data ethics policy outlining our data ethics principles and what we believe is an ethical way to conduct our day-to-day operation, and what our employees and business partners can expect from the LEGO Foundation when processing and procuring data.

The LEGO Foundation commits to only process personal data in a lawful manner and is committed to ensuring that decisions related to individuals always include a human evaluation of data. To ensure this, the LEGO Foundation promotes transparency towards its employees and partners and has an approval process for use of data and significant new technology.

The LEGO Foundation only wishes to use data from trustworthy business partners and will as part of the 'LEGO Foundation Code of Conduct' ensure that our business partners either have a data ethics policy or conduct their business in a way that is not detrimental to the LEGO Foundation data ethics policy.

To ensure a high level of ethical behaviour from the LEGO Foundation's employees when processing personal data or processing non identifiable data, all employees will receive compliance training, and the data ethics policy will be part of the mandatory induction procedure for new employees.

It is the LEGO Foundation executive leadership team that governs data ethics. Concerns about this area can be addressed via the LEGO Foundation whistle-blower line as well as directly to the leadership team.

Our data ethics policy

