

Appendix 1

Sustainability Report 2023

This report is an integrated part of the LEGO Foundation's Annual Report for 2023 setting out the annual reporting pursuant to the requirements in sections 99a, 99b and 99d of the Danish Financial Statements Act on social responsibility, gender diversity and data ethics.



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:

- **to secure and support the continued existence and development of the companies within the LEGO Group**
- **to support research and educational objectives and activities benefiting children**
- **to carry out business activities through investments.**

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, corruption and 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

PLAY WELL

Partner promise

MUTUAL VALUE CREATION

People promise

SUCCEED TOGETHER

Planet promise

POSITIVE IMPACT

Play promise

PLAY WELL

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.

Through play, children explore and find their way. 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. When our partners suggest projects to make learning through play more accessible or inclusive, we are there to fund them. 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.



SDG4 Quality education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



SDG17 Partnerships

Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.



Partner promise (human rights)

MUTUAL VALUE CREATION

The LEGO Foundation works with strong, diverse and inspiring partners to make the greatest positive impact for 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 2023, the LEGO Foundation worked with 102 partner organisations across 159 grants in 71 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. E.g. in some cultural settings or in crisis settings such as refugee camps, townships, etc. there is an increased risk of infringements of human rights, including children's rights. 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, including an obligation to report any suspected breaches to the LEGO Foundation.

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 colleagues.

Further, the LEGO Foundation can initiate external audits of partners. The LEGO Foundation carries out two to three external audits per year performed by an independent auditing company.

Policies

The LEGO Foundation has a zero-tolerance policy for child abuse in any form, and everyone working for, or affiliated with, the LEGO Foundation 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 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. The LEGO Foundation Code of Conduct is primarily based on the Universal Declaration of Human Rights.

Partners shall be 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. Any breaches or suspected breaches of the LEGO Foundation Code of Conduct or Child Safeguarding Policy must be reported to the LEGO Foundation. The LEGO Foundation has a contractual possibility to terminate agreements in case of breaches of the LEGO Foundation Code of Conduct and Child Safeguarding Policy. The LEGO Foundation's decision to do so will depend on the mitigating actions taken by the partner and will centre the children's interest.

Further, the LEGO Foundation has established a whistleblower line to ensure the necessary reporting lines are in place for employees, partners and others to report breaches in a safe and anonymous manner where the standard communication channels are not sufficient.

Actions and results

Last year we committed 62 grants to 52 partners with a total value of DKK 1,345 million.

In 2023 we conducted two external audits that led to our external auditor making recommendations.

When receiving such recommendations from the auditor we review our procedures and make the necessary changes to address the audit findings.

The LEGO Foundation has continued to require partners to ensure 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. During 2023, the LEGO Foundation received notifications from our partners about incidents conflicting with our Child Safeguarding Policy and Code of Conduct occurring in projects funded by the LEGO Foundation. In 2023 there was a significant decrease in the number of notifications received compared to 2022. Three notifications concerned possible breaches to the Child Safeguarding Policy compared to nine in 2022.

When receiving notifications with allegations of such incidents, the LEGO Foundation takes 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.

Target for 2024

We were happy to see a significant decline in notifications of incidents of child abuse or violations of human rights by anyone working for, or affiliated with, the LEGO Foundation in 2023 and will aim to prevent any new incidents.

The LEGO Foundation intends to initiate a minimum of two to three external audits per year to be performed by an independent auditing company, either on site or as desktop audits.



People promise

SUCCEED TOGETHER

The motivation and commitment of the LEGO Foundation's employees are critical to our success, as is their ability to combine their talents to work towards the goal and objectives we share with our partners.

Impact assessment

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 coupled with a collaborative culture committed to diversity, equity and inclusion in a collaborative environment. With this diversity comes a responsibility to ensure an inclusive workplace culture where everyone can contribute their best and to confirm that every colleague feels motivated and engaged.

We have identified the physical and mental health and safety of our employees as people risks. Some of our people will work on projects all over the world, and in regions with security challenges which entails a safety risk for these employees.

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, feel a strong sense of belonging and engage in a collaborative work environment. In the LEGO Foundation, we believe that when we ensure a diverse team and an inclusive culture, we add value by amplifying our effectiveness in forging strong partnerships and delivering impact for children around the world. Building on this, our Gender Balance Policy aims to ensure that we in the LEGO Foundation maintain a balanced gender representation within the Board of Directors, Leadership Team and other positions with people management responsibility. Furthermore, the policy sets specific targets for a balanced gender representation. The policy can be found on www.learningthroughplay.com/about-us/governance-and-policies.

Our Anti-harassment Policy ensures 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.

Further, we have established a new Environment, Health and Safety (EHS) organisation to support a healthy and safe working environment in compliance with all relevant regulatory requirements. The EHS organisation meets regularly to discuss improvements to the working environment. The EHS organisation consists of a leadership representative and an elected employee representative.

Our Travel Security Policy and protocol help the foundation to keep our people safe when they are travelling and working abroad. We offer everyone travel security training as part of their induction – and anyone travelling abroad for us must complete the training before travelling.

Finally, our Reward Policy ensures that we have a market-based approach to rewards and compensation, and benefits that are competitive, with the purpose of rewarding and encouraging successful performance in the LEGO Foundation.

Actions and results

The 81 employees at the LEGO Foundation on 31 December 2023 were spread across 22 nationalities and there were 57 women and 24 men. In 2023 the Board of Directors adopted a Gender Balance Policy confirming our ambition to maintain a balanced gender composition in the Board of Directors and other management levels. At the end of 2023 the LEGO Foundation Board of Directors comprised three women and three men and thus met the requirements for balanced gender representation. Thus, the LEGO Foundation is exempt from the requirement to set targets for percentage share of underrepresented gender in the Board of Directors.

For the LEGO Foundation's other management levels, the ambition (target) for the percentage

share of underrepresented gender is to maintain, as close as possible, 50% women and 50% men. At the end of 2023 the LEGO Foundation's other management levels comprised six women (67 %) and three men (33%). With one new recruitment and one replacement on an interim position, in the first quarter of 2024 the gender distribution will be five women (50%) and five men (50%) and with that again meets the target above at the end of the quarter.

The LEGO Foundation has decided to also set targets for other positions with people management responsibility. The ambition is to reach, at a minimum, a 60/40% composition in gender representation at this management level by 2025. At the end of 2023 this management level consisted of one woman and three men. With a 25/75% split this meets the target as being the closest to the set target with four people. Additional positions are being filled in the beginning of 2024 which will bring the number to two women and four men. This 33/66% split will meet the target as being the closest to the set target with six people.

Further, the Board of Directors has also adopted a Reward Policy in 2023 with the aim of encouraging and rewarding successful performance in the LEGO Foundation.

It has been a challenging year for the organisation, but after a decrease in motivation, satisfaction and engagement across the organisation in 2022 we saw an increase in these areas towards the end of 2023.

Finally, a workplace assessment ('Arbejdspladsvurdering') was carried out in 2023. While the assessment showed satisfactory results regarding the workplace environment on an overall level, an Action Plan has been developed to address areas where the LEGO Foundation will focus attention and activities to improve.

Target for 2024

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 there is a shared sense of direction with an environment of trust and openness, and that there are clear roles and responsibilities throughout the organisation.

We aim to have no serious incidents in relation to health and security in 2024. Further to that, all current employees yet to complete the travel security training, as well as new colleagues, should complete the travel security training in 2024.



Planet promise

POSITIVE IMPACT

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

The LEGO Foundation sees its main contribution within the Play Promise and Partner Promise. However, our travel activities and operations leave a footprint that we continuously strive to reduce. Sometimes 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 the environmental area, the LEGO Foundation's primary footprint is from employee travel activities. Therefore, the foundation has adopted a Travel Policy with the main purpose of ensuring efficient travel for employees, and ensuring that only necessary travel is approved in order to limit travel-related emissions.

In our investments, through our subsidiary Koldingvej 2, Billund A/S, our portfolio is managed with an active environmental, social and governance (ESG) approach. Further, the portfolio is monitored for ESG controversies, and we engage the companies and managers in case of breaches of the UN Global Compact principles.

Actions and results

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 improvement included conversion of heating sources from natural gas to district heating, light sources, and circulation pumps. In 2023, the potential energy improvements to real estate identified as part of the energy audit have been initiated and will continue into 2024.

In 2023 we relaunched our Travel Policy and we continued to see a significant decline in air travel resulting in a large reduction in emissions from air travels. The LEGO Foundation is receiving more detailed data on its carbon footprint from travel activities in order to be able to track the emissions and set relevant targets going forward. Our 2023 carbon footprint showed emissions of

of 245 tonnes CO₂e, where flight travel counts for 235 tonnes CO₂e and the remaining 10 tonnes CO₂e from hotels and car rentals.

Target for 2024

In 2024, we will continue to carry out the energy improvements to real estate identified as part of the energy audit.

The LEGO Foundation will continue to aim to reduce the average emissions for on-ground visits and with the improved data on carbon footprints from travel activities, the LEGO Foundation will track the emissions and consider initiatives to improve the focus on reducing the carbon footprint.

Furthermore, we are in the process of reviewing our partnership model with a view to assessing if travel is needed to the levels of previous years.

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 are not uncommon, and in some cases are 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 to implement this commitment.

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 whistleblower line.

Actions and results

In 2023, we were made aware of one case with allegations of incidents conflicting with our Anti-bribery and Anti-corruption Policy involving one of our partners. A thorough investigation was carried out to assess whether the allegations could be substantiated, and the necessary and relevant actions were taken on the specific case including involvement of relevant authorities.

Target for 2024

We aim to have no serious incidents in relation to bribery and corruption in 2024. 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 directly to the Leadership Team as well as via the LEGO Foundation whistleblower line. The Data Ethics Policy can be found on our website at www.learningthroughplay.com/about-us/governance-and-policies.

