

Form for “Statutory report on foundation governance, cf. section 77a of the Danish Financial Statements Act”



Skema til "Lovpligtig redegørelse for god
fondsledelse, jf. årsregnskabslovens § 77 a"

Mandatory Report on Recommendations on Foundation Governance in accordance with årsregnskabslovens § 77 a

Notice!

This report forms part of the Management Report in the LEGO Foundation Annual Report 2017. This report is not covered by Auditor's Report.

Recommendation on Foundation Governance

The LEGO Foundation is covered by the Recommendation for Good Governance which are available on the website of the committee on foundation governance www.godfondsledelse.dk

Recommendation	Foundation complies	Foundation explains
1. Transparency and communication		
1.1. It is recommended that the board of directors adopt guidelines for external communication, including who can make public statements on behalf of the foundation and on what matters. The guidelines should address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.	The board of directors of the LEGO Foundation has adopted a communication policy that is available on the Foundation's website legofoundation.com. This policy lays out guidelines for the Foundation's external communication.	

Recommendation	Foundation complies	Foundation explains
	<p>The Foundation's rules of procedure also determine that when communicating with the public the Foundation must aim to address the need for openness and provide stakeholders with the opportunity to obtain relevant information about matters relating to the Foundation.</p>	
<h2>2. Tasks and responsibilities of the board of directors</h2>		
<h3>2.1 Overall tasks and responsibilities</h3>		
<p>2.1.1 It is recommended that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, at least once a year the board of directors take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.</p>	<p>According to the Foundation's rules of procedure, the board meets at least four times a year, including at least one meeting at which the board actively considers the Foundation's overall strategy and distribution policy. In 2017 the board has on an ongoing basis related to the Foundation's strategy and distribution policy.</p>	
<h3>2.2 Chairman and vice-chairman of the board of directors</h3>		
<p>2.2.1 It is recommended that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members individually and collectively.</p>	<p>The chairman convenes and chairs board in accordance with the Foundation's rules of procedure and the year wheel.</p>	

Recommendation	Foundation complies	Foundation explains
<p>2.2.2 It is recommended that if, in addition to the position as chairman, in exceptional circumstances, the chairman of the board of directors is requested to perform specific operating functions for the commercial foundation, a board resolution be passed which ensures that the board of directors retains its independent, overall management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any.</p>	<p>The chairman does not carry out specific operational tasks for the Foundation. However, the rules of procedure determine that if by exception the chair is asked to perform special tasks for the Foundation, a particular board decision must be made. The distribution of assignments between the board, the chairman, the 1st and 2nd vice-president and the CEO is laid down in the Foundation's rules of procedure.</p>	
<p>2.3 Composition and organization of the board of directors</p>		
<p>2.3.1 It is recommended that the board of directors regularly assess and stipulate the competences that the board of directors is to possess in order to perform the tasks incumbent upon the board of directors as well as possible.</p>	<p>The chairman and the board conduct ongoing evaluations in accordance with the Foundation's rules of procedure with regard to whether the board of directors possesses the knowledge and skills relevant and necessary to manage the Foundation, and whether these are put to the best possible use for the benefit of the Foundation. At the Board meeting in December 2017 the board evaluated the competencies that the board is to have at their disposal. This evaluation is part of the general board evaluation.</p>	
<p>2.3.2 It is recommended that, with due respect of any right in the articles of association to make appointments, the board of directors ensures a structured, thorough and transparent process for selection and nomination of candidates for the board of directors.</p>	<p>In accordance with the Foundation's rules of procedure, the board of directors is to ensure a thorough and transparent process for the selection and nomination of candidates to the board of directors, in order to comply</p>	

Recommendation	Foundation complies	Foundation explains
	<p>with the rules about candidate designation in the Foundation's articles of association.</p> <p>At the board meeting in March 2017 candidates for the board were appointed. These candidates were elected in May 2017. The election took place in accordance with the Foundation's rules of procedure.</p>	
<p>2.3.3 It is recommended that members of the board of directors are appointed on the basis of their personal qualities and competences taking into account the collective competences of the board and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for diversity is considered in relation to commercial and grants experience, age and gender.</p>	<p>The composition of the board is described on the Foundation's website and in the annual management review with regard to its diversity, and a brief list of information about each board member is also provided. Also included is an assessment of the characteristics and capabilities of the board members and the need for adjustment of the board's composition by nominating new board members.</p>	
<p>2.3.4 It is recommended that in the management commentary in the annual report and on the commercial foundation's website, there is an account of the composition of the board of directors, including its diversity, and that the following information is provided on each board member:</p> <ul style="list-style-type: none"> • the name and position of the member, • the age and gender of the member, • date of original appointment to the board whether the member has been re-elected, and expiry of the current election period, • any special competences possessed by the member, 	<p>The composition of the board, including its diversity, is described on the Foundation's website and in the annual management review, along with the following brief details about each of the board members:</p> <ul style="list-style-type: none"> - Name, position and age - Date of joining the board, whether re-election of the member has taken place, and when the current term will expire - The member's particular capabilities - The member's other executive functions 	

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<ul style="list-style-type: none"> • other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organisation tasks, • whether the member has been appointed by authorities/providers of grants etc., and • whether the member is considered independent. 	<ul style="list-style-type: none"> - Which members have been appointed by relevant authorities/providers of funding, etc. - Whether the member is considered independent 	
<p>2.3.5 It is recommended that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully owned actual holding company.</p>	<p>The majority of the directors of the Foundation are not also members of the board in subsidiaries of the Foundation.</p>	
<p>2.4 Independence</p>		
<p>2.4.1 It is recommended that an appropriate proportion of the board of directors be independent.</p> <p>If the board of directors (excluding employee representatives) is composed of up to four members, at least one member should be independent. If the board of directors is composed of between five and eight members, at least two members should be independent. If the board of directors is composed of nine to eleven members, at least three members should be independent, and so on.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past three years have been member of the executive board, or senior employee in the foundation, or a subsidiary or associated company to the foundation, • within the past five years have received larger emoluments, including distributions or other benefits from the foundation/group or a subsidiary or associated company to the foundation in other capacity 	<p>The board of the Foundation consists of six members, two of whom are independent.</p>	

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<p>than as member of the board of directors or executive board of the foundation,</p> <ul style="list-style-type: none"> • within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company of the foundation, • be or within the past three years have been employed or partner at the external auditor, • have been a member of the board of directors or executive board of the foundation for more than 12 years, • have close relatives with persons who are not considered as independent, • is the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person, • or a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years have received significant donations from the foundation 		
2.5 Appointment Period		
2.5.1 It is recommended that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.	All board members are elected for two-year terms, in accordance with the Foundation's articles of association.	
2.5.2 It is recommended that an age limit for members of the board of directors be set, which is published in the management commentary or on the foundation's website.	According to the Foundation's rules of procedure, board members must resign from the board in conjunction with the board meeting convened to approve the Foundation's accounts	

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	<p>for the year in which they turn 75 years of age. The currently applicable age limit is published on the Foundation's website and/or in the Foundation's annual management review.</p>	
<p>2.6 Evaluation of the performance of the board of directors and the executive board</p>		
<p>2.6.1 It is recommended that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually and the result is discussed by the board of directors</p>	<p>In accordance with the Foundation's rules of procedure, the organisation and effectiveness of the board's work are to be discussed at a board meeting at least once a year. This is to be undertaken on the basis of information that includes information that the chairman obtains through individual consultations with each particular member of the board. However, the Foundation evaluates the contributions and achievements made by the board and its individual members on an annual basis as laid out in the year wheel.</p>	
<p>2.6.2 It is recommended that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.</p>	<p>The board undertakes an evaluation of the work done by the Foundation's CEO on an ongoing basis, and at least once a year. In 2017 this evaluation took place in December 2017.</p>	
<p>3. Remuneration of management</p>		
<p>3.1.1 It is recommended that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of a possible executive board be remunerated with a fixed remuneration,</p>	<p>The board members of the Foundation are either paid a fixed fee or re-</p>	

Recommendation	Foundation complies	Foundation explains
possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position.	ceive no remuneration at all. Members of the management group receive a fixed fee.	
3.1.2 It is recommended that the annual financial statements provide information about the full remuneration received by each member of the board of directors and executive board (if relevant) from the commercial foundation and from other enterprises in the group. Furthermore, there should be information on any other remuneration which members of the board of directors, except for employee representatives, have received for performing tasks for the foundation, subsidiaries of the foundation or enterprises in the same group as the foundation.		The Foundation publishes the remuneration that the Foundation pays to each individual board member. Remuneration paid to the Foundation's management group is stated as an amount for the management group as a whole, so as not to disclose any individual executive's actual remuneration

Management Statement

The Board of Directors and Executive Management have today approved the LEGO Foundation "Mandatory Report on Recommendations on Foundation Governance" in accordance with årsregnskabslovens § 77 a for the financial year 1 January - 31 December 2017.

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Executive Management

John Paul Goodwin
CEO

Board of Directors

Thomas Kirk Kristiansen
Chairman of the board

Kjeld Kirk Kristiansen
1st Deputy Chairman of the board

Jørgen Vig Knudstorp
2nd Deputy Chairman of the board

Agnete Kirk Thinggaard
Member of the board

Mette Morsing
Member of the Board

William Ervin Hoover
Member of the Board