

# Sustainability Report 2020

# About this report

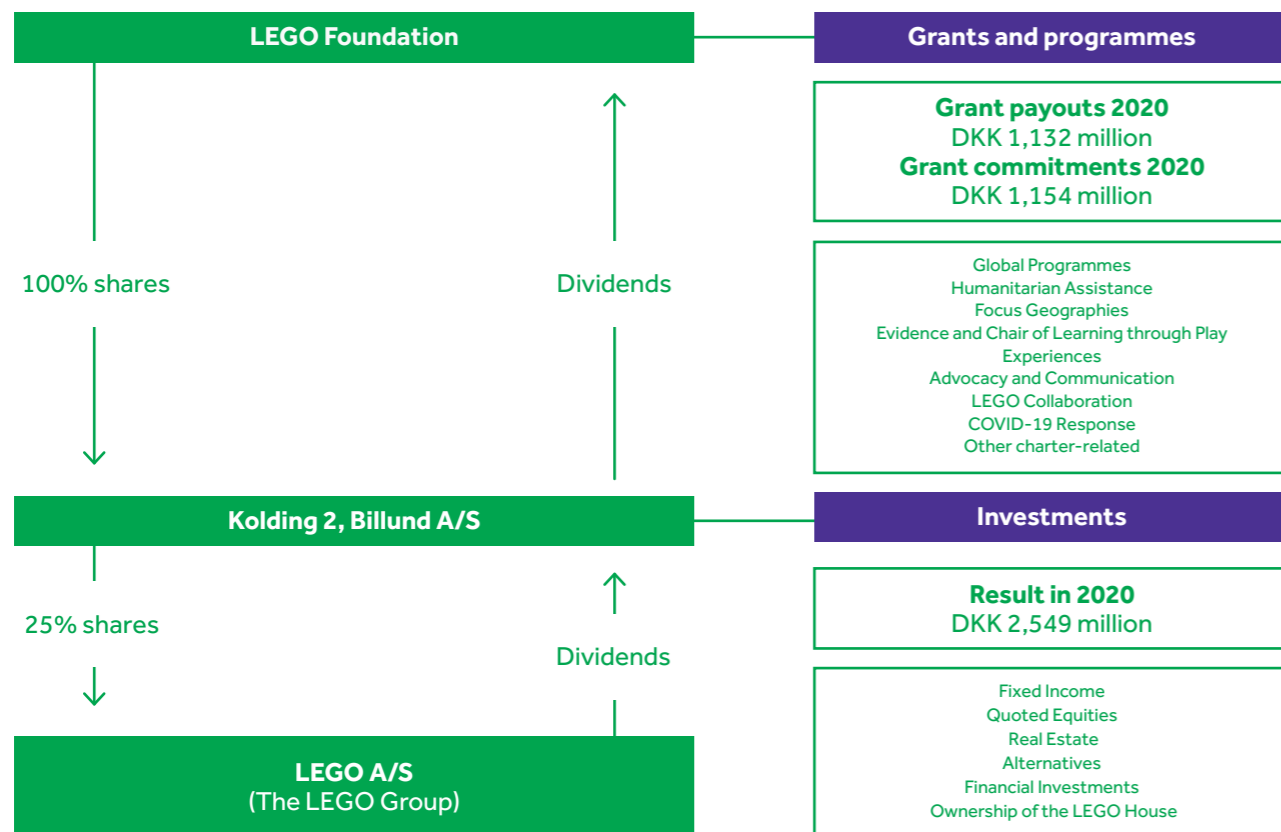
This report is part of the LEGO Foundation's annual reporting pursuant to the requirements in Section 99a and b of the Danish Financial Statements Act on social responsibility and diversity and is part of the Management's review of the Annual Report 2020. The report summarises the corporate social responsibility of the LEGO Foundation.

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# 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 LEGO 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 benefiting children, and lastly, to carry on business activities through investments.

The LEGO 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 authorized by the Board of Directors of the LEGO Foundation. Through Koldingvej 2, the LEGO 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 LEGO Foundation's Board of Directors have approved 15 initiatives and set the direction for other activities for which grants are awarded.

# Operating in a diverse world

The grant-awarding activities of the LEGO Foundation are separated from the commercial activities of the LEGO Group.

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. These matters are all important to the LEGO Foundation with children's rights being the one closest to our heart. However, there is a risk that such matters are not dealt with to our standards when operating through partners. The risk is, however, considered very limited as we believe we are successful in using our influence as a strong donor to safeguard and advocate for these matters directly with our partners and through our policies.

Before engaging with any potential partners, the LEGO 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 the political environment in order to understand the necessary level of vetting of potential partners that is required.

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 LEGO Foundation. Moreover, the LEGO Foundation-staff regularly conducts on the ground follow up to assure compliance with the principles and policies of the LEGO Foundation, as well the contractual obligations.

In 2021 we will introduce new grant processes to accommodate for the increased grant activities. Depending on *inter alia* the longitude of the collaboration and the value of the grant, our vetting of the partner, the reporting requirements and the contracting will be tailored to the needs.

Apart from reporting and on the ground follow-up, the LEGO Foundation can initiate external audits of partners, selected based on objective and subjective criteria. Provided that the circumstances allow, the LEGO Foundation intends to initiate a minimum of 2 – 3 external audits per year to be performed by an independent auditing company. In 2020, as a result of COVID-19 and travel restrictions it has not been possible for the Foundation to carry out the planned external audits. These audits will take place in 2021.





# Operating in a world impacted by a global pandemic

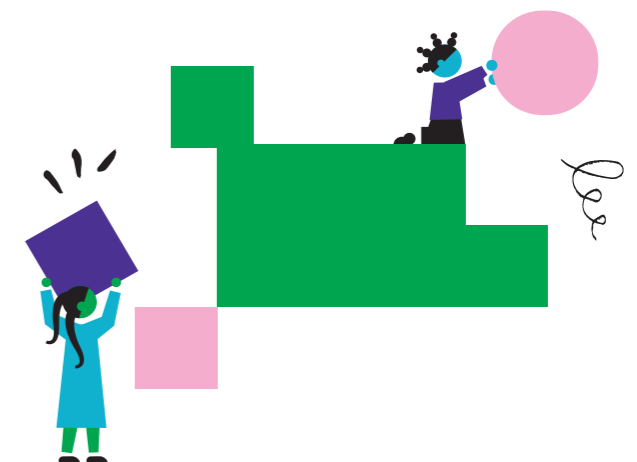
## Operating model

In 2020, we experienced a global pandemic which impacted children, parents, caregivers, teachers and education systems around the world. In light thereof, the Board of Directors of the LEGO Foundation initiated an emergency response process for approval of grants within five (5) agreed action streams.

The aim of the action streams were (i) to develop and distribute a set of Learning through Play campaigns to aid remote education, (ii) to bolster the ability of LEGO branded entities to respond quickly and appropriately to the crisis while upholding the brand vision to promote Learning through Play, (iii) to provide crisis funding to our existing partners, (iv) to contribute to Education Cannot Wait's Education First Emergency Response (FER) Fund, and (v) to investigate and promote distance learning solutions that can be used in a wide range of situations (from high income school systems to low resourced refugee settings).

The emergency response process for approval of grants differed from our standard grant process in several ways. In acknowledgment of the emergency, our vetting of partners was lighter and our approval processes were more agile. To this end, the Board of Directors of the LEGO Foundation approved a COVID-19 grant distribution mandate to be executed by the Leadership Team. Further, requirements for our partners' monitoring and reporting were reduced.

In 2020, we did select partners for audit but due to the pandemic limiting physical access we were not able to carry out the audits as intended. In 2021, we are together with our external auditor looking into the option to do online audits should physical audits remain impossible to complete.



# COVID response

390 DKK million

Through our five (5) action streams the LEGO Foundation approved a COVID-19 response of DKK 390 million to support children impacted by COVID-19 across the globe. In our response we reached children with developmental support and vital supplies. Moreover, we ensured that our key partners could continue their operations and were able to quickly and adequately respond to needs of their local communities.

Below we have included a few examples of our COVID-19 response.

## Playlist

We developed an online interactive platform with fun, engaging and high-quality Learning through Play activities that are easy to understand and replicate by parents, teachers, and children. The Playlist contains more than 50 activities from the LEGO Foundation and our partners, and each activity includes instructions and a video modelling the play experience. The activities are in Chinese, Spanish and English.

## Caregiving in a COVID crisis

The LEGO Foundation supported the Norwegian Refugee Council (NRC) to reach caregivers and children (0-8 years) in Northern Colombia: Arauca, Norte de Santander, Magdalena and La Guajira. As a result of the six decade-long armed conflict, these areas host a large number of internally displaced Colombian children and also host the largest group of migrants who are fleeing from the humanitarian crisis in Venezuela. In this context, NRC strengthens caregivers' ability to care for the well-being needs of their children with Learning through Play material in so called "Protective Spaces".

## Support to United World Schools in Cambodia, Myanmar and Nepal

United World Schools (UWS) runs 216 schools and learning sites across Cambodia, Myanmar and Nepal, all of which were closed due to COVID-19. Our grant enabled UWS to continue providing education for students ages 4-12 via distance learning programmes.

## Education Cannot Wait

We supported Education Cannot Wait (ECW), the multi-donor trust fund partnership that funds emergency response education in low and middle income countries. Our donation provided funding for the accelerated application process to ECW's First Emergency Response window, designed to help countries cope with the onset of the pandemic. All proposals from countries had to include Learning through Play and through our partnership, implementing organizations will be trained by the LEGO Foundation in what we mean by Learning through Play. Countries receiving funding included Ethiopia, Uganda, Bangladesh, Democratic Republic of the Congo, Iraq, Kenya, Lebanon, Libya, South Sudan, Tanzania, and Zambia.

## Fundación Televisa

The LEGO Foundation supported Fundación Televisa, Mexico, to develop and broadcast distance learning solutions through TV programs, working closely together with the Fundación Televisa team to make sure that the content developed embodies playful learning while also promoting opportunities to develop social and emotional skills in children.

## Social Emotional Learning through Play MOOC (Massive Open Online Course)

The LEGO Foundation partnered with the social learning platform, FutureLearn, to deliver a new course designed to help teachers, parents and educational systems provide social-emotional learning (SEL) support to children aged 0-16 affected by COVID-19 disruption. With this free open online course, the LEGO Foundation supports teachers and parents globally by sharing knowledge and tools to practice Learning through Play helping children cope with changes brought on by the pandemic.

## Sofaskolen – ToMeter Skolen

Textbook publisher Alinea stepped into the school shutdown void with an innovative, interactive, live streaming approach to teaching math and Danish, called Sofaskolen. They delivered content using play and feedback, and with the donation the LEGO Foundation supported Sofaskolen to continue the activities until the re-opening of schools, to improve their playfulness and set a learning agenda. Once schools reopened, Sofaskolen shifted to ToMeter Skolen – in-school support to teachers, focusing on outdoor learning and Learning through Play.



# 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).



**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.

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.



**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 well-being of the children and do not tolerate any infringements of our principles, policies or international standards concerning children's rights. Accordingly, the LEGO Foundation is very cautious in the vetting process of partners and throughout the lifespan of every project. The LEGO Foundation has adopted policies to make sure that it only engages with partners capable of meeting the high standards of the LEGO Foundation with respect to human rights in general, and children's rights in particular.

**Policies**

The LEGO 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 LEGO Foundation has a zero-tolerance policy for child abuse in any form, and people working for, or affiliated with, the LEGO 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. Our Partners are ultimately ensuring that their services, sub-partners and subcontractors comply with the LEGO Foundation Code of Conduct and the child protection policy adopted by the LEGO Foundation.

**Actions and results**

As described, the LEGO Foundation conducts 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 LEGO 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 2020 we encountered a case concerning sexual harassment with one of our partners. The LEGO Foundation took action to assure that the incident was mitigated in every way by the partner and that measures were taken to ensure that further incidents would not occur. The partner responded with adequate actions and we continue to monitor that the partner continues to work on improving the working environment.

**Target for 2021**

We will continue 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 and strong match with our values. Due to the extensive diversity of the employees in the LEGO Foundation we are aware of our responsibility to ensure an inclusive working environment where employees are offered equal and fair working conditions and development.

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

As a result of COVID-19, in 2020 our employees were to a large extent required to work from home. While this was in many ways challenging for most, we also learned that it offered increased work-life flexibility to the benefit of all. Consequently, when our colleagues are yet again able to come to the office, they have the option to work from home up to 3 days a week, while we as an organisation continue to focus on social cohesion as well as health and safety when working from home.

As we strive to ensure the well-being of our employees and that the LEGO Foundation continues to be a motivating workplace, we measure motivation, satisfaction and engagement across the organisation in status survey(s). 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 LEGO 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 the 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 LEGO Foundation.

The Leadership Team has established a new Diversity and Inclusion Policy. The policy frames our commitment to ensure that diversity and inclusion are effectively incorporated into decision making and considered when recruiting, developing and leading staff. This is to ensure diversity of thought when developing and implementing effective Learning through Play-based interventions that will lead to systemic change. While the policy celebrates differences, it also frames the LEGO Foundation's commitment to create an inclusive culture, where people can come to work being themselves – and feeling a strong sense of belonging.

LEGO Foundation values positive working relationships consistent with the LEGO 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 LEGO 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

Throughout the year 2020 it was a top priority to support all colleagues and ensure their well-being. This is always a priority at the LEGO Foundation but was even more important this year due to the extraordinary and difficult circumstances brought to our colleagues by COVID-19. Despite the challenges related to COVID-19, our survey showed high motivation and satisfaction across the organisation with a score of 81 out of 100. Not only is this a score well above benchmark, but it is also the highest ever score in the LEGO Foundation.



To underscore our commitment to create a working environment characterised by diversity and inclusivity and create an even stronger sense of belonging among our colleagues, we carried out culture & values sessions across the organisation with an e-learning suite and workshops, taking input and feedback from all corners of the organisation.

In 2020, we had planned for 31 on-ground employees to attend our travel security training, and also had the ambition that new on-ground employees hired in 2020 should attend the training, but COVID-19 made it impossible to complete any travel security training this year.

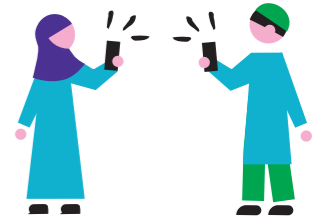
The 110 employees at the LEGO Foundation on 31 December 2020 are spread over 23 nationalities. Of the 110 employees, the leadership team represented 10 people, 6 men and 4 women, and the remaining employees comprise 26 men and 74 women. The Board of Directors of the LEGO Foundation comprises 3 men and 3 women.

## Target for 2021

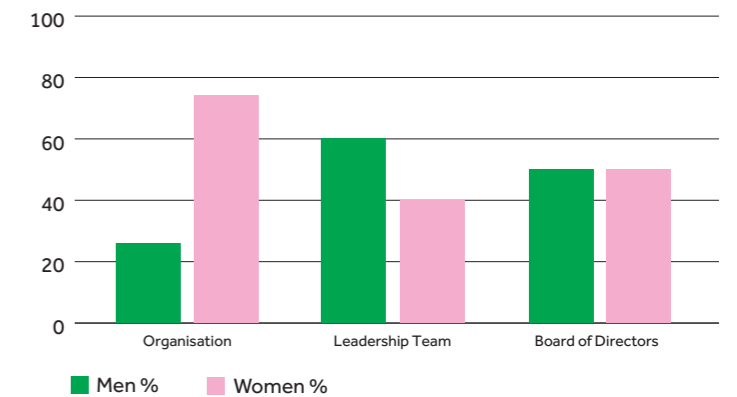
We aim to have no serious incidents in relation to the health and security of our on-ground employees in 2021. If the circumstances allow all employees that should have attended travel security training in 2020 attend and complete the travel security training in 2021.

As a workplace, the LEGO Foundation must continue to be characterised by diversity and inclusiveness, 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. Diversity, a safe and inclusive environment and a sense of belonging will be key factors in our action plan for 2021, and the leadership team and people leaders will receive further training to achieve these objectives.

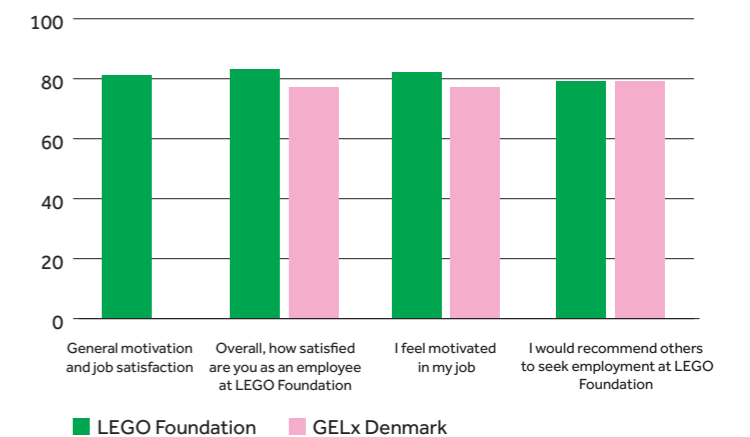
Considering the strong scores in 2020 and the continued challenges caused by COVID-19, we have an ambition to maintain the high level of motivation and satisfaction in the organisation.



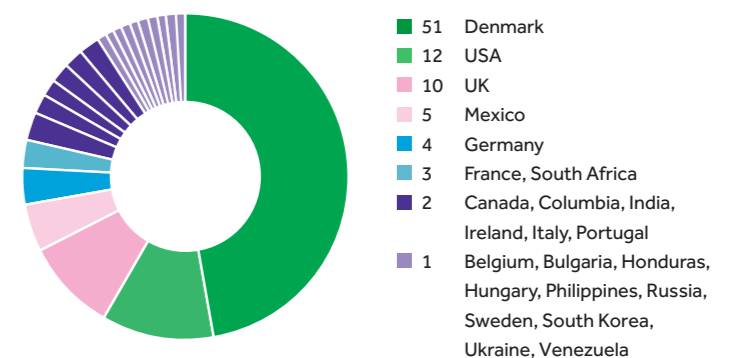
## Diversity – gender composition



## General Motivation and Job-satisfaction



## 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 the 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 the 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 decisions and defined thresholds and metrics; and an approach that takes advantage of ownership rights through engagement of the investments.

## Actions and results

In collaboration with our colleagues in the LEGO Group, we transformed the event-based Build the Change into a home experience via desktop and smart devices. While Build the Change continues to be a powerful way for children to express their hopes and dreams for *inter alia* the environment, the online tool will not only help expand the reach and depth with Learning through Play but also capture ideas from all over the world to share with decision makers – beginning in 2021.

Over the years the LEGO 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 2019/2020 the topic of the challenge was City Shaper and in 2020/2021 it is Infinite Recharge. 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 2020 three of our partners within the Playful Parenting initiative, ChildFund, Boston College, and Save the Children, began to bring evidence-based playful parenting interventions to scale in Guatemala, Rwanda, and Bhutan, respectively. The interventions included training for frontline workers, parents and caregivers around the development and utilization of toys made from locally sourced and often recycled materials.

While we have been upgrading our online video conferencing systems since 2018, the travel restrictions imposed by the COVID-19 pandemic supercharged the adoption of online meetings, with a recorded increase of 250%. While not all of these meetings replaced physical meetings, which would have required travel, our 2020 carbon footprint from business travel was dramatically reduced.

In 2020, we have invested responsibly in accordance with our investment approach and active ownership practices.

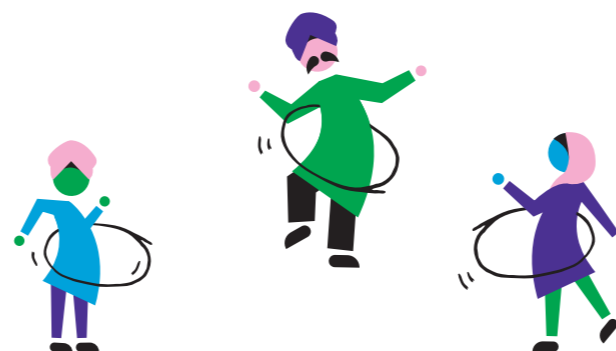
## Target for 2021

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 continue to facilitate fora to give children a voice in the bigger environmental debate, as we are already doing with our grant for Build the Change events.

We expect that some of the savings from having on-line meetings as opposed to in-person meetings will continue, as this experience will help us to recognise when an in-person meeting can be as effectively held online, thereby reducing the environmental and personal toll of business travel. Moreover, with the option to work from home up to 3 days a week we expect to see reductions in emissions from travel.

In 2021, we will initiate an Energy Audit to assess if any energy reducing measures can be taken in our own operations.

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 LEGO Foundation has adopted an Anti-Bribery and Corruption Policy as means to this goal.

The policy applies to all employees of the LEGO 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 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 to either a manager or via the anonymous whistle blower line.

### Actions and results

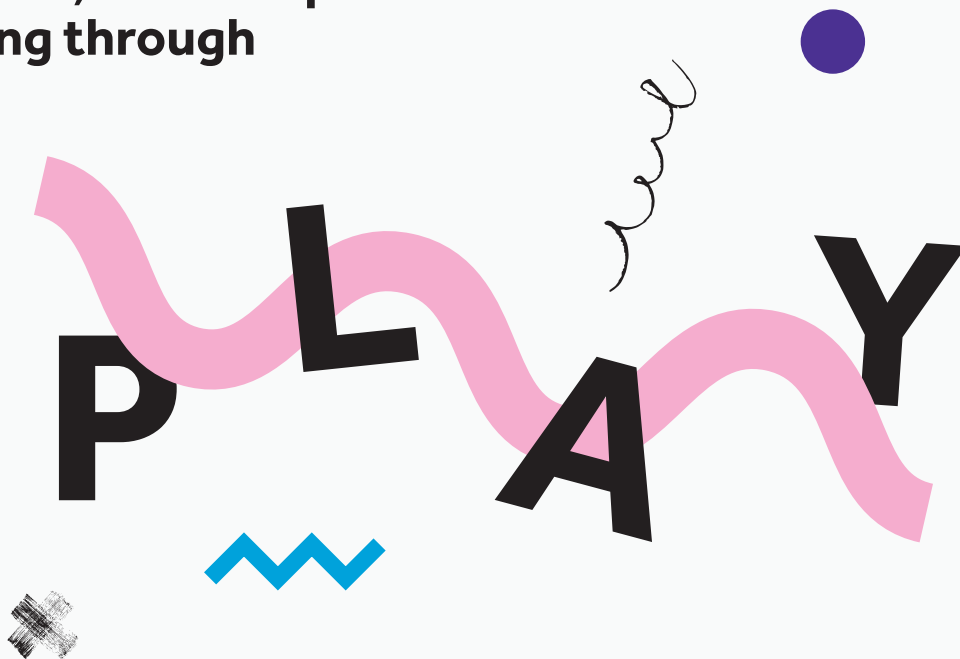
We have not encountered any issues in relation to bribery and corruption in our projects in 2020 and assess that this is largely due to our thorough vetting process and deem this process successful.

### Target for 2021

We aim to have no serious incidents in relation to bribery and corruption in 2021. 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**



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