

Progress Report 2012

The LEGO Group



LEGO® bricks
produced in
2012

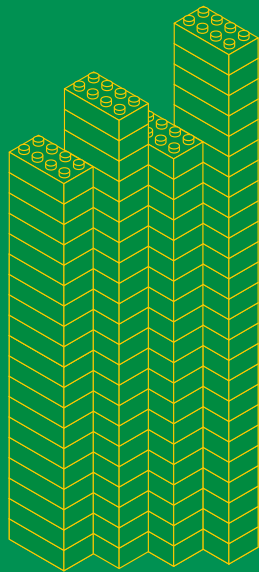
45.7
billions

5.2
millions/hour

87
thousands/min.

On average
every person
on earth owns

86
LEGO® bricks



Laid end to
end...



x18

...the number of
LEGO® bricks
sold in 2012
would reach
more than 18
times around
the world

Connecting
with the LEGO
Group

3.4
million Facebook
'Likes'

25
million YouTube
video views

4.6
million LEGO®
Club members

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Introducing the LEGO Group

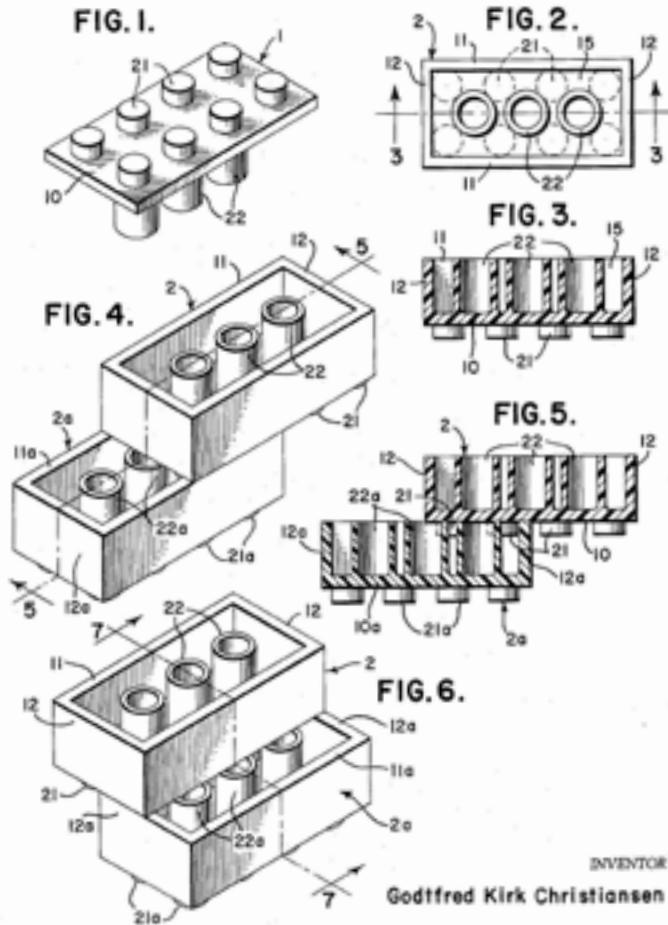
Oct. 24, 1961

G. K. CHRISTIANSEN
TOY BUILDING BRICK

3,005,282

Filed July 26, 1958

2 Sheets-Sheet 1



INVENTOR

Godtfred Kirk Christiansen

BY
Attorneys, Davis, Muller & Parker
ATTORNEYS

The LEGO Group

In the LEGO Group everything is about making children's play with LEGO® toys as positive an experience as possible. We believe this is best done through high-quality products. The founder of the company Ole Kirk Kristiansen was determined that his company should always provide children with products where; 'Only the best is good enough'. We still live by this creed.

It is our mission to 'Inspire and develop the builders of tomorrow' – a reflection of our fundamental belief in the value of play and learning in society and for children in particular. Through this mission we serve the company's ultimate purpose to inspire and develop children to think creatively, reason systematically and work collaboratively to

release their potential to shape their own future. As a consequence of this it is natural for us to stand up for, and ensure, children's right to play.

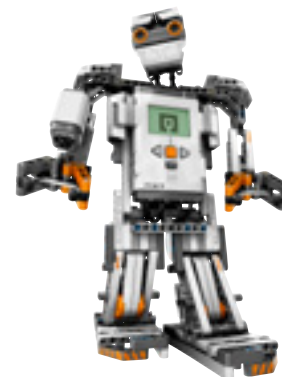
The LEGO Group makes play experiences for children of all ages

The range of products that the LEGO Group brings to the market is very broad and varied, building on the diversity, creativity and imagination of the consumers we serve.

Our products range from the LEGO® DUPLO® range of pre-school products, the iconic brick in all its colours and sizes, play themes such as LEGO Friends, LEGO Technic and LEGO City, licensed themes developed with partners such as Star Wars and a series of licensed products including books, video games, storage solutions, apparel, bags, stationery and smaller accessories. For the older child and adults we market LEGO Technic, LEGO MINDSTORMS and exclusive collectors' items. To complete the LEGO® world we have also designed board games and digital games built on the LEGO® idea of playful learning, to establish a bridge between the physical and digital world.

Our financial performance

2012 marks the eighth consecutive year of growth for the LEGO Group, with sales of LEGO products growing considerably all over the world. The LEGO Group's revenue increased by 25% in 2012 to DKK



23,405 million, and profit before tax amounted to DKK 7,522 million in 2012.

LEGO® market position

Today, the LEGO Group has a global market share of 8.6% which is an increase of 1.5 point compared to last year. We regard growth as the result of our constant focus on quality consumer experiences and a way to inform us of how well we live up to our values. We want consumers to have a play experience which delivers satisfaction beyond what they had expected whenever and wherever they interact with the LEGO Group or one of our products. We plan to continue the strategy of striving to be the best and not necessarily the biggest toy manufacturer. Read more about our 2012 financial performance in the LEGO Group Annual Report.

The LEGO Group in the world

- Our Headquarters: Billund, Denmark
- Concept and product development: Denmark, Germany, China and the USA
- Own production: Denmark, Czech Republic, Hungary and Mexico
- A small part of production is sourced from external suppliers, mainly Asian
- No. of employees at 31.12.2012: 12,264

Financial Highlights The LEGO Group

(mDKK)	2012	2011	2010
Revenue	23,405	18,731	16,014
Expenses	(15,453)	(13,065)	(10,899)
Operating profit	7,952	5,666	4,973
Financial income and expenses	(430)	(124)	(84)
Profit before income tax	7,522	5,542	4,889
Net profit for the year	5,613	4,160	3,718

The above financial indicators are taken from the LEGO Group's Annual Report. The complete Annual Report can be found at www.lego.com

When it all began in 1932



1932

Ole Kirk Kristiansen, a Danish joiner and carpenter, begins making wooden toys



1958

The first LEGO® brick is introduced and children can now enjoy a new type of play and learning experience



1974

The LEGO Group adds figures to the play experience and personality is now a vital part of learning



1980

LEGO Education begins to develop and publicise teaching materials to support the play and learning experience with LEGO products



1997

The first computer game is launched - and a digital era for the LEGO Group has begun

Sustainability – the LEGO® way

In the LEGO Group we want to leave a positive impact – for both our stakeholders and the wider community. We are committed to caring for the society that children will inherit and to inspire and enable them to build the society of tomorrow.

This is how we describe our intent to integrate sustainability in our business, namely as a core part of our business strategy. Our efforts in support of sustainability must be integrated in the way we run our business – ‘the LEGO® way’, where only the best is good enough.

Our approach to sustainability grows out of Billund, Denmark. This is where our founder Ole Kirk Kristiansen set up his company and played an

important role in the town’s life and development from a village of three houses and a general store in the 1930s to a town of approximately 30,000 people today.

As the company grew out of a small, rural society, the sense of community and obligation was there from birth and inherited by all later generations. However, as we become a global player in the toy industry, and as stakeholder expectations and demands increase, we understand that a more formalised approach to corporate responsibility and citizenship is necessary. This led to the LEGO Group signing the United Nations Global Compact in 2003. The LEGO Group strives to address its 10 principles, as reflected in this progress report.

The LEGO Group’s promises

In 2008 we defined four key promises to our main stakeholders. Now, and in the future, these set the direction for everything we do when it comes to our sustainability efforts and business in general.

The four promises as defined in the LEGO® Brand Framework:

Play Promise: *Joy of building, Pride of creation*

We want children of all ages to experience joy and pride when exploring their creative potential with our products and services. We want parents to be certain that the playful learning experience their

children have will develop the skills and confidence that will prepare them for the future.

Planet Promise: *Positive impact*

We want to leave a positive impact in the world – be it in respect to our stakeholders or to the wider community. We are dedicated to improving the society our children will come to live in, and for them to build on.

Partner Promise: *Mutual value creation*

We want to ensure that it is a rewarding experience for both the partner and the LEGO Group to work together, whether the partner is a customer, business partner or supplier.

People Promise: *Succeed together*

We want employees to experience the strong sense of purpose, spirit and collaboration, creative adventure and execution excellence that characterise the LEGO Group at our very best. We want people and our company to succeed together.

To make a positive impact in line with our Planet Promise, we pay special attention to three focus areas: Pioneer Safety, Support Children’s right to grow, and Care for Nature, where the Respectful Stakeholder Dialogue underscores all of them. Tangible targets ensure we can manage our direction and accomplish the goals set for the company by 2015 and beyond.

The four promises of the LEGO® Brand Framework

Mission	Inspire and develop the builders of tomorrow	
Vision	Inventing the future of play	
Promises	Play Promise Joy of building. Pride of creation	Partner Promise Mutual value creation
	Planet Promise Positive impact	People Promise Succeed together
Spirit	Only the best is good enough	
Values	Imagination - Creativity - Fun Learning - Caring - Quality	

The LEGO Group’s Planet Promise
– Positive Impact



The LEGO® play and learning experience is in its simplest form about using logic and reasoning, along with imagination and having fun. We demonstrate our support to children's development through the number of children that we reach. By 2015 we want to reach 100 million children through sales, and 1 million children through philanthropy. Since 2009, 600,000 schoolchildren have been involved in learning with LEGO products through the LEGO Foundation Care for Education programme, and 350,000 children received product donations through LEGO Charity in 2012 alone.

Safety is important to us and it is in our culture. To excel in the field of toy safety it is an ongoing target to produce the highest quality of safe products – zero product recalls is a key target for the LEGO Group. In 2012, we also accomplished this

permanent target. Pioneering safety for employees is an ambition which will place us among the ‘top 10 companies globally’ with an injury rate of only 0.6 per million working hours in 2015. The vision is always to strive for zero injuries. In 2012, we reduced the rate from 2.1 to 1.9 but regrettably did not reach our safety target of 1.8. However, we are confident that we are on the right journey with regard to workplace safety, as we witness a constant decline in our safety statistics.

In line with the implementation of our ‘Care for Nature’ Planet Promise, our long term ambition is to generate enough renewable energy to balance our ongoing energy needs. We have done this by working hard to improve our energy efficiency and through our parent company, investing in new wind capacity. We are progressing as planned with the commissioning of a wind park, which will be operational by 2014/2015. The investment by KIRKBI A/S will certify that by 2020 we will balance our energy consumption. Our zero waste ambition is a long-term commercially driven ambition which we are constantly advancing towards while simultaneously investigating the feasibility of reaching. In 2012 we achieved our goal of a recycling rate of 88%.

Respectful stakeholder dialogue
Our company seeks a respectful stakeholder dialogue. Respectful in the sense that we aim to be transparent, open and honest on issues that matter to our stakeholders. Children are the single most

important group for us to be in dialogue with. We do this in various ways to learn everything we can about their play wishes, expectations and ways of learning. And part of our brand experience is interacting with the brand and company as a customer, supplier or employee. We work actively in ongoing relationships with numerous toy industry associations, media, local communities, interest groups and trade associations to keep developing our company and the industry towards making a greater positive impact. And we take part in single-issue debates that we find to be relevant for children and our products.

The issues that matter to our stakeholders

We know that each and every day – through our products, services, play experiences and our business operations – we have an impact on children. We want this impact to be a positive one, leaving children stronger and more resilient worldwide. As a consequence, we in the LEGO Group must work with issues that are material to our stakeholders. The eight most material topics were arrived at using a five-step evaluation of materiality linked to the stakeholder engagement standard AA1000.

As part of our work to develop the second-generation of our sustainability ambition, we are planning a new process of engaging stakeholders to review the material issues for the LEGO Group in 2013.

The eight most material topics

- **product safety**
- **the play and learning experience children get from our products, services and operations**
- **the play and learning experience children get from our product received through philanthropy**
- **employee safety**
- **anti-corruption**
- **respectful dialogue**
- **climate change and**
- **waste**



Staying sustainable – an interview with the owner

In 2012, the LEGO Group continued its focus on sustainability. Kjeld Kirk Kristiansen represents the third generation of the family-owned company, and he answered a few questions on the topic.

How can the LEGO Group make a positive impact in the world?

“I believe that with our products in the hands of children, we are making a significant impact on the future of this world. The physical experience with our toys stimulates children’s imagination, creativity and learning, and thereby helps them to grow and develop as individuals. They are the builders of tomorrow. And of course, our operations must be safe for our employees and partners, and as clean and rewarding as possible for both the world and the local communities where we are present.”

“The physical experience with our toys stimulates children’s imagination, creativity and learning. They are the builders of tomorrow”

What will you do to aid this development as the owner family?

“The LEGO values are deeply rooted in our company, and we see it as our primary task to do everything we can to ensure that they are still a fundamental part of our culture. We also acknowledge that we need to work in partnerships to deal with some of the greater challenges that the world – and children in particular – is facing. We will contribute with the unique knowledge and experience we have: how children learn and develop through play.”

Which sustainability issue do you think is the most challenging for the LEGO Group?

“I’m truly pleased with our investments in renewable energy and our approach to develop buildings that can make a positive impact on society. Our vision – to reach as many children all around the world with LEGO experiences – must go hand in hand with the sustainable growth of our business. For me, maintaining and living out the LEGO values and keeping employee motivation and consumer satisfaction high, are a risk in a time of global growth. I believe this could be a a potential challenge for keeping our business sustainable in the future.”



**Playing with LEGO® bricks
is about endless creativity
and possibilities**



Letter from Jørgen Vig Knudstorp, CEO of the LEGO Group

Dear reader,

The LEGO Group has a vision of inventing the future of play. This may seem rather fluffy in a world where concrete targets and measures defined by numbers are in high demand. To us, however, inventing the future of play is tangible. We want to pioneer new ways of playing, continuously develop new play materials and revise our business model of how we innovate, operate, sell and interact with our stakeholders.

We develop, manufacture and market play materials, so children are our core target group. But to us they are much more than that. Children are our role models. And children are our vital concern. We want all our activities to have as positive an impact

as possible on the world we live in today and the planet that our children will inherit. This is reflected in our efforts on the sustainability and responsibility agenda. We believe that the most important positive impact we as a company have is through our products, services, play experiences, and the quality and safety of our products is consequently a key priority for the LEGO Group. Therefore, it is satisfactory that 2012 was another year with zero product recalls and a very strong outcome on our Net Promoter Score, which expresses children's and adults' excitement about the LEGO play experience.

In 2013 the new European Toy Safety Directive will come into force. The LEGO Group fully supports high safety standards, and we have spent considerable resources in recent years to make sure that we are fully compliant with the new and very detailed requirements, especially within the area of chemicals.

In 2012, we also investigated the emergence of new materials. Using the highest quality and safest materials for our products will always be first priority. At the same time we want to improve the sustainability of the materials we use, and therefore we are investigating a potential renewable solution for our product material.

Our ambition is to use 100% renewable energy sources by 2020, and our parent company's announcement in 2012, of an investment in wind

**“We want all
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children will
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power, which will balance the expected future energy consumption of the LEGO Group, is a very important step in that direction. At the same time it is also very encouraging that we continued to improve our energy efficiency in 2012. Our very ambitious target for work-related injuries was not met in 2012. However, it is uplifting that we have seen a positive development in workplace safety. But as everything we do is based on our company philosophy: 'Only the best is good enough', we will continue to set and meet very ambitious goals, and our results leave no room for complacency.

During 2013 we will be defining an updated overall framework and strategy for all our sustainability and responsibility efforts to update and replace our 2015 ambitions. We expect this work to be finished during 2013 in order for us to be able to put the strategy into action from 2014/15. With this Progress Report, we hold ourselves accountable to our stakeholders and report on how we delivered on our sustainability and responsibility targets in 2012. Our corporate governance helps ensure that we also live up to our commitment to the 10 principles of the UN Global Compact. We signed the Compact in 2003 as the first company in the industry and continue to support this initiative.

In 2012, our employees, management and the third and fourth generation of the founding family together celebrated the LEGO Group's 80th

anniversary. It was always the ambition to run a healthy business that behaved responsibly towards all its stakeholders. We believe that creating value for all our stakeholders is the only sustainable way for us to thrive as an independent, family-owned company. In our new framework and strategy for sustainability and responsibility we aim to integrate this mindset even further into the core operating model of the company.

Jørgen Vig Knudstorp

2012

Progress

Our purpose is to 'Inspire and develop the builders of tomorrow', and doing it through play – children's most important work. That it is how they learn, develop and find meaning in life. It is one of the most natural and vital activities in human life. And it is the business we are in.

We believe that all children in the world have the right to play and learn with products that are safe both online and offline.

The LEGO® brick has qualities that allow you to be artistic, scientific, intuitive and deductive, sensual and analytical all at the same time. In a safe environment, the bricks provide play experiences that make you comfortable with uncertainty and able to frame a problem. These are the skills of those who will build a better tomorrow.

2012 Progress Highlights

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- 138 Continuous dialogue with suppliers

61

Compliance with
the EU Toy Safety
Directive 2013



73

Ambition for innovation
of sustainable materials



83

Optimizing packaging
solutions





FOCUS

World Robot Olympiad

The World Robot Olympiad (WRO), for which LEGO Education is the principal sponsor, is a robotics competition for children and youngsters which offers a fun and challenging playground for them to experience their first success within science, technology, engineering and maths.

The ambition of the WRO is to make children aware of, and become inspired to, pursue a life within science and enable future generations to solve some of the challenges our planet faces. The competition has more than 17,000 teams representing 35 countries and is still growing.

Everybody can enter the competition and go all the way to the global final, which in 2012 took place in Kuala Lumpur in Malaysia. With more than 400 teams from 30 countries participating in Kuala Lumpur, the World Robot Olympiad was truly a grand event.

Learn more at: <http://wroboto.org/>

The value of play and learning

The LEGO Group has a strong philosophy on play and learning. It is part of our heritage and reflected in our name, which is really an acronym covering two Danish words LEg and GOdt, which translates as 'play well'. To support the right to play as a universal right for children comes without saying. Great efforts are done in collaboration across the LEGO Group including our department for educational products and the LEGO Foundation including the LEGO Learning Institute, which carries out academic research in the field of play and learning. A part of this work is our full support for the United Nations Convention on the Rights of the Child. And as one element of children's right to play, we believe that all children in the world have the right to play and learn with products that are safe both online and offline.

The LEGO Group and the LEGO Foundation participate actively in supporting these developments through a series of initiatives which all come together to support our overall philosophy. The next sections outline some examples.

To highlight a few we;

- are involved with UNESCO on "Strengthening the Engagement of the Private Sector in Education"
- participate in OECD's Innovative Learning Environments programme
- work with the EU Commission for Education and Culture to influence dialogue through panellists
- work with the Clinton Global Initiative committee on Early Childhood Education
- are members of the Partnership for 21st Century Skills in United States schools
- are members of the Global Business Coalition for Education to promote access to education for all and the right to quality learning experiences
- engage with Ministries of Education across the world; influencing dialogue and providing inspiration for the ministries in promoting more playful learning environments for children

Improving childhood in partnership

It is a fact that childhood – and thereby the possibilities of the individual child to develop to its full potential and contribute meaningfully as a global citizen – looks very different in different locations of the world.

Just consider a few facts, from UNESCO, such as:

- 1 billion children are being deprived of one or more services essential to their survival and development
- 51 million children are unregistered at birth, leaving them without access to social security and health care
- 67 million children do not attend primary school – a number which rises markedly for secondary and tertiary schooling

These are huge global sustainability challenges and one that the LEGO Group alone will have difficulty addressing. It requires the concerted effort of many parties in the public, private and civil sectors. We recognise that the LEGO Group can play a part in this effort, leveraging our global brand and relationship with children in all corners of the globe. By collaborating in relevant partnerships we believe we can have a positive impact on the child-rights situation.

FOCUS

A question from World Wide Fund for Nature (WWF)

Frederik Lynge,
Corporate Relations Manager
WWF Denmark:

How does the LEGO Group utilise its potential to reach millions of children and families with its values and vision of a sustainable society?

The LEGO Group:

We engage with children and families in many ways: via our physical products, our online platforms, and numerous building events. One event which we encourage children to participate in is the FIRST® LEGO League challenge. The programme reaches more than 200,000 children aged 9-14 years in 70 countries and invites them to solve a societal issue through natural science and build a solution with a LEGO MINDSTORMS robot. We are still in the early days of assessing how the LEGO Group best can contribute to a sustainable society.



FOCUS

Academic research on the value of play

In 2012 we continued our participation in Toy Industries of Europe. The LEGO Group supported, and the LEGO Learning Institute helped facilitate, a report on the value of play and education of children. The report was presented at the European Parliament and includes a number of recommendations for policy makers. The report finds that the provision of time and space for children's play

needs to be improved as increasing urbanisation, rising stress of family life, and changes in the educational system are jeopardising the opportunity to play. In 2013, through the Toy Industries of Europe, we will seek to expand the dialogue with policy makers to discuss these important issues for children's well being.

Learn more at <http://www.tietoy.org>

Respectful collaboration

We acknowledge the importance of the United Nations Convention on the Rights of the Child, and child rights are integrated in our ongoing human rights impact assessment, in order for us to understand and plan how we, as a business, can best and most meaningfully support child rights in the future.

We also support the Children's Rights & Business Principles, which through 10 principles encompass the areas where a business potentially impacts children's rights, negatively as well as positively. We support all 10 principles, however we want to focus where our impact is greatest, and according to our analysis this is:





FOCUS

Understanding how toys establish social relations

The LEGO Learning Institute is part of the LEGO Foundation and has the ambition to bring academic knowledge and insight to new audiences, while at the same time generating helpful feedback for the people who design and build the LEGO® play experiences. Over the years a profound understanding of how children learn and play has been accumulated.

In 2012, the LEGO Learning Institute started out as collaborator in an EU research network that consists of 13 European research institutes, clinical centres and private enterprises which span the biomedical sciences and the humanities. The EU network focuses on the ways in which objects and toys create a shared meaning between people. This includes an investigation of how toddlers and young children understand toys, objects and cultural artefacts and the links between play objects and social relations. The LEGO Learning Institute facilitated workshops with the academic experts to discuss how the LEGO System as a creative medium, can be used to support collaboration among people.

Principle 5: Ensure that products and services are safe, and seek to support children's rights through them – through our strong product-safety focus. Read more on page 61.

Principle 6: Use marketing and advertising that respect and support children's rights – where we work to set high standards for our own marketing, both offline and online. Read more on page 135.

Principle 7: Respect and support children's rights in relation to the environment and to land acquisition and use. Read more on page 90.

Principles 1 and 10: Meet their responsibility to respect children's rights and commit to supporting the human rights of children and reinforce community and government efforts to protect and fulfil children's rights – where we collaborate with UNICEF and Save the Children. Read more on page 45 and 151.

The Town of Billund, Denmark: Capital of Children

In 2012, the LEGO Foundation and Billund Municipality founded the Capital of Children Company to explore a unified vision to develop Billund into a special place for, about and with children – a Capital of Children. The town will become a national as well as an international gathering point for children – attracting businesses, researchers and many others with

a focus on children and children's development, learning and creativity.

One initiative was the LEGO Foundation's donation of LEGO Education Innovation Studio (LEIS) and teaching courses to all schools in Billund Municipality. The new specialist classroom gives students an opportunity to work far more creatively with problem solving, thereby bringing other skills into the learning process. The knowledge and experiences from the LEIS initiative will be shared with other projects.

The LEGO Foundation will establish an international kindergarten and school of top standards based on the LEGO methodology, showcasing how this can be applied in an institutional setting. The two facilities will make it easier to attract both non-Danish employees and Danish families to Billund. The school will open in August 2013.

To give children and parents from across the world a fun and informative insight into LEGO play, values and history when visiting Billund, a new experience centre is expected to be inaugurated in 2016. The centre will combine academic knowledge about the developmental aspects of play with the brick itself – to enable children and their parents to see and feel what LEGO play offers.

FOCUS

A consumer story – making LEGO® models down-under

Good morning LEGO,

I run a LEGO Club as a volunteer at Mona Vale Library on Sydney's Northern Beaches in Australia. It's for children aged between about 3 and 12. It's an exercise in pure, creative energy! Most of the LEGO® products were donated, along with plenty of instruction books. The children create their own models, combining bricks and colours in ways that reflect their individual imaginations. These 'free-for-all' sessions are fun, encourage co-operation and team work, and bring out the LEGO fan in all of us (including parents and grandparents)!

Regards from Alan

(Submitted November 25, 2012, by Alan Smith, Australia.)

Photo: Braden Fastier/Newspix
Through a Twitter campaign (#LEGOstory) consumers had the opportunity to submit a mail with their personal LEGO story for inclusion in this report.



The brick



The LEGO Group has promised to take the lead in respect of safety towards consumers. This means working to ensure that children can always play safely with LEGO® products. That promise makes product safety a top priority for both physical and digital products.

In 2012 the LEGO Group's corporate reputation was positioned as the 10th best among companies in the global survey by Reputation Institute.

Product safety

Indicator	Product recalls (a)
2012 dedication	0
2012 realisation	0
	<ul style="list-style-type: none">• Systematical risk assessment (mechanical and chemical) in product development• Systematic approach to identify potential product safety risks and address by solid action plans• Fast response to potential quality and product safety issues reported by consumers
2013 roadmap	<ul style="list-style-type: none">• Proactive identification of risks• Focus on early stages of product development
2013 target	0

Playing safe – the safety of our bricks

With everything we do to make our products safe, and the marketing of them appropriate for children, we live up to our commitment to act where we can in terms of children's rights, in support of the Children's Rights and Business principles no 5. 'Ensure that products and services are safe, and seek to support children's rights through them' and no 6. 'Use marketing and advertising that respects and supports children's rights'.

The overall indicator used to monitor product safety is the number of product recalls we perform in a year. Since 2004 we have performed only two product recalls. Again in 2012 we met our target of zero product recalls, and this will also be our target for 2013. In addition, we take the feedback

we get from hundreds of thousand of consumers through our Net Promoter Score survey to find out if consumers experience any safety-related issues with the product. You can read more about this in the section 'In dialogue with the world – how we listen and respond' on page 122.

Starting at the very beginning

Our focus on product safety starts with the materials we use. We work with raw-material suppliers and approve materials based on our ingredients lists. To our knowledge, this is unique in the toy industry. We adopt the most advanced measures to manage the chemistry and chemicals that go into making LEGO® products and to minimise the risks to health and environment that these chemicals present. And we believe in producing high quality products that last year after year, maybe for generations.

On top of the chemical safety assessment of the materials used, all new LEGO elements will already at the drawing board undergo a safety assessment regarding mechanical/physical safety, electrical safety, hygiene, and flammability. Only when an element has been internally approved in the assessment can it be used in a new LEGO product.

Assessment at the element level is only the first step in an approval and control process that also includes an entire safety assessment for each new LEGO model. A toy safety report concludes

with mechanical testing of elements from the start of production proper, and regular spot checks are carried out during production with both measurements and tests. In addition, normal chemical tests are performed on raw materials. This level of analysis goes beyond compliance with legal requirements but is applied to ensure that only the absolute safest and cleanest materials are used.

We believe that in setting the highest standard for traceability, safety and performance of chemical safety assessments, we ensure our compliance with laws and regulations as well as industry standards for the production of toys.

Having this deep knowledge of the raw materials we use to make our products places the LEGO Group in a stronger position when it comes to anticipating or responding to changes in requirements from new legislation, new scientific information, and when we want to initiate and implement changes of our own.

Preparing for a new directive

One example is the chemical requirements from the new European Toy Safety Directive, which will come into effect in 2013. The new directive lays down more stringent demands for materials and related documentation, which we fully support.

The LEGO Group has interpreted the new Directive in the strictest manner and significant resources

Item number 8066: LEGO Technic
Off-roader consists of 141 elements.
It goes through 443 checkpoints
before the product is released for sale.





have been spent on screening our material portfolio and verifying compliance of every single substance and each raw material. Our internal processes and IT-systems allow us to be in complete control of the detailed documentation that is linked to every single LEGO product and the raw materials that have been used to produce it.

A LEGO® building set is not finally released for sale to consumers until we have verified that all the necessary test reports, certificates and approvals are in place. To illustrate the amount of documentation needed before a LEGO® product is released to the market, we can use a random item number 8066 which is the LEGO Technic Off-roader consisting of 141 elements. For this product our IT system monitors 443 checkpoints which all have to be confirmed before the item receives the final internal approval and is released for sale.

Our way of performing safety assessments at both the element and model level has been in place for many years but as a response to the new Directive we have chosen to expand and refine it. In order for our assessments to fully cover all possible chemical aspects, the LEGO Group has invested heavily in testing all raw materials, to reconfirm that they contain only substances which are listed on the ingredients lists which we have approved one by one for every plastic resin, decoration ink, etc. To make this possible we have expanded our team of

chemical experts whose main task it is to evaluate and communicate the list of ingredients we require from all our suppliers of raw materials.

All LEGO® play materials comply with all the regulations in our many different markets, the European and the US toy regulations being the two of greatest significance. Our quality policy and our ISO 9001 certified quality-management system forms the basis for quality control and the continuous monitoring we perform.

This is the LEGO® way of ensuring that all our building sets are safe in every respect and also of a high and consistent quality which our customers and consumers can always trust as – ‘Only the best is good enough’.

Ensuring children's safety online

Children spend more and more time playing online. They see it as a natural extension of the physical world and boundaries between the two are blurring. As a consequence, our commitment to support children's right to protection and safety – as stated in the Children's Rights and Business Principles – now also extends to the online world.

We expanded our focus on online safety in 2012. We joined forces with the UK-based Safer Internet Centre and celebrated the Safer Internet Day in February, where the LEGO Group's staff participated

in discussions with children and parents to better understand the challenges and opportunities experienced by them. Efforts like these are fundamental for the LEGO Group to learn about the realities a child's life online brings with it.

We support and comply with the Federal Trade Commission's Child Online Privacy Protection Act (COPPA) as well as articles of the 1989 United Nation's Children's Rights Convention, stating, amongst other rights, that children have the right to participate in play and the right to protection. For example, in accordance with COPPA rules, we do not engage directly with children under the age of 13 on third-party social media platforms, where we find we cannot fully moderate and protect children.

FOCUS

A consumer story – making a human connection with LEGO® bricks

Dear LEGO,

I have a seven years old son who is on the autism spectrum. While Christopher has difficulty with verbal expression and social interaction, he has a brilliant and creative mind. His visual and spatial reasoning is profound. For the past year, he has been increasingly using LEGO® bricks as a means of expressing himself – communicating about and sharing with us his interests, ideas, and experiences. I cannot tell you how important this is for us.

Christopher's therapists regularly use LEGO® bricks as part of his therapeutic intervention with great success. We work with a wonderful doctor who specialises in autism and OCD, and he believes Christopher to be extremely gifted. He has encouraged us to seek out ways to develop and nurture Christopher's talents.

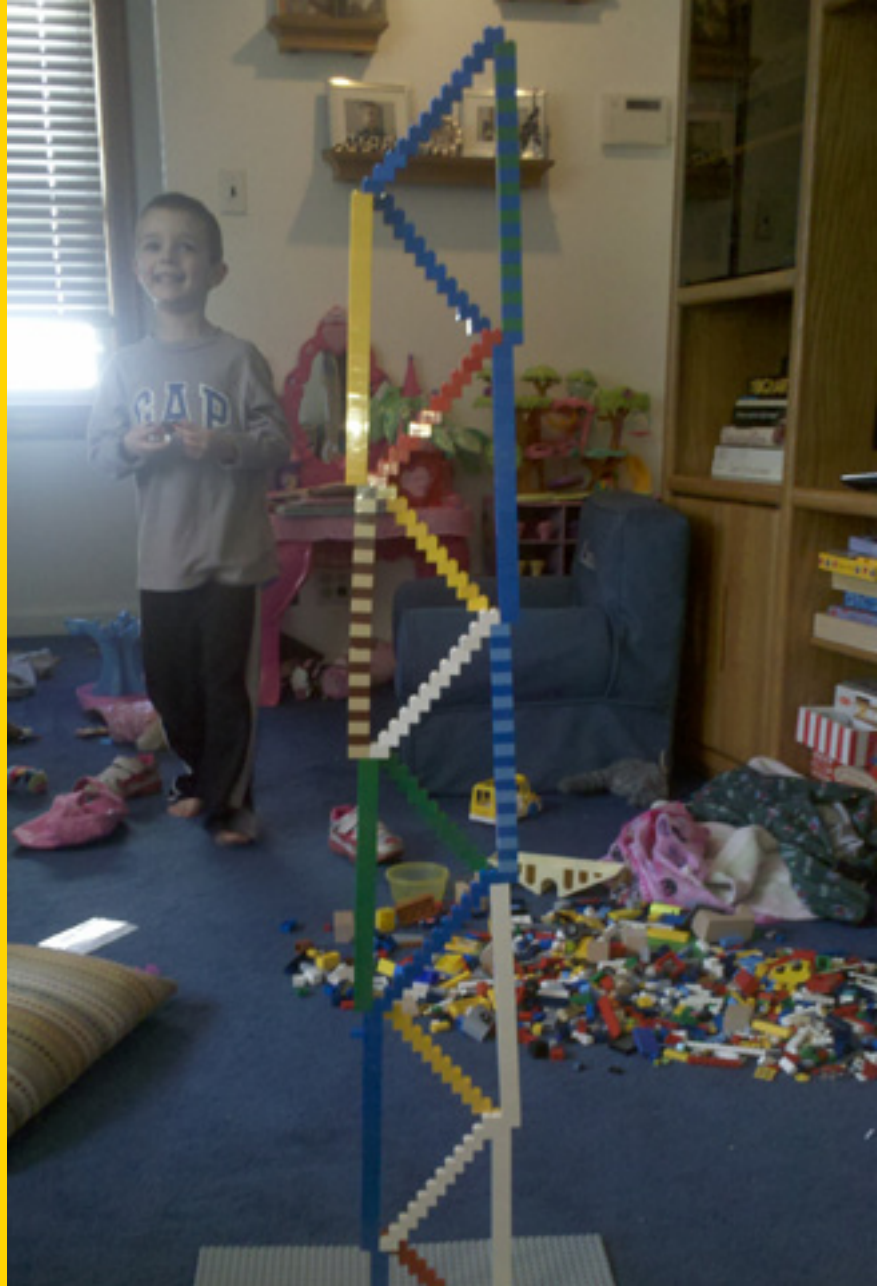
I have attached some photographs of Christopher's creations. My husband and I are extremely grateful that this medium exists and for the opportunities it has provided for us to interact and understand our son.

I sincerely thank you for your time in reading this email and for the opportunity to express our gratitude.

Warmly, Francesca

(Submitted on November 29, 2012, by Francesca, USA)

Photo: Tower of stairs – private
Through a Twitter campaign
(#LEGOstory) consumers had the opportunity to submit a mail with their personal LEGO story for inclusion in this report.





**Stay true to our promise
to leave a better world for
our children**



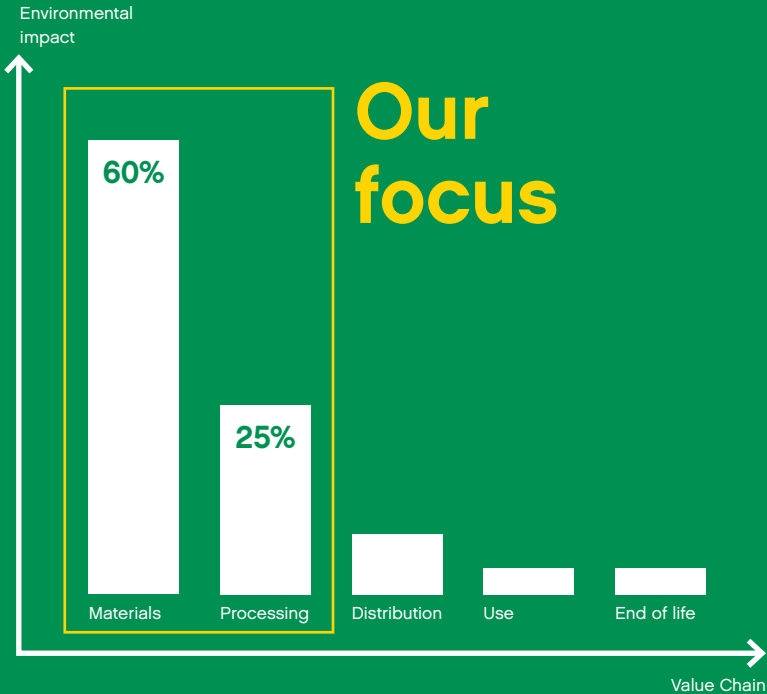
Sustainable parts – the environmental impact of our bricks

The LEGO Group's Planet Promise obligates us to do what we can to reduce the environmental impact, and common sense tells us to focus our efforts where it matters most. We acknowledge that using raw materials, producing and packing and distributing LEGO® products have an impact on the environment. Our greatest environmental impact arises from the raw materials that we use, as activities like raw material extraction amount to approximately 60% of total CO₂ emissions in the full product-value chain. Processing raw materials into products counts for approximately 25% and is where we have the biggest direct influence.

A new materials strategy

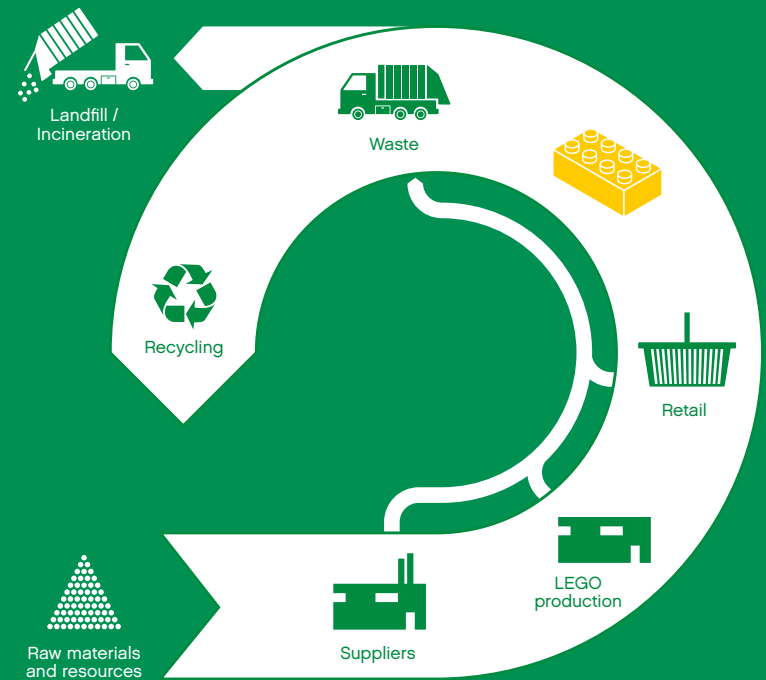
Our consumers deserve the highest quality and safest materials we can possibly use in the

CO₂ emissions in the product value chain



Estimated environmental impact based on 2010 full value chain climate inventory calculation.

The simplified life cycle of the LEGO product





FOCUS

Where do LEGO® bricks come from?

The LEGO® bricks start out as a fragment distilled from crude oil. Through a number of chemical processes the large molecules from crude oil (or plants) are converted into small defined types of molecules. The small molecules are coupled into a long chain of molecules to make for example the material Polyethylene. All plastic materials for our bricks are made in this way.

manufacture of our products, and that will always be our first priority. As stated in our Planet Promise, we want to make a positive impact. This goes for the LEGO Group itself but we also work closely with our supply chain to do the same. We are therefore constantly on the lookout for product materials which minimise the environmental impact.

The LEGO Group has a long-term ambition to use only sustainable materials and investigate our use of fossil fuels in relation to our products. The fact of the matter is that it is a necessary ambition if we are to stay true to our promise to leave a better world for our children.

First steps

As a consequence, the LEGO Group will actively engage in activities to ensure development of future materials. We are exploring co-operation with both large, established and smaller, cutting-edge material suppliers with a view to developing partly and fully bio-based materials which are suitable for LEGO® products and production.

The present materials are carefully selected and refined to perfection over the years regarding their physical properties. These unique properties like strength, durability, clutch power and color fastness makes the building system possible and thereby constitutes the basis for the overall LEGO® experience. Maintaining these properties in the LEGO® bricks after

FOCUS

How environmental focus can change design

The redesigned LEGO® DUPLO® wheel base element shows how transparency on environmental impact can guide design towards reduced environmental impact. The new base being fully in plastic reduces the overall environmental impact by approximately 10-20% and the innovative design is cheaper to make than the previous wheel base which had metal axes.



a shift to an alternative material, makes the search a real challenge. Maintaining these properties is a prerequisite for the unique LEGO play experience.

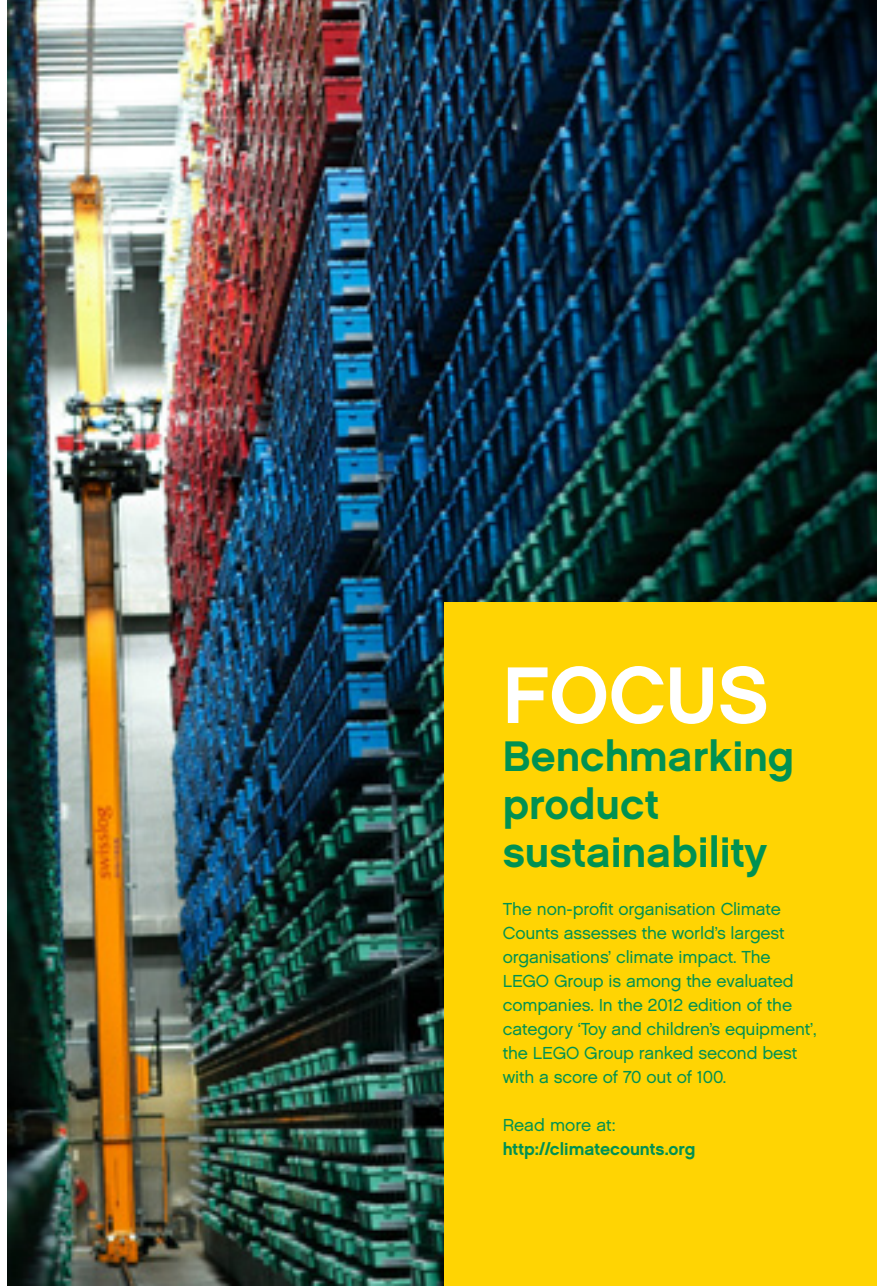
Co-operative

Targets will be set to reduce material production's CO₂ footprint. We will advocate an ambitious target for reducing energy consumption (CO₂ equivalence) in the material value chain – from nature to brick.

The exact target will be defined together with partners in this massive development project. The sheer scope alone of such an effort makes it a partnership-based effort. Many steps are involved in covering the entire value chain from oil/plant to the moulding machine, and the development of the machinery and processes necessary to produce plastic can best be tackled in co-operation. It may also involve a number of different industries.

Taking environmental impact into account

Two full CO₂ value chain assessments done in 2007/8 and in 2010/11 clearly show that material choice has a big environmental impact. Raw material production is not part of the LEGO Group's operational boundaries, and the direct influence is therefore limited. However, the choice of product material is part of the design process for the LEGO products and we have developed two generic Life Cycle Assessment (LCA) models to be used in development of packaging and elements. The models are the starting point in making



FOCUS

Benchmarking product sustainability

The non-profit organisation Climate Counts assesses the world's largest organisations' climate impact. The LEGO Group is among the evaluated companies. In the 2012 edition of the category 'Toy and children's equipment', the LEGO Group ranked second best with a score of 70 out of 100.

Read more at:
<http://climatecounts.org>

FOCUS

18% reduction in product packaging

A substantial decrease in the size of LEGO product packaging will take effect in 2013, after a series of positive pilot tests conducted in partnership with retailers. Reducing the amount of packaging by 18% by 2015 at the latest has several advantages: less environmental impact through savings on materials and transport, consumers can better handle the packaging, and retailers have room for more items on their shelves.

With most of the product range in the new smaller boxes already on shelves in 2013, an initial reduction of about 12% has already been gained. Reducing the size of boxes is a fine balancing act – it must still be relatively easy for LEGO employees to pack the boxes. The actual LEGO® bricks in the boxes will be the same, providing the same quality building and play experience as always.



the environmental impact transparent to designers thereby enabling evaluation of different choices.

Optimizing our packaging solution – making smaller boxes from certified wood

After close dialogue and collaboration efforts with some of our main stakeholders, the LEGO Group will begin in 2013 to reduce the size of its product packaging. This is in line with our life-cycle analyses which show that packaging constitutes approximately 15% of the environmental impact from a full value-chain perspective.

Back in 2011 we began the work of gaining full traceability of the fibre based raw material we use for packaging materials in order to reduce the environmental impact.

We focus on:

- Reducing the amount of packaging
- Using recycled fibre-based raw materials when it is possible and on average at least 75%
- Securing sustainable sourcing via FSC certification

We are ahead of schedule with our implementation and projections are that carbon emissions from the product packaging will be reduced by 10% once fully implemented. By implementing smaller boxes a reduction of 18% of the cardboard used is achieved, which is approximately 4000 tonnes a year. In line with our target, we use and will continue to use on

FOCUS

A question from World Wide Fund for Nature (WWF)

Frederik Lynge, Corporate Relations Manager, WWF Denmark:

How is the LEGO Group engaged in promoting a system for recycling the plastics in old products?

The LEGO Group:

Reuse and recycling of products are essential and we fully support this approach. In 2010 we launched a project to clarify the options for return solutions. However, the high quality of the product is in most cases valued by consumers to such an extent that

they prefer to keep the LEGO product and pass it on to the next generation rather than dispose of it. We have focused on making our products ready for recycling; one example could be how we redesigned a LEGO® DUPLO® wheel base element. We now make the new wheel base fully in plastic and that reduces the overall environmental impact by approximately 10-20%. Improvements like this, are the constant ambition in our Design for Disassembly project. (See page 80 for more information).



average a minimum of 75% recycled materials for our primary LEGO box packaging.

Sourcing certified paper materials

In 2012 we arranged with our suppliers to begin delivering the print and packaging we use for our core products and large parts of our marketing materials as wood based materials certified by the Forest Stewardship Council (FSC). Specifically, the print and packaging materials are based on fibres from FSC, certified forests, reclaimed/recycled fibres and fibres from FSC Controlled Wood. This is one way we take on responsibility in the fight against deforestation – helping to support children's right to a healthy environment.

By 2013 we aim for all print and packaging for core LEGO® products and the main part of all marketing materials to be FSC certified, and we will begin to label it as such by 2014. The ambition is that by 2015 all paper used by the LEGO Group for printed materials, packaging, building instructions, brochures and in store materials will be FSC certified. At the same time, the LEGO Group will impose the same requirement on its partners producing licensed products.



Making LEGO® play materials

The builders of tomorrow deserve that we do what we can to mitigate climate change. In the LEGO Group we acknowledge that our activities contribute to man-made climate change, and we dedicate projects and resources to contribute to protecting children's right to live in a healthy environment both now and in the future.

This is in line with principle no. 7: Respect and support children's rights in relation to the environment and to land acquisition and use, in our commitment to the Children's Rights and Business Principles.

Sustainable production

Indicator	Energy Efficiency (x)	Recycled waste (z)
2012 dedication	+2.5%	88%
2012 realisation	+4.1%	88%
	<ul style="list-style-type: none"> • Implementation of solutions within compressed air, lighting, ventilation and cooling • New moulding machinery installed 	<ul style="list-style-type: none"> • Localized initiatives include focus on higher degree of reducing, reusing and recycling waste • Increased employee and management awareness of reducing manufacturing waste
2013 roadmap	<ul style="list-style-type: none"> • New machinery installation • Reduce energy consumption through insulation 	<ul style="list-style-type: none"> • Continue optimization of product packaging material • Increase awareness of reducing manufacturing waste
2013 target	+2.5%	90%

Sustainable production – reducing the impact of making LEGO® bricks

LEGO® products are manufactured mainly at our own four sites around the world as we believe it makes sense to produce where we use. With a global, yet regionally founded, production setup we stay close to our markets and reduce our environmental impact as we reduce our transportation. Our locations are certified according to the environmental standard ISO 14001, and global as well as local initiatives are applied to reduce the environmental impact of our production processes.

Our main focus is on energy efficiency and waste. Our target is to gain a 2.5% energy efficiency improvement year on year towards 2015. Our ultimate, long-term aspiration is to have zero waste which we are progressing towards, and in 2013 we want to reach a rate of 90% recycling.

Energy efficiency

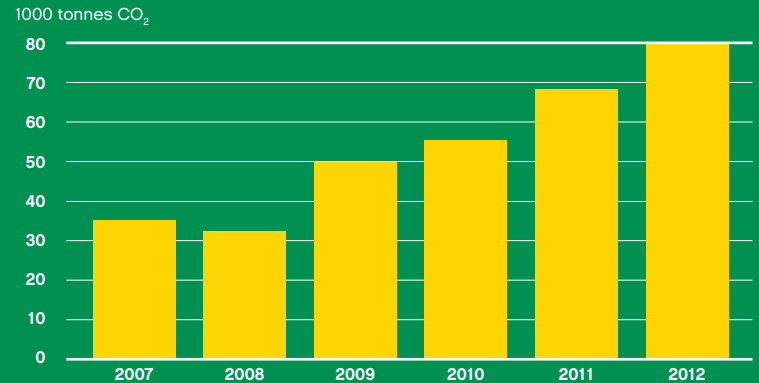
In 2012, our energy efficiency improvement reached 4.1% which was satisfyingly above our target of a 2.5% gain. With energy efficiency as a continued focus area we saw various successful energy saving projects within compressed air, lighting, ventilation and cooling. Despite these efforts, the LEGO Group's total energy consumption rose to 224 GWh as our sales and production increased in 2012.

Comparing the two indexes on the graph 'Development for energy and production' – our consumption of raw material (granulate), and the energy we use at our main production sites – we see clear energy efficiency gains from 2007 onwards. An effect from our high utilisation of production capacity must be taken into consideration.

However, total CO₂ emissions are growing due to rising production, and the increases exceed the efficiency gains accomplished in our operations. The result is an increase in absolute CO₂ emissions. A number of projects and initiatives are in progress to remedy this in keeping with the LEGO Group's Planet Promise.

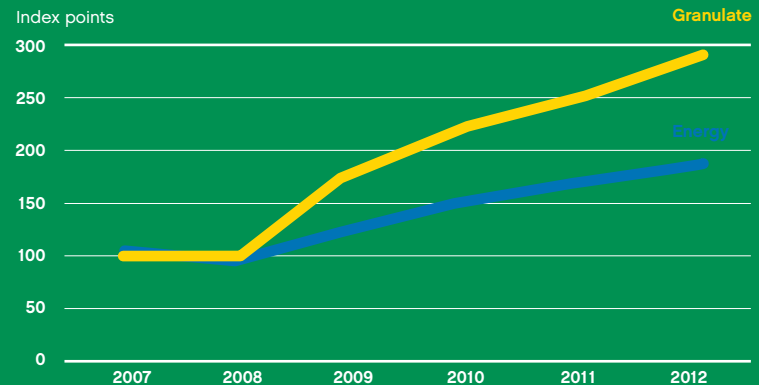
One example is to insulate the cooling and heating pipes for our moulding machines. During 2012, a project at our Danish factory has implemented such a saving, which is estimated at the equivalent of approx. 600 Danish residential homes' annual

CO₂ emissions

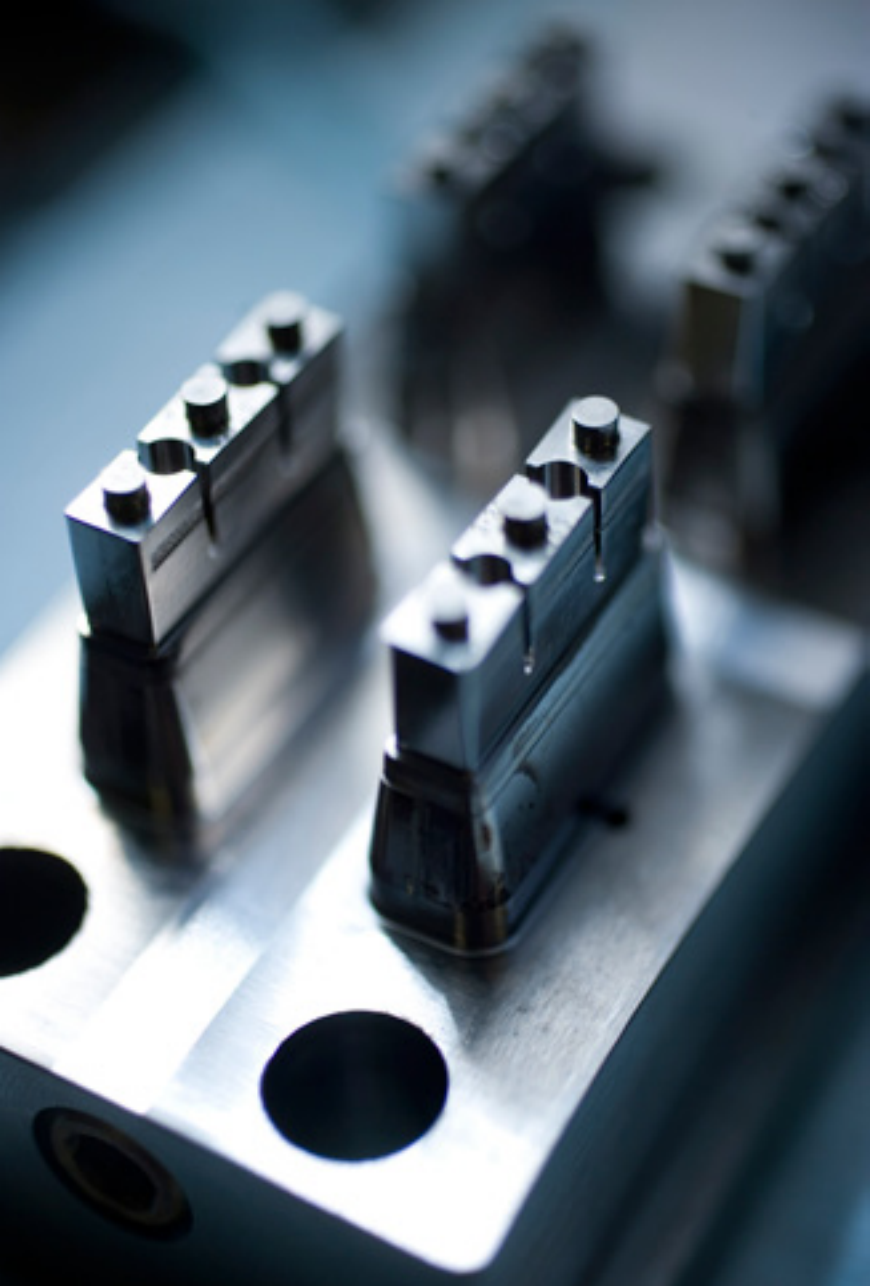


CO₂ emissions from main production sites calculated according to the Greenhouse Gas Protocol guidelines using the newest available emission factors fixed for all years.

Development for energy and production



Development in index for energy (MWh) and production (tons of plastic granulate) at main production sites since 2007.



electricity consumption. In 2013, the project will be expanded to an additional factory.

Breaking the old mould

Moulding of bricks is where the majority of our energy consumption takes place. In view of this, we initiated a machine optimisation project in 2012, which on selected bricks will enable faster and more efficient production hereby, reducing energy consumption. In 2013 it is planned to install the new moulding machines. Further installation of machines is expected to happen progressively towards 2015.

Full-scale commitment to renewable energy

In early 2012, KIRKBI A/S, the holding and investment company of the Kirk Kristiansen family which owns 75% of the LEGO Group, committed to a substantial investment in renewable electricity through the development of an offshore wind farm in Germany. The investment demonstrates commitment from the LEGO Group to deliver its Planet Promise, making a positive impact, and reaching its target of using 100% renewable energy by 2020. When fully operational the wind farm will go a long way to help us meet our 2020 renewable target.

Our future footprint

The LEGO Group currently expects to continue expanding its global manufacturing footprint. Further focus on climate change is therefore a central part of the sustainability strategy process that will run in 2013.



FOCUS

The LEGO Group helps build an offshore wind farm

In 2012 the LEGO Group's parent company KIRKBI A/S announced an investment of approx. EUR 400 million in the development of an offshore wind farm. The investment in wind power further supports the ongoing energy efficiency improvements across the

LEGO Group and will help balance our energy needs for many years to come.

"This massive investment in wind energy is not a one off event – it is an integral part of our overall ambition of making a positive impact on the world. We're on a journey, a never ending journey – but the investment in renewable energy is a huge step in the right direction," says Jørgen Vig Knudstorp, CEO of the LEGO Group.

The wind farm called Borkum Riffgrund 1 will be built by Dong Energy using 77 Siemens offshore turbines each generating 3.6MW giving a total installed capacity of 277MW. KIRKBI A/S will own one third of the wind farm's production of electric power – equivalent to the output of more

than 25 wind turbines and equal to the consumption of approx. 100,000 Danish homes. Construction of Borkum Riffgrund 1 will begin in 2013 and the turbines will start supplying power in 2015, with the right to generate for the next 25 years.

The investment in renewable energy will qualify the LEGO Group to use the WindMade label which shows that 100% of the energy used by the company is balanced by wind power. The LEGO Group was a co-founding partner of the WindMade label which is the first global consumer label to identify those companies which use renewable energy in their operations or manufacture of products.

Emden

Bremerhaven

Hamburg

Making green money from plastic waste in production

In the production facility in Billund, Denmark, LEGO® employees made a test with a container full of already discarded plastic waste, which showed that more than 60% of what was in the container could be recycled. This led to new signage and waste collection areas making it easy to sort the plastic. Saving 60% of the waste which was previously sent for incineration will help the LEGO Group towards the goal of recycling all waste and will generate substantial savings on the cost of handling waste.

Working towards generating no waste

Our approach is firstly to try and reduce the amount of waste we generate, and then reuse any waste material where possible, and finally recycle almost everything that is left. As a result, zero waste is our long term ambition and one which we continue to make progress on.

In 2013 the LEGO Group will initiate a detailed assessment that will not only identify the sources of waste but also the necessary steps to eliminate our waste generation. At the same time we will increase our recycling target to 90% in 2013. We believe that a sustainable approach to our business will have a positive impact on the environment and our key stakeholders.

Water usage

In 2012, the increase in the LEGO Group's production meant that we used a total of 279,000 m3 of water.

In the LEGO Group we acknowledge that water is a constrained resource and one of the most important to protect because access to water is directly linked to access to drinking water and to continuously ensuring food safety around the world. Water usage is an area that we will investigate in more depth to better understand and assess where to focus our future efforts.



FOCUS

In-store marketing – store signage foil without PVC and Phthalate

The foil used in stores to market LEGO® products will be replaced by a new type of foil which contains neither PVC nor Phthalate. The foil is planned to launch in 2013 at the Nürnberg Toy Fair. Hereafter it will be incorporated into the retail stores. The development of the material was made possible through a strategic partnership with one of the LEGO Group's suppliers. The environmentally friendly foil offers the same strength in terms of quality and usability. It does require a higher water usage to produce this material, however, we have assessed that the CO₂ emissions saved outweigh this.

By converting the printed foil used in 1300 stores, the entire value chain will in total:

- reduce carbon emissions equivalent to taking 57 cars off the road for a day
- save energy usage equivalent to the daily energy usage from 202 households
- eliminate halogen related disposal concerns
- increase water usage equivalent to the daily water usage from 21 households

Work safety

Indicator	Injury rate (h)
2012 dedication	1.8
2012 realisation	1.9
	<ul style="list-style-type: none">• Greater focus on reducing the Brand Retail store injury rate• Improved identification and implementation of best practices• Continue to unify safety policies at all sites
2013 roadmap	<ul style="list-style-type: none">• Strengthen the corporate safety culture through behavior and awareness initiatives• Reinforce the global presence of the Global EHS team• Document safety procedures and ensure global usage
2013 target	1.5

Safe workplaces – the health & safety of LEGO® employees

Safety is a top priority for the LEGO Group, both for our consumers and for the people who work for and with us. We are relentlessly committed to finding new ways of working and to continuously improve our performance and culture in relation to health and safety.

A safer place to work – changing behaviour

In 2012 we maintained our ambition of being acknowledged as one of the top companies in the world for employee safety by 2015. Our injury rate was 1.9 injuries per million working hours, down from 2.1 in 2011. This undertaking has been a result of decisive internal efforts throughout the organisation. Regrettably, this was above our 2012 target of 1.8. In order to improve we continue to advocate and apply

We continue to advocate and apply a proactive health and safety approach to change culture, attitude and behaviour.



a proactive health and safety approach to change culture, attitude and behaviour.

In 2012 we continued to strengthen our Global Environment Health and Safety Community to secure localised knowledge and be able to share and implement it globally, so best practices can raise the overall capability of the organisation.

In continuation of our strides to make the LEGO Group the safest workplace possible we are looking to identify new areas and ways to build sustainable health and safety behaviour in the organisation. Having improved employee safety hugely in the manufacturing areas over the past few years, we see further improvement to be mainly through awareness campaigns and training programmes to raise the health and safety awareness of the employees in offices and in our own Brand Retail stores.

No major non-conformities

In 2012, we had no major Environment, Health and Safety non-conformities registered at our external certification audits. Having put a spotlight on our Billund facility after we received nine major non-conformities in 2011, we are very pleased that our dedicated employees have solved these matters and that we saw no major non-conformities in 2012.



FOCUS

Sharing safety knowledge across retail stores

Problems like slipping on a floor or twisting on a ladder are being proactively addressed by store management to ensure that all employees are safe at work. Improved knowledge sharing across retail stores through an online platform has helped to embed corrective actions immediately – before a similar accident happens in another store.

Employee awareness has meant an increased completion rate of incident reports which provides greater visibility of the incidents happening. This enables managers to obtain a better understanding of the key challenges and work to eliminate hazards in stores with a high incident rate.



Smart people – smart products – the LEGO Group and its people

Employee safety is a first priority for the LEGO Group and it is a core part of our culture. As well as providing a strong safety culture, the company wants to have satisfied and motivated employees. In 2012 we measured the Employee Net Promoter Score and were glad to get the feedback from our employees and a score of 56%.

Employee motivation and satisfaction

In our 2012 employee survey, where 94% of our employees participated, they score their level of motivation and satisfaction at 77 index points, which is fifteen points above international benchmarks. Highly dedicated and engaged LEGO® employees are one of the crucial building blocks for our current success. LEGO® leaders do their utmost to listen and

react to employees' feedback, and it is our long-term target to provide a workplace which our employees value 10 index points ahead of our benchmarks.

The high score in motivation, satisfaction and engagement is related to our values, culture and reputation, according to our employees. Across the world, our employees said that having an extraordinary job with exciting tasks and great colleagues, while working for a company with a strong culture and values, is what fuels motivation more than anything else.

Attracting the right people

In 2012 the number of employees in the LEGO Group increased by 1474 to a total at 12,264 and in the next few years we expect to welcome around 5,000 new colleagues. In order to sustain our growth and high level of motivation, it is important that all new colleagues understand and live our unique LEGO culture. Therefore, we strengthened the integration of new employees in 2012 with a pre-boarding web site and through assigning a personal Brickmate to each new employee to help the new starter get the best possible introduction. Surveys show that employee motivation and engagement after the first 100 days is high.

Attracting new employees requires spotlighting the LEGO Group as an attractive workplace and its employer value proposition. The LEGO Group

Employee engagement

Indicator	Motivation and satisfaction (l)	Employee Net Promoter Score (k)
2012 dedication	+10	62%
2012 realisation	+15	56%
	<ul style="list-style-type: none"> • An extraordinary daily job, and immediate leaders who are responsive and dedicated • Continued to build company values, culture and reputation 	<ul style="list-style-type: none"> • Implementing and adapting to major organizational changes
2013 roadmap	<ul style="list-style-type: none"> • Make motivation and engagement an ongoing agenda point for leadership decisions • Maintain high level of motivation and satisfaction in the company overall 	<ul style="list-style-type: none"> • Leverage potential of strategic clarity, culture and new ways of working to increase share of company ambassadors • Strengthen follow up dialogue and actions from the employee survey
2013 target	+10	62%

is recognised in several countries as a top 100 employer of choice and was in 2012 acknowledged as one of the Top 100 Most in Demand Employers by the professional networking site LinkedIn.

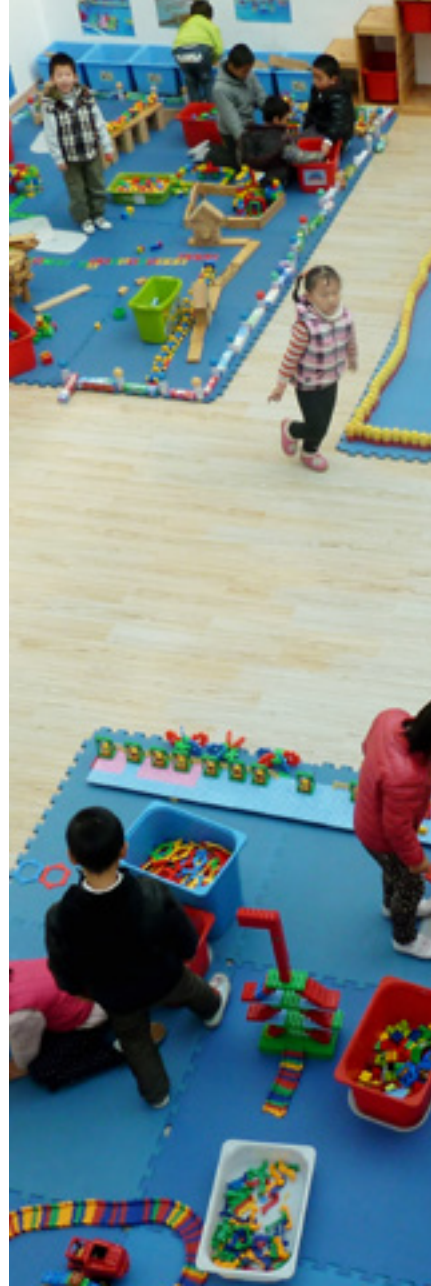
Compensating and rewarding a global workforce

From 2012 our implemented Reward Framework provides employees with market based reward packages linked to performance in line with local standards whilst supporting the LEGO Group's performance culture. Employee benefits are benchmarked against local practices, however, we work on a global benefits strategy to provide direction in principle on which benefits are enforced to reflect the LEGO Group's values and culture.

Cultural and gender diversity

In 2012 the LEGO Group recruited 11% more women to higher level leadership positions (Directors and above), bringing the total percentage to 34 and above our target of 30%. It indicates that recruitment in the LEGO Group is moving in the right direction to meet our ambitions with regard to gender diversity at this level. Our target for 2013 is to recruit 30% or above.

In the LEGO Group we want our employees to reflect the variety of society in general with regards to culture, backgrounds and way of thinking. And we believe that through a focus on diversity in respect of culture and gender we strengthen our organization, products and our relationships to our stakeholders.



FOCUS

Providing a hands-on/ minds-on approach to Chinese schools

Since 2010, the LEGO Foundation has worked with partners in China to distribute boxes with LEGO® or LEGO® DUPLO® bricks to kindergartens and primary schools, as well as training teachers and students from a university in the LEGO learning methodology.

The purpose – and challenge – of the project is to make more room for creative and playful learning in the Chinese educational system. The outcome so far has been positive, as of 2012 more than 100,000 children have had access to the materials and approximately 1000 teachers have been trained. Teachers have been genuinely interested, and the schools' very accommodating.

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than anything else.**

In 2012 our Corporate Management consisted of male employees from six different nationalities. To gain a more diversified composition is a stepwise process for such a high level decision body, but the current composition is found unsatisfactory. To drive forth the agenda, a dedicated team with our CEO as chairman has taken the initiative to spearhead the diversity agenda with a hands-on approach.

Outside the LEGO Group



In the LEGO Group we acknowledge that we are only a small company in a big world. However, we want to have the most fruitful dialogue with those people and organisations who we believe can positively empower children, those we call the 'Builders of Tomorrow'.

We engage with everybody outside the LEGO Group who can help to improve our products and advocate our standpoints – in line with our promises to work for the right to play, to care for nature, to make safe toys, to support the development of creativity and problem solving abilities, and to do this in a respectful way that creates value for both society and the LEGO Group.

In dialogue with the world – how we listen and respond

The very first thing we as the LEGO Group must do is to listen to our stakeholders, only then can we respond appropriately. Through listening and actively engaging in dialogue we can hope to positively influence the global issues that affect children and the LEGO Group and its products.

Talking to consumers and hearing what they say

We want to give all our consumers a quality play experience and also to find out how satisfied they are. And we believe that producing high quality products which last year after year, maybe for generations, while bringing children endless hours of fun, is the best way to achieve this. When consumers are satisfied with us, they will return, buy again, and tell their friends. Therefore, we focus our efforts on

Consumer satisfaction

Indicator	Net Promoter Score (c)	Consumer complaint call rate (b)
2012 dedication	102 index	<=550
2012 realisation	105 index <ul style="list-style-type: none"> • Extremely successful new product lines and improvement of the Shop at Home post purchase experience • Focus on delivering exceptional service and proactively communicating across business areas to escalate and solve issues 	792 <ul style="list-style-type: none"> • New call centre in Asia enable more consumers to get in contact with us • Increase in average amount of elements per box deems more service calls • US consumers call consumer service more often than other regions
2013 roadmap	<ul style="list-style-type: none"> • Improve overall shopping experience • Extend the LEGO.com experience across digital devices • Improve our online consumer service 	<ul style="list-style-type: none"> • Optimize monitoring and analysis of consumer call trends • Faster, quarterly deployment of corrective actions
2013 target	105 index	<=900



FOCUS

Making play possible for refugee children

Serbia hosts the largest number of refugees in Europe (70,000) and over 200,000 internally displaced people. In collaboration with the United Nations High Commissioner for Refugees, the LEGO Foundation has reached more than 11,000 children at 245 locations throughout Serbia by donating 600 boxes of play material.

All children had multiple benefits from this donation, both immediate and long-term. Playing with LEGO® bricks helped

them learn through interaction, taught them how to share and learn from each other, underpinned their communication and manual skills, as well as built on the children's reasoning, which includes matching, comparing and other activities. This will also enhance socialising between refugee and displaced children with their domestic peers, and thus facilitate their integration into their immediate surroundings, which is a good basis for their inclusion in the local community later.

improving the consumer experience. To measure consumer satisfaction we use the recognised indicator Net Promoter Score® (NPS).

In 2012, more than 625,000 consumers gave us feedback, which is an increase of 25% from 2011, with the resulting Net Promoter Score reaching an index of 105. We exceeded our target due to our team of exceptionally dedicated service employees all over the world who continue to provide superior consumer service, the keen excitement around our product lines, and improved experiences in LEGO.com content and shop areas.

One way we also listen to our consumers is through a series of specialised call centres. Since 2005 we have collected, analysed and categorised the feedback we receive to detect a pattern and drive business decisions and actions to designate main areas for improvement.

Using social media to reach the world of consumers

Our social media presence is growing rapidly, and in 2012 we reached more than 3.4 million fans on Facebook – and some weeks reaching more than 25 million people worldwide through campaigns. In 2012 the LEGO Group launched a new YouTube channel, dedicated to delivering cool LEGO® experiences to families worldwide. The new channel has already had more than 25 million views. The most seen video of 2012 was “The LEGO Story” with more than 3.2 million

views. For our corporate communication we have approximately 50,000 followers on Twitter and 38,000 on Google+. The LEGO® CUUSOO crowd sourcing platform reached more than 500,000 unique monthly visitors and the user generated ideas have so far resulted in four new consumer LEGO products.

The LEGO Group as partner and collaborator on regulations and standards

Where appropriate, the LEGO Group assists governments and organisations in the development and understanding of new toy regulations and standards. We strive to ensure that our external activities, discussions and recommendations benefit all stakeholders and are conducted in a transparent and professional manner in accordance with our policies.

In 2012 the LEGO Group's toy safety experts visited Hong Kong and China in the company of European Commission representatives, to explain the new EU Toy Safety Directive and the supporting new European safety standards to Chinese toy manufacturers, authorities and test laboratories. The LEGO Group also assisted the EU Commission in elaborating guidelines for the interpretation of the new Toy Safety Directive. We also work collaboratively in the US with the Consumer Product Safety Commission to share safety compliance practices that can be adapted for small businesses.

LEGO *Story*



With more than 3.2 million views "The LEGO Story" was the most seen video on The LEGO Group's YouTube channel in 2012.



FOCUS

A backpack full of LEGO® toys

Travelling the world as a LEGO® employee, I know always to have something with me to play with – and our latest trek in Vietnam was no different. One day, walking through the beautiful valleys we approached a tiny village on a hillside.

Quickly a group of children gathered around us and helped us the last few meters to a house where we could spend the night. The owner had two kids aged 6-8 years old. We showed our appreciation and gave the children a small box of LEGO® bricks, and not long after they found out how to master the toy and assembly the model. More children gathered around and now they all shared the fun.

A wonderful vacation and remarkable to see how children with no previous knowledge could adapt and learn the skills.

Story submitted internally by Lonnie Almy, project supporter, Billund, Denmark.

We also take an active part in the development of new toy safety standards in the European Committee for Standardisation, the International Organisation for Standardisation, as well as in the US standardisation organisation, ASTM International. The LEGO Group has a long history of chairing both European and international standardisation committees and participating in many industry work groups.

We expanded our dialogue efforts with regulators in 2012, to advocate intellectual property rights, toy safety and marketing to children, as these are key issues for the LEGO Group, the LEGO® brand and our products. On an ongoing basis we participate in international and regional associations such as the Toy Industries of Europe, the US Toy Industry Association, the European brand organisation, and the World Federation of Advertisers. In Europe alone, we are active members of 15 Toy Associations and in nine countries the LEGO Group is on the board of the toy association.

In 2012, the LEGO Group had many stakeholder visitors and answered numerous questionnaires; however we were unable to accommodate a request by the International Consumer Research and Testing (IRCT) to visit two facilities. All information requested by the IRCT has been provided. We welcome all new visits and questions and we will be as open and transparent as our operations allow.

FOCUS

A social media protest

At the beginning of 2012 the LEGO Group experienced a campaign against LEGO® Friends, our new product envisioned to have an appeal towards girls. Approximately 62,000 people signed a petition asking us to market the same products equally towards boys and girls.

Parents across the world thought we were launching a LEGO® experience that was less creative than products we market for boys. After the product came out, families with girls realised that LEGO® Friends products contain just the same number of bricks and building complexity as a comparable

product in, for example, the LEGO® City product line. Having cleared up this misunderstanding, we were able to continue the constructive dialogue online with both parents and the activist movements behind the criticism. Their input has helped and inspired us to develop products and marketing which will bring greater creative construction play to girls in the future.



The LEGO Group
advertisement from
France 2012 by Grey

Translation:
Top left: "Their creativity
will make you forgive
anything".
Bottom right: "Are
you ready to forgive
anything?"

LEGO

ON PARDONNE TOUT
À LEUR CRÉATIVITÉ

Êtes-vous prêt à tout pardonner ?
LEGOcreativite.fr



FOCUS

A question from UNICEF

**Bo Viktor Nylund, Senior Advisor,
Corporate Social Responsibility,
Private Fundraising and Partnerships
Division, UNICEF:**

You have introduced a product for girls recently. It is very positive that the report relates to concerns raised from customers in this regard. But, how do your products in general support equal play and life opportunities for boys and girls?

The LEGO Group:

We always aim to listen carefully to our customers, and we introduced LEGO® Friends to add more choice for children. Research shows that girls as well as boys are interested in creative construction play – historically, however,

we have failed to attract many girls. We therefore invited some of these girls to tell us what would be an interesting setting for them, if they were to play with construction toys – the development of LEGO® Friends was the direct result of this participatory process.

We aim to include as many children as possible in construction play, and are therefore pleased to have reached even more children, mostly girls, this time. The road is now open for them to discover other of our diverse products, all available for children of both sexes – we know that e.g. Harry Potter and LEGO® City have been very popular among girls.

Boundaries for marketing to children

Knowing as much as we do about children and play can present us with a dilemma when trying to influence children to wish for a LEGO® product. We do our utmost to communicate the genuine play experience children can expect from a LEGO® product. However, when communicating with children, we are sensitive to the fact that children may perceive marketing messages differently from adults.

In 2012 we reviewed our internal principles and our corporate standard on marketing to children together with key internal marketers. Our support in 2012 to Media Smart, a UK originated Media Literacy Programme, led to the development of the 'Digital Advise Parent Pack' to help parents and children identify and understand the adverts and commercial material they collectively encounter in the online world. You can find the material at <http://www.mediasmart.org.uk/>

Overall we work actively to ensure that our marketing is conducted responsibly and lives up to our stakeholders' expectations. An example would be how we work to integrate the Children's Rights and Business Principles no. 6 'Use marketing and advertising with respect and support children's rights' in our daily marketing approach.



Issues in a global supply chain – our approach

As a global company we face global issues and challenges. We depend on the partnerships we have with our many global partners. In fact, we have made them a promise that requires us to have mutual benefit for our co-operation. Through our approach we want to play an active part in improving the wellbeing for all employees in our supply chain as this helps protect our company's strong reputation.

Approach based on human rights

The LEGO Group experiences a growing expectation from society in general and from Non Governmental Organisations that we elevate the promotion of internationally acknowledged human rights. We fully support this expansion, as we recognise that we impact upon a wide range of human rights through

our business activities. As evidenced throughout this progress report, the LEGO Group is already protecting and supporting human rights in many ways. Examples are children’s right to play, and the rights of employees to a safe and healthy work environment.

We find that dealing with human rights in a business context is a massive task with wide-ranging aspects and dilemmas, which is why we began developing a human-rights strategy in 2011. A key component of the strategy process is a human-rights impact assessment of our value chain. The impact assessment will lead to a list of potential risks and leadership opportunities, which in turn will direct our human-rights strategy to where the LEGO Group can have a positive impact. We expected the work to be finalised and adopted in 2012. However, it has proved a more complex task than we foresaw and we have decided to take the time needed to do it right. We estimate the work will be completed in 2013.

Our Code of Conduct

As a part of our human rights profile, we encourage our suppliers and business partners to respect their employees’ human rights, including providing them with decent working conditions. Since 1997 we have required that our suppliers and business partners sign our Code of Conduct. In order to follow their performance and continuous improvement, we monitor compliance via independent on-site audits – and we engage in proactive co-operation

Code of Conduct

Indicator	Major Code of Conduct non-conformities at suppliers solved (t
2012 dedication	100%
2012 realisation	90% <ul style="list-style-type: none">• More stringent follow-up procedures• Less flexibility regarding extension of deadlines
2013 roadmap	<ul style="list-style-type: none">• Continuous focus on working hours• Capacity building with suppliers
2013 target	100%

and capacity building of our suppliers to promote sustainable supply chains. In 2012 we reviewed our own audit management system resulting in an improved alignment of processes globally.

The LEGO Group had 70 core-line suppliers located in high-risk and intermediate-risk countries with possible human rights issues in 2012. During the year we performed 44 audits at these facilities.

With a resolution rate for 2012 at 90%, we did not succeed in resolving our target of 100% of major non conformities found at our suppliers. While we are adamant that they will be solved, we prioritise openness and integrity in the dialogue over simple timeline compliance. For example, we missed our 2012 target because we extended the deadline for compliance for five findings, but in doing that we were able to reach a satisfactory solution for two of them already in January 2013. Furthermore we had to terminate our co-operation with one supplier in Asia due to lack of willingness to solve the issue.

We believe in capacity-building of suppliers as the best way to make progress and avoid copying past mistakes to new parts of the world. We also find it equally important to be willing to take the tough decisions and cease a partnership if no progress is possible – even if it comes at a cost to business.



FOCUS

A spotlight on working hours in China

Working conditions at our suppliers in China continues to be a focus area for us and we do whatever possible to build capacity and be transparent. The Pearl River delta where most of our Chinese suppliers are situated is currently struggling with labour shortages. This combined with even more competition due to the slowdown of the global economy means, the issue seems to be as important as ever. We also find that migrant workers want to work more in order to support their families and not be away from home any longer than necessary.

In 2012 our commitment to safe and good working conditions was strengthened. We issued a new Code of Conduct which we will be implementing now and in the years ahead. Our requirement of a maximum working week of 60 hours has been made more explicit as well as our commitment to proper remuneration.

The full code is available on our website.

Code of Conduct highlights

Child labour must not be engaged in or benefited from.

Forced or compulsory labour must not be used or benefited from.

Physical punishment, threats of violence or other forms of mental or physical coercion or abuse must not be used.

Employees must at a minimum be paid the local minimum wage for a standard working week, or the industry benchmark, whichever is higher.

The rights of the employees to choose to be a member of a trade union and to bargain collectively as permitted by local laws and regulations must not be interfered with or restricted.

Discrimination, directly or indirectly, in hiring and employment practices on grounds of race, colour, sex, language, religion, political or other opinion, age, national, social or ethnic origin, property, sexual orientation, birth or other status must not be engaged in or supported.

In 2012 we developed a working hours control tool and we also seek to solve social issues by improving the effectiveness of our suppliers through a more LEAN manufacturing process. Better utilisation of the production hardware improves the business of our supplier and allows them to adjust, for example, working hours.

The 2012 edition of the Code of Conduct

In 2012, the fifth edition of the LEGO Group's Code of Conduct was published. It features a stronger emphasis on ensuring that our suppliers live up to the highest local legislation and international standards and recommendations from, for example, United Nations and International Labour Organisation (ILO).

The Code also extends and formulates more precise requirements towards our sub-suppliers and ensures that all employees, including migrant workers and other vulnerable populations such as home-workers, are secured a respectable work environment. One example is the requirement that no worker works more than 60 hours a week.

As an addition to the 2012 Code of Conduct all suppliers should set specific targets in relation to environmental improvements and set specific targets to drive down waste, energy usage and emissions, alongside recycling products and embedding new environmental friendly technologies.

With all our suppliers we strive to actively engage and implement the fifth edition of our Code of Conduct. However, we do expect full implementation to be adopted in stages in some of the human rights high risk countries we operate in. To enforce our position we will leverage the influence we have to seek the needed progress.

Responsible Code of Conduct for Outbound Licensing Partners

The LEGO Group requires all of its licensing partners to provide written assurance that their vendors comply with the LEGO Group Code of Conduct. In 2012 we made sure that licensing partners and their vendors audit their suppliers in risk countries on an annual basis. This is the same requirement we have towards our own suppliers.

Collaborating with the industry – ICTI Care Process

In 2012, the LEGO Group had 14 suppliers certified by the ICTI Care Process in Asia. The LEGO Group has access to the audit reports and reviews them continuously. Should there be any major non-conformities with the LEGO Group standards, the LEGO Group will contact the suppliers and, if relevant, conduct on-site inspection to check if corrective action is implemented. Also in 2012 the ICTI Care Process announced that from 2013 they will launch a more ambitious seal which factories can obtain only if they adhere to a 60 hour working week, although allowing up to 66 hours of overtime in a twelve week

period per year. The LEGO Group was pleased to witness this necessary progress as this is closer to alignment with the LEGO Group requirements. The LEGO Group has been committed to the ICTI (International Council of Toy industries) Care Process since 1 January 2006 (Date Certain commitment).

Whistle-blower – a way to speak up

Our whistle-blower infrastructure gives employees the opportunity to report behaviour they consider to be in violation of the guidelines that safeguard the integrity and policies of the LEGO Group, as well as any law or regulation. Employees decide whether he or she wants to be anonymous. All reports are sent directly to the LEGO Group's General Counsel. Employees can communicate in their local language and guidance text is available in our five company languages. The existence of the whistle blower infrastructure has been communicated in articles on our intranet, as part of an E-learning program mandatory for all Directors and levels above, and a handbook on business conduct is given to all employees as part of introduction in Denmark. The whistle blower link can be accessed by employees from the front page of our intranet.

Business Integrity

Doing business in most countries of the world we need to respond to the issue of widespread corruption. According to the United Nations Global Compact, corruption adds 10% to the cost of doing business. We see those resources as a missed

chance to invest in children's opportunities and future. In addition, corruption obstructs children's right to have access to social services such as schooling and health care.

In 2012 100% of all employees at Director level and above completed our biennial e-learning training programme in business integrity. Additional employees working directly with customers and suppliers have completed the training programme. The training programme explains the LEGO Group's position on several business conduct areas, e.g. bribery, antitrust and facilitation payments.

Competition compliance

It is imperative for the LEGO Group that its business operations reflect real and full compliance with relevant competition laws. Violation of competition laws would let children, their parents and our customers down, and could also severely compromise the public reputation of the LEGO Group and expose it to costly and time-consuming investigations and litigation. Further, significant fines could result from violations of competition rules, and the company could even face additional claims for damages from customers and competitors.

Share operational knowledge – partners in production

With some strategic partners within our operation, we maintain an open book principle to enable

benchmarking of the financial costs related to production. Through this we are able to compare our internal production cost globally and share key insights with partners on optimisation of the manufacture expenditure. The openness allows us to better understand the supplier's pricing model and work with them on the fixed, semi fixed and fully variable costs thereby giving both partners a more focused way of reviewing the overall costs.

Tax and other economic impacts

Tax is a major aspect of business in the community. On the wider agenda, the economic impact of our business on society is based on the direct and indirect employment and associated money flows, including tax paid. In 2012 the corporate tax bill for the LEGO Group was DKK 1,909 million, which implies an effective tax rate of 25.4%.

FOCUS

Engaging with licensing partners

Through a licensing partnership, a Chinese based manufacturer produced a series of LEGO® licensed books at their facilities. An independent undercover investigation by 'Students & Scholars Against Corporate Misbehavior group' (SACOM) reported a malpractice in regards to working practices at the facility, which is a breach to the LEGO Group's Code of Conduct.

The audit process had identified similar concerns and engagement with the partner to solve the issues at hand has been prioritised. The manufacture of the licensed product has now been moved to another facility complying with the LEGO Group's Code of Conduct.

Subsequent to the SACOM report, an extended audit looked into the culture of the manufacturer, because if a business and its partnerships are to be sustainable, a compatible ethical culture must be in place. This has

contributed to the creation of evolved social accountability programmes that look to root causes and acknowledge the responsibilities and influences along the entire supply chain.

Responsible purchasing means using your spend in a way that supports and impacts cultural, social and workplace change. We ensure suppliers that we will support their development, and we are constantly refining the tools available to do this. However, it is made clear that there will be commercial consequences if the supplier continues to be non-compliant. The supplier in question has responded positively by improving their working culture and practices, and is actively engaged in an on-going process of improvement. This social accountability programme will be rolled out to all suppliers.

All licensing partners must comply with the Code of Conduct and audit their suppliers on an annual basis.





Playing it forward – supporting our communities

An integrated part of our corporate citizenship is nurturing and supporting communities that are affected by the LEGO Group's activities. From the local community hosting our production facilities, to the community of people caring for the LEGO® brand and playing with LEGO® play materials, to the global community, the LEGO Group has an important part to play as an advocate for children.

To engage locally, value creation is key for both the recipient and the LEGO Group, in the form of building relationships and developing partnerships as part of our employer branding. We are proud of the many activities and ideas our company and products inspire but, we also see a need for more transparency in our engagement with stakeholders,

and more opportunities for generating value through synergies. To achieve this, we are currently revising our strategy for our local community engagement, to focus on more opportunities for collaboration and to strengthen the relationships and community presence we have already developed.



FOCUS

Local community engagement in Kladno, Czech Republic

The contribution from the LEGO Group helped to build non-barrier access to the grammar school in Kladno which allows disabled kids on a wheelchair to attend classes. Furthermore, the cooperation between the LEGO Group and the charity organisation Drop of Hope and Dr. Claun helped to make the time children spent in the hospital a bit more fun.



Philanthropic outreach – access to quality play and learning for children

Engaging with the community under the LEGO® brand is to a very large extent carried out through a number of foundations set up by the Kirk Kristiansen family over time; the primary one in terms of outreach being the LEGO Foundation.

In 2012, the total value of donated products and financial support from the LEGO Foundation, LEGO Charity and the family foundations was DKK 148 million. In collaboration with international partners such as UNHCR, UNICEF, Save the Children, Médecins Sans Frontières, Danish Church Aid and the Danish Refugee Council, the LEGO Foundation donated 21,030 LEGO Charity boxes and 36,470 LEGO sets which reached children in more than 90 countries around the world, from Guatemala and Ghana to Malaysia and Moldova.

The LEGO Foundation

The LEGO Foundation was founded in 1986, and it holds 25% of the LEGO Group shares. The activities are based on the belief that all children should have access to quality play and learning experiences. The LEGO Foundation has a goal of creating impact by inspiring and developing children and youth to become active citizens – and to empower them to create a better future for themselves – through fun, creativity and high quality learning. This is done through programmes such as LEGO Charity, Care for Education and Care for LEGO Local Communities.

Since 2009, 600,000 students have been involved in learning with LEGO® product through the LEGO Foundation Care for Education programme, and 350,000 children received product donations through LEGO Charity in 2012 alone.

The work of the LEGO Foundation is based on the LEGO® Brand Framework and like the LEGO Group, the LEGO Foundation's mission is to “Inspire and develop the builders of tomorrow”. Through product donations, grants, education support, teacher education and research, LEGO products and hands-on learning experiences are made accessible to children all over the world, irrespective of their social status.

Programmes under the LEGO Foundation: LEGO Charity

The aim of LEGO Charity is to donate LEGO® products to underprivileged children around the

world. LEGO Charity supports everything from minor projects where passionate individuals bring happiness and creative play to local children, to long-term projects in co-operation with partners such as United Nations High Commissioner for Refugees and Save the Children.

All LEGO Charity products are packed by LEGO® employees or retirees, who are now doing valuable voluntary work. Over five years ago the first retirees volunteered for what began as packing Christmas presents for children at Danish hospitals. It has now grown to involve more than 175 retired employees, which each pack LEGO Charity boxes twice a month. We are very proud to have such dedicated retired staff.

In 2012 LEGO Charity packed 21,030 Charity boxes and donated 76,650 LEGO sets and comfort bags that spread joy and play to children all over the world. A LEGO Charity box contains eight to ten kilos of either LEGO elements or LEGO DUPLO® elements.

Care for Education

This LEGO Foundation programme supports children from preschool age up to senior high school and combines product donations with training for teachers and child-care workers in the LEGO learning philosophy – System for Learning. The programme supports development and improvement of kindergartens, schools and school



FOCUS

A play-break for underprivileged Filipino children

At the beginning of 2012, the American non-profit organisation, Project PEARLS, received a donation from LEGO Charity of six LEGO® Play boxes and six LEGO® DUPLO® Play boxes. The organisation provides help to children in the Ulingan slum community of Manila. Activities include distributing food, providing medical assistance and education. The Ulingan community counts about 400 families.

The LEGO® bricks are now used in Project PEARLS' Brain Booster Programme. The programme runs every Saturday and 150-200 children take part. The activity provides the children with a play-break from their everyday and an opportunity to learn skills. Volunteers teach the children to read, write and count. They offer to help with homework and the children can cut, glue and draw – and now also build, play and learn with LEGO® bricks.

systems. Key to this is giving the tools to provide a form of education which motivates children to become involved students, capable of and interested in becoming active members of society.

The programme supports projects in various countries from Mexico to Ukraine, China, Brazil, India and South Africa. Care for Education works closely with local ministries of education, NGOs, foundations and private enterprises. In addition to products and training, the programme supports research and organisational development.

Care for Education also aims at supporting after school activities such as FIRST LEGO League or World Robotic Olympiad competitions. In 2012, around 200 teams of youngsters were supported through product donations, coaching and travel grants so they too could join these popular robotic competitions. A special effort is made to collaborate with IT companies like American National Instruments to secure quality coaching for some of these teams and help them to eventually get on a path to higher education.



FOCUS

Crazy Divas robotic adventure

For the last four years, the LEGO Foundation and the UBS Optimus Foundation have helped improve access to education for children in the whole Atteridgeville township (a community of 250,000 inhabitants near Pretoria). However, it became clear that when the students exit the primary school after 7th grade, they also leave the project and their talents are no longer nurtured going forward.

So the local LEGO Foundation partner, Hands on Technologies (HOT) set up a resource center in the township offering robotic after-school classes. The first resource center was opened in April 2012 as a small pilot hosting 40 children, and soon after teams which would compete in the national World Robotic Olympiad (WRO) were formed – one of them being 'the Crazy Divas' – a team of three girls.

These three girls showed so much talent, enthusiasm and passion that they managed to finish second on the WRO competition in South Africa. This is a remarkable achievement for three teenage girls who got their first LEGO MINDSTORMS experiences just five months before. Sponsored by the LEGO Foundation, the Crazy Divas went to the international WRO event in Malaysia in November 2012. Leaving their country for the first time, the three Divas travelled all the way to Kuala Lumpur with a high level of excitement and motivation. Competition was tough and though they did not win, they fought with bravery and smiles all the way as they faced teams from all over the world. The Crazy Divas loved every minute of their experience and the ability to represent their community and promised themselves to practice and keep learning – so they can return and win.



Performance and compliance



Governance

The LEGO Group is owned 75% by KIRKBI A/S and 25% is owned by the LEGO Foundation through an investment company. KIRKBI A/S is the holding and investment company of the Kirk Kristiansen Family. Operating responsibly and according to good governance is a major priority for the LEGO Group.

Good governance in a family-owned company

Corporate governance exists to ensure that directors act in the owners' interest. In the LEGO® context, the separation of owners' interests from that of the directors is less of an issue, as the owners are on the Board of Directors and close to the day to day business. Therefore, the LEGO Group has adopted the governance standards to make sense in the context of family ownership that employs

a professional management team and has an independent Board of Directors.

Since the establishment of the LEGO Group in 1932, the company has been privately owned by the Kirk Kristiansen family. Our approach to good corporate governance is focused on combining the strengths and benefits of being privately owned with good corporate governance for listed companies. A benefit associated with being privately owned by few family owners include having owners close to the business with strong industry knowledge and strong values, which can be inspiring and supporting for the development of the company and the employees. Other benefits of family ownership are the ability to have long-term focus and to move fast and be agile in response to changes in the business environment.

Board of Directors

The LEGO Group's Board of Directors consists of seven members. Three of these are considered dependent on the company; two due to ownership of KIRKBI A/S, and one due to being in the management of the parent company, KIRKBI A/S. The Chairman and three other members are considered to be independent.

As a family-owned business, it is important to maintain a professional management of the company, including a strong and competent board of directors.

The LEGO Group has a decade-long practice of electing the Chairman from among the independent board members. The owners work to ensure professional board management, including the definition of required board competencies to ensure a diverse and complementary composition of the board, regular board self-assessments, competitive compensation paid to the board of directors, and clear and specific rules on the mandate for each of the management bodies in the LEGO Group.

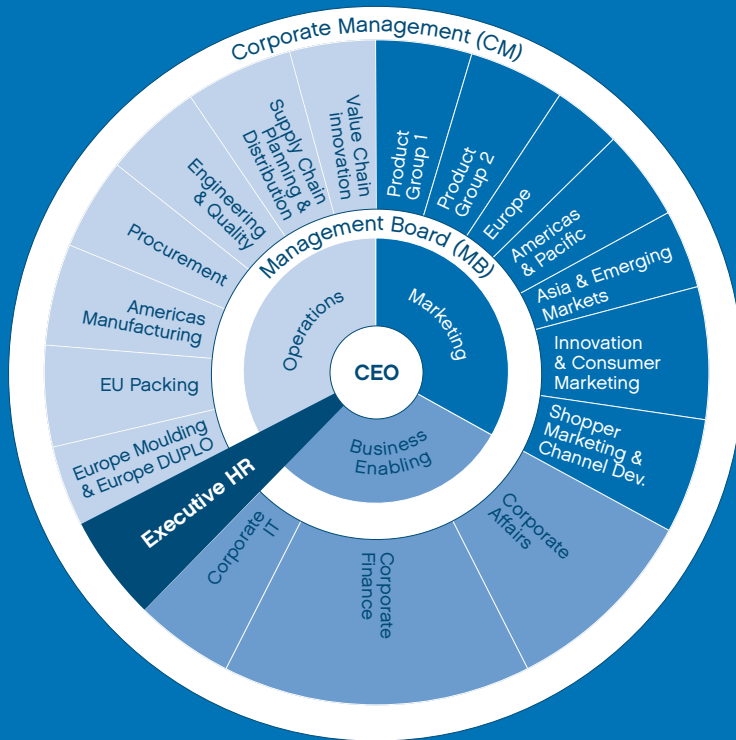
Furthermore, as a family-owned company, the LEGO Group is more exposed to the risks involved in the handover from one generation to the next. To mitigate this risk, a plan has been prepared and implemented that secures high involvement of the next generation of the family owners in company matters related to the ownership.

Corporate Management

The LEGO Group Management Board and Corporate Management team, consist of 22 members organised in three main areas: Operations, Marketing and Business Enabling.

The LEGO Group Management Board consists of the President and Chief Executive Officer, Jørgen Vig Knudstorp, the Chief Financial Officer, John Goodwin, the Chief Operating Officer, Bali Padda and the Chief Marketing Officer, Mads Nipper. The Management Board reports to the Board of Directors.

Organisational structure



The Group Management Board together with 18 Senior Vice Presidents forms the Corporate Management, which is the LEGO Group's daily management body. The cross-functional nature of Corporate Management facilitates collaboration, quick decision-making and clear authority delegation.

Corporate Compliance Board

The LEGO Group also has a Corporate Compliance Board which is the highest decision board with respect to non-compliance issues in the LEGO Group.

The Corporate Compliance Board reviews that:

- external regulation is observed in the LEGO Group;
- corporate policies and standards are developed in accordance with the strategic direction, position and values of the LEGO Group, as well as external regulation;
- non-compliances to external regulation and corporate policies and standards are addressed;
- ethical issues are addressed in the spirit of the LEGO® brand and values and relevant guidance for the organisation is available.

The decision making members are the CFO (Chairman), the General Counsel and the head of Corporate Affairs. The board has an explicit obligation to report to the Board of Directors on compliance matters.

Creating value with four promises

The LEGO Group has a strong focus on ensuring the balance between the value created for the owners, and value creation for the remaining stakeholders of the company such as consumers, employees, customers and other partners. The owner family's business philosophy is that creating value for the company's stakeholders will also result in long-term value creation for the owners. The LEGO® Brand Framework, including its four promises to various stakeholder groups, supports this thinking, and therefore is the core foundation for how we do business.

Policies

The LEGO Group has a framework of 12 corporate policies, which all provide position and guidance on issues. For example our Responsibility Policy ensures that our spirit and company values are not compromised. Our Health and Safety Policy helps to ensure that all our activities are planned and executed in accordance with sustaining a healthy and safe working environment.

Please see an overview in the section 'The LEGO Group's policies, positions and strategies' on page 184.



2012 Performance Data

Consumers

Note	Measures	2010 Results	2011 Results	2012 Targets	2012 Results	2013 Targets
a	Number of product recalls	0	0	0	0	0
b	Consumer complaint call rate	779	623	<=550	792	<=900
c	Net Promoter Score Index®	120	120	102*	105	105

Employees

Note	Measures	2010 Results	2011 Results	2012 Targets	2012 Results	2013 Targets
1, d	Number of employees	9,843	10,790	N/A	12,264	N/A
1	Female	48.6%	47.4%	N/A	47.4%	N/A
1	Male	51.3%	52.6%	N/A	52.6%	N/A
	Average age	36.5	36.4	N/A	36.3	N/A
2, f	Rate of employee turnover	9.3%	8.1%	N/A	8.8%	N/A
e, j	Director level and above promotions (externally recruited or internally appointed) of female employees	32%	23%	>=30%	34%	>=30%
g	Sick leave	2.2%	2.1%	<=2.3%	1.9%	2.2%
3	Number of injuries with absence	44	36	N/A	37	N/A
h	Injury rate	3.0	2.1	<=1.8	1.9	<=1.5
i	Absence rate due to injuries	0.29	0.35	<=0.20	0.18	<=0.14
m	Work-life range to global scorecard	+4	+6	+0	+6	+0
l	Motivation and satisfaction	+12	+14	+10	+15	+10
k	Employee Net Promoter Score**	60%	62%	62%	56%	62%

Partners

Note	Measures	2010 Results	2011 Results	2012 Targets	2012 Results	2013 Targets
n	Percentage of Director level and above at LEGO Group sites trained in business integrity biennially	98%	79%	100%	100% ●	100%
o	Number of audits conducted at main LEGO sites	20	20	N/A	23	N/A
p	Number of major quality non-conformities found at main LEGO sites	5	1	0	0	N/A
p	Number of major EHS non-conformities found at main LEGO sites	8	10	0	0	N/A
p	Number of major CoC non-conformities found at LEGO sites	1	0	N/A	3	N/A
q	Percentage of major quality, EHS and CoC non-conformities found in audits at main LEGO Group sites solved in accordance with corrective action plans	n/a	n/a	100%	100% ●	100%
r	Total number of core and extended line suppliers	117	154	N/A	139	N/A
r	Number of quality audited suppliers	33	47	N/A	32	N/A
r	Number of CoC audited suppliers***	33	54	N/A	44	N/A
r	Number of major quality non-conformities found at suppliers	26	33	N/A	20	N/A
r	Number of major CoC non-conformities found at suppliers	66	64	N/A	46	N/A
s	Percentage of major quality non-conformities found in supplier audits solved in accordance with corrective action plans	100%	100%	100%	100% ●	100%
t	Percentage of major CoC non-conformities found in supplier audits solved in accordance with corrective action plans	100%	98%****	100%	90% ●	100%

Surrounding environment

Note	Measures	2010 Results	2011 Results	2012 Targets	2012 Results	2013 Targets
u	Raw materials, plastic, 1,000 tonnes	42	49	N/A	57	N/A
v	Water consumption, 1,000 m3	220	225	N/A	279	N/A
w	Total energy consumption at production sites, GWh	174	198	N/A	224	N/A
x	Energy efficiency improvement	n/a	+2.4%	+2.5%	+4.1% ●	+2.5%
y	Waste, tonnes	9.644	11.055	N/A	14.237	N/A
z	Recycled waste, % of total registered waste	87%	88%	<=88%	88% ●	90%

* The NPS definition for 2012 was changed using different measuring points and weighting by consumer impacts. 2011 was new baseline, index 100.

** In 2012, the Employee Net Promoter Score is reported as a percentage (reflecting how the metric is fundamentally calculated as %promoters minus %detractors), as this is in line with how it is used internally both as Leadership target and focus area. If externally benchmarked the LEGO Group is +72 percentage points ahead the EEI (56% vs an EEI benchmark of -16%).

*** In 2011, the number included audits held at sub suppliers, thus the numbers has been adjusted from 61 - 54.

**** Correction to 2011 definition used: The percentage of Code of Conduct non-conformities found at audited suppliers solved within the agreed timeframe or in process according to the corrective action plan.

The Customer Pulse measure is not available within the reporting time frame and has thus been omitted. Going forward the measure will be handled through a direct partnership dialogue with our customers.

Target met ● Target not met ●

Notes to performance data

Note 1

Total number of employees	2010	2011	2012
Female	4,790	5,118	5,812
Male	5,053	5,672	6,452
Total	9,843	10,790	12,264
Asia	184	219	224
Americas and Oceania	2,751	3,286	4,135
Europe	6,908	7,285	7,905
Total	9,843	10,790	12,264
Top management	47	50	54
Management	310	335	370
Other	9,486	10,405	11,840
Total	9,843	10,790	12,264

Note 2

New hires, rehires and terminations	2010	2011	2012
New hires and rehires	2,731	1,754	2,219
Terminations	753	759	1,305
Dismissed	367	336	396

Note 3

Number of injuries with absence	2010	2011	2012
Americas	6	10	14
Europe	38	26	23
Total	44	36	37

Note 4

Injury rate per million working hours	2010	2011	2012
Americas	1.8	2.4	2.7
Europe	3.3	2.0	1.6
Total	3.0	2.1	1.9

Note 5

Third party audits for main LEGO Group sites	Code of Conduct	ISO 9001	ISO 14001	OHSAS 18001
Billund, Denmark	39	23-24	23-24	23-24
Kladno, (MC) Czech Republic	40	40	40	40
Kladno, (Production) Czech Republic	40	40	40	40
Nyíregyháza, Hungary	47	35	35	35
Monterrey, Mexico	37	38	38	38
Hong Kong, China		44		
Slough, UK				36
Enfield, USA				38
Munich, Germany				36
Total number of audits	4	6	5	8
Total number of major non-conformities	3	0	0	0

Note 6

Total number of suppliers split on Code of Conduct risk assessment	Direct	Extended	Total
Hong Kong / China	14	17	31
Mexico	13	0	13
High-risk countries, total	27	17	44
Czech Republic	7		
Hungary	5		
Italy	2		
Japan	1		
Korea	0		
Poland	0	1	
Slovakia	4		
Romania	2		
Taiwan	0	1	
USA	3		
Intermediate-risk countries, total	24	2	26

Austria	3		
Canada	0		
Denmark	24	7	
Germany	13	4	
UK	3	1	
Netherlands	1		
Switzerland	2		
Sweden	11		
Low-risk countries, total	57	12	69
Total	57	12	139

Note 7

Total number of BOM suppliers audited	Code of Conduct	Quality
Total number of BOM audits	44	32
High-risk countries	33	
Intermediate-risk countries	11	

Note 8

Total number of major Code of Conduct non-conformities found at suppliers	
High-risk countries	39
Intermediate-risk countries	7
Total	46

The audits provide a basis for dialogue with the suppliers, and the major non-conformities set the main focus for the continuous improvement process. The 46 major non-conformities for the Code of Conduct area can be summarised as:

- 10 related to working hours
- 9 related to wages
- related to environment
- 22 related to health & safety
- related to under age labour
- related to freedom of association
- related to employment terms
- related to disciplinary practices
- related to integrity, transparency and corruption
- 5 related to monitoring and evaluation

Accounting policies

Data has been calculated by consolidating data for the parent company (LEGO A/S) with data for all subsidiaries. Consolidation is based on data of a uniform nature and calculated using the same methods. However, data relating to health and safety includes only data from plants with more than 100 employees. Similarly, environmental data relates only to production facilities. The measurement method remains unchanged from last year. Data measurement methods and the basis of calculations are addressed below.

Consumers

a) Number of product recalls

Product recalls are calculated as launched products recalled from the market due to product safety issues and calculated per stock keeping unit.

b) Consumer complaint call rate

The consumer complaint call rate is calculated as the number of consumer complaints received relating to products launched in the year of reporting as a parts per million (ppm) of the number of products sold in the launch year. Due to the substantial Christmas trade, and in order to give a true and fair view, complaints received in January of the following year are also included in the calculation, corresponding to a 13-month period.

c) Net Promoter Score Index®

In connection with consumer contacts and the LEGO Group's online sales, randomly selected consumers are asked how likely they are, on a scale from 0-10 (10 = best), to recommend the purchased product or service to others. The development in promoters – levels 9 and 10 – minus the development in detractors – levels 6-0 - is calculated and shown in this Progress Report with 2005 as index basis.

Employees

d) Number of employees

Comprises all employees paid by the LEGO Group, including permanently employed staff, contractually employed staff, and trainees. The statement is calculated at the end of the year and measured as headcount.

e) Job classification

Top Management comprises all employees at Vice President level or above. Management comprises Senior Directors and Directors. The director level and above consists of Senior Management and Management. Other employees are included in the group "Others".

f) Rate of employee turnover

Employee turnover is measured as the number of permanent employees who have voluntarily left the LEGO Group during the reporting period compared to the average number of permanent employees during the reporting period. The average is calculated on the basis of monthly data. The number of new employments and rehires as well as dismissals is also stated.

g) Sick leave

Sick leave is calculated as time lost due to the employees' own illness. The sick leave is calculated as the number of absence hours as a percentage of the total number of working hours excluding holidays and non-business days. Only data from sites with more than 100 employees and LEGO® Brand Retail stores is included.

h) Injury rate per million working hours

The number of occupational injuries is calculated as the number of occupational injuries resulting in at least one day's absence following the day of the injury. The rate of occupational injuries is calculated per million working hours. Only data from sites with more than 100 employees and LEGO® Brand Retail stores is included.

i) Absence rate due to injuries

The number of absence hours as a consequence of occupational injuries. The rate is calculated per 1,000 working hours, and the absence is calculated from the day following the injury. Only data from sites with more than 100 employees and LEGO® Brand Retail stores are included.

j) Director level and above promotions

(externally recruited or internally appointed) of female employees. The number of female director levels and above promotions (externally recruited or internally appointed) is shown as a percentage of all promotions into the director level and above group of employees.

k) Employee Net Promoter Score

At the end of the reporting year a survey, the Employee Pulse, is carried out in which all employees are asked to evaluate the LEGO Group as a workplace. The questions cover a wide range of the areas included in the LEGO Group strategy and measure the employees' motivation and commitment. The results are used to identify significant target areas at Group and departmental level. New measure is Employee Net Promoter Score (E-NPS) based on the results for the Pulse question "I would recommend the LEGO Group as an employer to other people". The E-NPS is calculated by subtracting number of detractors (1-6 on the 10-point scale) from the number of active promoters (answering 9-10). The 13 largest LEGO Group employment countries are included in the calculation.

l) Motivation & Satisfaction

The Motivation & Satisfaction index is based on a LEGO® Motivation & Satisfaction score calculated on the basis of 4 questions in our annual employee engagement survey "the LEGO Pulse" (1. I always look forward to going to work., 2. I feel motivated in my job., 3. From an overall point of view, how satisfied are you with your job at the LEGO Group?., 4. Imagine

the perfect place of work. How close is this ideal to your place of work?) and compared to a comparable benchmark called "LEGO EEI" which is calculated as a weighted average of the EEI (European Employee Index) results for the eleven largest LEGO® employee countries.

m) Work-life range to global scorecard

The Worklife balance index is based on a LEGO® Worklife balance index score on the basis of one question in our annual employee engagement survey "the LEGO Pulse" (I feel good about the workload in my job) and compared to a comparable benchmark called "LEGO EEI" which is calculated as a weighted average of the EEI (European Employee Index) results for the eleven largest LEGO® employee countries.

Partners

n) Percentage of director level and above at LEGO sites trained in business integrity biennially

The percentage is calculated as director level and above (employed for more than three months) having completed the e-learning programme in Business Conduct biennially as a percentage of all director level and above (employed for more than three months) in the LEGO Group.

o) Number of audits conducted at main LEGO Group sites

The number of audits conducted at LEGO Group sites is calculated as third-party audits connected to the certification process or voluntary Code of Conduct audits.

p) Number of major non-conformities found at main LEGO Group sites (Quality/EHS/CoC)

The number of major quality, EHS and Code of Conduct non-conformities found during third party audits conducted at LEGO Group sites.

q) Percentage of major quality, EHS and Code of Conduct non-conformities found at audits at main LEGO sites solved in accordance with corrective action plans

The percentage of major quality, EHS and Code of Conduct nonconformities found by third-party audits at main LEGO Group sites which have a deadline for the corrective action in the reporting year and which have been solved within the agreed deadline.

r) Data relating to suppliers and business partners

The number of suppliers includes the LEGO Group's active direct suppliers calculated at the end of the reporting period. The number is broken down into direct suppliers and extended line suppliers. Direct suppliers deliver bill of material (BOM) components whereas extended line suppliers primarily deliver merchandise. Suppliers do not include indirect purchases. The number of suppliers who have been audited is calculated as the number of suppliers visited with a view to formalised monitoring and reporting of compliance with quality standards or Code of Conduct. The number of significant discrepancies is reported. These form the basis of the continued dialogue with the suppliers in order to continuously work on improvements.

s) Percentage of major quality non-conformities found at supplier audits solved in accordance with corrective action plans

The percentage of major quality non-conformities found at suppliers which have a deadline for the corrective action plan in the reporting year and which have been solved within the agreed deadline.

t) Percentage of major Code of Conduct non-conformities found at supplier audits solved in accordance with corrective action plans

The percentage of major Code of Conduct non-conformities found at audited suppliers which have a deadline for the corrective

action in the reporting year and which have been solved before the agreed deadline. Non-conformities found at ICTI Care certified suppliers are not included.

Surrounding environment

u) Raw materials

Raw materials are calculated as plastic granulate used in manufacturing at LEGO Group sites.

v) Water consumption

Water consumption is calculated as the quantity of water supplied to the LEGO Group. Only data from LEGO Group sites with production is included.

w) Energy consumption

Energy consumption is calculated as the total energy in the form of electricity and heating supplied to the LEGO Group. Only data from the LEGO Group sites with production is included.

x) Energy efficiency improvement

The energy efficiency improvement is calculated as the rate between energy consumption and raw materials used. The data is shown with the previous year as baseline. Only data from LEGO Group sites with production is included.

y) Waste

Waste is calculated as the recorded quantities of waste disposed of by the LEGO Group. Only data from LEGO Group sites with production is included.

z) Recycled waste

The recycled waste percentage is calculated as the recycled quantities of waste disposed compared to total quantities of waste disposed. Only data from LEGO Group sites with production is included.

The LEGO Group's policies, positions and strategies

Our Policies	http://aboutus.LEGO.com/en-us/LEGO-group/corporate-policies/
Our commitments	United Nations Global Compact: http://aboutus.LEGO.com/en-us/LEGO-group/code-of-conduct/global-compact/ ICTI Care: http://aboutus.LEGO.com/en-us/LEGO-group/code-of-conduct/icti-care/
Sustainability positions	http://aboutus.LEGO.com/en-us/sustainability/
Strategies and targets	http://aboutus.LEGO.com/en-us/sustainability/goals-and-progress/
Certificates	US Product Safety Compliance – ECERT: http://aboutus.LEGO.com/en-us/LEGO-group/product-safety/
Code of Conduct (7 languages)	http://aboutus.LEGO.com/en-us/LEGO-group/code-of-conduct/
Information on Product Recalls	http://service.LEGO.com/en-us/product-recalls/
Corporate News	http://aboutus.LEGO.com/en-us/news-room/
The LEGO Group Progress Report archive	http://aboutus.LEGO.com/en-us/sustainability/goals-and-progress/progress-report/
Visit the LEGO Group	http://aboutus.LEGO.com/en-us/LEGO-group/programmes-and-visits/

About the Report

This Progress Report 2012 and the Annual Report 2012 summarise the reporting commitments and the sustainable development initiatives of the LEGO Group in 2012.

The purpose of the Progress Report 2012 is to provide our stakeholders with a fair and balanced picture of our sustainability efforts in 2012. The report provides an overview of our activities, practices, goals and results. The Progress Report 2012 also serves as our annual communication on progress in sustainability, as required by the United Nations Global Compact. The report is the statutory statement on Corporate Social Responsibility according to section 99a of the Danish Financial Statements Act.

The report is developed in accordance with the main reporting principles of the Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI).

We are also inspired by the voluntary standard AA1000 Accountability Principles drawn up by the Institute of Social and Ethical Accountability (AccountAbility).

The basis of the report, the scope, and the materiality determination are all based on a dialogue with main stakeholders about issues that are material to them.

For the 2012 report, we have applied the same model as we have used since 2008 for selecting sustainability content. Earlier reports can be found on our website at www.LEGO.com

Any forward-looking announcements on expectations in relation to the performance of the LEGO Group are subject to risks and uncertainties which may be beyond the control of the LEGO Group. For this reason, actual results may vary from the proclamations made herein.



Read more: <http://aboutus.LEGO.com/sustainability>

Assurance statement

Assurance Statement for LEGO Group's stakeholders from the independent auditor

We have reviewed the consolidated non-financial data of the LEGO Group's Progress Report for 2012 as expressed on pages 172-178.

Criteria for preparation of the Progress Report's non financial data

The criteria for preparation of the Progress Report's non-financial data are the accounting policies described on pages 179-181. These contain information concerning which of the Group's business areas and activities are included in the reporting, types of data, and Management's reasons for choosing the data included. The non-financial data are factored in accordance with the accounting policies described on pages 179-181.

Delegation of responsibility

Company Management is responsible for preparing the Progress Report's non-financial data, including for establishing registration and internal control systems with a view to ensuring reliable reporting, specifying acceptable reporting criteria as well as choosing data to be collected. Our responsibility is, on the basis of our work, to express an opinion on the 2012 Progress Report's non-financial data.

Scope of our work

We have planned and completed our work in accordance with the International Auditing Standard ISAE 3000 (assurance engagements other than audits or review of historical financial information) for the purpose of obtaining limited assurance that the non-financial data presented on pages 172-178 have been computed in accordance with the stated criteria.

The obtained assurance is limited compared to that of an engagement with reasonable assurance. Our work has thus - based on assessment of materiality and risk - comprised inquiries regarding applied registration systems and procedures, review of data used in connection with preparation of the 2012 non-financial data, and review of underlying documentation, including review of whether the scope of the 2012 non-financial data complies with described accounting policies for the 2012 non-financial data. During the review process, we have visited entities in Billund, Nyiregyhaza and Slough.

Conclusion regarding the 2012 Progress Report's non-financial data

Based on our review, nothing has come to our attention causing us not to believe that the consolidated non-financial data of the Progress Report of LEGO Group for 2012 have been presented in accordance with the stated criteria.

Copenhagen, 21 February 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab



Mogens Nørgaard Mogensen
State Authorised Public Accountant



Henrik Trangeled Kristensen
State Authorised Public Accountant

Global Reporting Initiative and UN Global Compact index

1. Strategy and Analysis

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
1.1 Statement from the most senior decision maker in the organisation	Introducing the LEGO Group; 28-33		1/1		
1.2 Description of key impacts, risks, and opportunities	Introducing the LEGO Group; 28-33, 18-21		1/1		

2. Organizational Profile

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
2.1 Name of organization	Introducing the LEGO Group; 7, 163		1/1		
2.2 Primary brands, products, and/or services	Introducing the LEGO Group; 8		1/1		
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Performance and compliance; 163-167	61	1/1		
2.4 Location of organization's headquarters	Introducing the LEGO Group; 10		1/1		
2.5 Number of countries in which the organisation operates, and names of countries with either major operations or which are specifically relevant to the sustainability issues covered in the report	Introducing the LEGO Group; 10		1/1		
2.6 Nature of ownership and legal form	Performance and compliance; 163-164		1/1		
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)			1/1		

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
2.8 Scale of the reporting organization	Performance and compliance; 181		1/1		
2.8.1 Number of employees	Introducing the LEGO Group; 10		1/1		
2.8.2 Number of operations	Introducing the LEGO Group; 10		1/1		
2.8.3 Net sales		12	1/1		
2.8.4 Total capitalization broken down in terms of debt and equity		14-15	1/1		
2.8.5 Quantity of products or services provided		12	1/1		
2.9 Significant changes during the reporting period regarding size, structure, or ownership	Performance and compliance; 183		1/1		
2.10 Awards received* in the reporting period			1/1		****

3. Report Parameters

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
3.1 Reporting period (e.g. fiscal/calendar year) for information provided	Performance and compliance; 183-184		1/1		
3.2 Date of most recent previous report	Performance and compliance; 184		1/1		
3.3 Reporting cycle (annual, biennial, etc.)	Performance and compliance; 183		1/1		
3.4 Contact point for questions regarding the report or its contents	Performance and compliance; 198		1/1		

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
3.5 Process for defining report content	Introducing the LEGO Group; 20-21		1/1		
3.6 Boundary of the report	Performance and compliance; 183-184		1/1		
3.7 State any specific limitations on the scope or boundary of the report	Performance and compliance; 183-184		1/1		
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Performance and compliance; 183-184		1/1		
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Performance and compliance; 179-181		1/1		
3.10 Explanation of the effect of any re-statement of information provided in earlier reports, and the reasons for such re-statement	No re-statements made in 2012		1/1		
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	No changes made in 2012		1/1		
3.12 Table identifying the location of the Standard Disclosures in the report	Performance and compliance; 188-197				
3.13 Policy and current practice with regard to seeking external assurance for the report	Performance and compliance; 185-187		1/1		

4 Governance, Commitments, and Engagement

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Performance and compliance; 165-167		1/1		
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	Performance and compliance; 167-169		1/1		
4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Performance and compliance; 114, 165-167		1/1		
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Outside the LEGO Group; 109-111, 143		1/1		
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Performance and compliance; 164-169		1/2		
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Outside the LEGO Group; 135-143 Performance and compliance; 182		1/1		
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	Performance and compliance; 165-167		1/2		
4.14 List of stakeholder groups engaged by the organization			1/1		*****

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
4.15 Basis for identification and selection of stakeholders with whom to engage.	Introducing the LEGO Group; 20-21		1/1		
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Outside the LEGO Group; 120-133		1/1		

Economic

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Outside the LEGO Group; 172	9	1/2		
EC 2. Financial implications and other risks and opportunities for the organization's activities due to climate change	Introducing the LEGO Group; 28-33		1/1	7	

Environment

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
EN1. Materials used by weight or volume	Making LEGO® play materials; 91		1/2	8	
EN3. Direct energy consumption by primary energy source	Making LEGO® play materials; 92-93		1/2	8	÷ split

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
EN4. Indirect energy consumption by primary source	Making LEGO® play materials; 92-93		1/2	8	÷ split
EN5. Energy saved due to conservation and efficiency improvements	Making LEGO® play materials; 92-93		1/2	8, 9	÷ improvements
EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Making LEGO® play materials; 92		1/2	8, 9	
EN8. Total water withdrawal by source	Making LEGO® play materials; 109		1/2	8	÷ source
EN16. Total direct and indirect greenhouse gas emissions by weight	Making LEGO® play materials; 93		1/2	8	÷ total scope 1+2
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved	Making LEGO® play materials; 93		1/2	7, 8, 9	÷ quantified CO ₂ reduction
EN22. Total weight of waste by type and disposal method	Making LEGO® play materials; 98-99		1/2	8	÷ type
EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Making LEGO® play materials; 90-99		1/2	7, 8, 9	

Labor Practices and Decent Work

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
LA1. Total workforce by employment type, employment contract, and region, broken down by gender	Performance and compliance; 176		1/1		
LA2. Total number and rate of new employee hires and employee turnover by age group, gender, and region	Performance and compliance; 176		1/2	6	÷ age group
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Making LEGO® play materials; 102-107 Performance and compliance; 176		1/2	1	÷ by gender
LA13. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Making LEGO® play materials; 115		1/2	1, 6	Only governance bodies

Human Rights Performance

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
HR2. Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	Outside the LEGO Group; 136-143 Performance and compliance; 174		1/2	1, 2, 3, 4, 5, 6	
HR6. Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Performance and compliance; 176-178		1/2	1, 2, 5	

Society Performance

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
SO1. Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Outside the LEGO Group; 149-161		1/2		
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures	Outside the LEGO Group; 144		1/2	10	
SO5. Public policy positions and participation in public policy development and lobbying			1/1	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	*****

Product Responsibility Performance

GRI Indicator	Page in PR*	Page in FR**	Reporting level	UN GCP***	Comments
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	The brick; 58-60		1/2	1	
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Outside the LEGO Group; 120-128		1/2		
PR6. Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Outside the LEGO Group; 133		1/2		÷ by type

Notes

- * The LEGO Group Progress Report 2012
- ** The LEGO Group Financial Report 2012
- *** United Nations Global Compact Principle
- **** Walmart: **Toy Supplier of the Year 2011** (Q1 2012 to LEGO Systems A/S)
The Mexican Centre of Philanthropy: **Socially Responsible Business** (Q1 2012 to LEGO Operaciones de Mexico)
Toys 'R' Us: **Vendor of the Year** (Q4 2012 to LEGO South Africa)
Not the exhaustive list.
- ***** Consumers (Children); Customers/Suppliers; Employees; Toy industry associations; Media; Local communities; Interest groups and trade associations
- ***** The LEGO Group currently chairs: The International Standardisation Organisation's Technical Committee for the Safety of Toys; The European Standardisation Organisation's Technical Committee for the Safety of Toys; Toy Industry of Europe's Membership Committee; Toy Industry Association's board of directors; Toy Industry Association's (US) Safety, Standards and Technical Committee

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In the Annual Report you will find detailed information on the LEGO Group's financial results for 2012.

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