

Form for  
“Mandatory report on Recommendations on Foundation Governance,  
cf. section 77a of the Danish Financial Statements Act”

*LEGO Fonden*

**Note!**

This report is an integrated part of the management commentary in the LEGO Foundation annual report 2020 of for the following accounting period: 01.01-31.12 2020.

This report is not covered by Auditor's Report.

# LEGO Foundation report on recommendations on Foundation Governance 2020

The LEGO foundation is covered by the Recommendations on Foundation Governance, which are available on the website of the Committee on Foundation Governance [www.godfondsledelse.dk](http://www.godfondsledelse.dk).

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u>		Not applicable
		<i>why</i>	<i>how</i>	
<b>1. Transparency and communication</b>				
1.1 It is <b>recommended</b> that the board of directors adopt principles for external communication that 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 for 2020 adopted a new communication policy. The policy is available on the Foundation's website <a href="http://legofoundation.com">legofoundation.com</a> . This policy lays out guidelines for the Foundation's external communication and provides transparency to the public and relevant stakeholders. In addition, the LEGO Foundation's rules of procedure also determine that when communicating with the public the Foundation must aim to address the need for transparency and provide stakeholders with the opportunity to obtain relevant information about matters relating to the Foundation.			

2. Tasks and responsibilities of the board of directors				
2.1 Overall tasks and responsibilities				
<p><b>2.1.1</b> It is <b>recommended</b> that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, the board of directors should, at least once a year, 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.</p> <p>In 2020 the board has on an ongoing basis and at every meeting discussed the Foundation’s strategy and distribution policy.</p>			
<p><b>2.1.2</b> It is <b>recommended</b> that the board of directors regularly address whether the foundation's asset management is in line with the purpose of the foundation and its long- and short-term needs.</p>	<p>For 2020 the board of directors have discussed and adopted new overall principles for asset management taking into consideration the purpose of the foundation of its long- and short-term needs.</p>			

2.2 Chairman and vice-chairman of the board of directors				
<p><b>2.2.1</b> It is <b>recommended</b> that the chairman of the board of directors organises, convenes and chairs 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 meetings in accordance with the Foundation's rules of procedure and the annual wheel.</p>			
<p><b>2.2.2</b> It is <b>recommended</b> that if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special activities for the commercial foundation which extend beyond the duties of chairman, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, general 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 deputy chairman and the CEO is laid down in the Foundation's rules of procedure.</p>			

2.3 Composition and organisation of the board of directors				
<p><b>2.3.1</b> It is <b>recommended</b> that the board of directors regularly, and at least every second year, assess and stipulate the competences that the board of directors needs to possess in order to best perform the tasks incumbent upon the board of directors.</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.</p> <p>At a board meeting in 2020 the board made the general evaluation of the board and the members. The evaluation also assessed the competencies necessary for the board’s optimal function.</p>			
<p><b>2.3.2</b> It is <b>recommended</b> that, with due respect of any right in the articles of association to make appointments, the board of directors approves 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 selection and nomination of candidates to the board of directors, in order to comply with the rules regarding election</p>			

	<p>of new board members in the Foundation's articles of association.</p> <p>Two board members were appointed at the board meetings in April and October 2020, one board member being appointed in April and the other appointed in October. The appointments happened in accordance with the internal board nomination practice and the Foundation's rules of procedure.</p>			
<p><b>2.3.3</b> It is <b>recommended</b> 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 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 report - management commentary. The board is composed with diversity representing broad professional experience and gender balance. The board list includes a brief description and information about each board member.</p> <p>When appointing new board members their personal qualities and competences are taken into consideration as well as the need for new talent and continuity.</p>			

<p><b>2.3.4</b> It is <b>recommended</b> that in the management commentary in the annual report and on the commercial foundation's website, if any, 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"> <li>• the name and position of the member,</li> <li>• the age and gender of the member,</li> <li>• date of original appointment to the board whether the member has been re-elected, and expiry of the current election period,</li> <li>• any special competences possessed by the member,</li> <li>• 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,</li> <li>• whether the member owns shares, options, warrants and similar in the foundation's subsidiaries and/or associated companies,</li> <li>• whether the member has been appointed by authorities/providers of grants etc., and</li> <li>• whether the member is considered independent.</li> </ul>	<p>The composition of the board, including its diversity, is described on the Foundation's website and in the annual management commentary, along with the following brief details about each of the board members:</p> <ul style="list-style-type: none"> <li>• Name, including gender, position and age,</li> <li>• Date of joining the board, whether re-election of the member has taken place, and when the current term will expire ,</li> <li>• The member's particular capabilities,</li> <li>• The member's other executive functions,</li> <li>• Whether the member owns shares, options, warrants and similar in the foundation's subsidiaries and/or associated companies,</li> <li>• Which members have been appointed by</li> </ul>			
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	<p>relevant authorities/providers of funding, etc. and</p> <ul style="list-style-type: none"> <li>• Whether the member is considered independent.</li> </ul>			
<p><b>2.3.5</b> It is <b>recommended</b> 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 board of directors, 4 out of 6 members, of the Foundation are not members of the board or executive board in subsidiaries of the Foundation.</p>			

2.4 Independence				
<p><b>2.4.1</b> It is <b>recommended</b> that an appropriate proportion of the board of directors be independent.</p> <p>If the board of directors (excluding employee representatives) is composed of</p> <ul style="list-style-type: none"> <li>• up to four members, at least one member should be independent,</li> <li>• between five and eight members, at least two members should be independent, or</li> <li>• nine to eleven members, at least three members should be independent, and so on.</li> </ul> <p>To be considered independent, this person may not, for example:</p> <ul style="list-style-type: none"> <li>• be or within the past three years have been members of the executive board, or senior employee in the foundation, or an essential subsidiary or associated company to the foundation,</li> <li>• 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 than as member of the board of directors or executive board of the foundation,</li> <li>• 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</li> </ul>	<p>The board of the Foundation consists of six members, two of whom are independent.</p>			

<p>foundation/group or a subsidiary or associated company to the foundation,</p> <ul style="list-style-type: none"> <li>• be or within the past three years have been employed or partner at the external auditor,</li> <li>• have been a member of the board of directors or executive board of the foundation for more than 12 years,</li> <li>• be a close relative of, or in some other way be especially close to, persons who are not considered independent,</li> <li>• be 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</li> <li>• be a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years has received significant donations from the foundation.</li> </ul>				
<p><b>2.5 Appointment period</b></p>				
<p><b>2.5.1</b> It is <b>recommended</b> that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.</p>	<p>All board members are elected for two-year terms, in accordance with the Foundation's articles of association.</p>			
<p><b>2.5.2</b> It is <b>recommended</b> 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.</p>	<p>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 for the year in which they turn 75 years of age. The currently applicable age limit is published on the</p>			

	Foundation's website and/or in the Foundation's annual management commentary.			
<b>2.6 Evaluation of the performance of the board of directors and executive board</b>				
<b>2.6.1</b> It is <b>recommended</b> 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.	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. The evaluation is based on information obtained by the chairman through individual consultations with each member of the board. The evaluation is discussed among the board members.			
<b>2.6.2</b> It is <b>recommended</b> 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.	The board evaluates the work done by the Foundation's CEO on an ongoing basis, and at least once a year.			

3. Remuneration of management				
<p><b>3.1.1</b> It is <b>recommended</b> that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of an executive board, if any, be remunerated with a fixed remuneration, 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.</p>	<p>The board members of the Foundation are either paid a fixed fee or receive no remuneration at all.</p> <p>Members of the leadership team receive a fixed remuneration.</p>			
<p><b>3.1.2</b> It is <b>recommended</b> that the financial statements provide information about the full remuneration received by each member of the board of directors and any executive board from the commercial foundation and from the foundation's subsidiaries and associated companies. Furthermore, there should be information on any other remuneration which members of the board of directors and any executive board have received for performing other work or tasks for the foundation, the foundation's subsidiaries or associated companies, except for the remuneration of employee representatives as employees.</p>		<p>In order not to disclose any individual executive management's actual remuneration this information is not publicly available.</p>	<p>The Foundation does in fact publish the remuneration paid to each individual board member. However, remuneration paid to the Foundation's leadership team is stated as an amount for the leadership team as a whole.</p>	

## Management Statement

The Board of Directors and Executive Management have today approved the LEGO Foundation Mandatory Report on Recommendations on Foundation Governance for the financial year 1 January – 31 December 2020, in accordance with section 77a of the Danish Financial Statements Act.

Billund, 4 March 2021

## 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

Sidsel Marie Kristensen  
Member of the Board

Mette Morsing  
Member of the Board

Anne-Birgitte Albrechtsen  
Member of the Board