

# Sustainability Report 2019



# About this report

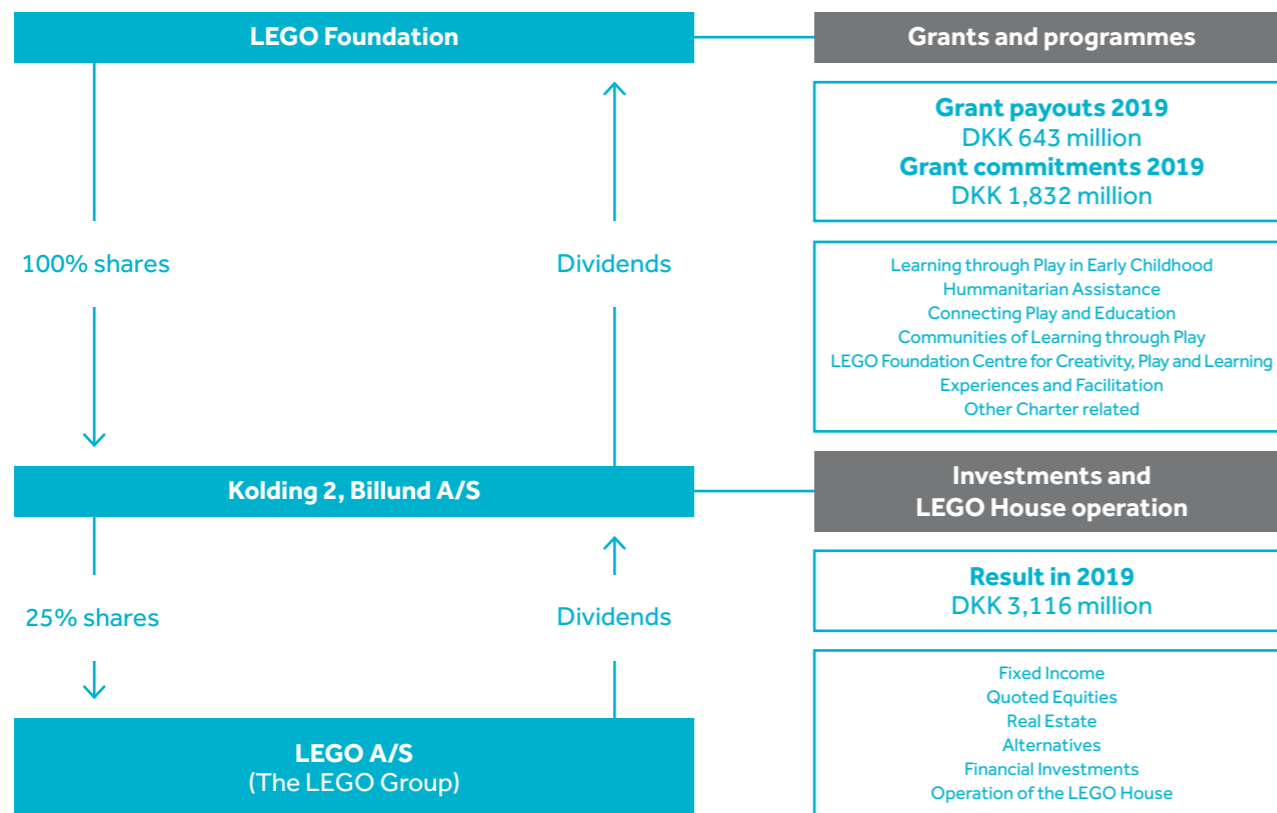
This report is part of the LEGO Foundation's annual reporting pursuant to the requirements in Section 99a and b of the Danish Financial Statements Act on social responsibility and diversity. This statement is part of the Management's review of the Annual Report 2019. The report summarises the corporate social responsibility of the Foundation.

## Contents

The way we work · 4  
Operating in a diverse world · 5  
Embracing corporate social responsibility · 6  
Human rights · 9  
People · 10  
Environment · 12  
Anti-corruption · 15



# The way we work



The ambition of the LEGO Foundation is to use our resources to systemically reach children with Learning through Play to empower them to become creative, engaged, lifelong learners. By using Learning through Play to develop children's holistic skills, we enable them to thrive in life and work in a constantly changing world, supporting them to serve their communities and society at large.

The Foundation is an independent Danish corporate foundation. Through our history, societal responsibility has been an integral part of our initiatives. We have three main objectives: To secure and support the basis for the continued existence and development of the companies within the LEGO Group, to support research and educational objects and activities benefitting children, and lastly to carry on business activities through investments.

The Foundation invests through our wholly owned subsidiary Koldingvej 2, Billund A/S (Koldingvej 2). Koldingvej 2 manages our investment activities within the overall financial strategy decided by the Board of Directors of the Foundation. Through Koldingvej 2, the Foundation holds 25% ownership of the LEGO Group as well as other commercial and financial investments.

The grant-awarding activities benefit the global society and are within the main objectives set out in the charter. Moreover, the grants are awarded in accordance with the focus areas laid down by the Foundation's Board of Directors, who also approve the grants. The grant-awarding activities are separated from the commercial activities of the LEGO Group.

# Operating in a diverse world

The LEGO Foundation operates as a social impact organisation and works closely with partners in countries all over the world and faces different views on matters such as the rights of children, women and minorities, transparency, corruption and working conditions. Our concerns in this respect are, however, considered minor as we strive to, and are largely successful in, minimising any adverse impact through our policies for Corporate Social Responsibility.

Before engaging with any potential partners, the Foundation carries out a thorough risk assessment of the proposed project and its intended location in terms of health and safety of employees, respect for human rights, corruption and exposure to political conditions in order to understand the necessary level of vetting of potential partners.

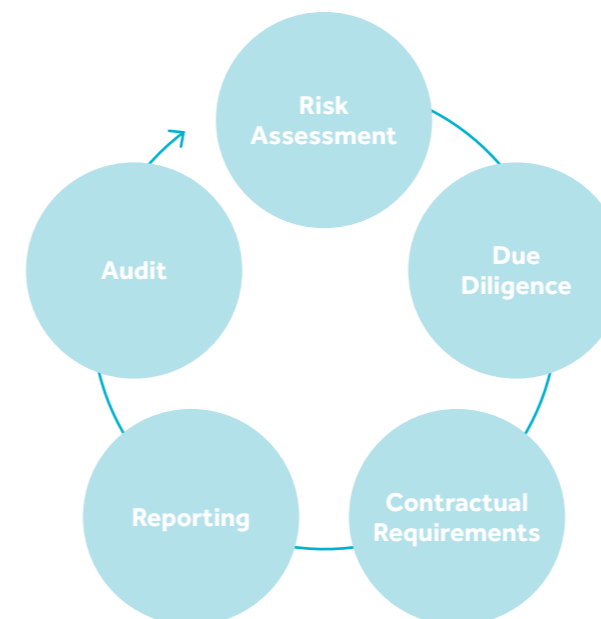
Depending on the risk assessment, the subsequent due diligence of a potential partner will involve a screening of *inter alia* legal status,

governance, risk- and financial management, programmatic assessment and policies concerning the safeguarding of children and business.

After a successful vetting of a partner, a legal contract is signed. The contract is designed to mitigate any risk findings from the due diligence and incorporates the LEGO Foundation Code of Conduct as well as our Child Safeguarding Policy.

Pursuant to the contract, the partner is obliged to frequently report back to the Foundation. Moreover, the Foundation-staff regularly conducts on-ground follow up to assure compliance with the principles and policies of the Foundation as well the contractual obligations.

Apart from reporting and on-ground follow-up, the Foundation can initiate external audits of partners selected based on objective and subjective criteria. The Foundation initiates a minimum of 2-3 external audits per year to be performed by an independent auditing company.



# Embracing corporate social responsibility

The LEGO Foundation has adopted several policies in relation to Corporate Social Responsibility especially human rights, children's rights, employees' safety, anti-bribery and corruption and principles for avoiding conflicts of interests. Our policies refer to international standards and agreements and we are committed to the UN Sustainable Development Goals (SDGs).

The SDGs provide guidance for our responsibility approach. We are committed to making a positive impact for children and are particularly inspired by SDGs 4 and 17. In those goals we see our contribution making the greatest impact on the lives of children.



**Quality education:** Ensure inclusive and quality education for all and promote lifelong learning.

We advocate for the transformative power of Learning through Play to be adopted in education and early childhood development. With our funding we stimulate Learning through Play in partnerships and support education and projects around the world.



**Partnerships:** Revitalise the global partnerships for sustainable development.

We work with strong 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.





# Human rights

## Impact Assessment\*

The LEGO Foundation operates in various countries and cultures where human rights might not be protected as well as laid out in our principles and policies. We care especially for the wellbeing of the children and do not tolerate any infringements of our principles, policies or international standards concerning children's rights. Accordingly, the Foundation is very cautious in the vetting process and throughout the lifespan of every project, and has adopted policies to make sure that the Foundation only engages with partners capable of meeting the high standards of the Foundation with respect to human rights in general, and children's rights in particular.

## Policies

The Foundation has adopted a child protection policy and is committed to taking all necessary actions to support child safeguarding. The policy is our commitment to safeguard children from fundamental abuse of their rights or dignity. The Foundation has a zero-tolerance policy for child abuse in any form, and people working for, or affiliated with, the Foundation must always treat children decently and respectfully. In order to ensure this, the Foundation has laid out a set of specific guidelines to be followed.

Further, the LEGO Foundation Code of Conduct is based on *inter alia* the Universal Declaration of Human Rights. 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, i.e. that they must avoid infringing on the rights of individuals and therefore exercise appropriate diligence in their operations. Partners shall be responsible for ensuring that their services, sub-partners and subcontractors comply with the LEGO Foundation Code of Conduct and the child protection policy adopted by the Foundation.

## Actions and results

The Foundation conducts as described a thorough vetting of each potential partner. The vast majority of all potential partners meet our requirements in every aspect, including human rights. Only potential partners meeting the high standards of the Foundation with respect to human rights will qualify to be considered for funding. We believe that the procedures work efficiently and that we thereby use our influence as grantor to support and promote the safeguarding of human rights and children's rights.

In 2019 we encountered a violation of our child protection policy with one of our partners during an on-ground follow-up. The Foundation took immediate action to assure that the incident was mitigated in every way by the partner and that measures were taken to assure that further incidents would not occur. The partner responded with adequate actions that led to significant improvement of policies, processes and human resource allocation.

An independent auditing company conducted three external audits of our partners in 2019 without discovering any incidents of child abuse or violation of human rights.

## Target for 2020

We strive to maintain to use our influence as a grantor to make a positive impact where we operate for the benefit of humans and children. It is our overall aim and we will continue to do our utmost to avoid any incidents of child abuse or violation of human rights in general by people working for or affiliated with the Foundation.

\* Each section of "Impact Assessment" for the subjects human rights; people; environment; and anti-corruption respectively contains our assessment and description of the most substantial risks of the relevant subject.

# People

## Impact Assessment

At the LEGO Foundation, we believe that the ability to understand, embrace and operate in a globalised world is critical to the long-term sustainability and impact of our work. We recruit and retain people with a variety of skills, backgrounds and nationalities, while ensuring a focus on personal qualifications for the job. Due to the extensive diversity of the employees in the Foundation we are aware of our responsibility to ensure an inclusive working environment where we seek to accommodate people's different preferences in life. As a workplace, the Foundation is therefore characterised by equality, inclusivity and diversity, and employees of the Foundation are offered similar working conditions and development opportunities regardless of whether they work out of Denmark or abroad.

Our projects all over the world require our employees to work away from home and in regions with security challenges. The Foundation has identified the health and safety of the employees when travelling in these insecure regions of the world as a people risk.

To monitor the wellbeing of our employees we measure motivation, satisfaction, and engagement across the organisation in the PULSE survey (employee engagement survey). The responses are used to identify possible areas of improvement at an organisational level.

## Policies

Planning for and dealing with the risks of travelling and working abroad are key to ensuring the health and safety of employees working outside their usual workplace. The Travel Security Policy and Protocol adopted by the Foundation aims to provide a framework to control those risks by ensuring the health and safety of our employees

travelling on foundation business. Pursuant thereto, all employees working on-ground are obliged to attend travel security training and are offered training as part of their on-boarding as soon as possible after joining the Foundation.

The Board of Directors of the Foundation has adopted a Diversity Policy framing our commitment to consider diversity when appointing board members or hiring staff in the Foundation. When doing so, we want the best match for the job and balance the aim for diversity against the efforts to on-board the profile.

The Foundation values positive working relationships consistent with the Foundation values and does not tolerate any kind of harassment, bullying, victimisation or discrimination occurring in the workplace or in any work-related setting outside the workplace. To accomplish this the Foundation has adopted an Anti-Harassment Policy in order to assure that all employees can work without bias, prejudice or harassment in a professional atmosphere that promotes equal employment opportunities and prohibits discrimination.

## Actions and results

In 2019, with the exception of three, all new employees operating on-ground attended travel security training as part of their on-boarding.

The 84 employees at the Foundation at 31 December 2019 are spread over 22 nationalities. Of the 84 employees, the leadership team represented 8 people, 5 men and 3 women, and the remaining employees comprise 23 men and 53 women. The Board of Directors of the Foundation comprises 4 men and 2 women.

The PULSE survey was carried out twice in 2019. The responses from the first survey were used to identify areas of improvement, and we did indeed see improvements in motivation, satisfaction, and engagement across the organisation in the second survey. The level for employees' motivation, satisfaction and engagement is above benchmark.

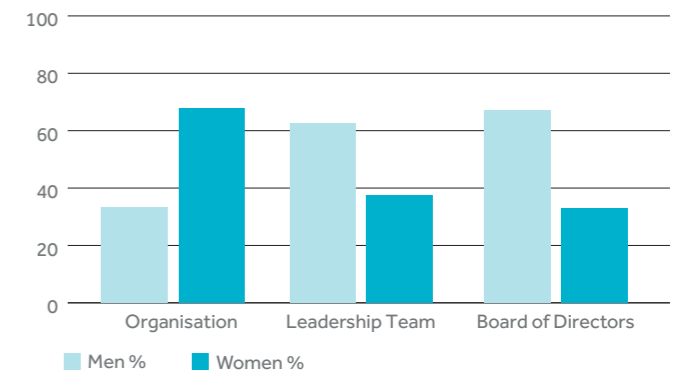
## Target for 2020

We aim to have no serious incidents in relation to the health and security of our on-ground employees in 2020. Further, all new on-ground employees should attend the travel security training as part of their on-boarding, and all current on-ground employees who have not yet attended the travel security training should attend in 2020.

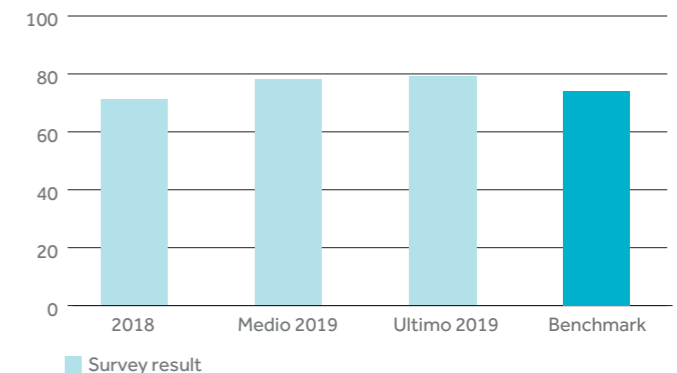
As a workplace, the Foundation must continue to be characterised by equality, inclusivity and diversity, and we wish to assure that all employees can work without bias, prejudice or harassment in a professional atmosphere that promotes equal employment opportunities and prohibits discrimination.

In 2020, we have an ambition to improve motivation, satisfaction, and engagement across the organisation even further.

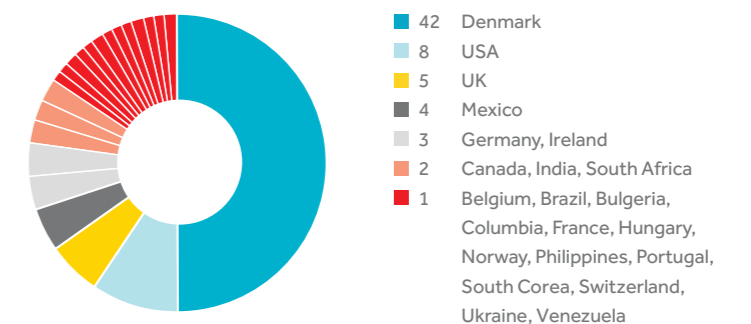
## Diversity – gender composition



## PULSE survey



## Diversity – nationalities



# Environment

## Impact Assessment

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. We do this through the combination of programmatic, advocacy and research activities into the field of children's development. We use Learning through Play to build and develop children's skills.

Our activities require our presence on-ground and we have five offices where energy consumption and waste handling are focal areas. Also, this involves air travel and commuting as we are only able to assure compliance in respect of human rights, children's rights, anti-bribery, corruption etc. when on-ground.

## Policies

At the Foundation we want to play our part and make a positive impact on society and the planet, which our children will inherit. We commit to minimise the environmental impact of our operations and it is the position of the Foundation to act sustainably in every aspect and overall to reduce our environmental impact.

The Foundation has adopted a travel policy, the main purposes being to ensure efficient travel for employees, and to ensure that any travel is necessary travel, thereby limiting travel-related emissions.

We apply responsibility in our investments and ownership of companies and real estate in order to act as good citizens. In addition, we believe that responsible behaviour of companies is a prerequisite for long-term superior value creation. We execute responsible investing by integrating environmental, social, and governance (ESG) factors into our investment approach and active ownership practices. Consequently, Koldingvej 2, Billund A/S (Koldingvej 2) requires an active approach and ensures that the fund or external manager has: transparency, meaning that there is an established Responsibility/ESG policy

and disclosure of their ESG performance and approach; available and reliable information as to how ESG efforts are measured; a process for how ESG evaluations are integrated into investment decision and defined thresholds and metrics; and an approach that takes advantage of ownership rights through engagement of the investments.

## Actions and results

In 2019 we drove behaviour change and introduced Learning through Play in play labs and the refugee camp Cox Bazar in Bangladesh using the concept Local Material Toolkit. The idea behind the toolkit is to use local and recycled materials such as recycled plastic, used rubber tires, card boards etc. in the context of Learning through Play, and thereby building and developing children's holistic skills using available, local resources for the benefit of the planet.

Over the years the Foundation has in partnership with FIRST LEGO League released challenges on topics such as nanotechnology, climate, quality of life for the handicapped population, and transportation. In 2018/2019 the topic of the challenge was Into Orbit and in 2019/2020 it is City Shaper. The challenges encourage children to come up with creative solutions to, among others, environmental challenges in addition to solidifying the STEM skills of the child.

In collaboration with our partner in Colombia we run a program, Play our Part, where children benefit from Learning through Play in 31 centers across Colombia. In these centers natural, local resources such as leaves, stones and wood play a key part in the practitioners' approach for teaching math and literacy inspiring the children to appreciate the sustainable idea of utilising local resources.

In 2019, we have invested responsibly in accordance with our investment approach and active ownership practices.

## Target for 2020

As part of our 2032 Sustainability Vision we will continue using local materials in the development of Learning through Play experiences and to recycle waste into children's manipulatives (e.g. in play labs). In addition, as part of the 2032 Sustainability Vision, we strive to facilitate forums to give children a voice in the bigger environmental debate.

In 2020 we aim to improve transparency on our environmental impact to get a better understanding thereof and to accomplish our ambition to run a zero-impact operation in 2032.

We will continue to invest responsibly for the benefit of the planet.





# 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 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 Foundation, or to secure an improper advantage of any kind. Yet the Foundation is operating in countries and cultures where corruption and bribery on all levels is not uncommon and, in some cases, even socially accepted.

## Policies

The Foundation is committed to doing its utmost to prevent bribery and corruption, and the Foundation has adopted an Anti-Bribery and Corruption Policy as means to this goal.

The policy applies to all employees of the Foundation including subsidiaries, representative offices and third parties acting on behalf of the 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 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 to either a manager or via the anonymous whistle blower line.

## Actions and results

We have not encountered any issues in relation to bribery and corruption in our projects in 2019 and assess that this is largely due to our thorough vetting process and deem this process successful. Further, none of the three external audits conducted in 2019 discovered any issues in this regard.

## Target for 2020

We aim to have no serious incidents in relation to bribery and corruption in 2020. Though we are satisfied with our current policies on the matter as well as our vetting process, we will continuously monitor and evaluate the sufficiency of our policies, audits and other measures taken.



# Together, we champion Learning through Play

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