

# 20



## COP REPORT 2020

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# HOW WE WORK WITH SUSTAINABILITY

As a signatory to the United Nations Global Compact – the world's largest voluntary network for sustainable business conduct – we are committed to the Ten Principles of The Global Compact. We wish to increase transparency towards all our stakeholders on how we progress the sustainability efforts. This annual report includes our Communication on Progress report to the UN Global Compact.

KIRKBI's sustainability commitment – and the commitment to live up to the Ten Principles of the UN Global Compact – is defined by the KIRKBI Fundamentals. The KIRKBI Fundamentals serve as the compass for all business activities.

As an integral part of the Fundamentals, the Promises define how we regard play, people, partner and planet as integrated and equal parts of operating businesses and succeeding with the mission.

Although this year's Communication on Progress report focuses on KIRKBI's sustainability efforts for 2020, the 2032

strategy focuses on how we continue to raise the bar for the sustainability efforts in the very long term. Sustainability is a foundation – a layer for all business activities both within own operations as well as investment and ownership activities. The sustainability ambition includes 16 requirements for how KIRKBI becomes a sustainable company and how we raise the bar for responsible ownership and investing (see page 5).

In 2020, we took important steps within own operations to further develop our ambition on each of the 16 sustainability requirements.

Within the investment activities, KIRKBI continues to integrate environmental, social and governance factors into the investment approach and active ownership practices.

Furthermore, we continue to pursue thematic impact investing focused on increasing KIRKBI's contribution to a sustainable development in the world.

KIRKBI has to date invested approximately DKK 8 billion in solar and wind energy, which has created a capacity in excess of 400 MW of renewable energy.

One of the major sustainability shifts that need to take place in the global economy is its electrification in which renewable energy plays an important role.

In practice, we make a never-ending effort to ensure that the Promises are lived throughout our actions and behaviour every day. The Promises to play, people, partners and the planet are therefore also our response and promise to the Ten Principles.

**Søren Thorup Sørensen**  
CEO



## THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

The pages 16-33 of this annual report comprise our 'Communication on Progress' report and have been submitted to the UN Global Compact.

As a signatory to the UN Global Compact, we will continue to demonstrate our progress toward sustainable business operations and responsible ownership and investments.

KIRKBI's commitment to sustainability is integrated into our purpose as the owner family's private holding and

investment company founded to build a sustainable future for the family ownership of the LEGO® brand through generations.

Our ability to positively affect sustainable development is embedded in our own operations and investments – both financial investments and LEGO Brand Group entities – and through the work of the associated foundations.

# 2020 HIGHLIGHTS



**8 bn DKK**

invested in solar and  
wind energy to date



Despite an extraordinary time, KIRKBI  
colleagues were more engaged and  
motivated than in 2019



**20%**

increase in recycling rates at four  
of the properties in Copenhagen

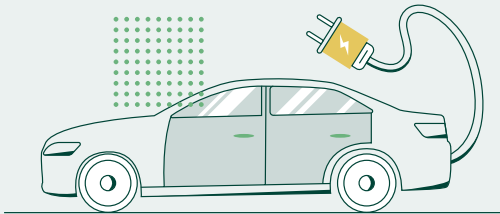


KIRKBI voted at 100%  
of general meetings



**16%**

reduced food waste in  
the canteen in Billund



**34%**

of the vehicles in the company car  
fleet is either plug-in or electric

# OUR APPROACH

KIRKBI's approach to sustainability is comprised by the following elements

## UN GLOBAL COMPACT 10 PRINCIPLES

## KIRKBI CODE OF CONDUCT

### HUMAN RIGHTS



- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.

All employees are expected to take steps to protect human rights wherever we do business.

While the KIRKBI Fundamentals describe the foundation of all business activities, the KIRKBI Employee Code of Conduct serves as a guide to make the right ethical decision at all times, and is applicable to all activities – both own operations and investment activities. Introduced in 2018, it is an integrated part of the onboarding material for new KIRKBI employees to ensure that everyone is familiar with its contents. An internal whistleblower line allows any non-compliances with the KIRKBI Code of Conduct to be reported. The Employee Code of Conduct formalises KIRKBI's policies related to human rights, labour, environment and anti-corruption.

The description of activities and results on the following pages is divided into own operations and responsible investing and ownership. KIRKBI's own operations include the KIRKBI offices in Denmark and Switzerland, the vehicle fleet and business travel.

### LABOUR



- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.

The KIRKBI Group will provide a professional, inspiring, and safe workplace in accordance with mandatory legislation and will show respect for all individuals and make active efforts to ensure a good and inclusive working environment, characterised by equality and diversity. We ensure freedom of association and respect our employees' right to collective bargaining. The KIRKBI Group does not accept child labour, forced labour, or any form of human trafficking.

As a family-owned holding and investment company, the risk of human rights breaches and corruption within own operations is assessed to be low and covered by the implementation of the Code of Conduct, while the risks and opportunities related to labour and environment are managed as described in the relevant sections. Within the investment activities, risks related to all areas of the UN Global Compact are managed via the approach to responsible investing and ownership described on page 26-27.

### ENVIRONMENT



- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

The KIRKBI Group promotes environmentally responsible business conduct in our investment management and ownership practices. All employees must support our Planet Promise by encouraging steps to be taken to prevent and mitigate the environmental impact of activities and products.

### ANTI-CORRUPTION



- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

All employees must comply with local and international anti-corruption laws, principles, standards and codes, and ensure transparency in all interaction. Abuse or misuse of entrusted power for private gains are not accepted.



# KIRKBI PROMISES

The four promises are derived from the KIRKBI Fundamentals and set the direction for the specific sustainability requirements.

## OUR PROMISES

### PLAY PROMISE



#### JOY OF BUILDING. PRIDE OF CREATION

The Play Promise is closely integrated with the People Promise. As owners of the LEGO® brand, we wish to guard and nurture the essential role of play in children's and adults' well-being and development.

### PEOPLE PROMISE



#### SUCCEED TOGETHER

To enable execution of the business strategy and to build the long-term health of the company. We believe people and values make the difference.

### PARTNER PROMISE



#### MUTUAL VALUE CREATION

To build partnerships that enhance mutual value creation, entail openness and trust. Partners should feel energised and inspired from their involvement with KIRKBI.

### PLANET PROMISE



#### POSITIVE IMPACT

To create a positive impact on the planet through responsible investments and ownership – a commitment to society to keep earning a trusted position.

## 16 SUSTAINABILITY REQUIREMENTS

### Mindset

- Community Engagement
- Company Culture
- Learning
- Employee Well-being
- Leadership

- Business Ethics
- Responsible Investing
- Advocacy
- Tax
- Procurement

- Renewable Energy
- Resources
- Emissions
- Waste
- Sustainable Real Estate

# OWN OPERATIONS

## ENVIRONMENT

The Planet Promise is an integral part of the KIRKBI Fundamentals. As a part of the Planet Promise, we are dedicated to minimising the environmental footprint.

In mid-2020, KIRKBI published its Carbon Inventory for 2018-2019, thus creating a baseline against which to measure future progress.

The 2018-2019 inventory, while including both direct and indirect emissions, was focused on 'own operations'. This scope was selected as we have more direct and complete control of the activities behind these emissions. However, we recognise that as a holding and investment company, we also have an obligation to focus on the emissions from the companies that we own and invest in. Consequently, we prepare for including emissions from the investment activities in the future Carbon Inventory. The 2020 Carbon Inventory will be released mid-2021.

Efforts to manage the emissions have included activities in the following areas:

### BUSINESS TRAVEL

In 2020, we adjusted the company car policy, offering subsidies to employees who select a plug-in hybrid or electric vehicle. As of the end of 2020, 19 of the 56 vehicles in the fleet are either plug-in hybrid or electric vehicles, compared to just 2 prior to the subsidy. To further support the uptake of electric vehicles, the KIRKBI office in Billund now offers 15 charging stations in its parking lot.

### FLIGHTS

The majority of KIRKBI's carbon footprint comes from the KIRKBI Group's private

aviation. KIRKBI has chosen private aviation to meet certain security and efficiency needs.

The travel restrictions and COVID-19 mitigation recommendations have affected the KIRKBI Flight department with a notable reduction in the number of flights; however, progress on managing the emissions from the aircraft has still been made.

In 2019, KIRKBI decreased the default flight speed of its aircraft as a means of reducing fuel use and related emissions. While data is limited due to COVID-19 travel restrictions, the data indicates a decrease in fuel use of approximately 7% per flight hour. This lower speed will be maintained as standard.

There was a 14% decrease in emissions from 2018 to 2019. The bulk of this reduction came from a decrease in the downstream emissions from the chartering of aircraft to third parties.

### ONLINE MEETINGS

In 2019, we indicated that we would assess the possibility of online meetings replacing some part of business travel. While KIRKBI has been upgrading its online video conferencing systems since 2018, the travel restrictions imposed by the COVID-19 pandemic supercharged the adoption of online meetings, with an increase of 250%. The 2020 carbon inventory will therefore show a decrease in the carbon emissions from business travel. We expect that some of these savings will continue as this experience will help recognise when an in-person meeting can be as effectively held online, thereby reducing the environmental impact of business travel.

### PROCUREMENT

In 2020, we assessed the procurement practices in terms of sustainability – reviewing spend on goods within 'own operations', and selecting the categories with the largest spend for further assessment. While we continue to work on managing these impacts, some highlights include:

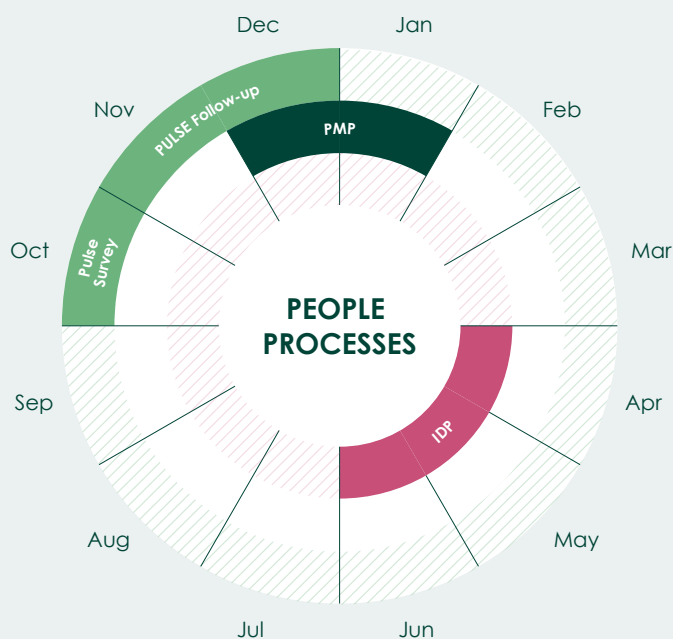
- In the canteen in Billund, we are working closely with ISS, the canteen operator, to develop an approach that will emphasise local, in-season products and make the sustainable impact of the food more visible. Furthermore, the canteen has introduced an initiative to reduce food waste by allowing colleagues to purchase left-overs. This gives access to economical, healthy, easy solutions for dinner, while at the same time reducing the food waste generated in the canteen by 16%.
- The IT department has processes in place to ensure that the lifetime of IT equipment is extended for as long as possible. In addition, the IT department ensures that, when IT equipment reaches the end of life, it is handled in a secure and responsible way by a third-party contractor.



### KIRKBI GROUP CO<sub>2</sub> EMISSIONS 2018 & 2019 – OWN OPERATIONS

	2019 * Tonnes CO <sub>2</sub> equivalents	2018 Tonnes CO <sub>2</sub> equivalents	+/- Change
<b>SCOPE 1</b> Reflects direct emissions from owned or controlled sources, such as office buildings and vehicles.	3,937.5	3,907.5	<b>+1%</b>
<b>SCOPE 2</b> Reflects indirect emissions from the generation of purchased electricity, steam, district heating and cooling.	105.4	157.3	<b>-33%</b>
<b>SCOPE 3</b> Includes all other indirect emissions that occur in a company's value chain.	2,019.7	3,005.7	<b>-33%</b>
<b>TOTAL ALL SCOPES</b>	<b>6,062.7</b>	<b>7,070.5</b>	<b>-14%</b>

\* Number of employees increased by 22% from 2018 to 2019.



#### PULSE SURVEY

We measure motivation, satisfaction and engagement across the organisation in the PULSE survey.

The responses are used to identify possible areas of improvement at both team and organisational level.

#### INDIVIDUAL DEVELOPMENT PLAN (IDP)

The IDP is the personal and professional development plan for all employees.

We believe that focusing on what motivates people, as well as the competencies each person needs to reach individual personal goals and strategic business targets, is critical to achieve motivation and satisfaction – and ultimately, to support our overarching purpose.

#### PERFORMANCE MANAGEMENT PROGRAMME (PMP)

Individual targets are defined for each employee and aligned with team targets and KIRKBI's overall targets for the year.

After an evaluation process at the end of the year, the employee gets awarded a bonus based on the performance versus targets to encourage and reward successful performance.

## PEOPLE

A diverse group of people is supporting the owner family to succeed with the mission to *inspire and develop the builders of tomorrow*. KIRKBI employs specialised and experienced professionals in a diverse set of fields. They are all dedicated to supporting the overarching purpose. With KIRKBI's People Promise and our strong set of values, we want to unleash the full potential of all KIRKBI employees. We focus on enabling and developing our employees' competencies and ensuring that the people leaders have the right leadership capabilities and continuously act as strong role models.

In KIRKBI, we do this to enable execution of the strategy and to secure the long-term health of the company.

In addition, like LEGO® builders around the world, KIRKBI thrives on making things happen, and we know that there is often more than one solution to a challenge. The Play Promise in KIRKBI is closely integrated with the People Promise, and it is about finding inspiration and pride in our LEGO brand heritage and embracing the characteristics of playful learning i.e. being joyful, social, engaging, meaningful, and iterative in our everyday lives.

#### PROFESSIONAL AND PERSONAL GROWTH

The KIRKBI Human Resource Annual Cycle represents a framework that enables and maintains professional and personal competencies through a focus on continuous development. We continuously aim at creating the best possible conditions for lifelong learning. We want to make lifelong learning opportunities available to all – thereby ensuring a motivating workplace where KIRKBI employees can continue to develop and perform.









Once a year, we measure the motivation, satisfaction and engagement across the organisation in the PULSE Survey. The responses are used to identify possible areas of improvement both at team and organisational level.

Given that 2020 was an extraordinary year, we also had regular check-ins to assess if our employees were thriving.

Inspiring sessions with external inspirators, such as an occupational psychologist, were offered within the teams and across the organisation to boost motivation, corporate belonging, and social cohesion.

Despite the challenges related to COVID-19, we found that KIRKBI employees were as motivated and engaged as in 2019. In 2020, the PULSE survey showed that KIRKBI maintains high motivation and satisfaction across the organisation with a score of 83 out of 100. This gives us a strong position against the external benchmark, which has an average score of 75.

KIRKBI also uses the E-NPS (Employee Net Promoter Score) as an indicator of engagement and motivation. The E-NPS is based on the response to the PULSE question; "I would recommend KIRKBI as an employer to other people." Here,

the KIRKBI score is 76% – 7 points ahead of last year – indicating that we have loyal, motivated and engaged people. The average external benchmark score is 34%.

KIRKBI's scores in the PULSE survey bring KIRKBI in the 'Top 5% in class' category according to the vendor Ennova.

Despite the strong scores, and in line with our spirit, we always strive to do better.

The PULSE survey indicated that we should focus even more on learning and development opportunities as well as maintaining the level of engagement

and motivation among employees – for example by allowing for continued work-life flexibility and by continuing to focus on social cohesion. These will be continued priorities during 2021.

### A WELL-BALANCED WORKLIFE

We want to make sure that KIRKBI offers a safe and healthy mental and physical working environment focussing on people's well-being and ensuring that work-life is well-balanced with life after work.

KIRKBI's Environmental, Health and Safety Committee ensures a focus on the environmental, health and safety aspects of the workplace and identifies areas of potential improvement. In addition to the work done by this committee, offers like access to fitness facilities, social sports initiatives, healthcare specialists and healthy food in the canteens help ensure that KIRKBI provides all employees with the best opportunities to take care of their physical and mental health.

### STRONG ROLE MODELS

It is important that leaders with people responsibility in KIRKBI have the right leadership capabilities and continuously act as strong role models, who are

inspirational, build strong relations and execute and support the KIRKBI 2032 Strategy.

In 2021, we will work to define and implement the "KIRKBI Way of Leading" based on the KIRKBI Fundamentals, the 2032 Strategy, and the values, which are shared across the LEGO branded entities.

### PEOPLE DIVERSITY

In KIRKBI, we believe that a diverse organisation and an inclusive working environment represent an opportunity to succeed in the long term.

In 2020, the gender composition showed that women accounted for 44% of people leader positions. This gender balance is generally reflected across the organisation.

In 2019, Marie-Louise Aamund joined the Board of Directors as the first female member. The Board of Directors plans to appoint yet another woman to the KIRKBI Board of Directors before the end of 2024.

Acknowledging that gender is only one aspect of diversity, we will continue the efforts to ensure a diverse workforce at all levels of the organisation, including a further strengthening of the internal diversity and inclusion agenda and understanding.

### FACTS ABOUT KIRKBI

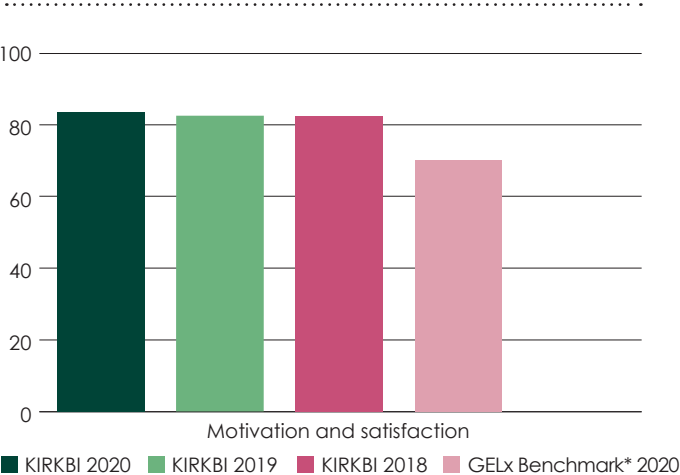
The number of people in the KIRKBI organisation is 208 (KIRKBI A/S, KIRKBI AG and KIRKBI Invest A/S).

KIRKBI's headquarter is in Billund.

KIRKBI also has offices in Copenhagen (Denmark) and in Baar (Switzerland).

### PULSE SURVEY

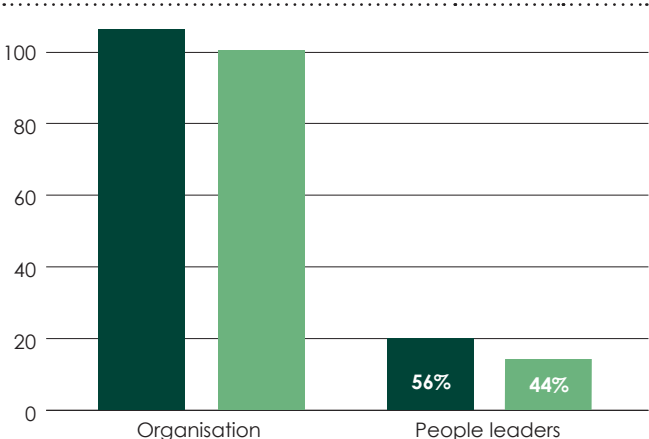
100 as the highest score. Response rate 2020: 99%



\*GELx (Ennova Employee Index) is an international benchmark survey.

### GENDER COMPOSITION IN KIRKBI

Number of employees





# RESPONSIBLE INVESTING AND OWNERSHIP

The contribution of KIRKBI's Investment Activities to KIRKBI's overarching purpose of building a sustainable future for the family ownership of the LEGO® brand through generations is two-fold:

Through the Core Capital investment portfolio, we are committed to ensuring a sound financial foundation for the family's activities via Equity investments, Real Estate and Fixed Income investments. The investment approach is based on the belief that companies that act long-term and responsibly are also the ones that are sustainable and value-creating over time. We execute responsible investing principles by integrating environmental, social and governance (ESG) factors into the investment approach and active ownership practices.

Secondly, in 2020, KIRKBI initiated the implementation of its 2032 strategy, which – based on the wish to contribute to a sustainable development in the world – entails a new investment area in KIRKBI called, Thematic Capital.

Thematic Capital defines a set of themes in which KIRKBI intends to complete investments to increase its impact on specific societal areas.

The sustainability themes under Thematic Capital are:

- Energy Transition
- Circular Plastics
- Land Preservation
- Building Billund

While Energy Transition is an extension of KIRKBI's former Renewables investments area, Circular Plastics and Land Preservation are two new areas, which will be further defined and developed over the coming years. Building Billund represents KIRKBI's efforts to invest in the development of the town Billund where we are – and always have been – based to support the ambition of Billund as the Capital of Children.

In the following sections, we will refer to Equity, Real Estate and Fixed Income investment activities as 'Core Capital' and investment activities into sustainability themes as 'Thematic Capital'.





## KIRKBI'S APPROACH TO INVESTING RESPONSIBLY

The below outline of how we integrate environmental, social and governance (ESG) considerations into the investment process and how active ownership practices apply to all of KIRKBI's investment activities. A set of guidelines ensuring that these principles are practiced has been set with the appropriate flexibility and recognition of differences among strategies and managers.

### NEGATIVE SCREENING AND ESG INTEGRATION

In collaboration with external partners, KIRKBI assesses its potential investments and monitors its portfolio for the following:

- Involvement with activities on KIRKBI's negative list;
- Company performance in areas of material ESG risks and ability to manage these risks relative to industry peers;
- Company involvement in notable ESG controversies related to the company's operations and/or products, possible breaches of international norms and principles, such as the UN Global Compact, and performance with respect to these norms and principles

### ACTIVE OWNERSHIP

As a responsible long-term owner and investor, we regularly monitor and track financial data as well as key performance indicators on material sustainability-related risks related to each investment. Moreover,

to underpin the long-term focus and to contribute positively to the strategic direction and the management of material ESG-related risks, we engage actively with the companies and investment partners. This includes actively supporting the pursuit of new business opportunities and the mitigation of material risks within the focus areas of our Promises.

As an example, we piloted a sustainability engagement programme in 2020 with Armacell as a new long-term equity investment.

As an active owner, KIRKBI engages in a number of ways, including:

- Board representation
- Shareholder communication with board of directors and management
- Voting at the annual general meetings

We will engage with companies in case of controversies or breaches of internationally agreed conventions and norms (e.g. those of UN Global Compact). For Quoted Equities, we, in collaboration with an external partner, choose to first communicate with the company to understand what remedies are in place and what types of enhanced controls the company has implemented to prevent further breaches. If these efforts fail, KIRKBI will divest the investment in the company. In 2020, we conducted one such engagement via an external partner.

Another important way in which KIRKBI applies its influence is by exercising shareholder voting rights at the annual general meetings of companies. KIRKBI has voted at 100% of all annual general meetings during 2020. KIRKBI is represented on the Board of Directors of all six of its Long-term Equity investments.

Through board representation, KIRKBI seeks to influence the strategic direction and contribute to creating sustainable growth in portfolio companies. The primary focus areas as an active owner and representatives on the Board of Directors are:

- **STRATEGY:** Robustness and positioning for sustainable, long-term growth
- **FINANCIAL DISCIPLINE:** Efficiency around capital allocation and structure as well as progress on selected KPI's
- **CORPORATE GOVERNANCE:** The right people and processes in place
- **SUSTAINABILITY:** Continuous improvement on sustainability measures is key for sustainable growth

For specific elaboration on the integration of ESG in the Real Estate investments, see page 15.

### RESPONSIBLE INVESTMENT PROCESS IN KIRKBI



## ENERGY TRANSITION

Since 2012, the Renewables investment area – now referred to as Energy Transition – has developed into a solid long-term business area that is aligned with the sustainability and financial ambitions. As part of the 2032 Strategy, KIRKBI has increased its focus on Energy Transition investments.

Through Energy Transition investments, KIRKBI contributes to a sustainable development in the world, while supporting the LEGO Group in furthering its environmental sustainability ambition. Furthermore, KIRKBI also invests in the green energy transition to contribute to the increase of global renewable energy production, while at the same time delivering attractive long-term returns.

KIRKBI's Energy Transition strategy targets direct minority as well as majority investments in solar and wind energy assets. The geographic focus is on Northern Europe and North America. Current investments include part-ownership of two offshore wind farms, Borkum Riffgrund 1 and Burbo Bank Extension, and majority ownership of Adapture Renewables Inc (previously named Enerparc Inc.).

Read more about the Energy Transition investments on page 54.



**WIND ENERGY:** In 2012, KIRKBI and William Demant Invest invested into Borkum Riffgrund 1, with KIRKBI owning 31.5%. Ørsted, the constructor and operator of the wind farm, has retained 50% ownership. The capacity of Borkum Riffgrund 1 is capable of providing green energy corresponding to the consumption of 320,000 German households.

In 2016, KIRKBI and PKA invested jointly into Burbo Bank Extension with 25% ownership each, while Ørsted, as constructor and operator, has retained 50% ownership of the wind farm. The capacity of Burbo Bank Extension can provide green energy to 230,000 UK households.



**SOLAR ENERGY:** In 2020, USA solar energy developer Adapture Renewables Inc. (previously named Enerparc Inc.) expanded its operational energy production capacity from 70 MW to 245 MW. In 2020, KIRKBI invested further into the company's continued growth including an 81 MW solar park located in Texas, which was operational at year-end. Furthermore, investments were made in Adapture Renewables' pipeline of solar development projects in order to bring more solar energy to the American society in the coming years.

→ In 2020, KIRKBI invested further into the Adapture Renewables' continued growth including an 81 MW solar park located in Texas. Photo: Adapture Renewables.



## REAL ESTATE

KIRKBI continues to focus on ensuring a sustainable Real Estate portfolio. By focusing on building certification as well as improved data collection, KIRKBI aims to identify those initiatives that have the most significant environmental and social impact.

### CERTIFICATION

Since certifying its first property to the DGNB Buildings In Use scheme in 2019, KIRKBI has gone on to certify three additional properties in 2020, including the first DGNB Buildings in Use certificate to be awarded in Switzerland. KIRKBI expects that another three properties will receive certification in early 2021 and plans to certify all relevant properties in its investment portfolio in the coming years. Certification provides a third-party evaluation of the current sustainability level of the properties, while the certification process continues to help build in-house knowledge of sustainability issues in the real estate sector.

The sustainability initiatives in the Danish real estate sector are largely overseen by Green Building Council Denmark. In order to support the council's work and as a means of streamlining the KIRKBI certification process, KIRKBI has signed up to participate in a project piloting the new DGNB requirements for Buildings

In Use. Included in these requirements is the opportunity to obtain a baseline certification of a portfolio of properties, which KIRKBI will be one of the first in Denmark to obtain.

### DATA COLLECTION

In 2020, KIRKBI continued to collect data for electricity, heat, water and waste for its Real Estate investment portfolio. This data allows us to quantify the environmental impact of the properties and identify opportunities for improvement. However, this only accounts for a part of the total data, as we do not currently have access to the tenants' use data. As such, KIRKBI has begun to develop 'green leases',

which, among other things, will require the tenants to share their use data with us. KIRKBI signed its first green leases in 2020, and all future leases will include environmentally focused clauses, thereby allowing KIRKBI to work with tenants to reduce the shared environmental footprint.

The KIRKBI Real Estate department has been able to use the experience and input from its certification and data collection efforts to further refine its approach to sustainability. These efforts will ensure that the Real Estate activities within KIRKBI support the sustainability ambitions in the 2032 Strategy.



**WASTE SORTING IN COPENHAGEN:** In late 2019, KIRKBI initiated a project to improve the waste management at four of the investment properties in the centre of Copenhagen in order to increase recycling rates and optimise waste collection. After careful analysis and planning, the optimal solution entailed decreasing the number of containers for residual waste and doubling the number of recycling fractions collected. This solution has led to a 20% increase in recycling rates, while optimised waste pick-up has led to fewer collection trucks in the inner city. Going forward, we will use this as an opportunity to engage with the tenants and neighbours on further improving waste management practices.

→ In 2020, KIRKBI conducted a waste management project in Copenhagen, including increasing the waste collected for recycling.



## BUILDING BILLUND – THE CAPITAL OF CHILDREN

The town of Billund is of great importance to KIRKBI A/S, LEGO A/S and the LEGO® brand. Billund is where it all started, and the town plays an important role in the past, present and future of the LEGO brand.

It all began in 1932 when Ole Kirk Kristiansen started making wooden toys in his workshop in Billund. The toys were sold as LEGO toys from 1934.

Today, Billund is home to almost 7,000 citizens, the workplace for thousands of people and a playful place for tourists from all over the world with attractions such as the world's first LEGOLAND Park and LEGO House - the Home of the Brick™.

KIRKBI has been actively engaged in supporting the development of the town through generations. Building Billund is one of the theme-based investment areas inspired by the owner family's wish to make a positive difference in the LEGO Group's hometown.

Together with local partners, KIRKBI is involved in realising Billund's City Vision that sets the framework for urban and cultural planning to support and strengthen Billund's unique character as the Capital of Children, where children of all ages learn through play and are creative citizens of the world.

KIRKBI's primary contributions have been several real estate projects in Billund – from new inspiring workplaces to a new downtown area. Three of KIRKBI's current projects are:



**LEGO® CAMPUS:** A new gathering point for the entire LEGO Group. In September 2020, the second phase of LEGO Campus in Billund was inaugurated. When the construction is completed in 2021, the campus will include 54,000 square metres and office space for approximately 2,000 LEGO colleagues. Part of the construction will be dedicated to a "People House" – an area with facilities such as workshops, sports facilities, café, accommodation and much more. The People House will be open to colleagues who work out of Billund on a daily basis as well as to colleagues who stay in Billund for a shorter or longer period of time.



**BUTIKSTORVET:** The city centre of Billund has been transformed to a new downtown area with stores, offices, flats, urban nature and a 'Playline' connecting the buildings. In October 2020, the area was inaugurated, and the new residents could move in.



**KASTANIEHJØRNET:** A residential property of 6,300 square metres in Billund's midtown, comprising dementia flats in connection to Billund Municipality's care home, council apartments to the non-profit housing association, and flats that will be administered by KIRKBI. The construction of Kastaniehjørnet started in 2019 and will be finalised in 2021.



**IN BILLUND, WE SHARE A VISION:** Billund is the Capital of Children. Here children learn through play and are creative world citizens.

KIRKBI is a proud partner of the Capital of Children, and we share the same bold vision as the rest of the town.





↑ In October 2020, Billund's new downtown area named 'Butikstorvet' was inaugurated.

## FOLLOW-UP ON PROMISES

	2020 TARGETS	2020 PERFORMANCE
 PLAY	Take actions to strengthen a company culture that is rooted in the statement "Joy of Building, Pride of Creation" and a playful mindset	<ul style="list-style-type: none"> <li>Plans within the Play Promise delayed due to COVID-19</li> </ul>
 PEOPLE	Strengthen employee engagement and satisfaction	<ul style="list-style-type: none"> <li>PULSE Score increased from 82 to 83</li> <li>E-NPS increased from 69% to 76%</li> </ul>
	Further define leadership in a KIRKBI context and review the professional development program	<ul style="list-style-type: none"> <li>First steps for defining Leadership model initiated</li> <li>Individual Development Plan (IDP) tool developed, updated and training provided to all employees</li> </ul>
 PARTNER	Further standardise active ownership approach within the investment area by voting and via sustainability engagement in Long-term Equity investments	<ul style="list-style-type: none"> <li>Sustainability engagement program of a new long-term equity investment piloted</li> <li>Voted at 100% of all annual general meetings</li> </ul>
 PLANET	Further compile consistent use data in the real estate portfolio	<ul style="list-style-type: none"> <li>Collection of use data continued</li> <li>First green leases signed</li> </ul>
	Continue working with sustainable building certifications	<ul style="list-style-type: none"> <li>3 buildings certified in 2020</li> <li>Commitment to pilot the new DGNB Buildings In Use requirements</li> </ul>
	Manage the carbon emissions from our buildings and travel	<ul style="list-style-type: none"> <li>19 of 56 company cars are electric or plug-in hybrid</li> <li>15 charging stations installed</li> <li>7% decrease in aircraft fuel used per flight hour</li> <li>250% increase in online meetings achieved</li> </ul>
	Assess procurement practices for sustainability	<ul style="list-style-type: none"> <li>Procurement practices assessed</li> <li>60% of the food in the Billund canteen is organic</li> <li>Procedures in place to prolong lifetime of IT products and responsible handling of IT equipment that reaches end of life</li> </ul>
	Further develop the scope for impact investments	The sustainability themes under Thematic Capital are: <ul style="list-style-type: none"> <li>Energy Transition</li> <li>Circular Plastics</li> <li>Land Preservation</li> <li>Building Billund</li> </ul>

# FUTURE FOCUS AND TARGETS 2021

In the beginning of 2020, KIRKBI launched a new strategy towards 2032, **in which sustainability is an essential element**. While the implementation of the strategy was initiated in 2020, further development and roll-out will be the focus for 2021.

## OWN OPERATIONS

### PLANET

With the 16 requirements of a sustainable company now defined (see page 5), we start on the path to meeting the ambitions. Many of KIRKBI's efforts within the Planet Promise to date have focused on reducing carbon emissions. In 2021, we will define a specific carbon reduction target, which will set the direction for future efforts. However, we will not put our efforts to minimise the effects of our operations on the climate on hold – this year, we will also work to increase the amount of renewable energy used to heat and power KIRKBI's own operations and continue to grow the renewable energy capacity through solar energy investments.

### PEOPLE & PLAY

With KIRKBI's People Promise and the strong set of values, we want to unleash the full potential of KIRKBI employees. In 2021, we will finalise and implement the KIRKBI Leadership model to ensure that all leaders have the right leadership capabilities to continuously be strong role models. One emphasis of the Leadership Model is the importance of inclusion and diversity, because we believe that a diverse organisation and an inclusive working environment represent an opportunity to succeed in the long

term. In 2021, we will focus on defining the KIRKBI approach to a diverse and inclusive company culture.

KIRKBI's commitment to the People Promise, and the motivation, satisfaction and engagement of its employees, is reflected in the ongoing ambition to maintain our PULSE survey score well above the benchmark.

Like LEGO® builders around the world, KIRKBI thrives on making things happen and we know that there is often more than one solution to a challenge. The Play Promise in KIRKBI is about finding inspiration and pride in the LEGO brand heritage and in 2021, we will explore how to embrace the characteristics of playful learning, i.e., being joyful, social, engaging, meaningful and iterative in our everyday lives.

### PARTNER

The Employee Code of Conduct formalises KIRKBI's policies related to human rights, labour, environment and anti-corruption and serves as a guide to making the right ethical decision at all times. To ensure that the policies remain aligned with our ambitions, we will update both the Employee and Supplier Code of Conduct in 2021.

## RESPONSIBLE INVESTMENTS

In 2021, we will continue to integrate ESG into all investment and ownership activities. Building on the experience of compiling the carbon inventory of the investment portfolio, we will also improve transparency and enhance the portfolio's move towards greater sustainability by mapping the performance of significant portfolio companies against material sustainability topics. In addition, KIRKBI will continue to further develop the chosen investment segments under Thematic Capital in 2021.

Regarding KIRKBI's Real Estate activities, we will continue to increase the use data on the Real Estate portfolio engaging with tenants and property managers to continuously improve access to data and thereby identify opportunities to reduce the shared environmental footprint. Furthermore, the Real Estate team will take the sustainability priorities defined in 2020 and translate them into sustainability plans for each of our relevant properties. One specific property – the KIRKBI headquarters in Billund – will serve as a learning playground, as we seek to minimise its environmental impact over the course of the year.



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