

# Corporate-level greenhouse gas inventory for the LEGO Group

## Methodology report 2023

### Introduction

This methodology report provides a high-level overview of the accounting approach to the LEGO Group's greenhouse gas (GHG) inventory.

The aim of the inventory is to estimate the GHG emissions associated with the LEGO Group's activities throughout the entire value chain.

The LEGO Group's GHG inventory is a quantification of the GHGs that are emitted by the company either directly or indirectly, within a set of defined boundaries. We take into account emissions from sources that the LEGO Group owns or controls, as well as emissions that are a consequence of its activities.

### Applied standards and protocols

We calculate our GHG inventory based on the standards and guidelines listed below. These documents are available to download on the [Greenhouse Gas Protocol website](#).

- Corporate Accounting and Reporting Standard published under the GHG Protocol Initiative (WRI/WBCSD, 2004),
- Scope 2 Guidance under the GHG Protocol (WRI/WBCSD, 2015),
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard published under the GHG Protocol Initiative (WRI/WBCSD, 2011), and
- Technical Guidance for Calculating Scope 3 Emissions published under the GHG Protocol Initiative (WRI/WBCSD, 2013).

The LEGO Group's GHG inventory comprise the accounting and reporting of the GHGs required by the UNFCCC/Kyoto Protocol – i.e. carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluoro carbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>). This is in accordance with WRI/WBCSD's GHG Protocol. Results are presented in units of carbon dioxide equivalent ('CO<sub>2</sub>e').

### Principles

There are five principles from the GHG Protocol standards that guide how we execute our GHG accounting and reporting. The LEGO Group is able to report data that is an accurate and fair account of our GHG emissions, because we adhere to these principles.

1. **Relevance:** ensure the GHG inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users – both internal and external to the company.
2. **Completeness:** Account for and report on all GHG emission sources and activities within the chosen inventory boundary. Disclose and justify any specific exclusions.
3. **Consistency:** Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series.

4. Transparency: Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used.
5. Accuracy: Ensure that the quantification of GHG emissions is systematically neither over nor under actual emissions, as far as can be judged, and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information.<sup>1</sup>

## Scope

The GHG inventory includes Scope 1, 2 and 3 emissions.

The LEGO Group uses what's referred to as an operational control approach to consolidate our greenhouse gas emissions. This means we account for all emissions over which we have operational control.

The LEGO Group's definition of operational control includes leased assets, such as buildings or vehicles, (which we classify as operating leases in the balance sheet, and not under finance leases). Whilst the LEGO Group may not have full ownership or financial control over these assets, we recognises that we have operational control over them. This is in accordance with Appendix F to the GHG Protocol Corporate Accounting and Reporting Standard on Categorizing GHG Emissions Associated with Leased Assets.

Scope 1 direct emissions cover the fuels (e.g. natural gas) combusted onsite at the manufacturing sites and administrative buildings, sales offices, brand retail stores and data centres. The fuel used in leased company cars and the fuel expensed to the LEGO Group is also included.

Scope 2 indirect emissions cover the electricity and district heating bought at the sites listed above for Scope 1. There are two methodological approaches to calculating scope 2 emissions that are outlined in the GHG Protocol's Scope 2 Guidance. The two approaches differ in which emission factors are used, and are referred to as the location-based approach and market-based approach.

- Location-based approach: uses emission factors that reflect the average emissions intensity of electrical grids and district heating infrastructure on which energy consumption occurs, using mostly grid-average emission factor data.
- Market-based emission approach: uses emissions factors that reflect emissions intensity of electricity that companies have purchased and used. These emissions factors are derived from contractual energy instruments, including any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims (such as Renewable Energy Certificates and Renewable Energy Guarantees of Origin).

Our official scope 2 emissions figures are calculated using the market-based approach. However, in our inventory, we show calculations according to both accounting methodologies, as required when verifying the inventory as per the Protocol's corporate standard.

Scope 3 other indirect emissions include 9 of the 15 categories outlined in the Standard. The LEGO Group considers the categories listed below relevant, based on its existing activities.

- Category 1: purchased goods and services
- Category 2: capital goods
- Category 3: fuel- and energy-related activities
- Category 4: upstream transportation and distribution

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<sup>1</sup> Corporate Accounting and Reporting Standard published under the GHG Protocol Initiative (WRI/WBCSD, 2004, p.7)

- Category 6: business travel
- Category 7: employee commuting
- Category 9: downstream transportation and distribution
- Category 11: use of sold products
- Category 12: end-of-life treatment of sold products

Please note that our accounting only applies to the LEGO Group. Our parent company, KIRKBI A/S, is a separate reporting entity and calculates its own GHG inventory.

## Assurance

Our GHG inventory is assured annually by an external party. Our assurance partner provides limited assurance that the LEGO Group's GHG inventory is prepared in accordance with our internal accounting principles and presented in accordance with the GHG Protocol, namely the GHG Protocol Corporate Standard, the GHG Protocol Scope 2 Guidance and the GHG Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The assurance provider performs a limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3410 Assurance Engagements on Greenhouse Gas Statements.

