

Progress Report 08

LEGO Group

www.LEGO.com



Read

The Brick

Learn more about the LEGO Group in the new annual magazine The Brick.
See www.LEGO.com/aboutus from 31 March 2009.



The Progress Report on corporate responsibility

From 2008, the LEGO Group has chosen a new reporting format in which this Progress Report is an element.

The Annual Report including financial data and management report was published February 23, 2009. It can be found at <http://www.lego.com/eng/info/>

This Progress Report is targeted to those who are interested in the detailed follow-up on progress of the LEGO Group as regards corporate responsibility. Its data relate to the data previously published in the LEGO Group's Sustainability Reports.

At the same time this report is the annual communication on progress required by UN Global Compact based on the fact that the LEGO Group, as the first and still only company in the toy industry, signed the UN Global Compact in 2003.

The Progress Report is based on the reporting framework provided by the Global Reporting Initiative (GRI) with a self declared C application level. The 2008 report has not been subject to external verification, but a process has been started to secure verification of the 2009 report.

As a supplement to the Annual Report with financial data and this Progress Report with non-financial data, a new annual publication – an annual magazine – is published on March 31, 2009. The magazine, which is called The Brick, will take a more in-depth look at a range of LEGO stories which may be interesting to the world at large but which would not usually reach external media.

The Brick is a tribute to the many stakeholders, to whom the LEGO Group in 2008 clearly defined four promises in the form of a Play Promise, a People Promise, a Partner Promise and a Planet Promise.

Progress Report 08

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is published for the LEGO Group
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LEGO A/S
Aastvej 1
DK-7190 Billund, Denmark

Tel: +45 79 50 60 70
Fax: +45 75 33 83 77
CVR-no: 54 56 25 19
Residence: Billund
Reporting Year: January 1st –
December 31st

Internet: www.LEGO.com
E-mail: sustainability@LEGO.com

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Profile for the LEGO Group

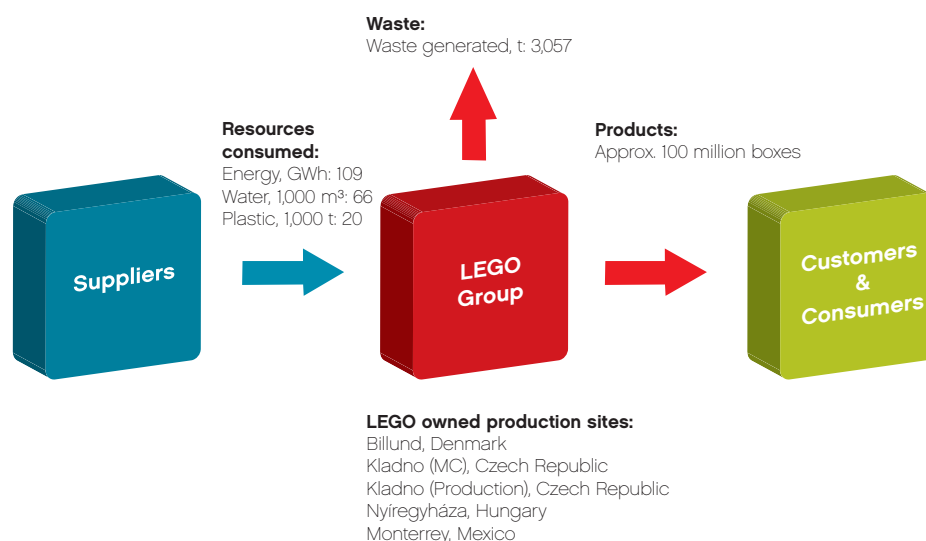
The LEGO Group is 77 years old. The founder, Ole Kirk Christiansen, began developing toys back in 1932, and already in 1934 he decided on the LEGO name by putting together the first two letters of the Danish words LEg and GOdt, meaning "play well".

The basic philosophy of the LEGO products is the concept of learning and developing through play based on the basic values of fun, creativity, quality, learning and care. On this foundation, the LEGO Group has developed into the world's largest company within construction toys and one of the world's most well-known and respected brands. The company is still owned by the Kirk Kristiansen family.

The headquarters of the LEGO Group are located in Billund, Denmark. The company manufactures its products in Denmark, the Czech Republic, Hungary and Mexico. From 2006 a major part of production was

outsourced to an external partner. In the second half of 2008, the LEGO Group decided to insource this operation. In this connection the sites operated by the partner in the Czech Republic and Hungary were taken over by the LEGO Group. In Mexico, the construction of a new LEGO site started in 2008. The new site will be fully operational during 2009. This considerable change of manufacturing set-up has resulted in an increase in the number of LEGO employees in 2008 by more than 2,500 or more than 40%.

LEGO products are sold in more than 130 countries all over the world. In some countries through own sales channels and in others through local distributors.



The new production set-up for the LEGO Group is focused on LEGO operated production sites.

Message from the CEO

The possibility for children around the world to grow and develop has always been of major concern to the LEGO Group. The development in early childhood is crucial for the possibilities of the child later in life. LEGO bricks are unique in their way of bringing system into play and at the same time offering endless possibilities of creatively stimulating the child.

The LEGO product and brand are built on the core LEGO values – creativity, fun, learning, quality and care. The values are inherent in the LEGO culture which is built on our rich heritage. In 2008 the company defined the LEGO brand framework. We see the framework as a format to combine the different aspects of the LEGO culture, including the company values, the LEGO spirit and the company mission. Even though these various elements may be well-known inside – and to some extent outside - the company, the framework further reinforces the central value of stakeholder dialogue by defining 4 promises to the main stakeholders and the surrounding society. Together with the Annual Report and The Brick magazine, this Progress Report will form an annual follow-up on the LEGO Group's ability to deliver on these promises and document some of the work done during the journey.

In 2008, the decision to insource production created an extended geographical presence as regards manufacturing sites. The manufacturing set-up of the LEGO Group has thereby been formed for the years to come and activities have been initiated to create continuously beneficial relations to local societies both in a social and environmental context. It is important to note that the new set-up has influenced the results and will influence the activities in some of the areas described in this report.

Overall, the results for 2008 presented in this report are satisfactory. The targets set for our Play Promise last year have all been met – where the responsibility target of having no product recalls is the most important one. The targets were met due to high product safety and quality standards.

For the People Promise the 2008 targets were very ambitious and even though it is not fully satisfactory that not all targets are met, it is important to stress that e.g. the efforts to avoid injuries have succeeded resulting in a large decline in the frequency of injuries.

One of the measures defined under the Partner Promise is the satisfaction of the Group's primary customers, the retail trade. It is highly satisfactory to note that customer satisfaction has increased considerably.

For 2008, the LEGO Group reached the targets set for the Planet Promise. However based on the mapping of the Group's CO₂ footprint, which was calculated in 2008, even more focus will be set on energy efficiency in the coming years.

In 2003, the LEGO Group signed the UN Global Compact and the company continues to support UN Global Compact and the Caring for Climate initiative which has also been signed.

It is important for the LEGO Group to demonstrate its commitment to being a responsible corporate citizen. It is my hope that this Progress Report will meet the expectations of our stakeholders to a thorough reporting of data related to documenting our progress as a good corporate citizen.



Jørgen Vig Knudstorp
President and CEO

Key figures and targets

KEY FIGURES 2006 - 2008

	2008	2007	2006
Financial performance			
Revenue, (DKK MIO.)	9,526	8,027	7,798
Profit before special items, (DKK MIO.)	2,004	1,471	1,405
Net profit for the year, (DKK MIO.)	1,352	1,028	1,290
Operating margin (ROS)	22.0%	18.1%	17.0%
Return on equity (ROE)	72.2%	71.6%	147.1%
Return on invested capital (ROIC)	101.8%	69.7%	63.6%
Play Promise			
Number of product recalls	0	0	1
Consumer Complaint Call Rate	0.123%	0.124%	0.118%
Net Promoter Score Index	120	115	111
People Promise			
Sick leave	3.0%	3.2%	
Injury rate per million work hours	4.4	8.0	8.6
Commitment of employees (Employee Pulse)	77	78	73
Partner Promise			
No. of quality audited suppliers	23	8	23
No. of Code of Conduct audited suppliers	18	22	
Overall satisfaction by customers (Customer Pulse)	119	111	107
Planet Promise			
Water consumption, 1,000 m3	68	92	71
Total energy consumption in production, GWh	108	119	124
Waste, tons	3,057	2,422	4,252

Key figures and targets

TARGETS

ISSUE	PURPOSE	TARGET
Play Promise		
Consumer safety	Continue to secure high safety and quality standards	Zero recalls in 2009
Consumer satisfaction	Secure low complaint rate	Consumer Complaint Call Rate $\leq 0.120\%$ end 2009
Consumer satisfaction	Secure the positive experience of LEGO products and services	Net Promoter Score Index ≥ 120 end 2009
Consumer information	Secure relevant and up to date information for parents on www.LEGO.com/parent	Average monthly unique visitors on www.LEGO.com/parent \geq index 110 end 2009 compared to 2008
People Promise		
Gender diversity	The LEGO Group supports internal female networks aiming at more balanced promotions. Also the recruitment procedure is in focus	The female share of new promotions and recruitments at Director+ level $\geq 25\%$ end 2009
Healthy working environment	Secure low sick leave rate	Sick leave $\leq 3.5\%$ end 2009
Safe work place	Secure low injury rate	Injuries with absence ≤ 6.0 per million working hours end 2009
Safe work place	Secure low severity of the injuries that may happen	Absence rate due to injuries ≤ 0.3 per 1,000 working hours end 2009
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 $\geq 80\%$ end 2009
Work life balance	Secure the right balance between work and private life	Employee score for work life balance \geq global benchmark (EEI) end 2009
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 $\geq +10$ to global benchmark (EEI) end 2009
Partner Promise		
Business integrity and anti corruption	Secure embedding of the LEGO business integrity and fraud standard to avoid corruption, bribery, etc.	No. of directors+ at main LEGO sites that are trained in business integrity $\geq 25\%$ end 2009
Product quality on all main LEGO sites	Secure all LEGO sites live up to the set standards	No major quality non-conformities found at main LEGO sites
Environmental, Health and Safety (EHS) on all main LEGO sites	Secure all LEGO sites live up to the set standards	No major EHS non-conformities found at main LEGO sites
Code of Conduct (CoC) on all main LEGO sites	Secure all LEGO sites live up to the set standards	No major CoC non-conformities found at main LEGO sites
Ethical manufacturing at suppliers	Code of Conduct audits based on a country risk assessment to follow-up on first peer suppliers	Audit of 100% of suppliers in high and medium risk countries end 2009
Impact of code of conduct audits conducted at suppliers	Make findings at conducted audits lead to positive change at the supplier and deliver the real value of audits	50% of all major CoC findings to be solved within next calendar year
Planet Promise		
Energy efficiency	Focus on energy savings to optimize energy use	Energy efficiency index ≥ 110 end 2010 compared to 2007
Beneficial footprint	Focus on recycling of waste	Recycle 70% of total registered waste end 2009

The new LEGO Brand Framework

Over the last 5 years the LEGO Group has built a strong and highly profitable business platform. The LEGO Group now needs to focus on the longer term growth. Execution will remain critical, but over the next years there will be greater emphasis on exploring new avenues for growth. As the company moves into more uncertain territory, even in times of economic uncertainty, there is a need to be clearer and more sure-footed than ever about the values and characteristics that define the core of the LEGO brand.

The nature of the promises the LEGO Group makes and keeps to those on whom the company's future success depends will be critical. While the improvements made to the way the LEGO Group does business have contributed significantly to the company's success during the

past couple of years, the future growth will ultimately depend on the ability to engage and excite the many different kinds of people who breathe life into the LEGO brand.

To ensure that people are clear about what they can expect from the brand, and the people within the LEGO Group are clear about what is required to fulfil these expectations, it is essential that the brand promises are widely understood and strongly believed.



LEGO Brand Framework and the 4 promises

The new LEGO Brand Framework

It is vital to clarify the elements that lie at the heart of the LEGO Group corporate brand. The core LEGO Group Mission is to: ***"Inspire and develop the builders of tomorrow."*** When children play with LEGO products, not only immediate pleasure is delivered. The products are inspiring and developing long lasting skills that will help the next generation of adults build a better tomorrow. This is closely related to the guiding spirit of our organization: ***"Only the best is good enough"***.

The LEGO Group believes that 'only the best is good enough' because it recognizes the extraordinary value that the LEGO Group brings to the world. This is not simply a dedication to effort, but a commitment to operational discipline, continuous improvement and customer focus. The overarching feel of what the LEGO Group is all about, translates into the five company values: ***"Creativity, Fun, Learning, Quality and Care"***.

The 4 brand promises capture the essence of the hand-shakes the LEGO Group wants to make with its consumers, employees, partners and the society at large; what to expect from the LEGO Group, but also what mindsets and approaches to bring when interacting with the LEGO brand:

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

At the heart this promise is the joy and pride the LEGO Group wants children to experience when exploring their creative potential with LEGO products; and the sure belief among parents that this 'playful learning' is developing the kind of skills and confidence that will prepare their kids for the future.

The LEGO difference:

- The unmistakable quality of LEGO look, feel and design
- The interactive hands-on, minds-on LEGO play experiences

People Promise: 'Succeed Together'

This promise defines the LEGO Group's commitment that every employee will experience the strong sense of purpose, spirit of collaboration, creative adventure and executional excellence which characterize the LEGO Group at its very best.

The LEGO difference:

- The positive and lasting impact on the future through playful learning
- The highly stimulating and effective mix of LEGO creativity and executional excellence

Partner Promise: 'Mutual Value Creation'

This promise defines the LEGO Group's commitment to make working with the LEGO Group a mutually rewarding and value enhancing experience for every organization that the company seeks to partner with, whether customers, innovation partners, suppliers, agencies or business consultants.

The LEGO difference:

- The LEGO Group's commitment to win:win partnership solutions
- Recognition that 'Only the best is good enough' applies to everyone the LEGO Group deals with

Planet Promise: 'Supporting the Right to Grow'

This promise defines the LEGO Group's commitment to be beneficial to the society that our children will inherit and to inspire and enable children to have a voice on the future society.

The LEGO difference:

- The LEGO Group's commitment to be beneficial for society both in a social and environmental context.
- The endless possibilities of the LEGO products to be used for the benefit of the society – through inspiring and developing children.

Organisational governance

It is of high priority to Corporate Management that the LEGO business is operated responsibly and according to good corporate governance. An executive function with the responsibility of giving input on the strategic direction for Environmental, Social and Governance (ESG) activities was formed in late 2006. The department name is Corporate Governance & Sustainability and it reports to the Executive Vice President for the corporate functions.

Board of Directors

The Board of Directors consists of seven members. Two of these are considered dependent on the company due to ownership. The Chairman and four other members of the Board are considered to be independent. The rules of procedure of the Board of Directors are being reconsidered on an annual basis. In order to ensure the continued development of the Board's work, the Board meetings and decisions are evaluated on an on-going basis to secure that improvement proposals are implemented and followed up on.

Six stakeholder groups

In order to ensure a systematic approach to the dialogue with LEGO Group stakeholders, Corporate Management has defined five primary stakeholder groups, all of which interact with the sixth stakeholder group, the surrounding society. The five primary stakeholder groups are defined on the basis of the supply value chain. The six stakeholder groups are: Consumers, Customers, Employees, Business partners/suppliers, Shareholders and Society.

Balanced sustainability model

In 2007, Corporate Management approved the governance strategy setting the overall direction by introducing the balanced LEGO sustainability model. The model is based on dividing stakeholder expectations into 3 main areas:

- Expectations towards value creation
- Expectations towards the LEGO brand
- Expectations towards the LEGO Group as a responsible company

The expectations on value creation are anchored in the business plans of the LEGO Group, all approved by Corporate Management and implemented by the line organization.

Cross functional bodies

In order to ensure coordination and quick decision-making, the LEGO Group has set up four cross functional boards under Group Management with delegated decision power. The four boards are the Brand and Innovation Board, the Operations Board, the Corporate Compliance

Board and the IT Board. Two of these boards are directly linked to the LEGO balanced sustainability model:

The Brand and Innovation Board sets the overall strategic direction of the LEGO brand and the development of new business ideas. The expectations towards the LEGO brand are handled in this board when it comes to strategic decisions.

The decisions on the strategic direction for environmental, social and governance activities are made by Corporate Management, whereas the Corporate Compliance Board on behalf of Corporate Management secures that the company is in compliance with the responsibility targets, company policies and standards and direction defined. The Corporate Compliance Board is headed by Christian Iversen, Executive Vice President, and members include the President and CEO, the CFO and a high level representative from the legal department, the quality department and the corporate governance & sustainability function.

In the Global Works Council management and employee representatives from all over the world meet annually to discuss the challenges facing the company.

Policies and standards

In February 2009, a new LEGO Policy framework was launched to simplify and clearly communicate the overall policies within which the LEGO Group does business. The framework consists of 11 corporate policies and a number of underlying corporate standards. All relevant policies will be available on www.LEGO.com/about-us during 2009.

Corporate Policies in the LEGO Group
Communication Policy
Environmental Policy
Finance Policy
Health & Safety Policy
IT Policy
Legal Policy
People & Culture Policy
Product Safety Policy
Quality Policy
Responsibility Policy
Risk Management Policy

The new LEGO policy framework.

Review of the results for the year

Each year the LEGO Group will document its journey towards delivering on the four promises given to the stakeholders of the LEGO Group. (see page 8-9 for more information on the four promises) The following reports on some of the activities and results related to the brand and responsibility aspects of the promises.

The Play Promise

Consumer data

Consumers are becoming more and more likely to recommend to others the LEGO product or experience that they have just had. This is reflected in the net promoter score index which has increased by 5 index points in 2008 and ended at index 120. This is 3 index points above the 2008 target set in 2007 as stated in the Sustainability 2007 report.

The Consumer Complaint Call Rate ended at 0.123% for 2008, which is within the 2008 target and at the same level as 2007.

Product safety

The LEGO Group is proud of its quality standards and controls which again in 2008 resulted in no recalls of LEGO products. For the unfortunate event that a recall is needed, the LEGO Group has set up the Global Product Recall Team as a cross functional body responsible for securing an effective recall to the protection of the consumer.

In the USA, product safety legislation was revised in 2008 and a number of new requirements were introduced. For the LEGO Group, this meant changing test protocols in order to implement third party validation of products. No products were changed due to the new legislation, since all products already complied with the requirements in the USA.

Also the European Toy Safety Directive was revised in 2008. The LEGO Group has been actively involved in the process – read more on page 12-13. The revised directive is expected to be published in May 2009 and will have a transition period of up to four years.

Children's Climate Call

Preparations for the Children's Climate Call event, which will take place May 1-3, 2009 in Copenhagen, started in 2008. The event is based on the FIRST LEGO League initiative and is part of the climate initiatives of the LEGO Group.

Education and consumer engagement are important when it comes to fighting climate change. The Children's Climate Call will be an event for the overall national and regional winners of the worldwide FIRST LEGO League tournament where more than 140,000 children from

more than 40 countries during 2008 and the beginning of 2009 have competed in finding solutions to climate change. The Children's Climate Call will consist of two lines of activity: Climate Connection and Climate Actions.

Climate Connection is a competition where children present their solutions to climate change and compete in LEGO Mindstorms robot-building to solve a climate change challenge on a play mat.

In Climate Actions, the engineering company NIRAS will support the teams with the best ideas on how to act on climate change. Based on the winning team's proposal, a real life prototype or equivalent will be built to show the potential of inventions from children regarding climate change.

Creativity prize for the LEGO Group

In May 2008, the LEGO Group was awarded the creativity prize CREO 2008 by the German non-profit creativity company, Gesellschaft für Kreativität e.V.

The German company's chairman and member of the jury, Jörg Mehlhorn, said: "In the opinion of the jury there is no other toy like the LEGO brick when it comes to activating children's creativity."

The People Promise

It is the ambition of the LEGO Group that all employees in the Group feel that they hold an extraordinary job in an extraordinary company. Making the experience at work extraordinary is a task that requires the attention of both the individual employee, all people leaders and the company. In 2008, as part of the LEGO Brand Framework, the LEGO Group explicitly described the values and dimensions that shape this experience – the so-called "People Promise". The headline is 'Succeed Together', and the intent is that every employee will experience and radiate a strong sense of purpose, spirit of collaboration, creative adventure and executional excellence, all of which characterize the LEGO Group at its very best.

A comprehensive plan for 2009-2010 describes how the company wants to make this promise come alive in all parts of the organisation. Part of this challenge is to make sure that these determining bricks of the LEGO culture are also the foundation for the way new production sites in the Czech Republic, Hungary and Mexico are integrated and operated.

The LEGO Group approaches this task from a strength perspective, as the company is already a motivating, safe and healthy place to work.

Review of the results for the year

This diagnosis of current state is supported by the company's performance on key People & Culture measures that have been tracked in 2008.

Employee survey

As regards employee satisfaction, the LEGO Group is well ahead of country benchmarks in all major employee countries, and the Group experiences the strength of operating with a motivated and engaged work force.

The annual employee survey showed that while maintaining the high scores in employee satisfaction obtained from strong improvements in recent years, the ambitious targets set for 2008 were not fully reached. Results were influenced by the geographical changes in the employee base during 2008 due to the decision to insource production.

In the coming years, the LEGO Group will maintain a strong focus on continuously improving the job experience (commitment & empowerment) and quality of leadership (personal and direction setting) to a consistent level of excellence throughout the LEGO Group.

Health and Safety

The sick leave percentage for the LEGO Group ended at 3% for 2008 which was above target for 2008 but 0.2 percent point better than 2007. The change in the geographical presence due to insourcing of production challenged the target, as the sick leave frequency in some of the sites taken over during 2008 was higher than the LEGO Group average.

With respect to the frequency of injuries with absence, the 2008 target was met with 35 reported injuries with absence during 2008 equivalent to a frequency of 4.4 per million working hours. Also the absence rate due to injuries ended within the 2008 target with 0.25 hours per 1,000 working hours.

In 2008, the LEGO Group met its targets on injuries. 2008 was also the year in which the company for the first time ever used the LEGO Play for Business concept to avoid injuries. Pilot workshops showed that the concept gives a good understanding and a clearer picture of where the right initiatives have already been taken and where new initiatives are needed. The process will create more ownership of the new goals and initiatives and more commitment from all as it empowers all employees to come up with their opinion and generate new ideas.

According to the health & safety policy of the LEGO Group, all LEGO facilities with more than 100 employees must be OHSAS 18001 certified. In 2007 the sites in the UK and Germany were OHSAS 18001

certified, and in 2008 one site in the Czech Republic and the site in the USA were certified according to this standard. The site in Denmark has been certified since 2003.

In 2009-2010 tracking will be initiated gradually on additional People & Culture measures that fully reflect the ambitions and contents of the People Promise.

The Partner Promise

Code of Conduct

The set-up of Code of Conduct audits at suppliers changed during 2008 primarily as a result of the major change towards increased in-house manufacturing. Based on this change, the LEGO Group will focus Code of Conduct audits not only on China but also include e.g. Mexico and Eastern Europe. First peer direct suppliers located in a high or medium risk country are still in focus. From 2009 all suppliers falling into the above focus area will be audited with a frequency of once a year.

The audits are conducted by a third party verification company. From 2009 even more focus is put on allocating enough time for each audit and on following up more frequently on the audit result, aiming at quicker and more thorough improvement.

The LEGO Group has been committed to the ICTI Care Process since January 1, 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.

Previously, the LEGO Group has actively participated in the Technical Advisory Boards to the ICTI Care Foundation in Europe as well as Asia. Due to lack of coherence between the resources spent by the LEGO Group and the results achieved in ICTI Care and due to the recent changes in the geographical presence of the LEGO manufacturing set-up, the LEGO Group has decided to reallocate its resources to support the company's sites in new countries in Eastern Europe and in Mexico.

Lobbying

Lobby activities for the LEGO Group must be balanced to the benefit of all stakeholders based on the LEGO spirit and core values - quality, creativity, fun, learning and care.

Review of the results for the year

The LEGO Group participates in toy related lobby activities in external associations with a focus on critical standards, changes in legislation or other initiatives that may influence the LEGO Brand.

The LEGO Group has defined four main focus areas for lobby activities:

- Intellectual property rights
- Toy safety, including child health and safety
- Marketing to children
- Corporate responsibility

International and regional associations and initiatives in which the LEGO Group participates include the following:

- Toy Industries of Europe – TIE
- Toy Industry Association – TIA
- European Brand Organization – AIM
- European Committee for Standardization – CEN
- International Organization for Standardization – ISO

The European Toy Safety Directive was revised in 2008. Therefore, the LEGO Group has been involved in a lobby process in the EU.

The LEGO Group and the Toy Industries of Europe (TIE) supported the Commission proposal for a revised Toy Safety Directive. The proposal struck a good balance between safety – by addressing the weak areas of the old directive – and maintaining a workable EU regulatory framework for toys. As the directive has not yet been published in the Official Journal of the European Union, it is premature to draw the final conclusion, but the latest version, accepted by the European Parliament, maintained the same approach as the proposal from the Commission.

The LEGO Group together with TIE supported the Commission proposal to ban CMR's in toys. Also the proposal to make it possible to follow the requirements in the food contact material legislation was supported as well as the Commission approach: no exposure = no risk. Moreover, the LEGO Group and the TIE argued consistently for an extension of the transition period for chemicals from two to four years. The reason is that the process of developing new harmonized test methods will take at least four years. The Member States and the European Parliament agreed to that change and extended the transition period for the new chemical requirements to four years.

The LEGO Group has a strong tradition of leading the work with EN 71 – the EU standard for toy safety. The company will continue to do so in order to update and revise the standard in accordance with the new requirements in the Toy Safety Directive.

The revised directive is expected to be published in May 2009.

Business Integrity

The LEGO Group believes that corruption has a wide range of corrosive effects on society in general and on markets in particular. Consequently, the company supports the United Nations Convention against Corruption and the 10th principle of working against corruption within the framework of the United Nations Global Compact, to which the LEGO Group is a signatory.

The LEGO Group wants to promote an organizational culture based on the LEGO spirit and core values; a culture which encourages the prevention of fraud and other problematic issues in relation to business integrity by raising awareness of the importance of high standards of personal conduct. The aim is that LEGO Group employees worldwide make decisions in compliance with LEGO business principles and in alignment with the LEGO spirit and values.

The LEGO Group issued its first policies regarding business integrity and fraud in 2006. A revision and further development of this framework is planned for 2009, and the LEGO Group has set a target for 2009 that 25% of the Director+ population at main LEGO sites has participated in the LEGO business principles training, increasing to 80% in 2010.

LEGO Charity

The LEGO Group considers play a decisive element of children's development. Children learn through play, and play stimulates their creativity, motor function and ability to solve problems. Unfortunately, some children have limited possibilities of play, and LEGO Charity has been established driven by the wish to help these children through charity. By means of donations of LEGO DUPLO and LEGO System bricks, it is the Group's wish to provide these children with play material which, besides fun play, also supports their development.

LEGO Charity supports a large number of initiatives all over the world through product donations. Most donations consist of LEGO Charity boxes with mixed contents of LEGO elements.

In 2008 LEGO Charity donated products to more than 400 projects world-wide – the largest of these in Brazil, India, Israel, Palestine, Morocco, and Mexico. Several of these projects were carried out in collaboration with the Danish Embassy in the specific country, such as in Morocco and Palestine, or in collaboration with charitable organisations, e.g. SOS Children's Villages and Save the Children.

Participation of LEGO employees and local LEGO offices is ensured. In 2008, more than 500 LEGO employees participated in the projects. In 2008 over 12,200 LEGO Charity boxes were distributed to two age-groups (DUPLO Play to the pre-school children and LEGO Play to

Review of the results for the year

children of school age).

Each box contains around 12 kilos of various LEGO elements. Furthermore, over 50,000 ordinary LEGO boxes and other LEGO related presents were distributed.

The purpose of LEGO Charity is first and foremost to help exposed children in the world to give them the possibility of strengthening their development and learning abilities through good play.

The total value of the 2008 donations is estimated at approximately DKK 32 million calculated in bulk prices. The LEGO Charity boxes are packed in Billund, mostly by retired LEGO employees who contribute greatly with their efforts.

LEGO Charity is operated in cooperation with the LEGO Foundation. More information on the LEGO foundation can be found on www.LEGOFONDEN.dk.

The Planet Promise

The change of the geographical presence of the LEGO Group due to the insourcing of manufacturing has to a large extent influenced the 2008 figures related to the Planet Promise. This will also be the case in 2009.

According to the environmental policy of the LEGO Group, all LEGO production facilities must be certified according to the environmental standard, ISO 14001. In 2007 the plant in Billund, Denmark, was ISO 14001 certified. In 2008, the plant in the Czech Republic which was owned throughout the year, was ISO 14001 certified.

The 2008 target on energy efficiency was reached. A decline in the efficiency was expected for the year due to expected out-sourcing of production, but mainly due to the change in the new manufacturing set-up the decline has not been as big as expected. Energy efficiency is in focus and is part of the initiatives that have been given even higher priority based on the CO₂ mapping described below. The ambition is to gain 10% efficiency by the end of 2010 compared to 2007 which is a challenging target, not least seen in the light of the new manufacturing set-up of the LEGO Group.

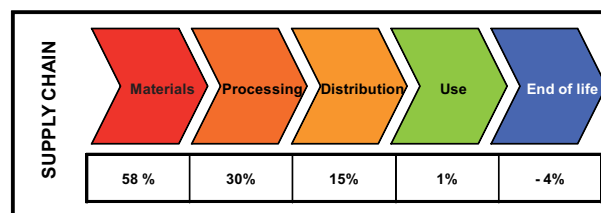
CO₂ footprint calculation

Based on 2007 data, the LEGO Group in 2008 made a CO₂ footprint calculation for the full value chain impact. The calculation was based on the Green House Gas protocol and made based on general CO₂ factors to give a first indication of the CO₂ emissions throughout the value chain. The accuracy of the calculations enables the LEGO Group to use the calculations in the decision making process.

Based on the CO₂ footprint calculation, three initiatives have been started. The first initiative concerns the LEGO operated production, where the target is 10% efficiency gain on energy use in 2010 compared to 2007.

The second initiative is focused upstream the value chain – to investigate the possibilities of eco-design / product stewardship.

The third initiative is focused downstream the value chain – to involve consumers in the climate change agenda. This is achieved by supporting the non-profit organization FIRST Scandinavia in setting up the climate event for children in 2009 – Children's Climate Call, May 1-3 2009 in Copenhagen, Denmark. Read more on page 11.



The overall CO₂ equivalents footprint for the value chain

Scope and calculation method

The data presented in this Progress Report comprise the LEGO Group based on the legal boundaries for the group. More information on this can be found in the Annual Report 2008 for the LEGO Group. The report covers the period 1 January 2008 to 31 December 2008.

The selection of data is based on an assessment of data of special importance to the LEGO Group's long term earnings. Moreover, in the LEGO Group's opinion, the indicators addressed are also of interest to LEGO Group stakeholders - especially when it comes to follow-up on delivering on the four promises given. The indicators will on an ongoing basis be challenged when new indicators or measurement methods become available.

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 under 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 new manufacturing set-up includes new sites in Eastern Europe and Mexico which makes it difficult to compare with previous years and with set targets. Some targets regarding the employee satisfaction have been recalculated based on this. Data measurement methods and the basis of calculations relating to the four stakeholder promises are addressed below; however please see the Annual Report 2008 for a description of measurement methods relating to financial results.

Play Promise

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 percentage 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.

Product recalls

Product recalls are calculated as launched products recalled from the market due to product safety issues and calculated on an item basis.

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 of 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.

People Promise

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. This is also referred to as the Director+ Group. Other employees are included in the group Others.

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 re-employments as well as dismissals is also stated.

Sick leave

Sick leave is calculated as time lost due to the employees' own illness. The absence rate is calculated as the number of absence hours as a percentage of the total number of working hours excluding holidays and non-business days.

Occupational injuries

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.

Absences as a consequence of 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 as from the day following the injury.

Employee Pulse

At the end of the reporting year, a survey, the Employee Pulse, is carried through in which all employees are asked to state their opinion as regards 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.

Scope and calculation method

Partner Promise

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. The number of significant discrepancies is reported and briefly described. These form the basis for continuous work on improvements.

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 by direct suppliers delivering for actual LEGO products, and extended line suppliers delivering for the extended line product portfolio, primarily merchandise. Suppliers do not include indirect purchases. The number of suppliers who have been audited is calculated as the number of suppliers visited with a view to formalised monitoring and reporting of compliance with quality standards or Code of Conduct. The number of significant discrepancies is reported and briefly described. These form the basis of the continued dialogue with the suppliers in order to continuously work on improvements.

Customer Pulse

For an evaluation of the past year's cooperation with retail customers, questionnaires are sent to customers at the beginning of the following year, asking them to give their perceived evaluation of the LEGO Group performance within the categories products, marketing, service, partnership and value creation. The consolidated data are shown in this Progress Report with 2005 as index basis.

Planet Promise

Water consumption

Water consumption is calculated as the quantity of water supplied to the LEGO Group.

Energy consumption

Energy consumption is calculated as the energy supplied to the LEGO Group in the form of electricity and heating. The energy efficiency is calculated in relation to the quantity of raw materials used or in relation to office space.

Raw materials

Raw materials are calculated as plastic granulate used in manufacturing.

Waste

Waste is calculated as the recorded quantities of waste disposed from the LEGO Group.

Data overview and notes

Note	Target 2008	2008	2007
Play Promise			
Number of product recalls	0 ●	0	0
Consumer Complaint Call Rate	≤ 0.125% ●	0.123%	0.124%
Net Promoter Score Index	≥ 117 ●	120	115
People Promise			
1 Number of employees		7,337	4,723
1 Female		46.7%	52.5%
1 Male		53.3%	47.5%
Average age		38.2	
2 Rate of employee turnover		10.8%	12.9%
Sick leave	≤ 2.9% ●	3.0%	3.2%
3 Number of injuries with absence		35	52
4 Injury rate pr. million work hours	≤ 6.0 ●	4.4	8.0
Absence rate due to injuries	≤ 0.3 ●	0.25	0.37
Employee Pulse			
– Commitment	* ≥ 77 ●	77	78
– Personal Leadership	≥ 77 ●	76	76
– Empowerment	≥ 85 ●	81	81
– Setting a clear direction	* ≥ 76 ●	75	74
* Updated due to the change of the new manufacturing set-up.			
Partner Promise			
5 No. of audits conducted at main LEGO sites		9	
5 No. of major quality non-conformities found at main LEGO sites		4	
5 No. of major EHS non-conformities found at main LEGO sites		0	
5 No. of major CoC non-conformities found at main LEGO sites		0	
6 Total no. of direct and extended line suppliers		196	213
No. of quality audited suppliers		23	8
7 No. of CoC audited suppliers		18	22
No. of major quality non-conformities found at suppliers		20	11
8 No. of major CoC non-conformities found at suppliers		16	15
Customer Pulse			
- Overall satisfaction		119	111
- Products		106	103
- Marketing		105	103
- Service		117	108
- Partnership		110	104
- Value creation		112	106
Planet Promise			
Raw material, plastic, 1,000 tonnes		20	20
Water consumption, 1,000 m3		68	92
Total energy consumption in production, GWh		108	119
Energy efficiency:			
- Production (Energy in MWh/Material use in tonnes)	≤ 5.00 ●	4.78	4.40
- Administration (Energy in MWh/area in m2)	≤ 0.22 ●	0.22	0.23
Waste, tonnes		3,057	2,422

● Target met
● Target not met

Data overview and notes

Note 1, Total no. of employees

	2008	2007
Female	3,425	2,478
Male	3,912	2,245
Total	7,337	4,723
Asia	151	144
America, Australia and New Zealand	1,280	1,069
Europe	5,906	3,510
Total	7,337	4,723
Top management	40	37
Management	279	263
Other	7,018	4,423
Total	7,337	4,723

Note 2, New hires, rehires and terminations

	2008	2007
New hires and rehires	1,154	535
Takeover of plants	2,099	0
Terminations	700	551

The number of employees dismissed by the LEGO Group in 2008 has been calculated at 169 (2007: 450). Notice concerning major structural changes will be given in due time as it has been demonstrated in earlier years.

Note 3, Number of injuries

	2008	2007
Americas	0	3
Europe	35	49
Total	35	52

Note 4, Injury rate per million working hours

	2008	2007
Americas	0.0	2.3
Europe	5.2	9.4
Total	4.4	8.0

Note 5, Certifications and audits for main LEGO sites, 2008

	Certifications			Code of
	ISO 9001	ISO 14001	OHSAS 18001	Conduct Audits
Billund, Denmark	x	x	x	
Kladno (MC), Czech Republic	x	x	x	
Kladno (Production), Czech Republic	x	in process	in process	
Nyíregyháza, Hungary	in process	in process	in process	
Monterrey, Mexico	in process	in process	in process	
Hong Kong, China	x	N/A	N/A	N/A
Slough, UK	in process	N/A	x	N/A
Enfield, USA	in process	N/A	x	N/A
Munich, Germany	N/A	N/A	x	N/A
Total number of audits	4	2	3	-
Total number of major non-conformities	4	0	0	-

The 4 major non-conformities on ISO 9001 can be summarised as:
 1 related to management review not held in April as described in Sirius.
 1 related to no instructions in quality system for local handbooks
 1 related to lack of document control
 1 related to parts on blocked area that are released before approval of exemption

All findings were solved during 2008.

Note 6, Suppliers split on Code of Conduct risk, end of 2008

	Direct	Extended	Total
China/Hong Kong	16	22	38
Romania	1	0	1
Mexico	2	0	2
Total high risk countries	19	22	41
Czech Republic	39		39
Hungary	4		4
Japan	1		1
Lithuania	1		1
Malaysia	3		3
Poland	3		3
Slovakia	1		1
Taiwan	1	1	2
Total medium risk countries	53	1	54
Austria	4		4
Belgium	2		2
Canada	1		1
Denmark	41		41
Germany	16		16
UK	1		1
Italy	3		3
The Netherlands	4		4
Switzerland	5	1	6
Spain	1		1
Sweden	7		7
USA	15		15
Total low risk countries	100	1	101
Total	172	24	196

Pre-assessments in relation to Code of Conduct have been made in respect of all new suppliers in Asia prior to the signing of contracts. In 2008, 16 pre-assessments were performed (2007: 19), and 9 suppliers were rejected (2007: 7). Of the suppliers in Asia, 22 are being handled by the ICTI-CARE Process

Note 7, Total no. of Code of Conduct audited suppliers in 2008

High risk countries	16
Medium risk countries	2
Low risk countries	0
Total	18

Note 8, Total no. of major non-conformities found in CoC audits, 2008

High risk countries	13
Medium risk countries	3
Low risk countries	0
Total	16

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

The 16 major non-conformities for the Code of Conduct area can be summarised as:
 5 related to working hours (inconsistence between documentation, overtime)
 2 related to wages (inconsistence between documentation, no holiday payment, issues with minimum wage)
 3 related to missing documentation
 1 related to access to records denied
 1 related to no individual business registration
 2 related to EHS (aisles blocked)
 1 related to EHS (no emergency light)
 1 related to EHS (dormitory not separated from production)

UN Global Compact overview

On page 5 the President and CEO expresses the continued support to the UN Global Compact. According to guidelines from the UN Global Compact office the LEGO Group has below briefly summarised references in this Report to give a quick overview.



Area	Principle	Reference to	
		GRI indicator	Page
Human rights	1 – Businesses should support and respect the protection of internationally proclaimed human rights within the area in which it exerts influence	HR2: LA7: LA13: SO5: PRI:	17-18 11-14, 17-18 17-18 11-14 11-14
	2 – Businesses should make sure they are not complicit in human rights abuses	HR2: SO5:	17-18 11-14
Labour Standards	3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	HR2: LA5: SO5:	17-18 17-18 11-14
	4 – Businesses should support the elimination of all forms of forced and compulsory labour	HR2: SO5:	17-18 11-14
	5 – Businesses should support the effective abolition of child labour	HR2: SO5:	17-18 11-14
	6 – Businesses should support the elimination of discrimination in respect of employment and occupation	HR2: LA2: LA13: SO5:	17-18 17-18 17-18 11-14
Environment	7 – Businesses should support a precautionary approach to environmental challenges	EC2: SO5:	11-14 11-14
	8 – Businesses should undertake initiatives to promote greater environmental responsibility	EN1: EN4: EN8: EN22: SO5:	17-18 11-14, 17-18 17-18 17-18 11-14
	9 – Businesses should encourage the development and diffusion of environmentally friendly technologies	SO5:	11-14
Anti-Corruption	10 – Businesses should work against corruption in all its forms, including extortion and bribery	SO3:	11-14
		SO5:	11-14

Global Reporting Initiative (GRI) G3 overview

Application Level of the LEGO Group 2008: Self-declared Level C

GRI	Report content/indicator	Page
Strategy and analysis		
1.1	Statement from Corporate Management about vision and strategy	5
1.2	Description of key impacts, risks and opportunities	8-9, 10
Organisational profile		
2.1	Name of the organisation	3, 4
2.2	Primary brands, products and services	4
2.3	Organisational structure and company structure	10
2.4	Location of headquarters	4
2.5	Countries in which the organisation operates	4
2.6	Nature of ownership and legal form	4, 10
2.7	Markets served	4
2.8	Scale of the reporting organisation	4, 17-18
2.9	Significant changes	4, 15-16
2.10	Selected awards received in 2008	11-14
Report parameters		
3.1	Reporting period	3, 15-16
3.2	Date of most recent report	cover, 11-14
3.3	Reporting cycle	cover, 5
3.4	Contact point for questions regarding the report or its contents	3
3.5	Process for defining report content	8-9, 10
3.6	Boundary of the report	4, 15-16
3.7	Specific limitations on the scope or boundary of the report	4, 15-16
3.8	Basis for reporting on subsidiaries etc.	15-16
3.9	Data measurement methods and the bases of calculations	15-16
3.10	Changes in measurement methods	15-16
3.11	Significant changes in the scope, boundary or measurement methods	4, 15-16
3.12	GRI content index	20-21
3.13	Verification	cover
Governance, commitments and engagement		
4.1	Governance structure	10
4.2	Chairman of the Board and President and CEO	10, A 5
4.3	Independent members of the Board	10
4.4	Mechanisms for employees to provide recommendations or direction to the Board	10

Global Reporting Initiative (GRI) G3 overview

Application Level of the LEGO Group 2008: Self-declared Level C

GRI	Report content/indicator	Page
4.8	Internally developed values, code of conduct or principles	4, 8-9, 10, 11-14
4.9	Sustainability procedure and management	8-9, 10
4.10	Evaluation of the Board's own processes	10
4.13	Selected memberships in associations	11-14
4.14	Stakeholder groups	10
4.15	Identification and selection of stakeholders	10
4.16	Approaches to stakeholder dialogue	8-9, 10
Economic indicators		
EC1	Economic value generated in 2008	6
EC2	Risks and opportunities due to climate change	11-14
EC3	Defined benefit pension plan obligations	A 34-36
Environmental indicators		
EN1	Consumption of materials	17-18
EN4	Energy consumption	11-14, 17-18
EN8	Water consumption	17-18
EN22	Total waste disposal	17-18
Social indicators – Labour standards		
LA1	Total workforce	17-18
LA2	Employee turnover	17-18
LA5	Notice periods prior to significant structural changes	17-18
LA7	Rates and number of occupational injuries	11-14, 17-18
LA13	Breakdown of employees by sex etc.	17-18
Social indicators – human rights		
HR2	Human rights in relation to suppliers and business partners	17-18
Social indicators – society		
SO3	Information on anti-corruption policies and procedures	11-14
SO5	Views of lobbying	11-14
Social indicators – product liability		
PR1	Impacts on products on customer health and safety	11-14

A = LEGO Group's Annual Report 2008

Global Reporting Initiative (GRI)

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Reponsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version





LEGO Group – Denmark

Aastvej 1

DK-7190 Billund

Tel.: +45 79 50 60 70

www.LEGO.com