

Progress Report

THE LEGO GROUP



Innovation

Supply

End of life

Processes

People

Sustainable play

Bringing products to market

2010



About this report

This Progress Report 2010, together with the Annual Report 2010, constitutes the LEGO Group's reporting commitment for the year.

Principles for reporting

The purpose of the Progress Report is to provide stakeholders with an overall fair and balanced picture of relevant Environmental, Social, and Governance (ESG) aspects, engagements, practices, and results for 2010 at corporate level. We believe that the Report satisfies this purpose.

This Report also serves as the annual communication on progress (Progress Report) required by United Nations Global Compact and 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). The selection of ESG aspects reported is based on a dialogue with stakeholders and suggestions from them. In addition, a materiality assessment is made based on among other the ISO 26000 framework. Furthermore, the Report builds on processes that are part of the LEGO Group's daily operations. Important stakeholders include consumers, customers and partners, employees and their representatives, potential employees, non-governmental organizations, and local communities affected by our operations.

We believe that this approach is consistent with the principles of inclusiveness, materiality and responsiveness required of reporting organizations by the voluntary standard AA1000 Accountability Principles drawn up by the Institute of Social and Ethical Accountability (AccountAbility).

Report structure

The Report is designed following our **value chain** to focus on how we strive to reach ESG objectives and deliver on our ESG strategy, embed ESG the LEGO way, and account for the quality of our relationship with our stakeholders.

Basis for the report

The basis for the Report, scope, materiality determination, definitions, and calculation methods are described in "The basis of the report" section. The Report has been subject to external verification and the auditors' statement can be seen in the "Assurance statement" section.

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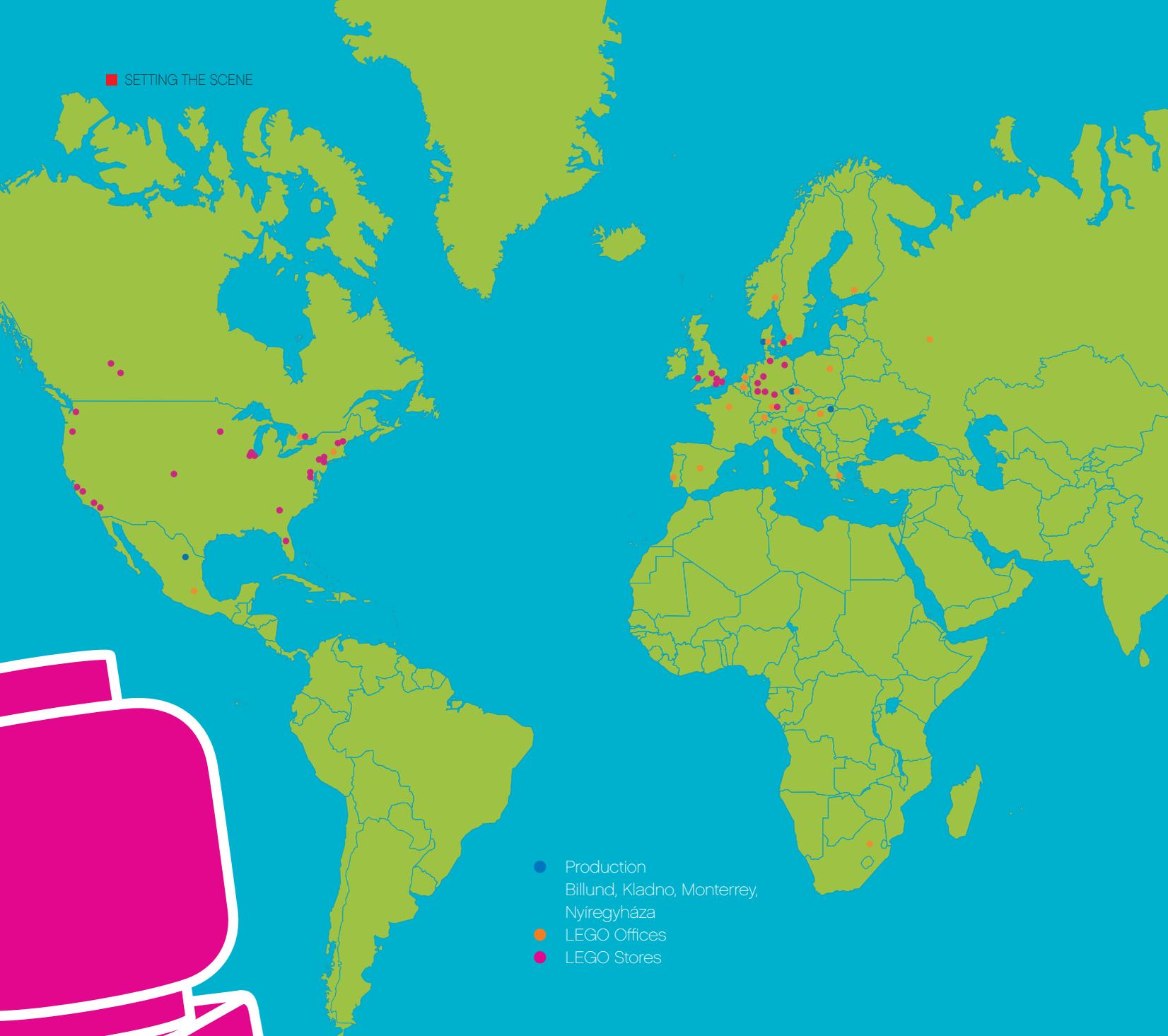
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■ SETTING THE SCENE



- Production
Billund, Kladno, Monterrey,
Nyíregyháza
- LEGO Offices
- LEGO Stores



Snapshot performance overview

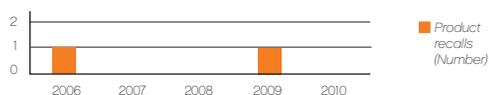
Our growth

- Revenue has grown by 105% since 2006
- We are approx. 4,900 colleagues more than in 2006 (approx. 100% increase)
- We paid DKK 939 million in corporate income taxes to our local communities and countries in 2010

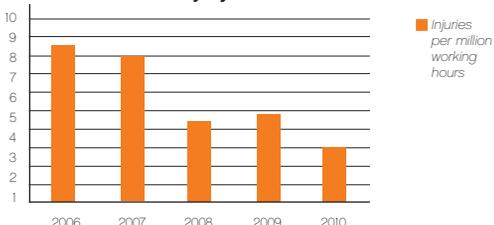
Towards our key long-term strategic ESG targets

- Zero product recalls: We met this target in 2010 and this target will remain our ambition going forward
- Top 10 on employee safety: We have reduced our injury rate by 38% since 2009 and met our short-term target for 2010. We will continuously work towards achieving our long-term target of 0.6 per million working hours in 2015
- Support learning to 101 million children: We supported learning to approx. 55 million children in 2010 and thereby met our short-term target for 2010. We will continuously work towards achieving our long-term target of reaching 101 million children in 2015
- Minimum 100% renewable energy: We met our short term target for 2010 on energy efficiency and started to outline our path to full independence on fossil energy in 2020
- Zero waste: We reached our target for recycling our own waste and started initiatives to reduce waste in the LEGO Group value chain

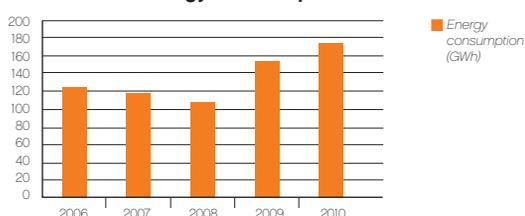
Product recalls



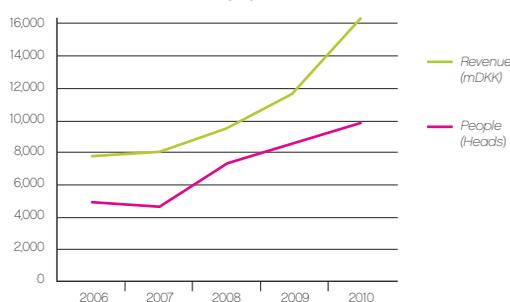
Injury Rate



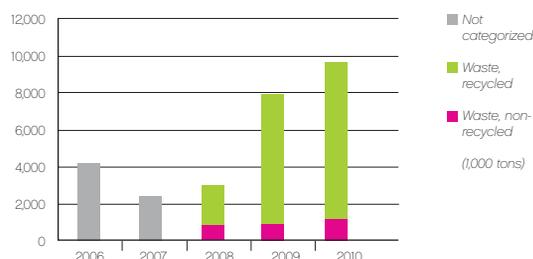
Energy Consumption



Growth



Waste Quantities



For waste and energy indicators, direct data comparison over years is not always relevant. This is mainly due to the change of the LEGO Group business model where the majority of manufacturing was in-sourced during 2008 and 2009.

Message from the CEO

The LEGO brand is known and loved worldwide for its ability to offer children a unique play experience. With not only the bricks but the LEGO experience itself being passed on from one generation to the next, the brand is constantly renewed and sustained, thereby enabling us to fulfil our mission of inspiring and developing the builders of tomorrow.

I feel we are privileged to be able to grow significantly and serve more customers and consumers with products each year, hence create more value for our stakeholders. Although this characteristic in itself can be said to have less negative impact on the environment compared to e.g. other consumption products that are used and disposed of immediately, we are fully aware of the responsibility we have to ensure that we can live up to our planet promise of a positive impact. Our growth is significant with revenue increasing 105% since 2006 and 37% since 2009 to DKK 16,014 million. We have doubled our number of employees since 2006, including adding approx. 1,200 in 2010 to more than 9,800 at the end of 2010. Such growth creates more business and value for our partners throughout the value chain and for the societies in which we operate. While growing our business, we have been able to ensure profit at a high level with DKK 3,718 million in 2010 (2,204 in 2009) and an operating margin at 31.1% (24.9% in 2009) consolidating our capital base for future investments with 1,218 after serving dividend, DKK 2,500 million, to our owners.

While we grow, we are also making progress on reaching our current environmental, social and governance targets. In fact, we have made progress on all of them during the past year, but we are very aware that there is still work to be done.

To make the LEGO Group a successful business, we serve those who play with LEGO® products, and we earn our money in a responsible way. This is a well-balanced business model that is a consequence of four things:

1. Great products and experiences: The basic business idea is to produce building bricks that you can combine in an infinite number of ways and that encourage learning and creativity for generations throughout the bricks' life time. Based on this idea, we are continuously focusing our innovation on the users' agenda by introducing up-to-date themes and expanding our presence in the digital world.

2. Strong values: We have added approx. 4,900 people to our unique culture since 2006 and are putting an effort into passing on our values to our new colleagues. Do we have enough culture carriers in the organization to ensure that our new "members" get the right cultural mindset? I believe so and am pleased to note that our new col-

leagues have absorbed our values well, are living them, and even helping us to renew our understanding of them.

3. Efficient operations: During the past seven years, we have maintained a constant focus on improving the efficiency and effectiveness of operations, and we have significantly strengthened key capabilities in the organization. We will continue to improve our operating model in order to deliver value to all our stakeholders.

4. Market and consumer access: We have built a strong access to consumers around the world through strong partnerships with our retail partners. Through our own as well as third party consumer touch points, we aim to create consistent and appealing brand experiences. Our marketing efforts are aimed at creating product demand and excitement, but also at enriching the experience of the products we sell. We constantly strive to market our products in a way that respects children as consumers.

When I talk with some of our customers, partners, and other stakeholders, it is confirmed to me that we are on the right track with our efforts to embed ESG ambitions into our company DNA. However, there is no time for complacency, and we will continue to improve and set balanced business and ESG targets demonstrating our ambitions going forward. The health of employees, diversity and inclusion strategies are areas we will be looking to further improve, for example. On these ESG topics, as on all others, we will strive to proactively and respectfully involve our stakeholders to better support our strategies and engagement.

With this Report, we hold ourselves accountable to our stakeholders and demonstrate where we are. Business acumen and prudence are prerequisites for long-term respect, recognition, and success in society. We have well-designed and well-executed corporate governance in place which should help to ensure that in addition to advancing on our own ESG targets, 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 the initiative.

Count on us to keep pursuing our vision to invent the future of play and do so in a balanced way that supports long-term sustainability. That is what successful means to the LEGO Group.



Jørgen Vig Knudstorp
President and CEO

Performance and target summary

When the Planet Promise which describes the responsibility agenda of the LEGO Group was defined late 2009, it was found important to also define a few, focused overall targets, primarily with the purpose to set the direction for the organization. This led to the definition of the following five targets:

0 product recalls

Zero product recalls has been a target for the LEGO Group for many years and is a prerequisite for doing business. However it is only possible to reach the target, if the processes to maintain that target are present. The target was reached in 2010, where no product recalls were made. For more information on product safety, please refer to the "Sustainable play" section.

Top 10 on employee safety

Since early days in the LEGO Group, the management has felt responsible for its employees. As we have an ambition to pioneer safety also for employees, a target was defined to be among the "top 10 companies globally". This target is interpreted as a 2015 target on injury rate of 0.6 per million working hours (compared to a target in 2009 of 6.0 per million working hours). However, this is still based on a vision of having zero accidents. The result for 2010 is an injury rate that is considerably reduced compared to 2009 as it ended at 3.0 - versus a 2010 target of 5.0. This means that we are already at the level which we had defined for 2012. The challenge in 2011 will be first of all to maintain the low level, but also to improve it further - to a defined 2011 target of 2.0 per million working hours.

Support learning to 101 million children

Supporting children's right to grow is the essence of what the LEGO Group is all about. LEGO® products and experiences help children to develop critical skills through systematic creativity. In its simplest form it is about using logic and reasoning, along with playfulness and imagination, to generate ideas and artefacts that are new, surprising and valuable. In an effort to define a quantitative target, we defined our support to children's development through the number of children that we reach - both through sales (100 million children in 2015), but also through reaching out to underprivileged children to whom LEGO products are economically out of reach (target of 1 million children in 2015) through charity. The targets for 2010 were to reach respectively 55 million and 382,500 children, and the targets were met. Read more in "The wider community" section.

Minimum 100% renewable energy

Not only do we work towards supporting children's development. It is also important to take responsibility for ensuring a future planet for the children - and their children. Caring for nature is defined in two ways:

First of all, we realize that the production of LEGO products impacts the climate. A renewable energy plan for 2020 is defined, where the 2015 target is to use minimum 50% renewable energy, increasing to 100% renewable energy in 2020. In order to create transparency of our and other corporations' activities on the climate agenda, we have joined as founding partner together with WWF, the UN Global Compact, the Global Wind Energy Counsel and others to establish a standard for the first consumer label, Wind-Made™, which demonstrates our company's commitment and performance on using renewable energy.

Secondly, there is also an initiative to continue our work on improving energy efficiency. Please refer to the "People & processes" section on Environmental Performance. In 2010 the target of reaching 10% energy efficiency improvement compared to 2007 has been met - as well as to define the plan going forward.

0 waste

In order to also focus on other parts of the full value chain for LEGO products and especially in order to protect the nature's scarce resources, a target of zero waste is introduced. This should first of all be interpreted as a vision of creating more environmentally friendly products, please refer to the Design4Planet initiative in the "Innovation" section. However, it also covers the focus on recycling waste generated internally, where in 2010 87% of the waste was recycled versus a target of 80%.



The LEGO way

A stakeholder-driven brand

The LEGO® brand is subject to high expectations from our stakeholders. We realize that it is a brand known and recommended worldwide for its ability to offer children a unique play experience. The fact that not only the bricks but the LEGO experience itself are being passed on from one generation to the next testifies to the durability of the LEGO concept of play and to the longevity and sustainability of the brand over time.

Whenever we design a new product, engage in new product areas, communicate or advertise, or choose which other brands we will be associated with, we have to be true to what makes the LEGO brand unique. We have learned that valuable knowledge about what the LEGO product stands for can be found among our external stakeholders, and we have close stakeholder relationships that influence our strategic decisions.

The LEGO Brand Promises

The way we run our business 'the LEGO way' is built upon our original spirit 'only the best is good enough' to achieve our mission of 'inspiring and developing the builders of tomorrow'.

We want to pioneer new ways of playing, develop new play materials, and innovate the business models of play. It is not just about products. It is about using the products to encourage out-of-the-box thinking and helping children to realize their human potential and possibilities.

Our promises constitute directions as to what we strive to achieve when conducting our daily business

and interacting with our stakeholders. By delivering on our promises we are well on our way to achieving our vision of 'Inventing the future of play'. Our promises put into words the value we promise our stakeholders whether they are colleagues, business partners, society or, of course most importantly, children.

It is a task for everybody in our organization to continuously engage with each other to ensure that we all understand the essence of our promises, how they are interlinked, how we deliver on them when interacting with our stakeholders. We developed the LEGO Brand Framework in 2008-09 and we are currently integrating related measures into our company processes and scorecards. Implementation and execution is supported by solid corporate governance and a management system framework as discussed in the "Corporate governance and policy summary" section.

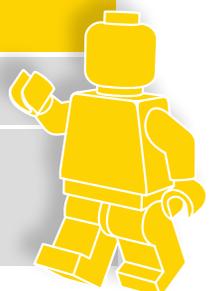
We will refer to the promises consistently throughout this Report.

Play Promise: 'Joy of Building, Pride of Creation'

We want children to experience joy and pride when exploring their creative potential with our products and services; and we want parents to be certain that this 'playful learning' is developing the kind of skills and confidence that will prepare their children for the future.

People Promise: 'Succeed Together'

We want every employee to experience the strong sense of purpose, spirit of collaboration, creative adventure and execution excellence which characterize the LEGO Group at our very best.



Partner Promise: 'Mutual Value Creation'

We want to ensure that working with the LEGO Group is a mutually rewarding and value enhancing experience for every organization that we seek to partner with, whether customers, business partners, or suppliers.

Planet Promise: 'Positive Impact'

We want to leave a positive impact in whatever we deal with – be it in respect to our stakeholders, through our deliveries or to the wider community. We are committed to caring for the society that our children will inherit and to inspiring and enabling children to have a voice on the future society.

Embracing the responsibility agenda

The LEGO Group's commitment to the responsibility agenda is contained in our vision of 'inventing the future of play', and underpins that children are in focus and that our aim is to leave them a future that will enable them to thrive and enjoy. The commitment is defined based on our foundation of values and is taking its starting point in our spirit: 'Only the best is good enough' – for the children – but also supported by stakeholder feedback and input.

In our view, being responsible is a foundation for being long-term sustainable – also financially. Therefore, the LEGO Group addresses responsibility topics through the way we operate as a company, thereby supporting environmental and social as well as financial sustainability.

Since 2003, the LEGO Group has supported and committed ourselves to the UN Global Compact. As this report demonstrates, the ten principles of the Global Compact are all addressed through our stakeholder and value chain approach, and the principles continue to be highly relevant to us. Please refer to the "GRI and Global Compact overview & index" section for an overview of the principles and references to activity descriptions.

We are addressing several important environmental, social and governance (ESG) aspects defined in various consultations and engagements with our stakeholders, as discussed in "The Basis of the report" section. We believe the following overall guiding principles help us stay focused in our efforts:

1. to **pioneer safety** by taking the lead in respect of safety towards consumers and employees;
2. to **support children's right** to grow by fostering their ability to build core competencies in a playful way regardless of social status;
3. to **care for nature** by being a role model when it comes to integrating environmental and climate concerns in the entire value chain in order to support children's right for a better tomorrow; and
4. to engage in **respectful stakeholder dialogue** by being transparent, and ensuring an open and honest dialogue with stakeholder groups on issues that matter to them in order to meet or exceed their expectations to the LEGO Group

Accordingly, we are progressing in establishing long term targets. The long term targets as defined in 2009 and their progress in 2010 appear from the performance overview in the "Snapshot performance overview" section.

"One thing that really surprised me when I came to work with the LEGO Group was the open doors culture. Members of the leadership take their time to go out and listen to our ideas and concerns. At the monthly 'town hall meetings', everybody can express themselves and is informed about and involved in challenges and key decisions. This practice encourages us to take more responsibility in our work tasks"

– Celina Perales, Import/Export Area Manager, LEGO Operaciones de México, S.A. de C.V

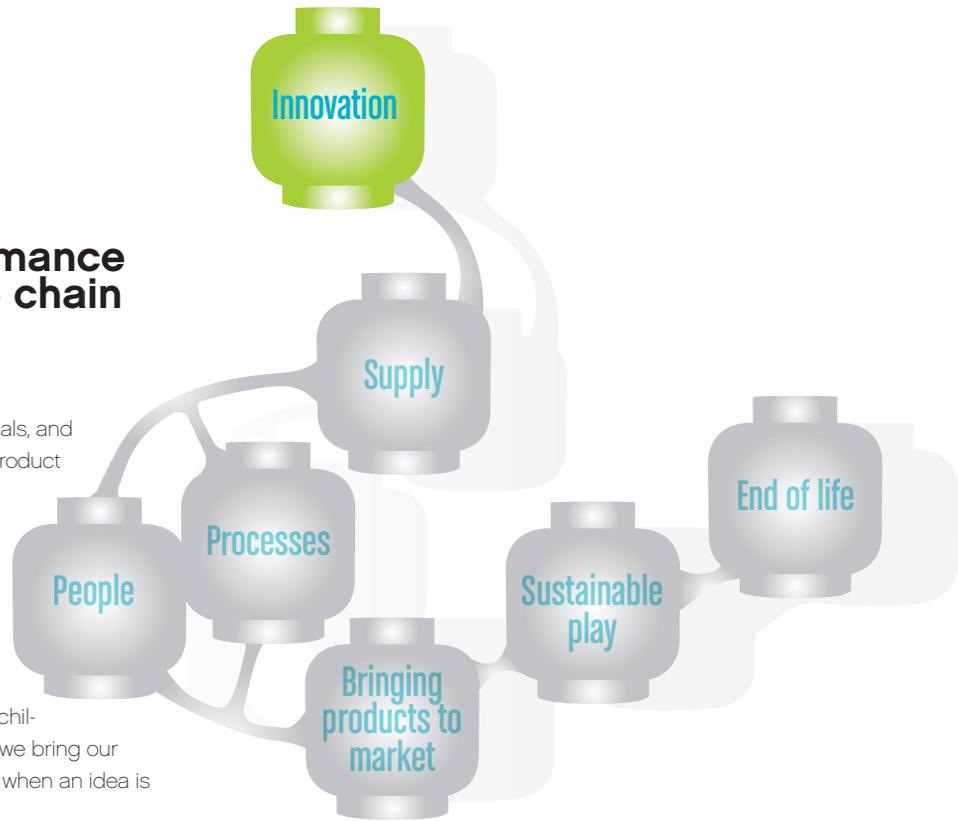


ESG performance in the value chain

Innovation

When the design, materials, and properties of a LEGO® product are determined, this has a crucial influence on its impact throughout the value chain – from the consequences of extracting raw materials to the long-term imprint the product will leave in children’s minds. Therefore, we bring our Planet Promise into play when an idea is conceived.

In this chapter our efforts within product development, raw material research and packaging innovation will be described.

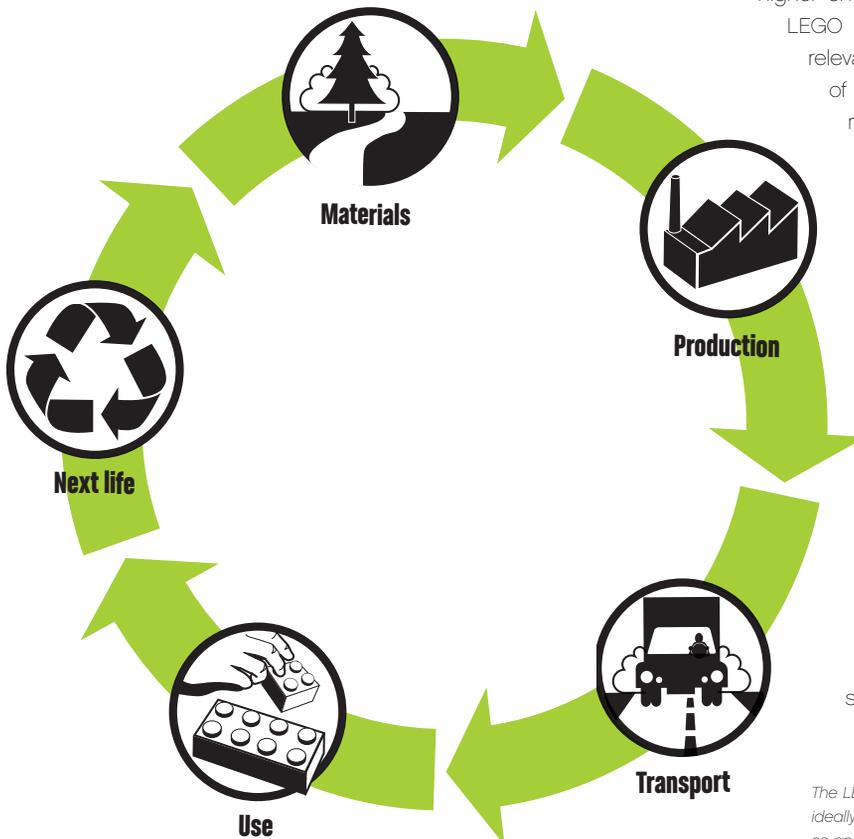


Design4Planet

The growing world population, its increased wealth and its demand for consumer products are currently resulting in a growing need for energy and materials, and are therefore causing threefold global environmental challenges: scarcity of material resources; higher energy need; and increase of waste. For the LEGO Group, all of these challenges are highly relevant. The core elements of LEGO products of today contain plastic polymers that are primarily based on fossil oil resources, have high energy need during production and processing, and become potential waste elements after use.

To minimize the waste potential we have focused on long durability and a unique compatibility that goes back more than 50 years. We realize that this might not be a sufficient focus in the longer perspective, and have found that now is the right time to start re-thinking the way we design our products and processes to sustain and develop our business in the long term. We are well aware that the steps we have taken so far are only the beginning of a long journey towards fully sustainable products.

The LEGO Group long-term strive for a closed-loop value chain, ideally eliminating extraction of non-renewable natural resources and waste.



The LEGO Group's new approach to sustainable product design, referred to as 'Design4Planet' (D4P), focuses on the fact that product design holds a big part of the solution to environmental challenges as the design and material choices have high environmental impact throughout the value chain. With D4P we are working to set new standards for the toy industry in integrating environmental and climate concerns in the entire value chain related to product design, in order to create transparency, and to ensure an open and honest dialogue with stakeholders on issues that matter to them. This vision is directly linked to our Planet Promise and follows the guiding principles of caring for nature and engaging in respectful stakeholder dialogue (please refer to "The LEGO way" section).

D4P is inspired by the concept of Cradle to Cradle^{®1)} design, combined with the more traditional Life Cycle Assessment²⁾ view enabling us to learn more about materials, substances, and processes. We see some

promising opportunities in this direction but also need to stress that it will likely be adjusted as we continue to become more knowledgeable about possibilities and limitations for us and our partners.

Our initiatives covered by the D4P program are categorized in five different projects as described below.

Reduced and compostable print & packaging

As mentioned in the Design4Planet section, we test the possibilities of reducing the amount of packaging, saving both cardboard for packaging, fuel for transportation, and waste. As part of the overall effort to reduce unnecessary impacts from packaging, a dedicated project team has been set up to explore and test new packaging material, processes, and play proposition within packaging. Various initiatives and ideas will be evaluated and tested starting from 2011 and onwards. One idea is to reduce the size of the boxes.

DESIGN4PLANET

1. MATERIAL CHEMISTRY

The first aim of the Material Chemistry project is to evaluate all materials used for LEGO elements by using a standardized method for categorization. The method evaluates the substances' impact on the environment and will result in a categorization of all substances in all core materials. The goal is to phase out substances which have an undesirable environmental impact.

During the process, we want to communicate transparently to our stakeholders about the materials and chemical composition of LEGO products, and collaborate strategically with our material suppliers in order to spark joint innovation and find the best solutions for substituting environmentally undesirable substances.

The learnings of the project will be integrated in current processes already having focus on product safety, high quality, legal compliance, technical and logistical constraints and finding economic sound solutions.

2. ENVIRONMENTAL CERTIFICATION

During the next 10 years it is our ambition that all LEGO branded products must comply with relevant voluntary environmental certification standards.

The benefit of focusing on environmental certification of our products is that the requirements to be met are defined. In this way, internal focus is effectively directed towards the design of more environmentally friendly products also outside the core LEGO products.

3. REDUCED AND COMPOSTABLE PRINT & PACKAGING

The LEGO Packaging System holds a special opportunity as the packaging materials are optimized to easily being separated into relatively pure waste fractions. But this is long-term not seen to be sufficient.

Consumers and legislators are generally very concerned about packaging, continuously looking for less and thereby a more environmentally friendly packaging. The aim of this D4P stream is to further investigate how packaging can be optimized in an environmental perspective e.g. by securing that all packaging and printed materials for all LEGO branded products are sourced from sustainable resources, to a high extent consist of recycled content, and that they are long-term compostable.

4. DESIGN FOR DISASSEMBLY

On the journey towards zero waste it becomes very important that products can be disassembled into base elements of materials. Each element of material can then be reused as raw materials for new products. When it comes to sub-assemblies and the electronic elements of our products, we also see an opportunity to encourage innovation at our suppliers to make products more environmentally friendly.

5. RETURN SOLUTIONS

LEGO products are reputed to be extremely long-lived, passed on from one generation to another or re-sold while maintaining a considerable share of their value. However, there may be consumers who wish to dispose of used or damaged LEGO products in an environmentally best possible way. We will investigate the possibilities of how to handle this as an important step in fully living the implementation of environmental optimization.

¹⁾ Cradle to Cradle[®] design refers to a production process where products are developed for closed-loop systems in which every output ingredient is safe and beneficial – either to biodegrade naturally and restore the soil (called a biological nutrient), or to be fully recycled into high-quality materials for subsequent product generations (called a technical nutrient).

²⁾ Life-cycle assessment (LCA) is a process of evaluating the effects that a product has on the environment over the entire period of its life thereby increasing resource-use efficiency and decreasing liabilities. It can be used to study the environmental impact of either a product or the function the product is designed to perform.



Supply

Supply

The LEGO Group is built on a fundamental belief that people should be treated with respect and dignity. This belief is also expressed through our Code of Conduct (please refer to the “Corporate governance and policy summary” section) which not only applies to our own people, but also to the people working for our suppliers and vendors. We seek to focus specifically on issues that are relevant in the region of the supplier location.

This chapter describes how we are working to ensure acceptable working conditions in our supply chain by engaging in dialogue with different stakeholder groups and requiring improvements from non-compliant suppliers.

Supplier audit and dialogue

The LEGO Group has a number of fundamental beliefs regarding working conditions that we strive to live up to. These include the minimum age for full-time employment at the age of completion of compulsory schooling and, as a minimum, 15 years. We further support the rights of our employees as well as those of our suppliers to join trade unions and to bargain collectively. Finally, we fundamentally believe that the number of working hours should not exceed 60 hours/week.

For ICTI Care vendors, further discussed at page 13, the LEGO Group accepts the best category of suppliers - class A - who is allowed to work a maximum of 66 hours/week. All vendors to the LEGO Group, applying to the LEGO Code of Conduct or the ICTI Care

rules, must be in compliance with the requested level of working hours within one year of failing an audit. The LEGO Group will continuously work to lower the bar for ICTI Care vendors to meet a maximum of 60 hours/week in accordance with the recommendations from ILO

Those of our suppliers and vendors that are producing raw materials, components, and finished LEGO® products – the so-called BOM (bill of material) suppliers – have to adhere to our Code of Conduct and a number of product quality and safety requirements. All new potential BOM suppliers and vendors are systematically pre-audited and categorized according to their performance and compliance with our standards. Depending on the audit results, the potential suppliers and vendors are either not accepted to our supplier list, presented with improvement requirements, or immediately accepted. In order to focus our attention on the most relevant of our approx. 120 BOM suppliers, we have categorized them in such a way that the geographical location of the supplier and results from the previous audits determine the frequency of future audits. In this way, we can focus our attention on those of our suppliers, who have the highest risk of non-conformities.

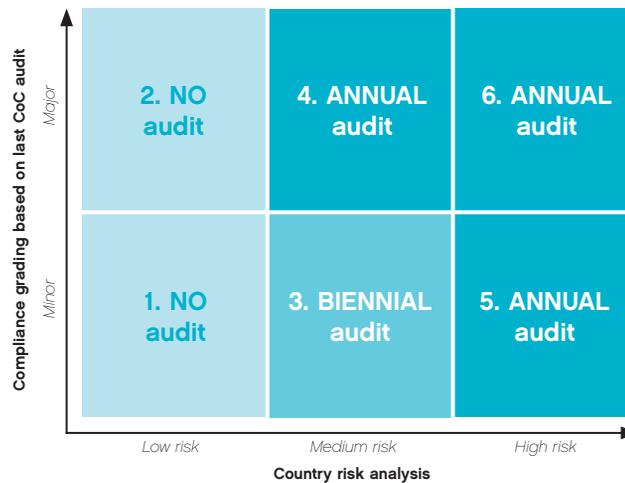
"In my opinion, workers are the most important stakeholders, in terms of Code of Conduct. Getting close to workers and listening to their perspective is a good way to verify whether our Code of Conduct is adhered to. During my supplier audits, I therefore try to approach workers and encourage them to express their concerns which will be feedback to factory management, and tell them basic labour rights and raise their awareness on potential hazards. Where possible, I advise suppliers how to solve any non-conformity by demonstrating or instructing them directly during the audit, which has proved very efficient. In this way we live our Partner Promise of mutual value creation by helping our suppliers to empower and protect their workers."

John Kuang, Code of Conduct Manager LEGO Hong Kong & Shenzhen Procurement

In 2010, 33 Code of Conduct supplier audits (which include all BOM suppliers in high risk countries) were performed by external auditors and 33 supplier quality audits were performed by internal auditors in accordance with our target for audit frequency. The Code of Conduct audits revealed a total of 66 major non-conformities at suppliers, while the number of major quality non-conformities was 26. During the follow-up audits, we found that all major non-conformities had been solved as agreed and could conclude that our targets for quality and Code of Conduct at suppliers were met.

The LEGO Group has been committed to the ICTI (International Council of Toy Industries) Care Proc-

ess since 1 January 2006 (Date Certain commitment). The ICTI Care Process is the international toy industry's ethical manufacturing program to promote ethical manufacturing through a monitoring program for the participating factories with focus on China, Hong Kong and Macau. The Date Certain Program is an integrated part of the ICTI Care Process. It is a program to obtain commitment from toy brands and retailers that, as of a specific, future date (Date Certain), buyers will only contract products manufactured by factories that are in the ICTI Care Process. As per 1 January 2011 the LEGO Group has 12 direct and extended line suppliers that are certified by the ICTI Care Process – all located in China. These suppliers are audited via the ICTI Care Process. The LEGO Group has access to the audit reports and reviews them continuously. Should any major non-conformities with LEGO standards be observed, the LEGO Group will contact the suppliers and, if relevant, conduct on-site inspection to check if corrective action is implemented.



The LEGO Group's audit segmentation model defines the audit frequency for suppliers and helps us focus on the most relevant areas of concern.

The LEGO Group's approach to supplier responsibility goes beyond the requirement of a supplier signing our Code of Conduct and auditing suppliers to evaluate their compliance. We are also engaging in active supplier dialogue by introducing our expectations for the supply chain and discussing with our suppliers how these expectations may be met, thereby accomplishing our partner promise of 'mutual value creation' via professional and creative cooperation. In 2010, we conducted workshops with Core Line and Extended Line suppliers in the Czech Republic, Denmark, Mexico, US, and China to inform them about and discuss our Code of Conduct requirements.

” IN MY OPINION, WORKERS ARE THE MOST IMPORTANT STAKEHOLDER IN TERMS OF CODE OF CONDUCT.

John Kuang, Code of Conduct Manager LEGO Hong Kong & Shenzhen Procurement

"The content of this workshop was very impressive to me as our company like the LEGO Group has a good brand in the world. Therefore, we have to fulfil our social responsibility to improve the world."
 Anonymous evaluation by participant at workshop in Denmark

"The LEGO Group is among BASF's top 5 European ABS polymer buyers. Over the later years our traditional supplier-customer relationship has turned into a partnership with open discussions about quality and sustainability issues of materials, products and processes. With our combined know-how, we can reach a higher level within the field of efficient, high quality polymer production. As an example, in early 2010 we have worked together to increase the efficiency of a production mould platform at the LEGO headquarter."
 - Claes Torkelsson, Key Account Manager Styrenic Polymers, BASF



The LEGO Group Code of Conduct supplier audit process helps us to ensure appropriate and in-time follow up on critical issues.

In 2011, the LEGO Group will start conducting unannounced audits, and we have planned that five to ten of our audits will be unannounced on a trial basis. The audits will increasingly focus on freedom of association and our suppliers' attitude towards ethical sourcing, in particular working conditions and working hours, and ongoing site visits by staff and management

NGO involvement in the supply chain

The LEGO Group welcomes input from other parties in order to improve our performance. Also in 2010, we have been in dialogue with customers as well as NGOs who are interested in our suppliers' actual performance on employee rights, working conditions as well as environmental performance. We value this dialogue very highly as we believe that dialogue can benefit both parties' understanding of potentially complicated issues and supports the continuous improvement of responsible sourcing.

As an example, in October 2010 we had a dialogue with the campaign "Stop Toying Around" which is a consortium between five different NGOs, supported by the European Commission, which has a common goal to achieve fair working conditions in the toy production. Our experience with this dialogue has confirmed that good dialogue can create a common understanding, and we will continue having constructive dialogues with appropriate NGOs in the future.

TARGETS FOR SUPPLY

Issue	Purpose	Target 2010	Status end 2010	Target 2011 or long-term
Impact of CoC audits conducted at suppliers	Make findings at conducted audits lead to positive change at the supplier and deliver the real value of audits	All major CoC non-conformities found in 2010 at supplier audits solved within the agreed timeframe	Achieved. All non-conformities solved as agreed	All major CoC non-conformities found at supplier audits solved in accordance with the corrective action plan*
Impact of quality audits conducted at suppliers	Make findings at conducted audits lead to positive change at the supplier and deliver the real value of audits	All major quality non-conformities found in 2010 at supplier audits solved within the agreed timeframe	Achieved. All non-conformities solved as agreed	All major quality non-conformities found at supplier audits solved in accordance with the corrective action plan*

*Note that the target 2011 have changed. Please refer to "The basis of the report" section.



many new business partners we deal with as we expand our global presence.

If we could not handle this well – if our values, our spirit, our promises, vision, and mission were badly understood and practiced inconsistently throughout our global organization – we would put the LEGO® brand at risk. Rules and policies help us to stay on track, but the LEGO way provides our purpose, essence, and art of doing business.

On almost any account we can measure, we do well at embedding the LEGO way into our growing business. For example, our key indicators show increased motivation and satisfaction and a better-than-ever workplace safety, and our new colleagues seem to have no problems relating to our values.

People and Processes

Our people

The steep growth of the LEGO Group business is only made possible by the skills, dedication, and commitment of our people and at times, securing and sustaining this growth makes great demands on these people as well. We strive to address this proactively and to be aware of the impact on the well-being and job satisfaction of our employees. At the same time, we are pleased to welcome thousands of new employees to our organization – we included approx. 4,900 new employees in our workforce since 2006 including approximately 1,200 in 2010. Making sure that each and every one of our new colleagues internalize and live our unique LEGO culture is a very important task for our organization.

This section describes how we are trying to maintain and improve the well-being, safety and satisfaction of our growing population of LEGO employees, and thereby live our People Promise of succeeding together.

Expanding the global workforce

Forming the foundation of our culture, our unique corporate values can be traced back to the founder of the LEGO business, Ole Kirk Kristiansen. One may think that this culture – developed, lived, and consolidated over decades – might well be challenged as we now vastly grow the business. Add to that the

We may even say that our new employees at both new and existing business sites subscribe to the LEGO way in different, sometimes more explicit, sometimes challenging ways which proves to us that our unique way of doing this is as robust and dynamic as we want it to be. The existing part of the organization can explore with the newcomers how the LEGO way may help us to further improve our business.

We believe that a major enabler is the strong emphasis our senior leadership has placed on corporate culture as an execution vehicle in recent years, focusing on behavioral aspects and the use of role models rather than authority.

During 2010, we have made major improvements to our recruitment strategy and processes gearing the organization to our new reality by enabling us to hire and onboard the right people in the right way and for candidates to positively select the LEGO Group.

“For me, a promise means a commitment. In Mexico, we are putting the LEGO Brand Promises into practice in a very concrete way through our ‘clutch

” IN THIS WAY, WE ARE TRYING TO ADAPT THE LEGO CULTURE TO OUR OWN LOCAL WAYS OF WORKING.

Celina Perales, Import/Export Area Manager, LEGO Operaciones de México, S.A. de C.V.

power teams', where we come up with ideas to solve problems in the production and to help our local community. Through our clutch power teams, we have found new ways of recycling some of our waste. Another result is that we have offered an opportunity for a mentally challenged person to come and work with us in a job that fits well with this person's special abilities. In this way, we are trying to adapt the LEGO culture to our own local ways of working."

- Celina Perales, Import/Export Area Manager, LEGO Operaciones de México, S.A. de C.V.

People and culture

At the end of every year, we ask our employees about their perception of the LEGO Group as a workplace via our Employee Pulse survey. The results are used to identify improvement areas on Group and departmental levels. In 2009, the result of the Employee Pulse gave rise to a new target for 2010, which aims to raise our employees' perception of the LEGO Group as a company that is living its People Promise. In most of our departments, the People Promise Score was improved in 2010, but not as much as we had anticipated and our target was therefore not met.

In December 2010, the LEGO Group reworked parts of the People & Culture strategy to support the development of an adaptive organization that balances performance and health. The overall direction is to build strong leadership and cooperation in a healthy and agile company where our people feel engaged and committed to be and do their best. This involves creating a professional and scalable HR platform that supports effective and efficient HR core processes that are integrated and standardized across the company.



The strategy describes areas that need focus until 2015 to deliver on our People Promise of succeeding together. The purpose is to help our people to perform at their best, be real, and embrace diversity. We believe that the initiatives will also benefit the enduring performance and health of our business by attracting, retaining, and developing the right people. The initiatives are:

- To create a professional and scalable HR platform that supports effective and efficient HR core processes that are integrated and standardized across the company;
- To embed the People Promise and remove off-brand experiences in every way we conduct our HR core processes;
- To foster more internally recruited leaders and increase the leadership quality at all levels;
- To integrate talent management in the HR processes to ensure visible paths and development opportunities for our people at all levels;
- To develop a shared reward framework that will increase the value of the costs associated with reward and align the way we lead, manage and engage people via our reward value proposition.

In 2011, by implementing the People and Culture strategy, our target is to improve the results of the yearly employee satisfaction measurement (Employee Pulse) for People Promise at 80% of our departments.

We also set a target for 2010 to increase the dedication to our business integrity among our leaders. We wanted to make sure that all employees at Director level and above (Directors+) had received our new training in business integrity (Directors+ comprises senior management and management). As 98% of our Directors+ had received the training by the end of 2010 we were very close to reaching the target. For the following year, we will continue with the target and secure that all Directors+ will receive training biennially in Business Integrity (for definitions, please refer to "The basis of the report" section). Besides the Directors+ population several employees working directly with customers and suppliers have been enrolled in the training.

Gender diversity

In the LEGO Group, we have acknowledged the benefit of a fair share of women in leadership, as a variety of opinions, backgrounds, and thinking styles are proven to contribute to better decision outcomes. Therefore, we set a target for 2010 of at least 25% women in new promotions and recruitments for positions at Director level and above (Directors+). We attained 32% female recruitment for high positions in 2010, the number being 41% when it comes to internal recruitment. This shows that we are well on the way to establish career opportunities that appeal to female employees. Our future focus will be on improving the percentage of women recruited externally and maintaining the internal level.

TARGET FOR PEOPLE AND CULTURE

Issue	Purpose	Target 2010	Status end 2010	Target 2011 or long-term
Living the People Promise	Securing that the LEGO People Promise is implemented	Improvement of employee score for People Promise for more than 66% of departments compared to 2008	Not achieved. Improvement measured in 51% of departments. Even though behind on target in 2010, the ambitious target for 2011 is kept.	Improvement of employee score for People Promise for more than 80% of departments, compared to 2008.
Business integrity and anti-corruption	Secure embedding of the LEGO business integrity and fraud standard to avoid corruption, bribery, etc.	All Directors+ trained in business integrity biennially end 2010	Not achieved. 98% of Directors+ were trained.	All Directors+ trained in business integrity biennially end 2011

We have a broader perspective on diversity and due to our global mindset, it is our intention to work on more frontiers, among other nationality diversity.

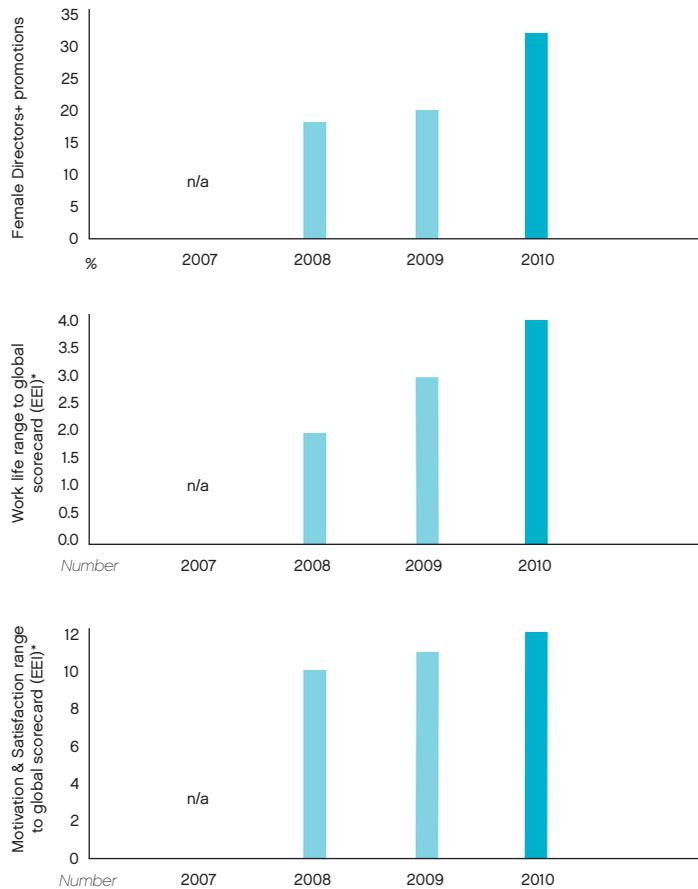
Motivation and satisfaction

Every year, the satisfaction and overall attitude of LEGO employees is measured via our Pulse survey. The purpose is to reveal our strengths and improvement areas in order to ensure the continued motivation and engagement of our employees. The survey is set up to enable a benchmark option to other comparable companies by a point system, and the LEGO Group has set a long-term target of being 10 points ahead of our benchmarks. In 2010, we have already achieved this target, and the results indicate that we have succeeded in building a high level of motivation among the many new employees. Also our people manager population has shown a strong motivational leap. Going forward, we will focus on strengthening openness and trust, improve the opportunities for employees on all levels to feel their job allows them to make best use of their talents and thereby continue to increase the overall motivation and satisfaction in the company.

Work-life balance

One of the potential pitfalls of being a highly engaged organization is the risk of employees pushing themselves and each other too hard, driven both by personal enthusiasm and by a strong commitment to the many tasks at hand. In 2010, we have dealt with the challenges of work-life balance by adding more people to those parts of our organization that have shown to be under excessive pressure, and employee dialogue and establishing clear and shared priorities. The result of our efforts is that we are continuing to

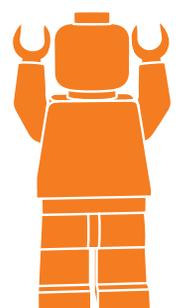
GRAPHS FOR GENDER DIVERSITY, MOTIVATION AND SATISFACTION AND WORK-LIFE BALANCE:



* In order to have a comparable benchmark for the total LEGO Group result, a benchmark called "LEGO EEI" is calculated as a weighted average of the EEI (European Employee Index) results for the largest LEGO employee countries.

TARGETS FOR GENDER DIVERSITY, MOTIVATION AND SATISFACTION AND WORK-LIFE BALANCE

Issue	Purpose	Target 2010	Status end 2010	Target 2011 or long-term
Gender diversity	To ensure a balanced diversity by supporting career development for female employees	The female share of new promotions and recruitments at Directors+ level \geq 25% end 2010	Achieved. Female share is 32%	The female share of new promotions and recruitments at Directors+ level \geq 30% end 2011
Motivation and satisfaction	Secure highly motivated and satisfied employees by e.g. focusing on securing the LEGO image and an exciting daily work experience	Employee score for Motivation & Satisfaction \geq 10 points above global benchmark end 2010	Achieved. Employee score measured to be 12 points above global benchmark	Keep up target level from 2010
Work-life balance	Secure the right balance between work and private life	Employee score for work-life balance \geq global benchmark end 2010	Achieved. Employee score measured to be 4 points above global benchmark	Keep up target level from 2010



score above our global benchmark on work-life balance measurements, thus meeting our 2010 target, even through this challenging period of rapid growth. We will continue to take action whenever important work-life issues occur.

Health and safety

The health and safety of LEGO employees – especially of those who are daily in touch with our production machinery – has been the object of special attention in 2010. We have defined global standards for follow-up on accidents as well as near-misses. Locally, we have run awareness campaigns customized for each target group to draw everyone's attention to the importance of safety issues.

OHSAS 18001 certification

It is our ambition to achieve health and safety certifications according to the OHSAS 18001 standard on all LEGO sites with more than 100 employees, and we have met the ambition. Those of our sites that were certified according to this standard in 2008 and 2009 have already in 2010 shown that the systematic focus on continuous improvement required by the standard is fruitful.

Local health and safety initiatives

- It is our long-term global target to be among Top 10 on employee safety. In addition to our systematic global certification approach, a large number of local initiatives that are customized to the functions and local conditions of our sites worldwide are paramount to reaching our very ambitious target. Some of these initiatives include:
- At our production sites, our Corporate Governance and Sustainability department collaborates with

local production planning departments to launch a new initiative for "proactive safety", encouraging every employee to submit ideas for safety improvements.

- At the LEGO sites in Denmark, Hungary and Mexico, we have arranged "health days" where employees are offered health checks and given advice for how to obtain a healthier lifestyle.
- For our sales offices, we have developed a guideline for ensuring the safety of employees when travelling in the course of duty.

Our target for 2015 is to achieve a position in top 10 globally on safety. To reach this target, we aim at an injury rate at only 0.6 injuries per million working hours in 2015 based on a vision of zero injuries. In 2010 we managed to reduce the injury rate from 4.8 in 2009 to 3.0, which is well below our 2010 target. In 2011 we will work to further improve our safety, and reach an injury rate of maximum 2.0 per million working hours.

On the health side, we set a target for sick leave in 2010 of a maximum of 3.5%, which was reached with only 2.2% sick leave. We will strive to keep up the good health and low sick leave in 2011 with a target of maximum 2.6% sick leave.

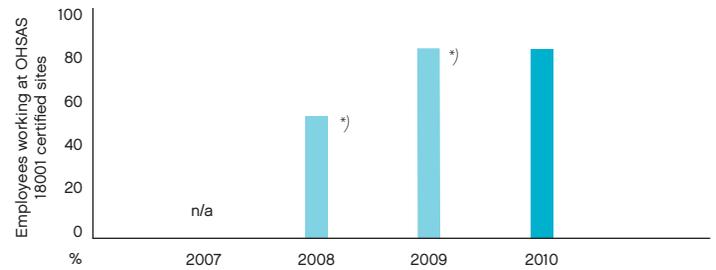
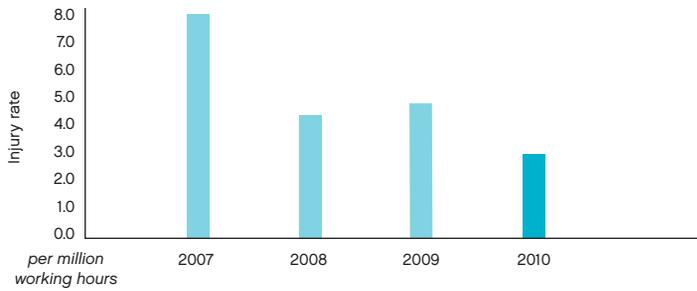
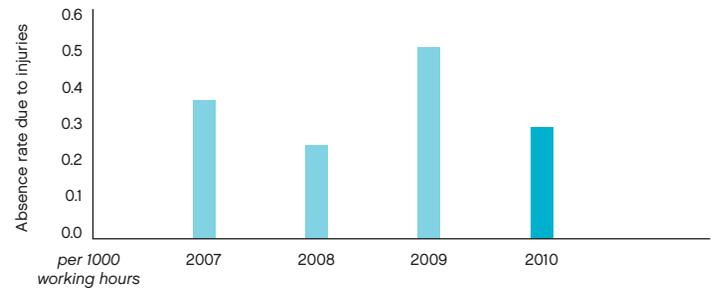
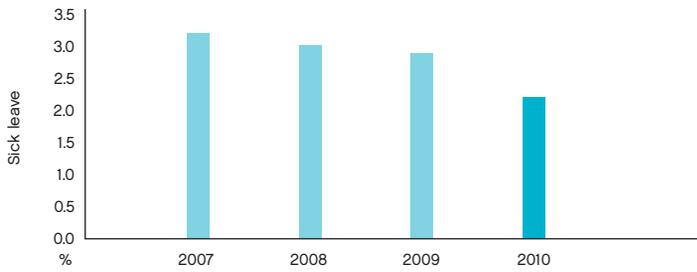
External audits conducted at our main LEGO sites within environmental, health and safety revealed eight major non-conformities related to legal and standard requirements (for example legal check of gate), training, maintenance and general risk (missing alarm system). This means that our target of zero major non-conformities was not met. All the found non-conformities have been solved or are in the process of being solved within set deadline, and we will continue with our zero non-conformity target in 2011.

TARGETS FOR HEALTH AND SAFETY

Issue	Purpose	Target 2010	Status end 2010	Target 2011 or long-term
Healthy working environment	Secure low sick leave rate	Sick leave ≤ 3.5% end 2010	Achieved. Sick leave is 2.2%	Sick leave ≤ 2.6% end 2011
Safe work place	Secure low injury rate	Injuries with absence ≤ 5.0 per million working hours end 2010	Achieved. Injury rate is 3.0 per million working hours	Injuries with absence ≤ 2.0 per million working hours end 2011
Safe work place	Secure low severity of the injuries that may happen	Absence rate due to injuries ≤ 0.32 per 1,000 working hours end 2010	Achieved. Absence rate due to injuries is 0.29 per 1,000 working hours	Absence rate due to injuries ≤ 0.26 per 1,000 working hours end 2011
Health & safety management system	Secure certification of all major LEGO sites in order to strengthen focus and follow-up	Percentage of employees working at OHSAS 18001 certified sites > 80%* end 2010	Achieved. Percentage of employees working at OHSAS 18001 certified sites is 84%	Target omitted from 2011
Environmental, Health & Safety (EHS) on all main LEGO sites	Secure that all LEGO sites live up to the set standards	No major EHS non-conformities found at main LEGO sites in 2010	Not achieved. 8 major non-conformities were found	No major EHS non-conformities found at main LEGO sites in 2011

* Target has been adjusted from 90% in the 2009 Progress Report to 80% during 2010. By mistake employees from LEGO Brand Retail Stores have been included in the numbers. Brand Retail Store employees are however not covered by our OHSAS certificates and should not be included.

GRAPHS FOR HEALTH AND SAFETY PERFORMANCE:



* changed compared to 2009 Progress Report. Excluding LEGO Brand Retail Stores (should not have been included)

Our processes

In the LEGO Group, we are fortunate to run a business that can grow significantly and serve more customers and consumers with our products each year with modest negative impact on the environment and the climate. That does not mean that we will minimize our efforts to improve our environmental performance.

This section shows our ambitions and activities to improve the efficiency of our business in terms of environmental, climate, and quality measures as well as the results for the year.

Environmental performance

The LEGO Group has a long tradition of optimizing production processes with the aim of saving energy and resources and minimizing waste. The rationale for this is not only to be found in environmental protection, as expressed in our Planet Promise and our identification of energy and waste as our most significant environmental impacts. It also has a direct positive influence on the financial performance of the company as the value of saved resources eventually contributes to our bottom line.

Energy efficiency

With our ultimate target of achieving total independence of fossil energy, the logical first step of the LEGO Group has been to minimize our total energy consumption, thus also reducing the investment or cost burden for renewable energy sources. A number of energy saving investments initiated in 2009 have started to show their full potential in 2010, where the energy efficiency has been measured to be 60%

higher than in 2007, thereby far exceeding our 2010 target (for definition of energy efficiency, please refer to "The basis of the report" section) which was set in 2006. On our path towards reaching this level, we have launched energy saving projects in several areas as described below. Our new target for energy efficiency is to improve by 5% yearly towards 2015 (with 2010 as base).

One crucial initiative has been to pioneer a new way of using fresh air for cooling in our ventilation system on the Danish production site. Usually, cooling systems re-use the warm air from inside the buildings, which causes extensive energy consumption. Instead, we are leveraging outside air which is already cool when admitted to the buildings. To overcome the risk of exposing our employees to draught, we have managed to down-scale the air flow in our ventilation system to an optimal level. Without compromising the indoor climate, the system has proven to not only save the energy spent on cooling, but also the energy used to operate our ventilation – a total saving of 4.6 million kilowatt hours per year, corresponding to approx. 2,000 tons of CO₂.

Other initiatives for energy saving in 2010 include the introduction of intelligent lighting, optimization of the compressed air system, and local testing of new energy efficient production techniques. In 2010, we have also tested a new technology to replace the current hydraulic pressure moulding of the LEGO bricks in our Mexican production site.

Waste reduction

The total waste quantities of the LEGO Group have been reduced compared to the increase in produc-



tion volume in 2010. We have set an ultimate long-term goal of zero waste, implying that all waste will be recycled in either our own production or by others. As an example of effective direct recycling, the plastic waste from our moulding machines is passed through grinders and returned directly to the machines, saving both raw materials, waste handling, and waste disposal costs. The goal of 80% recycled waste in 2010 was already exceeded in 2009, where the percentage of recycled waste reached 88%.

In 2010, we have worked to maintain the level of recycling by running campaigns for awareness of waste handling among our employees in Mexico, Hungary, and the Czech Republic. In the Mexican and Hungarian sites, these campaigns – along with finding recycling options for electronic and hazardous waste – have increased the recycling percentage to over 90%. At the Czech Republic site, however, we have met some challenges in finding recycling options for construction waste from the construction of an extension on the site. The quantity of this construction waste has influenced the final result in such a way that the recy-

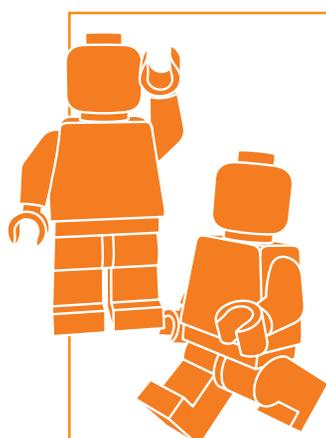
cling percentage has dropped by 1 percent point to 87% compared to 2009, which is still well above our target.

Environmental improvements are not just making sense at LEGO production sites. In the US sales office, a "Green Team" is established to find energy savings and run environmental and social awareness campaigns locally. The strategy of the Green Team is to make impactful, yet simple changes that will send a clear message about the direction we intend to pursue regarding sustainability and to encourage small changes in behavior that will, in turn, evolve into fundamental changes to the mindsets of our people. In 2010, nine activities were initiated of which five have been completed, e.g. single stream recycling where all recycled materials can be placed in one container. Besides continuing the work with the remaining activities from 2010, twelve new activities are planned for 2011.

Code of Conduct performance

The LEGO Group Code of Conduct must be observed both by our suppliers as well as the LEGO Group itself. To secure this, external auditors conduct audits at main LEGO sites.

In 2010 the external audits conducted at our main LEGO sites within Code of Conduct revealed one major non-conformity related to working hours. This means that our target of zero major non-conformities was not met. The found non-conformity has been solved, and we will continue with our zero non-conformity target in 2011.



"Small streams make a mighty river"
 The LEGO headquarters in Billund, Denmark, hosts our central administration as well as two separated production sites, and covers an area with some distance between the buildings. To promote environmentally friendly transport internally in the LEGO headquarters, we have acquired 40 bicycles for our employees to use when travelling between buildings. Besides reducing the number of short car trips, known for causing relatively high negative impact on the environment, we believe the physical exercise will benefit the well-being and health of the users.

TARGETS FOR ENVIRONMENTAL PERFORMANCE, CODE OF CONDUCT & QUALITY

Issue	Purpose	Target 2010	Status end 2010	Target 2011 or long-term
Energy efficiency	Focus on energy savings to optimize energy use	Energy efficiency index \geq 110 end 2010 compared to 2007	Achieved. Index is 160	Energy efficiency 5% higher than in 2010*
Waste management	Focus on recycling of waste	Recycle 80% of total registered waste end 2010	Achieved. 87% of waste is recycled	Recycle \geq 85% of total registered waste
Code of conduct on all main LEGO sites	Secure that all LEGO sites live up to the set standards	No major code of conduct non-conformities found at main LEGO sites in 2010	Not achieved. 1 major non-conformity was found	No major quality non-conformities found at main LEGO sites in 2011
Product quality on all main LEGO sites	Secure that all LEGO sites live up to the set standards	No major quality non-conformities found at main LEGO sites in 2010	Not achieved. 5 major non-conformities were found	No major quality non-conformities found at main LEGO sites in 2011

*Note that the calculation method for energy efficiency has changed in 2011, and a new target has been set. Please refer to "The basis of the report" section.

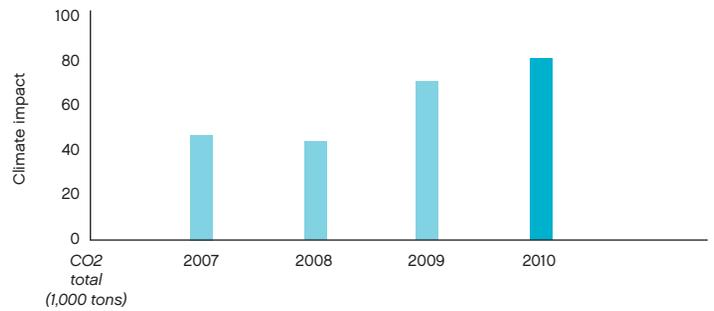
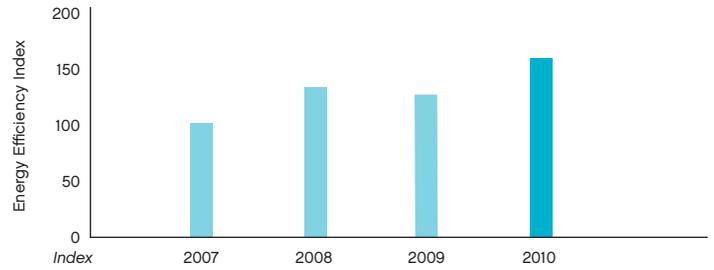
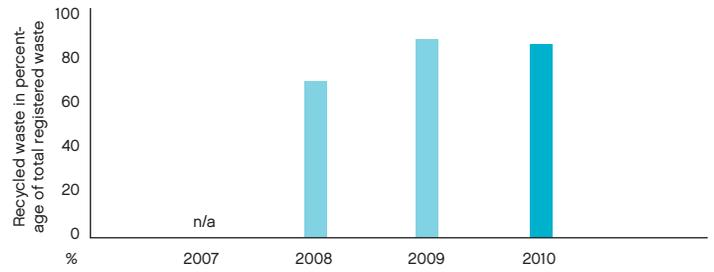
Quality performance

For the LEGO Group, quality means continuously challenging ourselves to deliver the best possible toys that provide children with exceptional opportunities to learn and develop while also benefiting our local community and partners. It is all about ensuring that what we do is fit for purpose and caters to the expectations and needs of our stakeholders. The quality of our products is decisive for their durability and safety, and thereby the sustained value of the play experience. Therefore, quality is one of our core values.

External audits conducted at our main LEGO sites within quality revealed five major non-conformities related to process improvements. This means that our target of zero major non-conformities was not met. All the found non-conformities have been solved or are in the process of being solved, and we will continue with our zero non-conformity target in 2011.

In 2010 we have challenged our third party auditors to be more aggressive. This resulted in more non-conformities compared to 2009. Even though we did not reach the target we see this as an effective way to improve our quality management system.

GRAPHS FOR ENVIRONMENTAL PERFORMANCE:





Bringing products to market

On a LEGO® product's journey from our distribution centers to the hands of a LEGO builder, it has to pass through several links such as distributors, retailers, and buyers. The success of this journey is defined by the way we cooperate closely with our partners and communicate and advertise effectively and responsibly about the products to children and their parents. Thus, our distribution and marketing activities are driven both by our Partner Promise of 'succeeding together', our Planet Promise of 'positive impact', and our Play Promise of creating a 'joy of building'.

This chapter describes three key issues when bringing products out to LEGO builders: The satisfaction of our customers in the retail business; how we approach responsible marketing and branding of our own and associated products; and finally how we have optimized the transportation of our products.

Customer satisfaction

The LEGO Group collaborates systematically with retail customers to measure the quality of our partnership including their satisfaction with our marketing and services. To ensure that we listen, understand,

and act on customer feedback, we have institutionalized an annual "health check" of the relationship with our main customers through a so-called Customer Pulse survey. Besides the overall satisfaction with our relationship, the survey gives input on issues such as expectations for future business, the effectiveness of our marketing efforts, and the quality of our partnership, including aspects such as information sharing and strategy. This is an important part of tracking the general acceptance of the LEGO Group among our main customers and gives valuable input to how we are performing on our Partner Promise. The survey thereby helps us to increase the value we deliver to our customers.

In 2010, the Customer Pulse revealed the same level of overall satisfaction as in 2009, being 123 index points with 2005 as basis. In 2011 we want to work further to increase overall satisfaction by one index point.

"We continue to understand our guests' current priorities, and over the latest years Target has noted an increased awareness of the sustainability impacts of the products they purchase in our stores. We regard the LEGO Group as a strategic partner when it comes to meeting our guests' expectations and have a lot of conversations with the LEGO Group about sustainability issues"
 – Casey Carl, vice president merchandising manager of Target (North American Retail Chain)

Responsible marketing

Marketing and advertising is an essential tool in interacting with our end users. It is important for us to tell children and their parents about our products and to show them which play experiences they can expect from a LEGO product. However, when communicating to children, we have to be responsible and sensitive to the fact that children may perceive the messages differently from adults. We recognize the need for safeguards to prevent misleading, exploitative, or aggressive marketing practices towards children, and we want to make sure that when an advertised product is purchased, it will meet or exceed the expectations generated by the advertising. With such responsible and fair advertising, we also believe that we can prevent consumers' disappointments and complaints and uphold the loyalty of LEGO builders.

The LEGO Group complies as a minimum with the national legislation in our markets. We support the Children's Advertising Review Unit (CARU), which has developed a self-regulatory program for responsible marketing towards children.

Since its launch in 2002, the LEGO Group has supported the organization Media Smart, which develops and donates teaching resources about interpretation

” WE REGARD THE LEGO GROUP AS A STRATEGIC PARTNER WHEN IT COMES TO MEETING OUR GUESTS.
 Casey Carl, vice president merchandising manager of Target (North American Retail Chain)

of commercial messages to schools. In 2011, we plan to continue and expand our support to the organization.

Brand associations and partnerships:

An important part of the LEGO Group's marketing activities is the cooperation with partners who produce products that are co-branded, licensed, and non-core. These products include LEGO clothing, LEGOLAND parks, etc. We regard the partnerships as highly synergistic, as the associated LEGO branded products may enhance the LEGO experience, and our partners can benefit from the strength of the LEGO brand.

To ensure that we manage products categorized outside our core business in a controlled and structured way, we have for internal use set up a so-called traffic light guideline which has categorized a large number of product types in red, green, and yellow categories. These categories respectively define whether a product type is a no-go, requires a risk assessment, or can be immediately released. This way, we systematically prevent the LEGO brand from being associated with inappropriate or controversial products.

As an example, we have concluded that food products do not seem to support the essence of the LEGO brand. At the same time, the food category is a "hot topic" involving strong expert opinions, and is perceived differently in different regions. Therefore, we have red-listed food categories within licensing and non-core product, the only exception being when they are "wrapped inside" a branded LEGO experience, such as a LEGOLAND park visit.

Transport optimization

The LEGO Group's latest assessment of the carbon footprint in the total value chain of our products estimated that transport of products to the markets accounts for approximately five percent of the products' total CO2 emissions. In 2010, the LEGO Group has explored new ways of utilizing the transportation capacity for our products as well as optimizing the way we handle our products during transportation in close collaboration with key transport providers. These

initiatives have proven to be both economically and environmentally viable and have brought us closer to our suppliers.

To ensure the best performance and cost from our transport providers, we have set up a benchmark model that makes the logistics services directly comparable. With this model, we want to create a sustainable competitive environment where smart-thinking for better transport solutions will be easier to evaluate and implement. The benchmark model has showed that there are both environmental and economical gains in the initiatives described below.

In close collaboration with one of our transport providers in Europe, we have tested a new system which reduces the distance travelled by unloaded trucks when products are brought to and from our European Distribution Center in the Czech Republic. This is done by linking the logistics planning for our inbound traffic from our Danish production site with that of the outbound traffic to our markets.

In order to secure capacity of transportation and to improve our options for environmentally sound rail transport, we have applied the system of Intermodal transport. This system operates with an equipment format that enables changing between truck and rail transportation without any direct handling of the goods and thereby improves security and reduces damages and losses. In 2010, more than 95% of the goods brought from Denmark to our European Distribution Center were transported by rail.

Our next step will be to evaluate what we have learned from these pilot initiatives and where relevant customize them to other regions.

TARGETS FOR BRINGING PRODUCTS TO MARKET

Issue	Purpose	Target 2010	Status end 2010	Target 2011 or long-term
Customer satisfaction	Secure continuous improvement of customers' perceived evaluation of the LEGO Group	Overall satisfaction >= index 123* end 2010 compared to 2005	Achieved. Index is 123	Overall satisfaction >= index 124 end 2011 compared to 2005

*Target has been adjusted from 119 in the 2009 Progress Report due to an error detected in the 2009 Customer Pulse result





Sustainable play

The 'age span' of LEGO® bricks is wider than that of most other products, both when it comes to the durability of the play experience and the kept value of the products themselves. Creations made from LEGO bricks can be taken apart and reassembled in ever more complex constructions during a child's development and for some, even into adulthood. Often, they are also passed on from one generation to another (please refer to the "End of life" section), which further adds to their durability and value. The age span of LEGO products thus supports our Play Promise of 'joy of building' by extending the play value over time. It is also one of the essential sustainability qualities of our products and contributes to our Planet Promise, as it opposes the use-and-dispose culture where products quickly lose their value and are replaced, causing significant adverse environmental impact from resource consumption and waste generation.

By engaging with a large network of LEGO user groups, among others LEGO Ambassadors, Kids Inner Circle, we are able to convey the interests, concerns, and questions of LEGO users directly to us. These LEGO user groups also assist in developing and testing new products on a voluntary basis, thus helping us to shape the future of our brand.

This chapter explains how the LEGO Group keeps up consumer confidence in our products in the physical as well as the digital realm; how we enhance and measure satisfaction with our products; and how we provide creative learning to school children.



Product safety

Product safety is the LEGO Group's top priority and will never be compromised. We are very concerned about preventing any harm to the users of our products, whether they are in physical contact with our products or they are navigating the digital LEGO world. Therefore, product safety issues are an integral part of our day-to-day quality management, product development, and partnerships.

In 2010 we have maintained and further improved our already low product safety complaint rates.

Product recalls

Whenever a company is compelled to recall a product from the market because of safety issues, it should happen out of a concern for the consumer and end user. In reference to our motto, 'Only the best is good enough', the LEGO Group has set a recurring target of zero product recalls. Over the past seven years, we have experienced two product recalls in total, and in 2010, no product recalls were made. This demonstrates how our constant focus on quality and product safety creates value for us and our end users, and going forward, our work to avoid any product recalls will continue.

Setting the standard for toy safety

As a multinational company, the LEGO Group has to comply with a great variety of local legislation on product safety. A part of this task can be overcome if we follow internationally acknowledged safety standards and support further development of such standards. By complying with high-level standards, we also ensure that our products live up to state-of-the-art safety requirements and are continually updated on the newest knowledge of safety issues.

In November 2010 the LEGO Group partnered with three other toy manufacturers to sponsor an assembly of 50 experts in Melbourne, Australia. The purpose of the meeting was to expand the scope of the existing standard for toy safety, called 'ISO TC 181'³ in alliance with other standardization organizations.

At the assembly a wide range of topics were discussed with the goal of incorporating new requirements and test methods and to align the standard with other international safety standards. As a result of the assembly, the committee's field of activity has expanded into areas of toy safety for which there are no applicable standards yet.

Safety in the digital world

When it comes to the digital world, product safety is much different from what it is in the world of physical toys. First of all, it is about ensuring a digital social interaction which is safe and secure; secondly safety legislation in this field is still limited, which calls for companies to create their own ethical standards.

All the LEGO Group's digital offerings are compliant with the two acknowledged standards Children's

Advertising Review Unit (CARU)⁴ and Children's Online Privacy Protection Act (COPPA)⁵, whose respective goals are to ensure responsible advertising towards children and outline the responsibilities any online host has to protect children's safety and privacy online.

Safety in the digital world have been further actualized in 2010 with the introduction of LEGO Universe. LEGO Universe is a "Massively Multiplayer Online Game", which takes place in a virtual world populated by LEGO minifigures. It has been developed for the LEGO Group by NetDevil and was released in October 2010, globally distributed by Warner Bros. Interactive Entertainment.

To maximize player safety in the LEGO Universe, we have developed internal LEGO Universe Safety Guidelines, which incorporate a mix of technology, process, people, community, and parental involvement. It utilizes innovative moderation technology as well as a staff of professional moderators to keep players safe, while still encouraging creative expression. The protective practices govern all of our online activities and include the following measures:

1. Constant moderation: Our moderation team moderates and monitors LEGO Universe twenty-four hours a day, seven days a week.
2. Accessible safety reporting: LEGO Universe has a clear and straight-forward reporting functionality so that children or their parents can report to our moderation team immediately should they have any concerns.
3. Code of conduct: LEGO Universe has a code of conduct that is communicated clearly to the players in an age-appropriate manner. The code instructs the players on how to interact in a responsible and caring manner.
4. Safety tips: In addition to these game rules, we also provide a clear and age-appropriate set of safety tips to further protect and empower children.
5. The legend of the Mythrans: The concept of safety is even built into the game's story. There are in-game characters called the Mythrans, who have a history of protecting and doing good deeds for others. The Mythrans make it fun for players to learn about moderation and safety.
6. The balance of privacy and freedom of expression: Because of the way that registration and the game play works, children's privacy will be protected even as they are given freedom of expression and the means to be creative.

The LEGO Group will also aim to empower and educate parents to take an active role in their children's online safety.

Consumer satisfaction

When we handle and respond to LEGO buyers' inquiries or complaints, ask them about their opinion about the product or service, or communicate with LEGO builders and their parents via our website, we regard this as a part of our respectful stakeholder dialogue, helping us to enhance the play experience and live up to the expectations of children and their parents.

Two indicators demonstrate the overall satisfaction with LEGO Products: The extent to which one consumer would recommend our products to another and the extent to which a consumer would express dissatisfaction with one of our products.

Net Promoter Score®

Every year, we ask a number of randomly selected consumers how likely they are to recommend our products or services to others. This gives us an indication of how well our services market themselves via their quality and the users' experience, and the result of the survey is quantified by our Net Promoter Score (for definition, please refer to "The basis of the report" section). The measured score of the LEGO Group has been constantly increasing from 2005 to 2009, and in 2010, we have maintained the 2009 level and achieved our target with a Net Promoter Score of 126 compared to our 100 baseline in 2005. The Net Promoter score is based on roughly 329,000 survey responses.

Handling complaints

Since 2005, the LEGO Group has systematically categorized and analyzed the complaints received from consumers. Thereby, we have been able to initiate appropriate corrective actions in order to reduce the failure rate of our products. We now really start to see the result of this work, as the number of complaints compared to products sold has been decreasing over the last 3 years. In 2010, the rate of consumer complaints was reduced to 779 parts per million (ppm) products, which is well below our target of 1,150. Based on measurements in production and analysis of consumer complaints, we estimate that only 25-35% of all complaints are related to the activities of the LEGO Group. The rest is due to LEGO pieces having gone missing at the consumer end during play.

³⁾ ISO (International Organization for Standardization) is the world's largest developer and publisher of International Standards, and is linked directly to legislative requirements in many countries. The organization works as a link between the public and private sectors by defining standards for areas such as quality, environmental friendliness, safety, reliability, efficiency and interchangeability.

⁴⁾ CARU promotes responsible children's advertising as part of a strategic alliance with the major advertising trade associations. CARU's basic activities are the review and evaluation of child-directed advertising in all media, and online privacy practices as they affect children. When these are found to be misleading, inaccurate, or inconsistent with CARU's Self-Regulatory Guidelines for Children's Advertising, CARU seeks change through the voluntary cooperation of advertisers.

⁵⁾ COPPA applies to the online collection of personal information by persons or entities under U.S. jurisdiction from children under 13 years of age. It details what a website operator must include in a privacy policy, when and how to seek verifiable consent from a parent or guardian, and what responsibilities an operator has to protect children's privacy and safety online including restrictions on the marketing to those under 13.

When breaking down the results into categories, we see an even more significant result. In 2010, the complaints caused by a systematic mistake from our side, such as missing pieces, insufficient information, or undesired instability of our LEGO models have been reduced to well below half of the 2007 level.

Guideline for weapons and conflict in LEGO experiences

A large number of LEGO minifigures use weapons, and are – assumedly – regularly being charged by each others’ weapons as part of children’s role play. In the LEGO Group, we acknowledge that conflict in play is especially prevalent among 4-9-year-old boys. An inner drive and a need to experiment with their own aggressive feelings in order to learn about other people’s aggressions exist in most children. This in turn enables them to handle and recognize conflict in non-play scenarios. As such, the LEGO Group sees conflict play as perfectly acceptable, and an integral part of children’s development.

We also acknowledge children’s well-proven ability to tell play from reality. However, to make sure to maintain the right balance between play and conflict, we have adhered to a set of unwritten rules for several years. In 2010, we have formalized these rules in a guideline for the use of conflict and weapons in LEGO

products. The basic aim is to avoid realistic weapons and military equipment that children may recognize from hot spots around the world and to refrain from showing violent or frightening situations when communicating about LEGO products. At the same time, the purpose is for the LEGO brand not to be associated with issues that glorify conflicts and unethical or harmful behavior.

Engaging parents

The parents’ site on LEGO.com is established to communicate relevant and up-to-date information to parents about LEGO products and child development. The site also offers parents the option to ask questions and discuss our products or related topics with each other or the LEGO Group.

The parents’ site experienced a decrease in average monthly unique visits compared to 2010, but managed to reach our target of being 12 index points above the 2008 level. The target will be omitted in 2011, and a better indicator will be considered for 2012.

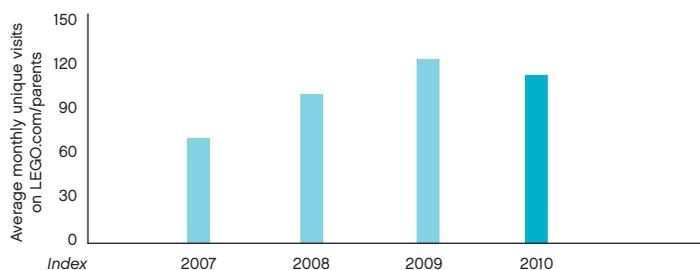
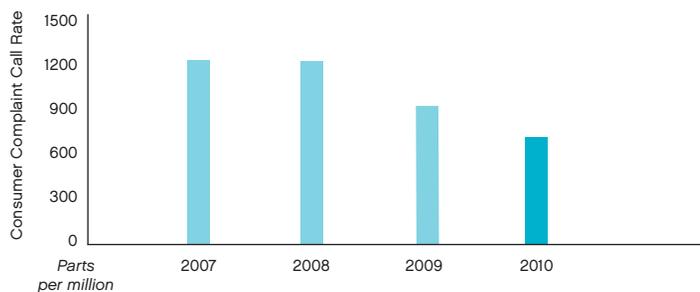
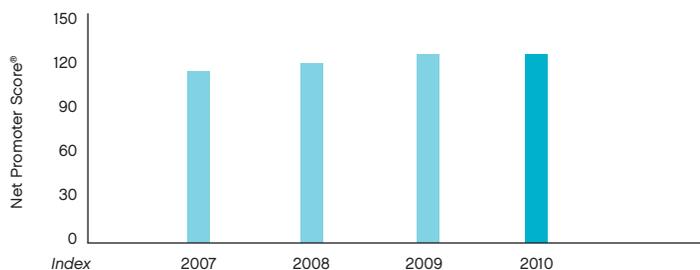
The idea of playful learning

Living our mission, we respect and take responsibility to nurture the way children play, learn, develop their creativity, and thrive. Learning is a key value to us. This is why we established the LEGO Learning Institute in 1999. The institute actively collaborates with some of the most respected academics and experts in the field of child development from around the world. Our ambition is to bring knowledge and insight to new audiences, while at the same time generating helpful feedback to the people who design and build the company’s play experiences, ensuring that we at the LEGO Group remain true to our mission of ‘Inspiring and developing the builders of tomorrow’.

In 2009, the LEGO Learning Institute published their latest study of “Defining Systematic Creativity in the Digital realm”. The study explores what creativity is in the digital realm, what it is like to grow up in a digital world, and how the digital realm is influencing the way children play, learn, and create ideas.

Over the years, a profound understanding of how children of today learn effectively has been accumulated at the LEGO Learning Institute. This knowledge forms the basis of the product range “LEGO System for Learning”, which was launched in 2010, propagating our idea of learning through experimenting as a form of problem solving. The system is intended for use in teaching and education and consists of class sets of LEGO bricks and components and guidance for teachers. The LEGO System for Learning is divided into different age groups and allows children and students to master the art of learning by thinking creatively and reason systematically. We refer to this as “Systematic Creativity”. The skills that the LEGO System for Learning develops are skills which entirely characterize the new digital ways of working.

GRAPHS FOR CONSUMER SATISFACTION:



TARGETS FOR SUSTAINABLE PLAY

Issue	Purpose	Target 2010	Status end 2010	Target 2011 or long-term
Consumer Safety	Continue to secure high safety and quality standards	Zero recalls in 2010	Achieved. No recalls in 2010.	Zero recalls in 2011
Consumer satisfaction	Secure low complaint rate	Consumer Complaint Call Rate \leq 1,150 parts per million (ppm) end 2010	Achieved. Consumer Complaint Call Rate is 779 ppm	Consumer Complaint Call Rate \leq 800 ppm end 2011
	Secure the positive experience of LEGO products and services	Net Promoter Score® Index \geq 124 end 2010	Achieved. Score is 126.	Net Promoter Score® Index \geq 124 end 2011
Consumer information	Secure relevant and up-to-date information for parents on www.LEGO.com/parents	Average monthly unique visitors on www.LEGO.com/parents \geq index 110 end 2010 compared to 2008	Achieved. Index is 112.	Target omitted for 2011.

The four C's of the "LEGO System for Learning Manifesto"

Connect

Learners are presented with a challenge or task that is open-ended and are asked questions to explore ideas around the task before they get started. Their curiosity is awakened, and the task is within their reach. It builds on existing knowledge and areas of interest.

Construct

Every LEGO task involves a building activity. Active learning involves two types of construction: when children construct artifacts in the 'real' world, they simultaneously construct knowledge in their minds. This new knowledge then enables them to build even more sophisticated artifacts, which yields yet more knowledge, and so on, in a self-reinforcing cycle..

Contemplate

Students are given the opportunity to consider what they have learned and to talk about and share insights they gained during the Construct phase. Facilitating questions are designed to help learners gain awareness of the process they are in and explore new ways to go about finding solutions to the task that has been set.

Continue

Every LEGO task ends with a new task that builds on what has just been learned. This phase is designed to keep the learner in a state of intrinsic motivation, where a person is fully immersed in what he or she is doing.

Collaboration

We might say that a fifth C should be added to this model, to emphasize Collaboration. However this fifth C is present in all Four other Cs. LEGO tasks are never completed alone, because while we learn on an individual basis, we need others in order to develop and complete our learning in order to develop personal leadership and master the dynamics of teamwork.

End of life

For most products, their end-of-lives occur when the products are worn out, broken, redundant or simply out-dated for the user. In fact, a fair share of a household's environmental impact is caused by replacement of consumer durables, and the best way to minimize this impact would be to ensure maximum durability, usability, and constantly renewed topicality of the product. In the LEGO Group, we believe that our products have exactly those properties, and that the environmental impacts stemming from the end-of-life phase are therefore limited.

The quality and safety of LEGO® bricks make them extremely durable. In fact, bricks that were produced decades ago are difficult to tell apart from new ones in appearance as well as functionality. The constant innovation of our product concepts ensures that children can relate our products with their present agenda. In combination with this, the product development principle of compatibility with older products allows children of today to develop their imagination and creativity by combining bricks from their parents' or grandparents' time with new ones. As a result, we believe that LEGO bricks are rarely disposed of as waste, but are either passed on to younger generations or reused in other ways.

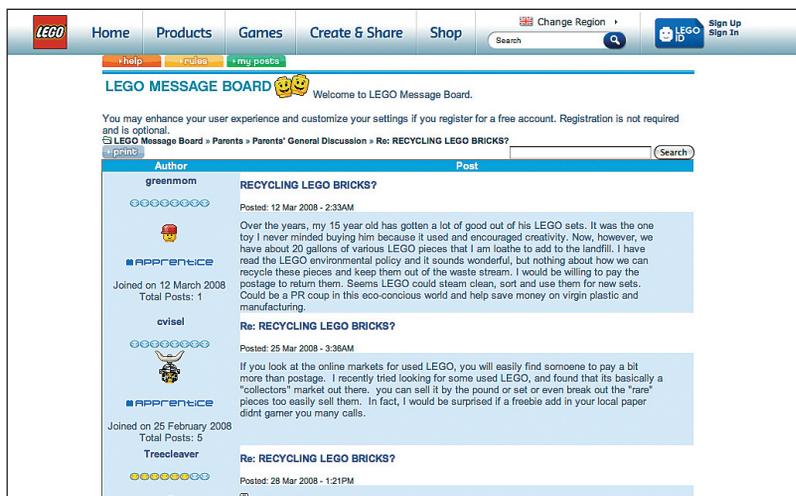
As an example, the online marketplace eBay had approximately 100,000 listings of second hand LEGO products by the end of 2010. The relatively high bids on bulk lots as well as collector's items demonstrate how the products keep up their value even after years of usage.



The LEGO Group still recognizes that there may be cases where used LEGO products are regarded as waste, and in our Design4Planet initiative we are exploring ways to handle product waste (please refer to the "Innovation" section).

"LEGO products have a utility value which spans over many years, and it almost seems meaningless to talk about LEGO bricks as a waste product. While in the state of LEGO bricks, the material could in fact be seen as a kind of 'carbon storage', actually mitigating the climate impact of its fossil origin."

– John Nordbo, Head of Conservation, WWF Denmark



Through the message board of lego.com/parents, 14 parents have engaged in a discussion with "greenmom" on how to dispose of used LEGO bricks. Throughout the discussion thread, re-use is recommended by onward sale or charity donations as a better alternative to recycling.

The wider community

With our role as corporate citizens in the local and global communities where we operate, we acknowledge that the LEGO Group has a responsibility that goes beyond the value chain of our products. We believe that the positive impact to the wider community as a whole is generated through the success of our business and the quality of our products, jointly with a reduced negative impact on the wider community.

This section describes how we seek to influence the political landscape towards setting appropriate framework conditions for toys, especially regarding toy safety; we present our views on tax contribution to society; we describe how we work towards elimination of our climate impact; and finally we explain how we reach out to less privileged children, to whom LEGO® products would otherwise be out of reach.

Lobbying

Based on our spirit and core values, our lobby activities must always seek to benefit all stakeholders and must be conducted in a transparent and professional manner. We participate in toy related lobby activities in external associations with focus on critical standards, changes in legislation, or other initiatives that may influence the LEGO Brand.

- We are primarily involved in regulatory developments within intellectual property rights, toy safety, including child health and safety, and marketing to children.
- The continued focus by all stakeholders on toy safety requires us to consistently take a position on this crucial topic for the toy industry.
- We have consistently focused on ensuring that the toy safety rules set as high standards as possible while ensuring that implementation of the new rules is possible.

International and regional associations and initiatives in which we participate include Toy Industries of Europe – TIE, Toy Industry Association – TIA, European Brand Organization – AIM, World Federation of Advertisers – WFA, European Committee for Standardization – CEN and International Organization for Standardization – ISO.

The revised EU Toy Safety Directive has been strengthened in many ways, both in relation to the documentation required by manufacturers and in relation to ensuring the chemical safety of toys.

We are actively involved as Chairman of the Technical Committee for Toy Safety in the European Committee for Standardization (CEN).

We have also been active along with Toy Industries of Europe (TIE) and the European Commission in communicating the consequences of the new Directive to manufacturers and distributors both in the EU and in Asia. At present we hold the chair of the TIE.

In the US, the implementation of the Consumer Product Safety Improvement Act has required that, on a continuous basis, the LEGO Group provides input to the Consumer Product Safety Commission through TIA and by itself in relation to the ongoing rulemaking.

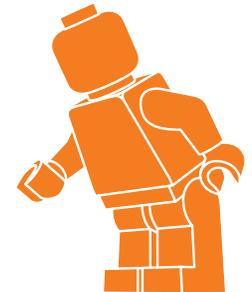
Tax and other economic impacts

Tax contribution is one important aspect of business in the community. On the wider agenda, the economic impact of our business in society is based, in particular, on the direct and indirect employment and associated money flows, including taxes paid. It is fundamental to us that the relation between a company and its host societies should be based on trust, mutual respect, and a cooperative spirit. It goes without saying that we pay our taxes with due respect to laws. Within that framework and taking into account the interests of our business and our shareholders, we believe it is appropriate for us to pay the taxes that we are required to pay, no more, no less.

The corporate income tax expense for the LEGO Group in 2010, DKK 1,171 million, appears from the value distribution chart presented at page 30. Details on taxes can be found in our Annual Report 2010.

Our concern for climate and nature's resources

The most important stakeholders of the LEGO Group – the children – inherit both the future and the planet, and they have a right to a healthy and rich environment. We acknowledge our contribution to humanly induced climate changes, and are deeply concerned about the consequences of those changes. This viewpoint is the background for our target for renewable energy as mentioned above.



The production of raw materials, moulding, packing, and distribution of LEGO products are all activities that use energy, resulting in greenhouse gas emissions. We have defined a target of 100% renewable energy for our own energy consumption in 2020; with 50% renewable energy reached in 2015.

However, we also want to show immediate action and have therefore broken it down to the following actions in 2011:

- 1) 50% of electricity consumption in Denmark must come from renewable sources (approx. 20% of total LEGO Group energy consumption);
- 2) Assess the possibilities to enter a transparent and long term agreement on renewable energy on the three other LEGO production sites (Mexico, Hungary and the Czech Republic);
- 3) Create the overview of possibilities for local changes to generate the needed heat based on renewable energy sources.

Meanwhile, we continue our ambitious energy efficiency efforts, and have managed to increase the energy efficiency of our processes by 60% in 2010 compared to 2007 (please refer to the "People & processes" section on energy efficiency). A reason for the high increase is our high growth rate leading to a high utility of production capacity. The energy efficiency is calculated as the rate between energy consumption and value creation.

"We work to propagating an understanding among consumers about what best practice in climate management means. As consumers become more aware and interested in the ecological and economic benefits of climate considerations of the purchases they make, we believe they will seek -- and reward -- further leadership from companies. The right way to communicate about this is to demonstrate leadership, innovation and efficiency on energy and climate. We rate companies through a scorecard system, and the LEGO Group has become the runner-up in the toy sector by performing well on energy efficiency and measurement. To reach a higher sector leadership position,

the LEGO Group should become more transparent about its climate performance and programs and put more effort into influencing public policy on climate issues."

– Wood Turner, Executive Director, Climate Counts

The raw materials – nature's resources – play an important role in respect of climate impact. We work towards a zero waste scenario partly through holistic material innovation, partly through recycling of our own waste.

Our activities to increase energy efficiency and reduce waste are further described in the "People & processes" section, while our innovation efforts are described in the "Innovation" section.

"WWF expects leading companies to engage actively and ambitiously in solving the climate challenge. Top management should lead the way and take responsibility for climate improvements by integrating climate in leadership decisions and strategy development, and the companies should challenge themselves by setting short-term targets for climate improvements and long-term targets for climate neutrality"

– John Nordbo, Head of Conservation, WWF Denmark

The LEGO Foundation

Under the headline 'We Care and Share', the LEGO Foundation wishes to inspire and develop children and young people to become active citizens in society through fun, learning, and high-quality creative play activities. We believe that the future of poor and underprivileged young citizens of the world can be changed for the better this way. Through the LEGO Foundation, representing the philanthropic aspect of the LEGO Group, we will strive to build synergies and partnerships to the benefit of society and business.

The LEGO Foundation holds 25% of the LEGO Group and manages four different funding programs (for a detailed description for the four programs, please

BREAKDOWN OF VALUE CREATION (DKK MILLION)



visit the foundation's web site). All programs support our Mission: 'To inspire and develop the builders of tomorrow' and try in an authentic and concrete way to make a positive impact. As described in "The wider community" section, the LEGO Group's aim is to support learning to 101 million children in 2015. 100 million of these children should get access to our products via our conventional market-driven business, while the one remaining million are underprivileged children who should be supported by the LEGO Foundation. In 2010, we managed to reach out to an estimate of 410,000 children through the four programs further described below, which was above the target of 387,500 children defined for 2010. The total value of our donations in 2010 is estimated at DKK 876 million.

Care for Children in Need

During the past four years, the LEGO Care for Children in Need program has been able to use a large proportion of the returned unused LEGO products and thereby bring play and learning possibilities to underprivileged children worldwide.

Running charity programs in remote communities often calls for in-depth knowledge of local practices. Therefore, the Care for Children in Need program has started to identify which external organizations would be suitable for partnership in order to help prioritize and successfully distribute LEGO charity boxes to those most deserving. In 2010, we have made agreements with the United Nations High Commissioner for Refugees (UNHCR) and the Danish Ministry of Foreign Affairs, public diplomacy, and in the coming years, the program office will focus on signing up with other strategic partners. The program has engaged more than 300 working and retired LEGO employees who work together as volunteers packing LEGO charity boxes.

Another focus area is to follow up on studies made on the impact of donations.

In 2010, the Care for Children in Need program has reached approx. 328,000 children in 319 projects worldwide. 10,042 LEGO charity boxes, each containing 10 kg of LEGO bricks, have been sent to countries like Turkey, Ukraine, Haiti, and Afghanistan.

In Haiti, a donation of LEGO charity boxes was distributed by the International Development Bank to children in the refugee camps erected due to the earthquake.

In cooperation with Save the Children Denmark, we shipped 1,500 LEGO charity boxes to Pakistan to children affected by the flooding disaster. 240 Danish



” WWF EXPECTS LEADING COMPANIES TO ENGAGE ACTIVELY AND AMBITIOUSLY IN SOLVING THE CLIMATE CHALLENGE.

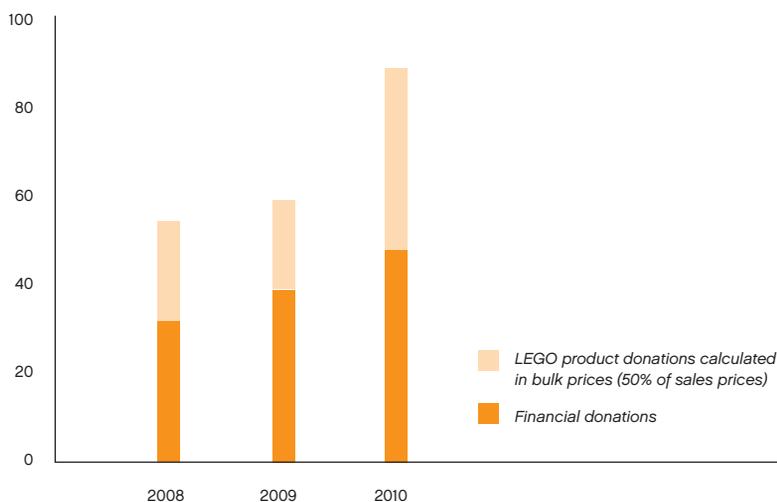
John Nordbo, Head of Conservation, WWF Denmark

students from the local Billund schools helped us prepare the containers. Save the Children created child friendly spaces and play buses throughout the affected area, and we contributed to this initiative by donating the LEGO charity boxes.

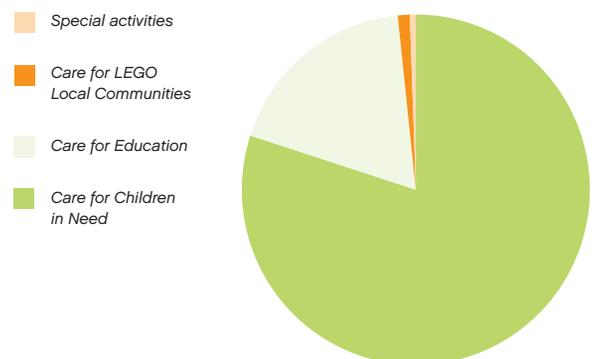
Care for Education

Through the Care for Education Program with the aim of 'Developing Talents through Creative Play and Hands-on Learning', communities and school systems are introduced to the LEGO Learning philosophy and materials (please refer to the "Sustainable play" section on 'The idea of playful learning'). Through coop-

DONATIONS (DKK MILLION)



THE TOTAL NUMBER OF CHILDREN REACHED THROUGH OUR ACTIVITIES IN 2010 IS ESTIMATED AT APPROXIMATELY 410,000



eration with local governments, we train and support teachers in practicing a child-centered educational approach, which will nurture the learners' ability to act as active citizens as they grow up.

To expand existing programs in South Africa and Brazil and two pilot projects in Mexico and Ukraine, the Care for Education Program has added two partnerships in China and one partnership in India during 2010 as described below. By the end of 2010, a total of 75,000 learners have been enrolled in the programs, and while the number of learners tripled in 2010, we expect to double the number of enrolled learners during 2011.

Partnerships in China:

During 2010 The LEGO Foundation formed a partnership with ELFA China – a private kindergarten operator – about an educational program for migrant children. The Foundation provides charity boxes as well as basic training for educators. ELFA China cascades the training to educators in migrant institutions, and will distribute the charity boxes, meanwhile keeping the relation to public authorities. The pilot project reached out to 2,400 children and the plan for 2011 is to reach 20,000 children.

The second partner is the Soong Ching Ling Foundation. The Foundation has through the last 20 years built up a network program in order to support West Chinese provinces. With volunteer-teachers and educators travelling out from Shanghai to the western provinces, in order to train and educate their colleagues, the quality of learning is maintained in spite of huge distances. 40,000 children experienced creative play and hands-on learning during 2010, and the expectations for 2011 count another 60,000 children.

New partner in India:

The Foundation has agreed with the ALC School Project in Tamil Nadu, India, to continue and expand the project which was initiated with a donation from Ole Kirk's Foundation in 2007. With 30,000 learners in the school system this project will form the basis for a number of future initiatives foreseen to develop in India.

Partnerships in South Africa:

By measuring how our Care for Education program has impacted the learners' profiles and attitudes as

well as their performance on test scores, absenteeism and national examinations in South Africa, we have demonstrated such remarkable results that the educational authorities wish to expand the program.

Care for LEGO Local Communities

Ever since Ole Kirk Kristiansen founded the LEGO Group in 1932, the owner family has been very much aware of their responsibility towards the local community in which their employees live. The purpose of 'Care for LEGO Local Communities' is to take concrete local action, showing compassion and human interest in especially children in the local communities. The LEGO Foundation has initiated a new line of activity under the headline 'Care for LEGO Local Communities' in Billund (DK), Enfield (US), Kladno (CZ), Monterrey (MX), Munich (DE) and Nyiregyháza (HU) which represent all the production locations as well as some of the largest sales and business development locations.

In Enfield, a number of disadvantaged children have received help through the Children's Foundation. In Nyiregyháza and Kladno, LEGO Employees have been engaged in a number of projects helping local kindergartens, schools, and hospitals with renovation, painting, playing with kids and fundraising. In Monterrey, local schools and kindergartens have received LEGO products and teacher training.

Special programs

In Denmark, more than 200,000 children participated in the 'Denmark Collection 2010' making an astonishing 337,824 drawings in favor of the victims of the earthquake in Haiti. The LEGO Foundation made a donation of 10 DKK for each drawing, adding up to almost DKK 34 million which is the largest single donation ever for this type of event.

In cooperation with the Danish Crown Princess Mary and the Mary Foundation, the LEGO Foundation runs a program for children living in shelters for battered women. The program has been rated best of its kind in Denmark and will continue until 2014.

Reporting features and supporting information

Performance data

Stakeholder	Note*	Measures	Results 2008	Results 2009	Targets 2010	Results 2010	Targets 2011
Consumer		Consumer measures					
		Number of product recalls	0	1	0	0	0
		Average monthly unique visits on LEGO.com/parents index	100	123	>=110	112	Omitted
		Consumer complaint call rate	1,230 ppm	930 ppm	<=1,150 ppm	779	<=800 ppm
		Net Promoter Score Index®	120	126	>= 124	126	>= 124
Employee		Employee profile measures					
1		Number of employees	7,337	8,616		9,843	
1		Female	46.7%	45.3%		48.6%	
1		Male	53.3%	54.7%		51.3%	
		Average age	38.2	36.7		36.5	
2		Rate of employee turnover	10.8%	10.4%		9.3%	
		Health & safety measures					
		Sick leave	3.0%	2.9%	<=3.5%	2.2%	<=2.6%
3		Number of injuries with absence	35	61		44	
4		Injury rate	4.4	4.8	<=5.0	3.0	<=2.0
		Absence rate due to injuries	0.25	0.51	<=0.32	0.29	<=0.26
		Percentage of employees working at OHSAS 18001 certified sites**	54%	85%	>=80%	84%	Omitted
		Employee commitment measures					
		Directors+ promotions (externally recruited or internally appointed) of female employees	18%	20%	>=25%	32%	>=30%
		Employees Pulse					
		- Work life balance range to global scorecard (LEGO EEI)	+2	+3	+0	+4	+0
		- Motivation & Satisfaction range to global scorecard (LEGO EEI)	+10	+11	+10	+12	+10
		- People Promise (departmental improvement rate)			>=66%	51%	>=80%
Partner		Business integrity measure					
		Percentage of Directors+ at LEGO sites trained in business integrity	0%	69%	100%	98%	100%
		Key ESG measures at LEGO sites					
5		Number of audits conducted at main LEGO sites		23		20	
5		Number of major quality non-conformities found at main LEGO sites	4	0	0	5	0
5		Number of major EHS non-conformities found at main LEGO sites	0	0	0	8	0
5		Number of major CoC non-conformities found at main LEGO sites	0	1	0	1	0
		Key ESG measures in supply chain					
6		Total number of direct and extended line suppliers	196	231		117	
7		Number of quality audited suppliers	23	2		33	
7		Number of CoC audited suppliers	18	48		33	
		Number of major quality non-conformities found at suppliers		3		26	
8		Number of major CoC non-conformities found at suppliers		36		66	
		Percentage of major quality non-conformities found in the reporting year at supplier audits solved within the agreed timeframe***			100%	100%	100%
		Percentage of major CoC non-conformities found in the reporting year at supplier audits solved within the agreed timeframe***			100%	100%	100%
		Customer satisfaction measures					
		Customer Pulse					
		- Overall satisfaction****	119	123	>=123	123	>=124
		- Products	106	106		105	
		- Marketing	105	107		107	
		- Service	117	117		121	
		- Partnership	110	111		109	
		- Value	112	113		110	
Surrounding environment		Resource measures					
		Raw material, plastic, 1,000 tonnes	20	35		39	
		Water consumption, 1,000 m ³	68	116		220	
		Total energy consumption in production, GWh	108	155		173	
		Energy efficiency index	135	127	>=110	160	5% improvement
		Waste, tonnes	3,057	7,970		9,644	
		Recycled waste in percentage of total registered waste	69%	88%	>=80%	87%	>=85%

* Please refer to the "Notes to performance data" section

** 2010 target has been adjusted from 90% in the 2009 Progress Report to 80% during 2010. By mistake employees from LEGO Brand Retail Stores have been included in the numbers. Brand Retail Store employees are however not covered by our OHSAS certificate and should not be included. Numbers for 2008 and 2009 changed accordingly.

*** New definition on this issue in 2011 (please refer to "The basis of the report" section)

**** 2009 result and 2010 target has been adjusted from 119 in the 2009 Progress Report to 123 due to an error detected in the 2009 Customer Pulse result

● Target met ● Target not met

The basis of the report

The Progress Report is based on the reporting framework provided by the Global Reporting Initiative (GRI).

Scope

The data presented in this Progress Report covers the LEGO Group based on the legal boundaries for the group. More information on this can be found in the Annual Report 2010 for the LEGO Group. The report covers the period 1 January 2010 to 31 December 2010.

Materiality determination

The report is part of the LEGO Group's respectful dialogue with our primary stakeholders about issues that are material to them. Our primary stakeholder groups have been defined and they are: Consumers, Employees, Partners (Customers, Business Partners & Suppliers) and the Surrounding Environment.

For the 2010 Report, the LEGO Group applied the model used in 2009 for selection of ESG content in order to focus the report on the most relevant and current issues. The model takes its starting point in relevant ESG frameworks, listing a wide range of generic ESG topics. 58 ESG topics were evaluated and 36 found to be relevant based on an assessment of their relevance against the four promises in the LEGO® Brand Framework. The 5 step evaluation of materiality, linked to AA1000 and described in the publication "Redefining Materiality" published by AccountAbility), was used for a prioritization of the ESG issues. A top 15 of ESG issues was established in 2009. The top 15 were reviewed and further reduced to eight topics based on urgency and our maturity and current response.

Six out of the eight topics are covered by our five long-term targets (please refer to the "Snapshot performance overview" and "Performance and target summary" sections). The last two Partner topics remain yet to be adequately addressed, and this will be addressed in the immediate future. We believe those material ESG aspects are important to the LEGO Group's long-term value creation to stakeholders and shareholder earnings. We continue to challenge whether we can improve the way we measure success towards our ESG objectives, and we expect revised and new indicators to be presented as we learn and expand the scope of our ESG strategy.

It is not the intention to include detailed information that is primarily of significance to individual sites, processes, activities, and products.

Definitions and calculation methods

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

The manufacturing setup changed during 2008 and 2009 to include sites in the Czech Republic, Hungary, and Mexico which makes it difficult to compare data between years. Data measurement methods and the basis of calculations are addressed below; however please see the Annual Report 2010 for a description of measurement methods relating to financial results.



MATERIALITY OF ESG TOPICS

The filtering process of ESG topics

Important 2010 ESG topics:

Consumer topics

- Product safety
- Learning via business
- Learning via Philanthropy

Employee topics

- Employee safety

Partner topics

- Anti-corruption
- Respectful dialogue

Surrounding Environment topics

- Climate
- Waste



Consumers

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.

Average monthly unique visits on LEGO.com/parents index

The number of unique visitors is calculated as the number of year to date average monthly unique visitors according to the counter on the page. The data is shown with 2008 as index basis.

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.

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 - level 9 and 10 - minus the development in the detractors - level 6-0 - is calculated and is shown in this Progress Report with 2005 as index basis.

Employees

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.

Job classification

Senior Management comprises all Vice Presidents or levels above. Management comprises Senior Directors and Directors. The Directors+ group of employees consists of Senior Management and Management. Other employees are included in the group "Others".

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.

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 are included.

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 are included.

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.

Percentage of employees working at OHSAS 18001 certified sites

The percentage is calculated as employees working in certified sites (certified by an external audit company) as a percentage of all employees working in the LEGO Group.

Directors+ promotions (externally recruited or internally appointed) of female employees

The number of female Directors+ promotions (externally recruited or internally appointed) is shown as a percentage of all promotions into the Directors+ group of employees.

Employee Pulse

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.

Partners

Percentage of Directors+ at LEGO sites trained in business integrity biennially

The percentage is calculated as Directors+ (employed for more than 3 months) having completed the e-learning program in Business Conduct biennially as a percentage of all Directors+ (employed for more than 3 months) in the LEGO Group.

Audits conducted at LEGO sites

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

Major non-conformities found at main LEGO sites (Quality/EHS/CoC)

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

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 formalized 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.

Major quality non-conformities found in the reporting year at supplier audits solved within the agreed timeframe

The percentage of major quality non-conformities found at audited suppliers solved within the agreed timeframe or in progress according to the corrective action plan (CAP).

New definition of this issue from 2011:

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 has been solved within the agreed deadline.

Major Code of Conduct non-conformities found in the reporting year at supplier audits solved within the agreed timeframe

The percentage of Code of Conduct non-conformities found at audited suppliers solved within the agreed timeframe or in progress according to the corrective action plan (CAP).

New definition of this issue from 2011:

Major Code of Conduct non-conformities found at supplier audits solved within the agreed timeframe

The percentage of major code of conduct 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. ICTI Care suppliers are not included.

Customer Pulse

To obtain an evaluation of the cooperation with retail customers in the reporting year, they are asked to give their perceived evaluation of the LEGO Group during January and February of the following year. The sur-

vey is used to track performance within the following six categories: 1) Overall satisfaction, 2) Products - questions are asked regarding innovation, packaging, assortment size etc. 3) Marketing - performance is tracked on the effectiveness of customer, in-store and promotion marketing etc. 4) Service - customers rate the LEGO Group regarding e.g. order lead-time, quality in delivery, on-time delivery etc. 5) Partnership - performance is tracked on joint planning, information sharing etc. 6) Value - questions related to stock turns, trading terms etc. are in focus. The consolidated data are shown in this Progress Report with 2005 as index basis.

Surrounding environment

Raw materials

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

Water consumption

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

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 are included.

Energy efficiency index

The energy efficiency index is calculated as the rate between value add and energy consumption. Value add is defined as revenue minus net value of purchased goods and services. The data is shown with 2007 as index basis. Only data from LEGO Group sites with production are included.

New definition of energy efficiency index from 2011

The energy efficiency index is calculated as the rate between energy consumption and raw materials used. The data is shown with 2010 as index basis. Only data from LEGO Group sites with production are included.

Waste

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

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 are included.



Assurance Statement

ASSURANCE STATEMENT FOR THE LEGO GROUP'S STAKEHOLDERS FROM THE INDEPENDENT AUDITOR

We have reviewed the consolidated non-financial data of the LEGO Group's Progress Report for 2010 as expressed on pages 33 and 38.

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 34-36. 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 34-36.

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 2010 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 33 and 38 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 2010 non-financial data, and review of underlying documentation, including review of whether the scope of the 2010 non-financial data complies with described accounting policies for the 2010 non-financial data. During the review process, we have visited entities in Billund, Monterrey, and Nyiregyháza.

Conclusion regarding the 2010 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 2010 have been presented in accordance with the stated criteria.

Copenhagen, 23 February 2011

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab



Henrik Kragh
State Authorised Public Accountant



Birgitte Mogensen
State Authorised Public Accountant

Notes to performance data

Note 1, Total number of employees

	2010	2009	2008
Female	4,790	3,900	3,425
Male	5,053	4,716	3,912
Total	9,843	8,616	7,337
Asia	184	160	151
America, Australia og New Zealand	2,751	2,245	1,280
Europe	6,908	6,211	5,906
Total	9,843	8,616	7,337
Top management	47	46	40
Management	310	302	279
Other	9,486	8,268	7,018
Total	9,843	8,616	7,337

Note 2, New hires, rehires and terminations

	2010	2009	2008
New hires and rehires	2,731	1,780	1,154
Takeover of plants	0	0	2,099
Terminations	753	515	700

The number of employees dismissed by the LEGO Group in 2010 has been calculated at 367 (2009: 180 and 2008: 169).

Note 3, Number of accidents with absence

	2010	2009	2008
Americas	6	7	0
Europe	38	54	35
Total	44	61	35

Note 4, Injury rate per million working hours

	2010	2009	2008
Americas	1.8	2.2	0
Europe	3.3	5.6	5.2
Total	3.0	4.8	4.4

Note 5, Third party audits for main LEGO sites, 2010

	Certifications			Code of Conduct
	ISO 9001	ISO 14001	OHSAS 18001	
Billund, Denmark	2	1	1	n/a
Kladno (TMA), Czech republic	1	1	1	n/a
Kladno (Production), Czech republic	1	1	1	n/a
Nyiregyháza, Hungary	1	1	1	1
Monterrey, Mexico	1	1	1	1
Hong Kong, China	1	n/a	n/a	n/a
Slough, UK	n/a	n/a	n/a	n/a
Enfield, USA	n/a	n/a	1	n/a
Munich, Germany	n/a	n/a	n/a	n/a
Total number of audits	7	5	6	2
Total number of major non conformities	5	3	5	1

Note 6, Total number of suppliers split on Code of Conduct risk, end of 2010

	Direct	Extended	Total
China/Hong Kong	12	22	34
Mexico	9		
Total high risk countries	21	22	43
Czech Republic	3		
Hungary	3		
Italy	1		
Japan	1		
Korea	2		
Poland	3		
Slovakia	1		
Taiwan	1		
USA	4		
Total intermediate risk countries	19		19
Austria	2		
Canada	1		
Denmark	27		
Germany	10		
Great Britain	2		
Nederland	2		
Switzerland	3		
Sweden	8		
Total low risk countries	55		55
Total	95	22	117

Only active suppliers with production in high and intermediate risk countries are audited, equal to 41 high risk and 5 intermediate risk vendors. 12 of the high risk vendors are audited in the ICTI Care process. A total of 33 audits conducted for the LEGO Group by third party auditor.

Note 7, Total number of BOM suppliers audited, end of 2010

	Code of Conduct	Quality
Total number of BOM audits	33	33
High risk countries	29	
Intermediate risk countries	4	

Note 8, Total number of major Code of Conduct non-conformities found at suppliers, 2010

High risk countries	63
Intermediate risk countries	3
Total number of non-conformities	66

The audits create a dialogue with the suppliers, and the major non-conformities set the main focus for the continuous improvement process.

The 66 major non-conformities for the Code of Conduct area can be summarized as:

- 12 working hours
- 14 wages
- 27 EH&S
- 7 underage worker
- 1 freedom of expression
- 4 related to labor contract
- 1 related to bribery

Corporate governance and policy summary

In the LEGO Group, operating responsibly and according to good corporate governance is a major priority.

Good governance in a family owned company

The LEGO Group has been privately owned by the Kirk Kristiansen family since the establishment in 1932 and the approach to good corporate governance is focused on combining the strengths and benefits of being privately owned with the applicable elements from good corporate governance for listed companies. The LEGO Group and the owners are interested in managing the company in line with globally leading management practices, also with regard to corporate governance.

Benefits associated with being privately owned and having few owners include to have owners close to the business with strong industry knowledge, strong values, which can be inspiring and supporting for the development of the company and the employees, and the ability for long term focus, to move fast and be agile with regards to changes in the business environment.

The Recommendations on Corporate Governance from the Danish Stock Exchange (NASDAQ OMX Copenhagen) are primarily aimed at companies with many shareholders who are not related to each other. Therefore, certain requirements for listed companies are not applicable for a family-owned company while others such as governance structure and board composition apply equally.

As a family owned business it is important to maintain a professional management of the company, including a strong and competent board of directors. One of the ways to support that, is the practice the company has had for many years, to have the Chairman elected among the independent board members, and in general to ensure a professional board management, including a.o. definition of required board competencies to ensure a diverse and complementary composition of the board, regular board self assessments, competitive compensation to the board of directors and clear and specific rules on mandate for each of the management bodies in the LEGO Group. Furthermore, as a family owned company, the LEGO Group becomes more exposed to risk in connection with handover from one generation to another generation of owners. To mediate this risk, a plan is prepared and implemented that results in high involvement of the next generation of the family owners in company matters related to the ownership.

As a family owned business it should also be emphasized that strong focus is turned on ensuring the balance between the value created to the owners,

compared to the value creation to the remaining stakeholders of the company such as consumers, employees, customers and other partners. There is a sincere belief in the owner family that creating value to 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 is supporting this thinking, and therefore is an important part of how we do business.

Board of Directors

The LEGO Group Board of Directors consists of seven members; one member is female. Two of these are considered dependent on the company due to ownership, and one due to being in the management of the parent company. The Chairman and three other members of the Board are considered to be independent. The rules of procedure of the Board of Directors are reconsidered on an annual basis. In order to ensure the continued development of the Board's work, the Chairman of the Board conducts dialogues with the members of the Board of Directors on their performance throughout the year. A more formal Board self-evaluation, based on a questionnaire, is conducted at regular intervals with the most recent one being carried out in 2009. The results of the Board's self-evaluation were discussed by the Board and management, and a course of action was agreed to seek continuous improvement.

Corporate Management

The LEGO Group Management Board consists of the President and CEO, Jørgen Vig Knudstorp, and the CFO, Sten Daugaard. The Management Board, together with the following four Executive Vice Presidents, form Corporate Management, which is the daily management body within the LEGO Group. The four Executive Vice Presidents are Christian Iversen, Corporate Center, Mads Nipper, Markets & Products, Bali Padda, Global Supply Chain and Lisbeth Valther Pallesen, Community, Education & Direct. The Management Board refers to the Board of Directors.

Cross-functional bodies

In order to ensure coordination and quick decision-making, the LEGO Group has set up four cross-functional boards under Corporate Management with delegated decision power. The four boards are the Brand and Innovation Board, the Corporate Compliance Board, the Operations Board, and the IT Board. The first two of these boards are directly linked to the environment, social and governance (ESG) work performed by the group. The Brand and Innovation Board sets the overall strategic direction of the LEGO® brand and the development of new business ideas. The Corporate Compliance Board secures that the company is in compliance with company policies, standards and directions defined. The members of these include members of the Management Board and senior level management positions within the company.

Managing ESG issues

An executive function with the responsibility of setting the strategic direction for Environmental, Social, and Governance (ESG) activities was formed in late 2006. The department is referred to as Corporate Governance & Sustainability and it reports to the Executive Vice President for the corporate functions.

Engaging employees

By indication of the annual employee satisfaction measurement, employees generally consider the LEGO Group to be a very open and network-based organization that invites and welcomes input from employees. The President and CEO has an intranet blog where he shares thoughts and reflections in dialogue with employees. The blog as well as all articles on the company intranet offer the opportunity for all employees to comment on the content and also to send the CEO e-mails to share ideas and thoughts. Via the business integrity setup, a whistleblower system (see below) is also available to all employees.

Furthermore, management and employee representatives from all over the world meet annually in the Global Works Council (GWC) to discuss the challenges facing the company. GWC currently has 14 members and is made up of LEGO employees representing regions and productions worldwide, elected by national representatives from all the countries in which the LEGO Group operates.

Policies

The LEGO Group policy framework consists of 11 corporate policies which all provide position and guidance on various ESG issues.

Certain policies in particular address ESG issues:

- The Responsibility Policy shall ensure that our spirit and company values are never compromised.
- The Environmental Policy shall ensure that all our activities are planned and executed with respect towards the surrounding environment.
- The Health & Safety Policy shall ensure that all our activities are planned and executed in accordance with a healthy and safe working environment.

- The People & Culture Policy shall ensure that all our processes and activities concerning employees are planned and executed in a responsible and consistent way.
- The Product Safety Policy shall ensure that children can play with LEGO products without running the risk of injury or harm.

Other policies greatly impact our decisions relating to setting and delivering on ESG objectives:

- The Communication Policy shall ensure consistency and credibility in our communication.
- The Finance Policy shall ensure best in class financial management.
- The IT Policy shall ensure the development and the maintenance of an integrated, agile, scalable and reliable global LEGO Enterprise platform that supports the business strategy and the operations of the LEGO Group by deploying IT to an optimal extent in respect to the long term profitability of the business.
- The Quality Policy shall ensure that our product/brand is always of the highest quality in our industry, and that we adopt a systematic and innovative approach towards continuous improvement.
- The Legal Policy shall ensure that we conduct business in accordance with the laws of our headquarter country and of the countries in which we do business.
- The Risk Management Policy shall ensure that the risks of the enterprise are identified, assessed and mitigated in alignment with the defined risk appetite and overall strategy.

All externally relevant policies are available on www.LEGO.com >> About Us >> Corporate Responsibility >> Corporate Policies. Our policies are supported by underlying corporate standards and tools ensuring effective implementation.

Code of Conduct

Everyone in the LEGO Group must adhere to our Code of Conduct principles, and we require that our vendors do the same by securing relevant corporate policies and setting up appropriate management systems to ensure that the requirements of our Code of Conduct can be met. Vendors are responsible for ensuring that their subcontractors comply with our Code of Conduct. Vendors must comply with all applicable local laws, regulations and industry standards. We encourage our vendors to comply with International Labor Organization (ILO) and United Nation (UN) Conventions. Please refer to the "Supply" section.

The Code of Conduct comprises areas such as Employment Practices, Forced Labor and Freedom of Movement, Coercion and Disciplinary Practices, Discrimination, Wages, Benefits & Holidays, Working Hours, Employment Terms, Freedom of Association and the Right to Collective Bargaining, Freedom of Expression, Health and Safety, Environment and Corruption and Bribery.



Whistleblower – an option for all employees

For a number of years, a whistleblower system has been available to all employees in the LEGO Group. During 2010, the system has been re-communicated to all employees and it has been made more easily accessible for everybody. It is up to each employee to decide whether he or she wants to be anonymous. All submissions through the system are received by the Head of Corporate Legal Affairs and reported upon (anonymously) to the Corporate Compliance Board.

Global Management Handbook

The LEGO Group's global management system, as described in The Global Management Handbook and the associated operational process descriptions, encompasses all relevant activities associated with the development, design control, manufacture, and sale of toys.

Enterprise risk management

We have implemented an integrated approach to Enterprise risk management, whereby uncertainty is being addressed throughout the business system and processes.

Sustainability risks as well as all other types of risks and opportunities are identified and addressed using the below model, divided into four phases:



In parallel to the above, enterprise risk management is explicitly embedded in the core planning processes, which constitute our management process base. This integrated approach has led to us winning three external and international runner-up positions amongst European risk management.



GRI and Global Compact overview and index

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Annual Report

In the Annual Report you will find detailed information on the LEGO Group's financial results in 2010.

<http://www.LEGO.com/eng/info/>



Progress Report

In the Progress Report you will find detailed information on the progress of the LEGO Group's work within environmental, social and governance (ESG) areas in 2010.

The Progress Report also serves as the annual communication on progress required by UN Global Compact.

<http://www.LEGO.com/eng/info/>

