From Bricks to Business:
LEGO’s Sustainability Journey

The LEGO Group

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At a Glance

Danish family owned

35,800 million DKK turnover 2015

34.2% operating margin

17,294 employees End 2015

11 years of consecutive growth

Sold in more than 140 countries

More than 60% of this year’s sales are novelties

Figures per ultimo 2015.
LEGO® Products

LEGO® Friends

LEGO Chima

LEGO City

LEGO DUPLO

LEGO Juniors

LEGO Technic
Headquarters: Denmark
Concept and product development: Denmark
Our ambition is to make a positive impact on the world our children will inherit.
Why we do it

Because
It is part of our heritage, our company culture and our planet promise to leave a world for children to play in and be inspired by, both now, and into the future.

And
It is good for our business, and supports our corporate reputation

<table>
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<tr>
<th>Mission</th>
<th>Inspire and develop the builders of tomorrow</th>
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<tr>
<td>Vision</td>
<td>Globalize and Innovate the LEGO System in Play</td>
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<td>Promises</td>
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<td>Play Promise</td>
<td>Joy of building, Pride of creation</td>
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<td>Partner Promise</td>
<td>Mutual value creation</td>
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<td>Planet Promise</td>
<td>Positive impact</td>
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<td>People Promise</td>
<td>Succeed together</td>
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<td>Spirit</td>
<td>Only the best is good enough</td>
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<td>Values</td>
<td>Imagination - Creativity – Fun Learning - Caring - Quality</td>
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Where do we have environmental impact?

10% of environmental impact

- Supply Chain
- Product & Packaging Innovation
- Operations
- Customers & Consumers
- Product & Packaging Disposal

75%

Area of highest influence for the LEGO Group

15%

Stakeholder interest
Our carbon footprint in detail.

The journey of a LEGO® brick 2015

**CO2 emissions** snapshot

Total emissions 2015 (tCO2e)

1,138,187

- Buying materials: 34%
- Using services: 14%
- Traveling and commuting: 6%
- Purchasing machinery: 10%
- Burning fossil fuels: 2%
- Using electricity: 8%
- Other: 3%
- 16% Transporting and distributing
- 7% Recycling and disposing of LEGO bricks

10% of our CO2 emissions come from our own factories, offices and stores

90% of our CO2 emissions come from our raw materials and other sources
## Our targets and aspirations

<table>
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<tr>
<th>Category</th>
<th>2016 SHORT TERM COMMITMENTS</th>
<th>LONG TERM ASPIRATIONS</th>
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<tr>
<td>Renewable Energy</td>
<td>Secure on and off site renewable energy</td>
<td>100% renewable energy by 2020 and beyond</td>
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<tr>
<td>LEGO Emissions</td>
<td>2.5% energy efficiency year over year</td>
<td>Lower CO₂ emissions in our supply chain by 2030</td>
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<td>Supplier Emissions</td>
<td>CO₂ reduction pilot program at key suppliers</td>
<td>Sustainable Materials: Packaging by 2020 Elements by 2030</td>
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<tr>
<td>Design &amp; Materials</td>
<td>100% FSC certified print &amp; packaging 75% recycled LEGO boxes</td>
<td>Zero waste: Production by 2020 Product lifecycle by 2030</td>
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<tr>
<td>Waste</td>
<td>5% waste efficiency year on year 92% of all waste recycled</td>
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</table>
Our progress to positive impact

Climate Change
Reducing our carbon emissions

Significant investment, in renewable energy to meet our 100% renewable ambition

We have attained 14%+ energy efficiency increase over the last 3 years

1st Toy Company to partner with WWF Climate Savers

Resources
Innovate our sourcing and use of materials

Green Box Initiative reduced 7,000 tonnes of packaging material

Currently achieving 93% waste diversion from operations

1bnDKK investment in the pursuit of sustainable materials
Renewable Energy Progress

Climate Change
Reducing our carbon emissions

Borkum Riffgrund windfarm fully operational.

Burbo Bank Extension announced. When operational both will more than 100% of the energy required for the LEGO Group.
Engage 2 Reduce progress

Climate Change
Reducing our carbon emissions

Six suppliers invited to a 2-day innovation camp in Billund.

Projects taken forward:
- Reusing wooden pallets in LOM
- Using a foaming agent to make lightweight p-boxes
- Swap bodies on transport between Hungary and Czech

31 Suppliers invited to post on LEGO Inside Ideas. 46 ideas generated from 10 suppliers.

Projects being considered:
- Optimised transport flow into JIA
- Replacing paper design tests with digital
- Reusing master cartons in the supply chain
Engage 2 Reduce 2017-19

Climate Change
Reducing our carbon emissions

We will focus on CO₂ improvement performance from suppliers

We hope to deliver two innovation projects per year as a result of direct collaboration with suppliers
Our 2030 sustainable materials framework

Ambition

“Our ambition is to use sustainable materials in all our core products (elements, packaging and building instructions) by 2030, and be known by children, families and key stakeholders as a company that cares and takes action on sustainability matters”

Sustainable Materials 2030 mission

Use materials that meet our sustainable materials definition across all of our core products

Actively and publically engage with stakeholders in the sustainable materials dialogue

Catalyst for change

Sustainable Materials Centre:

“The catalyst that will allow us to step change our efforts and deliver our Sustainable Materials 2030 ambition through partnerships and new ways of working”
Sustainable materials definition

A sustainable material is one that meets our high quality and safety standards, has key environmental and social sustainability attributes and maximise the play value of our products.

Non-negotiable characteristics

Compatible with the LEGO Strategy
Transition completed by 2030
Sustainable materials cannot compromise
  • Safety
  • Consumer-perceived quality
  • Durability of elements
Each iteration of sustainable materials should reduce our environmental footprint versus its predecessor

Sustainable Materials Definition

No non-desirable chemicals
The material does not pose a risk to humans or the environment across the entire value chain

Sustainably sourced and manufactured feedstock
  • The feedstock is derived from, sustainably sourced renewable material, recycled material or carbon capture technologies
  • The processing of the material has a sustainable manufacturing footprint

Minimum waste in the value chain
  • Elements and their materials should be recyclable
  • Packaging should be compostable or recyclable

LEGO Group sustainable materials definition has been developed in conjunction with WWF.
Sustainable Materials

Resources
Innovate our sourcing and use of materials

1bnDKK investment in the pursuit of sustainable materials

Project Green Box
Sustainable Materials

Resources
Innovate our sourcing and use of materials

1bnDKK investment in the pursuit of sustainable materials

Design 4 Disassembly
Sustainable Materials 2016

Resources
Innovate our sourcing and use of materials

In 2016 we set up the organisation, created new partnerships with suppliers and NGO’s, and we are designing the SMC building

2016

• Establish SMC leadership
  Organizational set up to drive transformational change

• Create and integrate core processes
  Guide the sustainable materials journey

• First relationships with external research partners established
What’s next?

10% of environmental impact

Supply Chain - Product & Packaging Innovation - Operations - Customers & Consumers - Product & Packaging Disposal

75%

15%

Area of highest influence for the LEGO Group

Stakeholder interest
Questions?