

Q & A

Please note: All figures relate to Phase 1. We are not commenting on potential further expansions.

2.1 Sustainability & Environmental impact

Is it environmentally sustainable to spend \$1 billion building a factory that will produce millions of tonnes of plastic?

- We make products designed to inspire and develop the builders of tomorrow. It's well documented and proven by research that play – and LEGO play specifically – helps children develop skills that will last a lifetime such as creativity, problem solving, resilience and even fine motor skills.
- LEGO bricks last for decades and are usually handed down from one generation to the next – so are inherently sustainable.

Why don't you invest in re-using or recycling existing bricks?

- LEGO bricks last for decades and are usually handed down from one generation to the next – so are inherently sustainable.
- In the US and Canada we have a brick take back program called RePlay, where people can donate bricks they are no longer use to children's charities.
- Replay was launched in 2020 and to date, 271 tonnes of LEGO bricks have been donated to children through our charity partners.

Do children in the US really need more plastic bricks?

- LEGO play has proven to help children develop skills that will last a lifetime – e.g., resilience, creativity, problem solving.
- The LEGO System in Play is more than just a collection of bricks, it's a system that provides endless possibilities to children – and people – of all ages.

How many bricks do you produce each year?

- We manufacture more than 100 billion LEGO® elements every year.

Why are you establishing a factory in a state where the governor supports non-renewable energy, such as coal, and is critical of renewable energy investment?

- We looked at a wide range of options for this investment and took into consideration a range of criteria. One of these was the ability to advance our ambitious sustainability agenda, and we are confident that we will accomplish our goals in Virginia.
- Virginia is one of fewer than a dozen states that has a 100 percent carbon neutrality commitment, and we are happy to do our part by investing in on-site solar plant to provide the energy we need to operate our factory.

FACTS on Recycled Brick prototype

- Unveiled a prototype of our first brick made from recycled PET. Important step on our journey.

- Big challenge as we need to invent new materials, with the same quality, safety and durability of existing bricks.

FACTS on Science Based Target

- Science Based Target – reduce carbon emissions by 37% reduction by 2032.
- Launched supplier program to help us achieve that.

FACTS on Sustainable Packaging

- Completed a successful trial to replace small single-use plastic bags in our boxes with recyclable paper bags.
- This is being phased in from early to mid-2022.

2.2 Carbon Neutral claims

How will you make the new site Carbon Neutral?

- The Virginia facility will be designed to operate as a carbon neutral factory which means it will be a highly energy efficient site and 100% of its energy needs will be met by onsite and offsite renewable sources. It will strive to meet the following criteria:
 - *Reduce energy usage:* The factory buildings and manufacturing processes will be designed to minimize energy use. The aim is to secure Gold LEED certification (Leadership in Energy & Environmental Design) for the building once it's completed. (eg electric vehicles onsite)
 - *Increase renewable energy supply:* An onsite solar park will be constructed. The factory's energy requirements will be matched by power generated by this solar park and other renewable sources.

How will you be able to verify the carbon neutrality of the plant?

- We use third-party verification (RE100) for our global Operations network and to assess new sites we're building.
- The new factory will be sustainably designed to minimize energy usage and reuse and recycle waste and non-renewable resources such as water. The new factory will be LEED certified.

How much of the energy will come from on-site solar vs. off-site solar?

- We plan to build a solar plant on-site that can match all of the energy needed for the operation of the factory.
- We are also investigating if and how we can store excess electricity so that we can operate using this energy at other times.

There are trees onsite – will you replace trees you cut down to construct the factory?

- We plan to replant a similar number of trees we remove to build the factory – either near to the site or at another location.
- We are currently working on the details of this plan and look forward to sharing more information later this year.

Will the site construction be carbon neutral?

- The construction phase will not be carbon neutral. However, we will work very hard to be mindful of minimizing energy usage.

There is a massive pressure on solar panel deliveries and many projects in the US are currently paused/delayed. How will you ensure that you can install the panels in time?

- We are aware of the current challenges but remain confident that we will be able to install the solar panels by the time the factory opens in 2025.
- We will continue to monitor development and take mitigative actions if needed to ensure we can operate a carbon neutral factory.

2.3 Selection Process & Decision to invest in the US

Have you received/will you receive financial incentives from the government for this project? If so, how much?

- All state governments in the US offer business who want to make significant investments in their state financial support to establish and operate businesses.
- For the LEGO Group we will create more than 1,760 jobs directly as well as contributing to the local economy through salaries, contracts with local businesses and local community programmes and donations to support children's development etc.
- One of the criteria we have asked to be attached to the package is to ensure that Virginia's / the Commonwealth's public education budget is fully funded before tax revenue is allocated to the LEGO Group – i.e. there will be no negative impact on the educational sector.
 - *For background – our real estate tax abatement was capped by the LEGO Group at 50% in order to not impact funding for Chesterfield County public schools.*
 - *For background – the following detail is included in the Gov's release:
The LEGO Group is eligible to receive an MEI custom performance grant of up to \$75 million based on an investment of more than \$1 billion and the creation of jobs estimated to be in excess of 1,700, subject to approval by the Virginia General Assembly.*

Why did you choose this specific location?

- When deciding where to locate the new factory, we looked at a broad range of factors – including:
 - Short lead times: Close proximity to our major markets that would allow us to even better service consumers and our retail partners. Close to transport hubs.
 - Sustainability: We wanted somewhere that would support our ambition to build a carbon neutral factory and provide access to renewable energy.
 - Skilled workforce: Access to high quality, skills manufacturing talent.
- This site in Virginia delivered against these key criteria.

What other locations did you consider?

- We considered a number of other locations, but we were very impressed with the site we have selected and look forward to build and operate our factory here and take part in the local community.
- We appreciate the warm welcome we've received so far and are very excited about the future here.

What gives you confidence in long-term growth in Americas?

- As a family-owned company we take a long-term view of our business and we're currently investing to ensure we can inspire and develop children for many generations to come.
- During the past four years we have grown very strongly and rapidly (revenue +60%) and we continue to see this demand continue as we increase availability across the US, attract new builders to LEGO play and markets in the Americas.
- If we are to meet this demand and inspire future generations, we need to invest now in building more capacity near these markets.
- For reference: Revenue +60% vs 2018 as reported in Annual Reports.

2021	2020	2019	2018
22,031	16,345	14,328	13,769

Why are you opening a factory in the US where manufacturing costs are high?

- We locate our factories close to our largest markets in order to respond quickly to shifts in consumer demand and shorten and simplify the supply chain.
- The US is one of our largest markets and over the past few years has grown strongly so we see many benefits in investing here in the long term.
- We have been considering options to build a factory in the US for some time.

In the early 2000s you closed a factory in the US and off-shored production, why?

- In 2001 we closed our moulding facility in Enfield, Connecticut and moved this to Denmark, centralising moulding activities at the time.
- In 2006, the decision to close packing in Enfield, was made as a part of a global restructuring of the LEGO Group during a critical period for the company. At the time it was decided to outsource production globally to a 3rd party. This meant that the factory in Enfield was closed and manufacturing was taken over by Flextronics at a site in Mexico.
- However, 2 years after the outsourcing had taken place, it was decided to in-source production again and the LEGO Factory in Monterrey was established.
- Today all LEGO factories are owned and operated by the LEGO Group.

How can we be confident that you won't offshore production again in the future?

- We are a very different company to 2006 – much larger, more financially stable and investing for the long term.

- We see a continued strong demand for LEGO products in the Americas and need to invest to support the growth. The investment of more than 1 billion dollars over the coming 10 years is a testament to this long-term commitment.
- We believe in placing factories regionally and are looking forward to creating highly-skilled manufacturing jobs in Virginia.

2.4 Monterrey & Mexico

Why didn't you just expand your factory in Mexico even more to meet demand?

- We are currently expanding and upgrading our factory in Monterrey, Mexico and by the end of 2023, will have significantly increased capacity compared with 2021.
- This is in addition to multiple expansions undertaken at the site since we first established our manufacturing site in Monterrey in 2009.
- The factory we're building in the US is an additional capacity that will enable us to better serve the consumers in the region and support long-term growth in Americas.
- We don't locate multiple factories in one country.

Does this mean you will reduce investments in Mexico?

- Not at all, we're currently expanding and upgrading the plant.
- The factory in Mexico makes and ships products for the Americas, and we will continue to invest here as relevant.
- Currently the factory is already undergoing a capacity expansion, which is the case for all our sites across the world.

When you opened Monterrey, you said that factory would supply Americas. What's changed?

- The factory in Mexico was officially opened in 2009 and makes and ships products across all of Americas.
- However, since it opened, demand for LEGO products in North and South America has grown significantly, and we have expanded the factory multiple times.
- With the demand in Americas expected to increase in future, we wanted to establish a new site to support this development as well as increase our supply chain resilience.

Why have you decided to expand manufacturing outside of Mexico? Is it due to concerns about trade barriers and supply chain disruptions during COVID?

- Not at all. Mexico and Latin America remains an important strategic growth market for us, and manufacturing in Mexico is currently being expanded.
- Our global supply chain strategy is to locate production facilities close to our largest markets to reduce the length and risk within the supply chain.
- The decision to build a factory in the US has been under consideration for a number of years and is not connected to supply chain disruptions caused by COVID-19 or any other short-term disruptions

2.5 Virginia politics

How can / Does the LEGO Group, as a brand, support the current Governor’s political agenda?

- Our commitment is to deliver on our long-standing mission to inspire and develop the builders of tomorrow: children.
- This is a long-term, multi-generational investment which goes beyond the politics of today, globally or locally.
- Virginia provides compelling opportunities – a skilled workforce, support for our ambition to operate a carbon-neutral factory, and great access to transport links, which will allow us to get our products to more fans, families and children across the country.

Governor Youngkin has made prohibiting “critical race theory” in K-12 classrooms a key pillar of his policies. Does the LEGO Group support this?

- As we’ve said previously, we stand against racism and inequality.
- We believe that all children should have equal access to opportunities to achieve their potential and have financially donated to organisations that support black children and educate all children about racial equality.
- We will continue to advocate for equitable access to high-quality, hands-on playful learning for all children in Virginia that helps children develop skills that to build a better future – and a better world.

2.6 Capacity

Are you making this investment because you can’t meet current demand for your products?

- The new factory is about investing for growth in the long-term – and ensuring we’re well positioned to bring learning through play to more children in Americas in the future.
- While we’re able to meet current demand from our existing factories, we are expanding capacity at our other factories as well to meet the sustained growth we’ve seen over the past two years.

Can you expand in future, if more capacity is required?

- Yes, we will be able to expand capacity in our new site in future, depending on development in demand across the Americas

2.7 Jobs

What type of talent/roles will you be recruiting?

- We will be recruiting across a broad range of qualifications.
- In manufacturing, we will need operators, quality inspectors, technicians, and maintenance staff.
- There will also be a need for engineers for technical positions, HR employees and colleagues working in administration and management.

When will recruitment begin?

- We plan on recruitment starting early next year – in 2023 for the facility where we will start packing LEGO sets in 2024. Here we will need up to 500 new employees.

Are you concerned about the scarcity of potential employees?

- As in other locations there are some position profiles e.g., Molding repair technicians, which might not be available within the acceptable commute area, so training will be required. This is not uncommon and has been managed at our other LEGO manufacturing sites, and it is not a concern.
- We are also very happy that we can become part of the Virginia Talent Accelerator Program. The program offers different services for hiring and training support in close collaboration with colleges and can be customized according to the need required. In combination with our internal training program, we are confident that we can find, attract and retain world class talents!

Will you use local contractors for construction?

- We are still in the design phase of the factory. We plan to use local contractors, but to what extent is still to be decided.

Will you allow unions onsite?

- We acknowledge that our future colleagues may wish to join a union and they will be free to do so.
- *For information*, the construction of the factory will be a transformational project for the region. The average wage of our future workers will be above the present average for both Chesterfield County and the greater Richmond area.
 - *For background: The LEGO Group average wage for this project starting in 2023 is over \$60,000/year*
- Additionally, benefits for employees at the new plant will be similar to those which our current US-based employees enjoy, including participation in our global incentive program, healthcare and extended parental leave.

2.8 Other

What will this mean for the existing LEGO factories?

- We will continue our ongoing investments in expanding the capacity of our existing factories.
- Investments will take place depending on demand we see in the markets and will follow our strategy of having capacity located close to the customers.

How has the global supply chain crisis impacted the LEGO Group?

- During the past two years we've faced the same challenges as everyone else but have worked hard to ensure we were able to continue to supply our consumers and retail partners.
- While we continue to see elevated freight costs, we currently aren't experiencing any delay in shipping products.