



Sustainability report 2006

“ This is the first sustainability report from the LEGO Group. In this report you can read about our progress and see in which direction we want to head.



We would appreciate your feedback. Please send your comments and proposals to: Sustainability@LEGO.com ”





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Only the best is good enough

Only the best is good enough. This has been our motto since the foundation of the company in 1932, and it is the starting point for the strategy guiding the LEGO Group from 2004 to 2010. "Only the best is good enough" expresses that we want to be the best. The motto also means that we want to push our creativity to new heights. Children are our vital concern and deserve the best. Our focus should not only be on financial results. We also have other aims, such as striving to create a sustainable company in relation to all our stakeholders. When you believe that only the best is good enough, you also take on a responsibility in relation to all stakeholders. This means that by thinking long-term and doing the best for each stakeholder, you serve the company's interest and help ensure its survival, which very much also means securing its financial health. This is the foundation that has enabled the company to celebrate its 75th anniversary this year.

We have during the last couple of years passed through a tumultuous period, during which we primarily have focused on financial results and the survival of the company. But it is now time for us to focus again on long-term sustainability. We have therefore used 2006 to map out our company in relation to our stakeholders. We have prepared goals for each group, and together these define sustainability for the LEGO Group.

Consumers

The LEGO® brick is the basis for a unique building system that offers children as well as adult's unlimited creative exploration. With LEGO toys you can develop your imagination in a systematic, logic and fun way. The LEGO bricks offer learning through play, thus developing the ability for creative problem solving.

In 2006 the LEGO Group produced as many LEGO bricks as never before. Our toys have never been as relevant and important as now giving millions of consumers exceptional play experiences. While we are happy to see a lot of consumers continue to enjoy the play value of their existing and new LEGO bricks; all in all more than 400 billion bricks, we are aware that the LEGO experience would not be complete without a very high standard of quality in bricks, building instructions and so on. This is why we put quality and service first.

We believe that the LEGO Group performed well in 2006 towards our consumers; however we have noted an unsatisfactory number of consumer complaints regarding quality. This is also why we in 2006 initiated a number of efforts to further enhance the quality of LEGO products and services.

Retail trade customers

The LEGO Group's primary customer is the retail trade who sell our products to the consumers. To ensure a financially sustainable development of the LEGO Group it is vital that our retail trade customers experience a positive and profitable development in their sale of LEGO products. This must be combined with an excellent service and a fruitful cooperation on the joint effort of developing the business. It is with great satisfaction that we see a continuing strong development in retail sale of LEGO products; both in terms of revenue and profitability. These results have been produced by three years of continuing investment in and development of the LEGO Group's key account management, resulting in an improved cooperation and dialogue with our customers.

Part of the closer cooperation concerns plans for the coming year regarding sales, marketing campaigns and other activities. However the sales increased in 2006 beyond the expectations of the LEGO Group and our customers resulting in our inability to fulfil all retailers' delivery wishes. We view the delivery service in 2006 as clearly unsatisfactory and will in 2007-08 focus on increasing our reliability in this area.

Employees

Our goal is for the LEGO Group to be an exciting, challenging and rewarding workplace. The LEGO Group has always focused on treating employees well. During the changes in the company over the last few years, and the transition phase the company is currently undergoing (outsourcing up to 80 per cent of production), our main focus has been to ensure that the changes happen in the best possible way for employees – both for those who are staying and those leaving the company. The difficult financial situation has also placed great demands on all employees, to help bring the company onto the right track. During this period, there has not been enough focus on employee development and

ensuring a reasonable work-life balance. Also a number of other areas, such as diversity, have not been given sufficient priority. We will be focusing on these areas in the next few years, while continuing to work intensely to ensure that the transition phase is implemented in the best way possible.

Business partners and suppliers

To secure the competitiveness and profitability of the LEGO Group, we will in the coming years focus our efforts on the activities which are of special strategic importance and where the company has special competencies. Other activities which with benefit can be performed externally are in these years outsourced to a number of business partners and suppliers. In 2006 the LEGO Group entered into an important and long-term relationship with Flextronics, which will be producing more than 70 per cent of our production. DHL-Exel will be our global partner on distribution. Flextronics and DHL-Exel will hence be our primary supply chain partners, while a number of licensees, such as Merlin Entertainments Group with the acquisition of the LEGOLAND parks, will be other important partners for the company. In 2006, we refined our skills in relation to teamwork in partnerships, and will continue this work in 2007. We have also worked systematically to ensure that conditions relating to employees and the environment, etc., at our suppliers meet our requirements. We have been working intensely with this for many years, but we can do even better.

Society

The LEGO Group has always taken responsibility for the society and the communities in which we operate. We have shown that we take this responsibility seriously through the efforts we have instigated to help those of our employees that unfortunately have been impacted by downsizing and outsourcing. Efforts which we undertake in collaboration with local authorities, organisations, unions, schools etc.

The crisis the LEGO Group underwent has meant that management has made a big effort to act responsibly and credibly through honest and timely communication. In this way lay offs have been communicated as early as possible, just as the situation of the company has been laid out more open and transparent than previously. This report is another example

of our open attitude to external stakeholders. It is the ambition of the LEGO Group to be a responsible and trustworthy participant in the communities in which we operate, adhering to the principles of the UN Global Compact. In the coming years we wish to strengthen our efforts to meet our stakeholders' expectations. In 2007, we will focus on preparing a detailed strategy for each of our stakeholder groups, and ensuring clear, quantifiable goals are set in all areas and implemented in our business units.

Dialogue creates development

Over the last few years, the LEGO Group has achieved better dialogue with consumers. We have increasingly involved consumers in creating the products they desire. This development will continue in the years ahead. However, just as we want to be more open in relation to our products, we also want to be more open in how we run our business. We want to do this in a sustainable way, and that is why we are now distributing our first sustainability report. We hope to demonstrate our progress till now and what we are aiming to achieve.

Just as we are involving consumers in the development of our products with the aim of developing the best products, we hope that this report can help us create the sustainable company we want to be. Sustainable not only in relation to our founding family, customers and consumers, but also in relation to our employees, our local community and the environment.

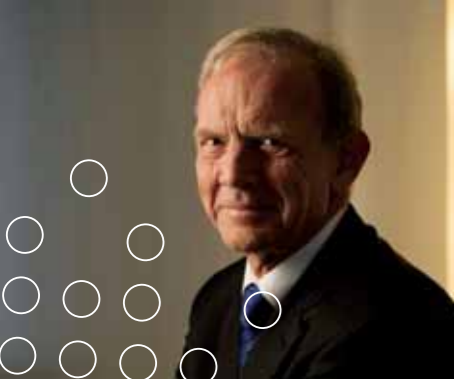
We would therefore appreciate any feedback on our first sustainability report. Send your comments and suggestions to: Sustainability@LEGO.com

On behalf of Group Management



Jørgen Vig Knudstorp
CEO





The LEGO Group supports the UN Global Compact

In 2007, it will be 20 years since the Brundtland report, "Our Common Future", was released. This report identified a number of global challenges and defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The work of implementing this vision is more urgent than ever, and companies must also take their share of the responsibility and contribute to it. The only sensible way to run a company is in a sustainable and responsible manner. This is the only way we can help resolve the major global problems the world is facing. This responsibility requires that companies behave ethically and contribute to the financial development of society, as well as improving employees' quality of life. This is an attitude based on decency and concern for the society the company is part of.

The LEGO Group has always been good at putting its values into practice and taking responsibility for the world around it. The company has supported research into children's behaviour and play – not only to improve earnings, but also driven by the desire to offer all children better opportunities for creative, fun and challenging play.

Globalisation has led to new conditions for the LEGO Group. In response to these conditions, the decision was made in 2006 to outsource most of the company's production. This decision has been a major strain on

large groups of employees, who have still managed to deliver impressive and goal-oriented performance in 2006. In accordance with its values, the LEGO Group is striving to ensure that this process takes place with the greatest possible consideration for employees. This work is one of the subjects discussed in this report.

During the recent financially difficult period, the LEGO Group has had inadequate resources to properly document its work with the UN Global Compact principles. It is pleasing that this first sustainability report for 2006 allows the company to demonstrate that an active effort is being made, beyond finances alone, to ensure that the LEGO Group is working to become a sustainable company.

In spring 2006 I was elected to the Global Compact Board. The board is broadly made up of representatives from business, labour, civil society and the United Nations and aims to help ensure continuity in Global Compact, and ensure the initiative continues to develop. I see it as a major, exciting challenge to contribute to disseminating and developing principles on responsibility and sustainability.

Mads Øvlisen
Chairman of the Board

Global Compact

In 2003, the LEGO Group became the first company in the toy sector to commit to Global Compact. Global Compact is a UN initiative aimed at involving trade and industry in the work of achieving sustainable development.

In addition to working with the principles internally, the LEGO Group participates in the Global Compact Nordic Network – a network made up of Scandinavian companies who are members of Global Compact. The network normally meets twice a year to share experiences on how best to integrate the Global Compact principles in these companies. A number of external stakeholders are often invited to the meetings as well, to express their views on the companies' challenges and opportunities.

PRINCIPLES

Human Rights

1. Business should support and respect the protection of internationally proclaimed human rights
2. Business should ensure that they are not complicit in human rights abuses

Labor Standards

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

Environment

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

Anti-Corruption

10. Business should work against all forms of corruption including extortion and bribery



The LEGO Group – in brief

Company profile

Our founder, Ole Kirk Christiansen, began to make toys in 1932. In 1934 he hit on the name, LEGO®. He combined the first letters of the Danish words leg (play) and godt (well), unaware that the word in Latin can mean “I put together.” “LEGO” is both the name of the company and the idea behind it. Play is a central element of each child’s growth and development. Play nurtures the soul. Play stimulates imagination, conceptualisation and creative expression.

The LEGO philosophy is that “good play” should enrich each child’s life – and their subsequent adult life. The LEGO Group therefore offers a wide range of products, all based on the same basic philosophy. A philosophy about learning and development – through play.

Today, 75 years on, the company is still owned by the descendants of the founder. The LEGO Group is currently the world’s sixth largest toy manufacturer, based on turnover, and the LEGO brand is amongst the strongest in the world.

You can find out more in our Company Profile and in our Annual Report at: www.LEGO.com/info

is implemented. This is achieved by developing and following-up on the company’s policies and general guidelines in relation to all the company’s stakeholders. The Corporate Compliance Board also monitors compliance with national and international legislation and company policies.

The chairman of the committee is the Executive Vice President of Corporate Center, and committee members include the CEO and members from the corporate governance department, the legal department and the quality department, among others. During 2006, the Corporate Compliance Board approved a number of policies. Our combined policies cover all aspects of our social responsibility. All 10 principles of Global Compact have also been integrated in these policies. In 2006, a “whistle-blower” facility was introduced, making it possible for people to anonymously draw attention to non-compliance with the regulations and policies. The LEGO Group has a culture that encourages open and honest communication, but experience from other companies show that it is important that this channel for making us aware of any breaches of policies or guidelines also exists.



Table of key financial figures

	2006	2005	2004
Revenue	7,823	7,050	6,315
Operating costs	-4,334	-4,443	-5,372
Employee wages and benefits	-2,099	-2,117	-2,086
Payments to providers of capital	182	-23	-93
Payments to governments	-142	-135	-237
Annual result	1,430	331	-1,473
Number of full-time employees	4,922	5,321	5,620

Working with sustainability

In the LEGO Group, work on sustainability is structured through an interdepartmental committee called the Corporate Compliance Board. This board is responsible for ensuring that the LEGO Group’s sustainability strategy

For further financial and market information, please refer to our Annual Report 2006. For further information about the LEGO Group’s profile and history, please refer to our Company Profile. Both reports are available at: www.LEGO.com/aboutus



The LEGO® brand

- The 2x4 Brick (3D)
- The Minifigure (3D)
- The Knob Configuration (3D)
- The Brick Logo (2D)

Strategic trademarks

LEGO identities

DUPLO®, MINDSTORMS®, BIONICLE®, QUATRO™, BABY™, BELVILLE™, CLIKITS™, ALPHA TEAM™, EXO-FORCE™ and KNIGHTS’ KINGDOM™

LEGO sub-brands

Soft, Creative Building, Creator, Mosaic, City, Aqua Raiders, Sports, Dino 2010, Dino Attack, Mars Mission, Castle, Vikings, Racers, Technic, Factory and Direct

LEGO product line logos

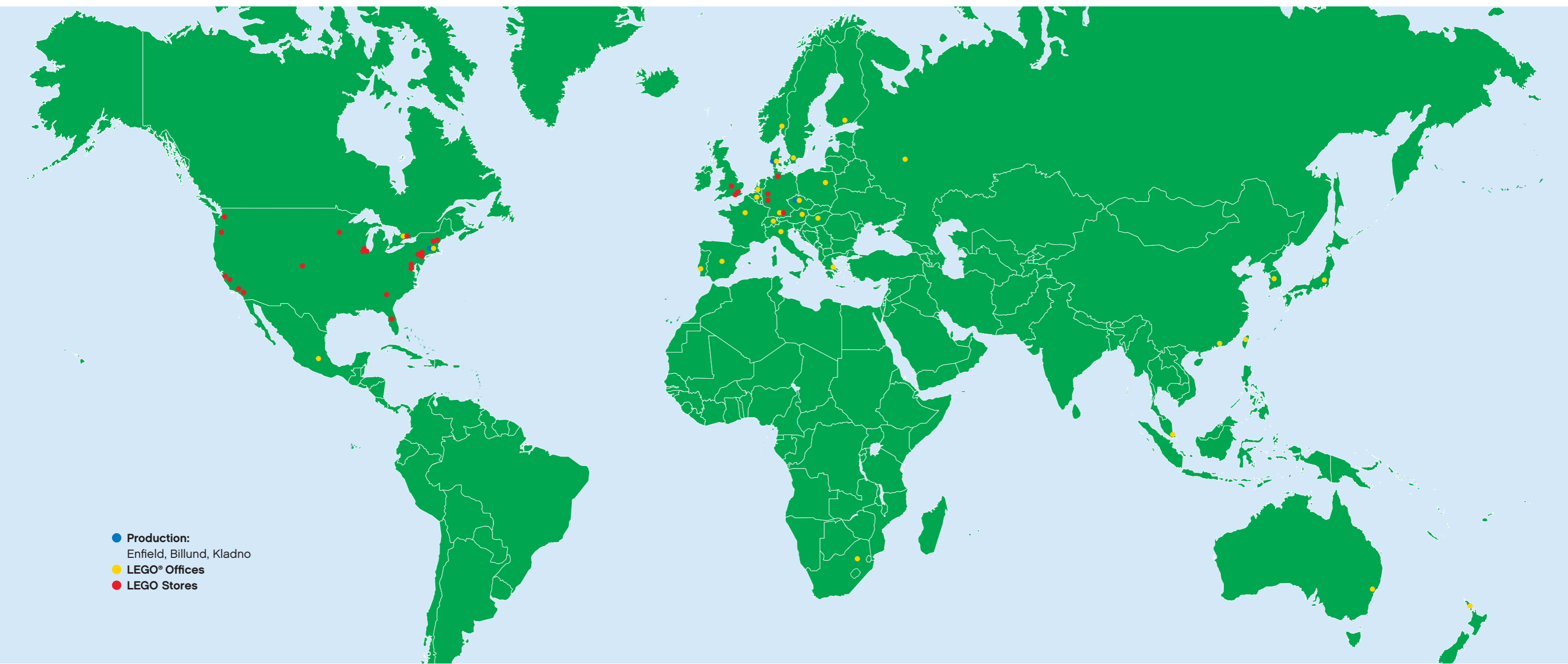
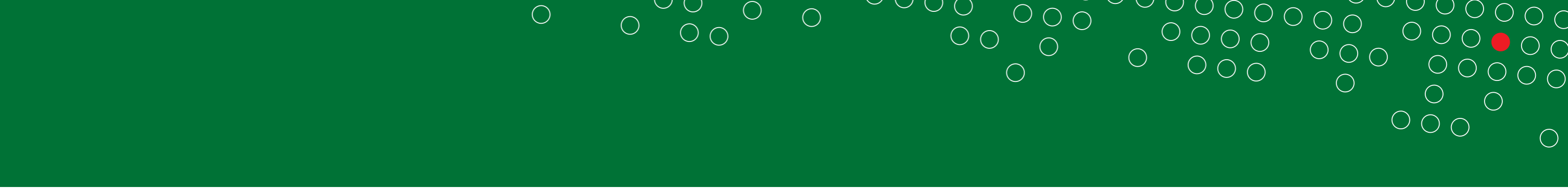
LEGO related identities

LEGO® Education, LEGO® Education Centre, LEGO® Education Experiences, LEGO® MINDSTORMS® Education, LEGO® MINDSTORMS® Robotics Center, LEGOLAND®, Hotel LEGOLAND®, LEGOLAND® Travel, LEGOLAND® Discovery Centre, LEGO® SERIOUS PLAY™ and LEGO® CLUB™

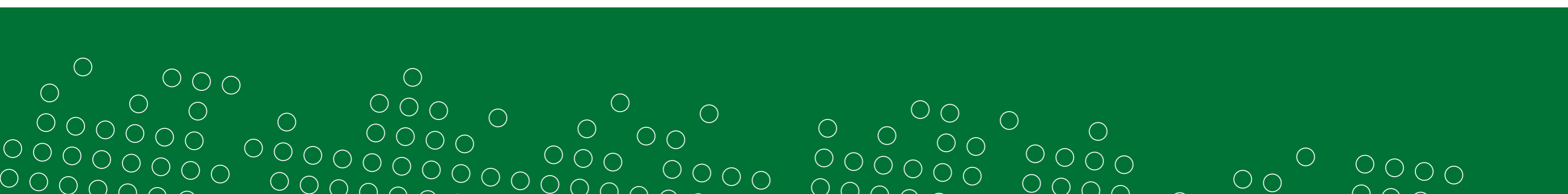
LEGO related sub-brands

Bags, Classic, Magazine, Pens, Play Room and Wear

LEGO related product line logos



- **Production:**
Enfield, Billund, Kladno
- **LEGO® Offices**
- **LEGO Stores**



Our consumers and customers

Joy of building. Pride of creation.

These words are the essence of the play and building experience we want to give the consumer through our products. This experience comes about through the LEGO Group's unique building system and a strong focus on quality. It has always been our wish to create and supply unique products and service to adults and children. It is vital to us that we continue to do this. This is the foundation for the LEGO Group's existence, and what makes our retail trade customers and consumers continue to want to buy LEGO® products.

Quality

Since the LEGO Group was founded in 1932, our motto has been "Only the best is good enough." This has always meant we had to be leaders in terms of the quality of LEGO products. Quality is critical in order for the building system to work. We will not compromise in this area. Numerous policies, procedures and systems have therefore been put in place to ensure that our quality and safety requirements are followed, from the purchase of raw materials to production of the finished box. The LEGO Group quality management system is ISO 9001 certified. A large number of random samples are also taken from the finished products. For each of these samples, we assess whether the boxes fulfil our requirements, the components are counted, the models are built, and the quality of the casting, decoration and assembly are also assessed.

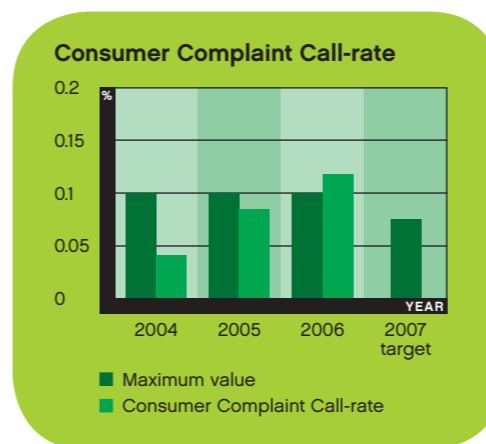
We also work actively to ensure that playing with LEGO products is a quality experience from start to finish. We have divided this experience into the following categories:

- Packaging
- Opening the box
- Building instructions
- Pre-pack
- Elements (e.g. LEGO bricks)
- Building the model
- Play experience
- After play
- Consumer communication

In order to enhance its quality work, the LEGO Group established an internal LEGO Quality Room in 2006. The room is divided according to the above categories and features examples of LEGO products with the right quality, as well as examples of poor or incorrect quality. The aim of the Quality Room is to improve the general attitude towards quality. It is also a place where employees involved in product development can meet to exchange experiences with good quality, learn from earlier mistakes, and generally gain an appreciation for the LEGO quality which is so important.

Closer ties were established between consumer service and product development in 2005. In 2006, this cooperation has meant that feedback from consumers is continually fed into product development in a structured way. This makes it possible to correct any mistakes, faster. It also leads to continual learning, which contributes to further improvements in future product quality.

The LEGO Group has set the ambitious goal that the frequency of consumer complaints to our call centre must not exceed 0.1 per cent of units sold. As the figure below shows, we were well within this goal in 2004 and 2005. Unfortunately, the target was exceeded slightly in 2006. This is partly due to a significant rise in the number of components per box (approx. 40 per cent). Such an increase in complexity increases the risk of mistakes occurring. We have also raised awareness of our consumer service by printing the telephone number in all boxes, and this has probably contributed to the rise. The reasons for the mistakes have been worked out through cooperation between consumer service, the quality department and product development. We therefore expect that there will be fewer complaints in 2007, and have set an even more ambitious target for our consumer complaint call-rate of 0.075 per cent of units sold.



Ensuring product quality from outsourced production

Up to 80 per cent of the production of LEGO bricks will eventually take place at suppliers. This is a major challenge, where the focus is particularly on continuing to ensure the same high quality.

In order to maintain the high quality levels of LEGO products, many of our suppliers' employees have been trained in how to produce the products in the way that best assures quality. All specifications and the LEGO Group's product safety handbook are being reviewed so that this material is also suited to outsourced production. It is vital that the integrity of the LEGO building system is assured, across processes and suppliers. Cooperation with our suppliers is being constantly developed. We want to make our suppliers aware of and appreciate the quality of LEGO products. Training material and a training programme were developed for Flextronics employees in 2006 – work which will be intensified in 2007.

Safe toys

It is vital that LEGO products are safe during normal use or predictable abuse. All employees are therefore required to see safety work as very important.

An integrated part of the development of new products is that they must continually be tested. This is done in accordance with standards, legislation and internal guidelines. We know that the knowledge we have regarding the use of our products is quite unique. We therefore test not only in relation to standards and legislation, but try to imagine

how each toy will be used and test whether the product's quality is consistent with this. We naturally also ensure that the products are suited to their age classification and that the boxes are correctly labelled.

We also focus constantly on the materials used in our products. There must not be any health risks associated with playing with LEGO toys.

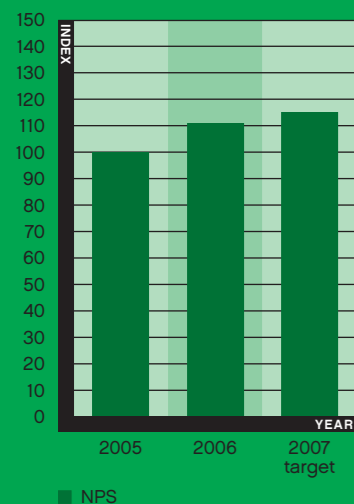
All our product safety requirements are laid out in our internal product safety handbook. We have gathered all the information necessary to ensure our products do not constitute a health or safety risk to adults or children into this manual. We also review all product recalls in the toy industry to see if other companies have made mistakes which we can learn from and avoid repeating. Over the years, our work of creating safe toys has meant that we have only had to recall a product on two occasions, which have both been voluntary recalls, and our goal is for this to never be necessary.



One of the recalls took place in 2006. The product in question was a LEGO EXPLORE® Super Truck (3509) – a large plastic truck that was sold together with a box of DUPLO bricks. The truck was produced in 2002 and 2003, and only sold in North America. There is a risk that the wheels might fall off, making it possible to hurt yourself on the metal axle. Based on this experience, the internal specification for larger vehicles has been changed. The other product recall took place in 1998, where we recalled the LEGO PRIMO™ Ladybird Rattle (2093). The LEGO Group has established a Product Recall Team, which is assembled in line with a fixed procedure to decide on possible product safety issues that might occur.



Net Promoter Score Index



Service experience has to be excellent

The LEGO Group wants to provide the best service in the toy industry, and we are constantly trying to exceed what consumers expect of us. The Community, Education & Direct (CED) business unit was established in 2006 to increase focus on relationship with consumers. The major task of this business unit is to give consumers the best possible experience when they are in contact with the LEGO Group and our products. As an instrument to help improve the consumer experience, we systematically survey our consumers' satisfaction and loyalty. We ask them how likely they would be to recommend us to their friends or family (a "Net Promoter Score"). The most important thing in this regard is not just to measure this parameter, but to listen to the reasons that lie behind these consumer responses, i.e. is it our product or service that has led to the positive or negative assessment. And thereby assess which initiatives that can be launched to make the consumer experience even better. All in all, NPS rose from an index of 100 in 2005, to 111 in 2006, which we are pleased to report exceeded our expectations for 2006. The goal for 2007 is an index of 115.

The surveys have already led to a number of new initiatives in 2006 that improve our service to consumers. For example, it was found that online consumers frequently sought assembly instructions and missing or lost bricks. As a result, we have now placed a number of assembly instructions online at www.LEGO.com, so consumers can download or print them directly from our website. We have also developed a Brickfinder system, so consumers can easily order missing or lost bricks via www.LEGO.com. The new system is

faster, and there are fewer mistakes resulting from misunderstandings about which component was required.

In our call centres, the surveys have led to the development of a training manual which all call-centre employees have to read in order to help them provide the best telephone and online service.

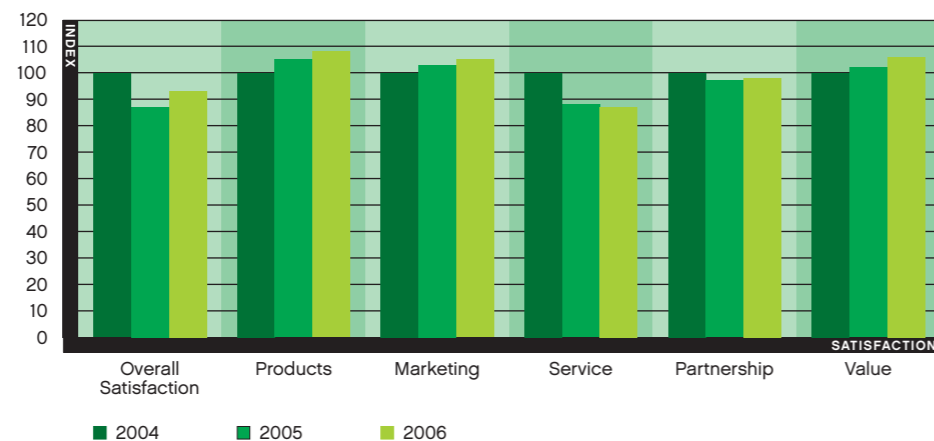
Retail trade customers

The LEGO Group has worked intensively over the last few years to improve our relationship with customers, in terms of improved margins and delivery. Since 2004, we have conducted systematic annual surveys of customer satisfaction with a number of parameters. As shown in the graph, the picture is mixed, with challenges in relation to our service still remaining, particularly due to the fact that the LEGO Group has been unable to meet demand for our products. This level of service is however not acceptable and the LEGO Group will invest in production capacity in order to better meet demand for our products.

On the other hand, satisfaction with our products and marketing has improved, which is pleasing, as this is one of the areas in which the LEGO Group has worked hard to make improvements.

In order to ensure that our customers are treated correctly and within a fair competitive framework, a Competition Compliance Program has been implemented during the year. This program, which was partly based on e-learning, has provided over 700 employees from top management and sales a thorough introduction to competition regulations.

Customer Pulse



LEGO® MINDSTORMS® NXT

– How consumer involvement creates the best product

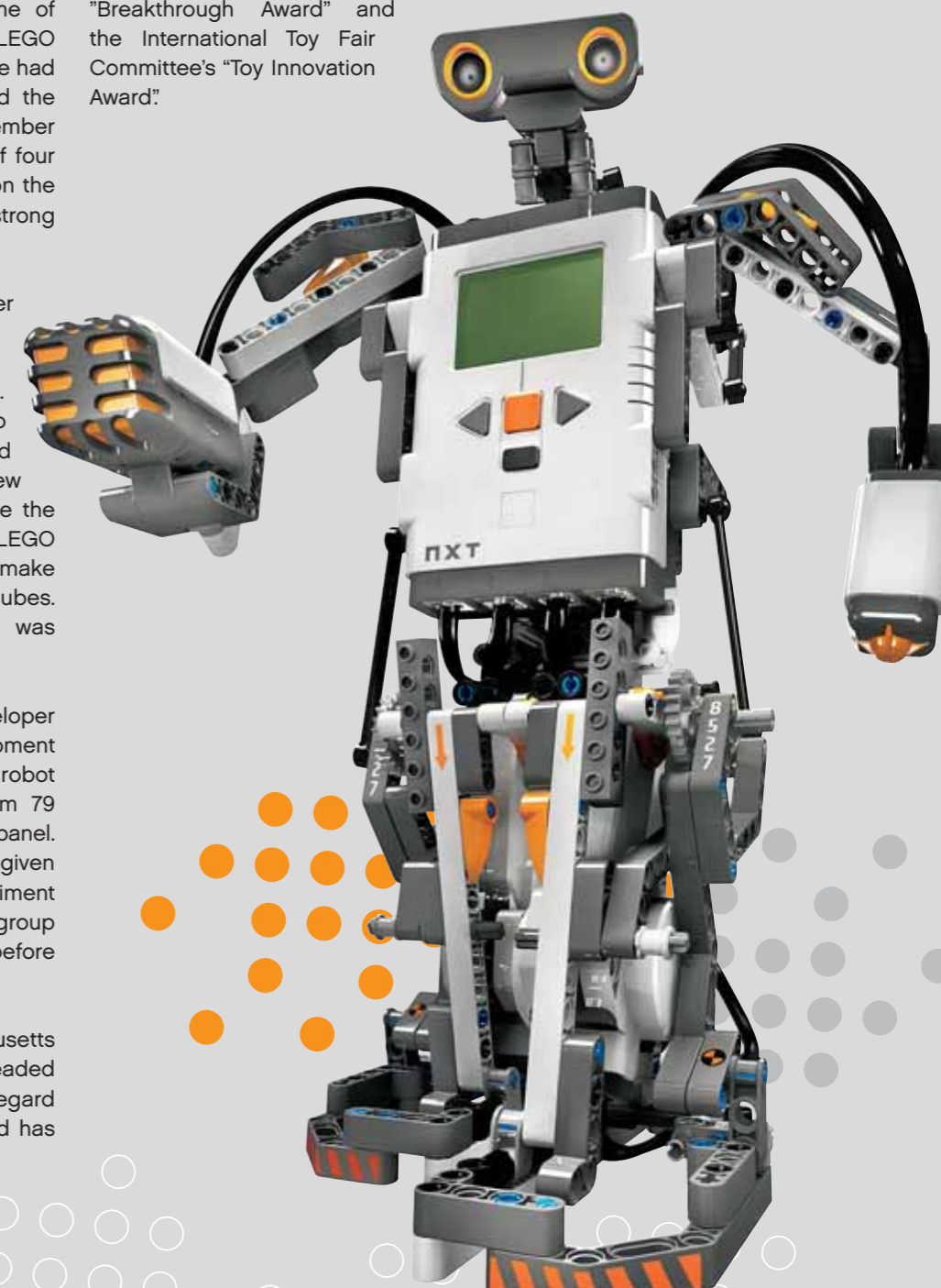
The LEGO Group has increasingly wanted to involve our most enthusiastic consumers in the development of our products, in order to use the tremendous knowledge and creativity these fans possess. This would also give consumers the opportunity to help create precisely the products they want. The development of LEGO® MINDSTORMS® NXT is a good example of how such cooperation can create a unique product. When the LEGO Group was faced with the need to develop a new version of the popular LEGO MINDSTORMS robot, we realised there was great potential in involving some of the many enthusiasts who had used LEGO MINDSTORMS over the years in ways we had never imagined. We therefore created the LEGO MINDSTORMS User Panel in September 2004. This user panel was made up of four active enthusiasts, who were chosen on the basis of their involvement in creating a strong community around MINDSTORMS.

Over a period of 14 months, the user panel met via a secure website, held teleconferences, and met face to face in Billund and Washington DC, USA. Feedback from the user panel led to significant product improvements and new development. For example, a new ultrasonic sensor was included to give the robot "eyes", and a new 90-degreee LEGO Technic element was also included to make it easy and intuitive for users to build cubes. In November 2005, the user panel was extended to 14 members.

In March 2006, the MINDSTORMS Developer Program, was established – a development forum involving 100 fans. 9,610 robot enthusiasts aged from 18 to 75, from 79 different countries, applied to be on this panel. These 100 chosen participants were given approximately four months to experiment with the product, thereby allowing the group to influence the development process before the product was released.

Mitch Resnick from the Massachusetts Institute of Technology Media Lab headed up the panel. He was a pioneer in regard to the original MINDSTORMS robot and has

been a consultant on the development of the new one. "As a member of the original development team for MINDSTORMS in 1998, I am thrilled to be part of the evolution of this product," said Resnick. "I particularly love the idea of recruiting loyal MINDSTORMS users to contribute their skills and experiences to the rollout of the NXT platform. In our work at the MIT Media Lab, we've found that the best learning – and the best innovation – happens when people get actively involved in designing, creating, and experimenting. The NXT Developer Program is a perfect example of creativity and innovation in action." LEGO MINDSTORMS NXT received several awards in 2006, including Popular Mechanics' "Breakthrough Award" and the International Toy Fair Committee's "Toy Innovation Award".



Our employees

“ An exciting, challenging and rewarding place to work. ”

LEGO® culture

The LEGO Group aims to be an exciting and challenging workplace, where good results are rewarded. Our employees are instrumental in the work of creating a sustainable, successful company, where creativity and a stimulating environment provide opportunities to learn every day.

We promote an open and honest dialogue between employees and management. This is one of the pillars of our communication within the company and our daily work, and is also expressed through dialogue meetings, seminars, regular intranet votes and online dialogue, etc. A Global Works Council has also been established, in which management and employee representatives from all over the world meet annually to discuss the challenges facing the company.

Over the last few years, the employees throughout the LEGO Group have fought hard to bring the company back on track and ensure its survival. The good results of this hard work have been apparent throughout 2006. A renewed culture has been created in the LEGO Group. A culture with a focus and discipline which will be critical to our survival in the future. However, this has also led to a number of challenges which have to be resolved in the years ahead, where focus will be given to helping employees achieve work-life balance.

Each year, the LEGO Group measures employee satisfaction in its annual PULSE survey, which all employees are asked to participate in. The survey asks about a number of central subjects which impact on employee commitment and loyalty to the LEGO Group, such as their immediate supervisor, everyday work, and openness and trust. Each department receives its own report, which provides a basis for specific, targeted action plans. The PULSE survey also provides valuable input into the general focus areas for the LEGO Group. Employees participate anonymously in the survey. This year's result is shown in the box. The response rate in 2006 was 77 per cent.



Equal opportunities for all

One of our core values is that everyone is to be treated with respect and dignity. Our People & Culture Policy therefore states that any form of discrimination on the basis of gender, race, ethnic background, religion or the like is not permitted. This also means that the best qualified person is always chosen to fill a given position, and we strive to give teams a diverse composition. The company has not so far had a systematic approach in this area, but we have integrated these considerations in our policies. We have also formulated a senior's policy, to meet the interests of this group in the best possible way, ensuring that the LEGO Group is a workplace for all ages.

We believe that diversity amongst our employees contributes to creativity and better innovation and in that way supports better results. We will in the coming years look at how to further the diversity of the company.

Good performance should be rewarded

The LEGO Group has a Performance Management Program (PMP) which ensures that clear goals are set (Key Performance Indicators) for tasks to be performed and the desired results. This means that each year, employees are made clearly aware of what key tasks they have to perform in the following year. Steps are also taken to ensure that these goals are in unity, such that they all contribute to implementing the business strategy. This allows each employee to see a connection between their own goals, and those of the company.

The PMP also includes a bonus system, which results in a bonus being paid if the set goals are achieved. The bonus is paid annually, and can depend on a combination of joint and individual goals.

Employee development

Employees have been facing the biggest changes in the company's history over the last few years, including great uncertainty about their job situation. This is reflected in our employee satisfaction surveys, which show that employee commitment is below the desired level. This is apparent from the

PULSE survey, where Employee Commitment has fallen slightly from 74 to 73, and employee turnover has been 19.9 per cent in 2006. This value is high, and is a consequence of the changes the company is undergoing.

The LEGO Group faces many new challenges, no longer simply related to the company's survival. These have led to a greater need for employees and managers alike to constantly develop their skills. A number of initiatives have therefore been launched with this aim. These are will be implemented during 2007.

All employees have at least one annual employee interview, at which the set goals are followed up on and their general development is discussed. In 2007, individual development plans will be prepared for all employees. The aim of these plans is to ensure that employees have and develop the skills that are essential for them to do their jobs. The plans are also intended to create and highlight career paths within the company. Development will primarily be achieved through the organisation of working tasks, supplemented by coaching and external training.

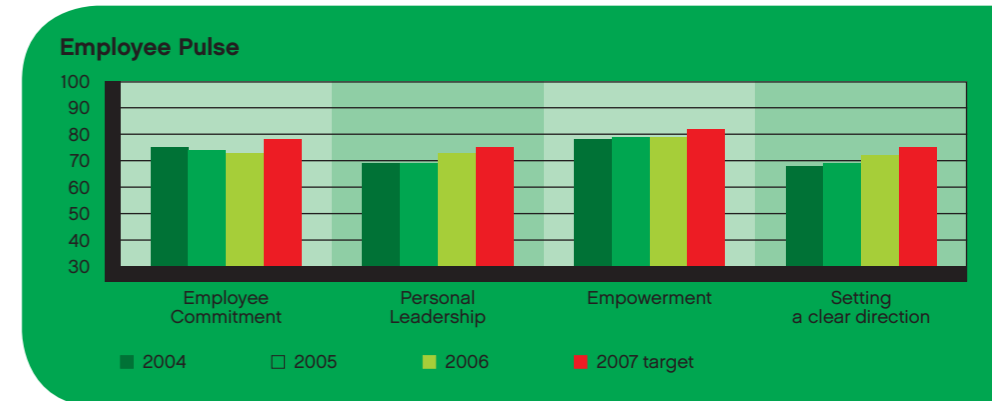
A targeted training programme has also been initiated for a number of key specialists, as it is very important to develop the skills of this group of employees in order to support the future business model. The specialist programme, which is a customised training programme, will be extended to still more specialists in the years ahead.

Capable leaders essential

The LEGO Group wants leaders that can handle the challenges the company is facing. Implementing the strategy while ensuring that employees are satisfied and motivated as well as developing their skills demands capable leaders. This is why the LEGO Group has focused on leadership skills through a number of initiatives.

To highlight the importance of good leadership, an evaluation of the leadership skills of leaders are a part of the bonus system. Ten per cent of each manager's bonus depends

on their ability to give feedback and coach their teams. This dependence will help strengthen the partnership between teams and leaders in their joint efforts to achieve results. This focus on good leadership has also led to an improved PULSE score for Personal Leadership, from 69 in 2005 to 73 in 2006 – which is above our target.



Good leadership skills will be essential to help further a performance culture in the LEGO Group, and if you want to ensure you have capable leaders, it is important to measure their skills. This is the purpose of the 360-degree feedback survey, which evaluates approx. 400 employees who have leadership responsibilities. One of the aims of the survey is to reveal which skills need to be further developed. Experience from last year has shown that feedback from the 360-degree survey is one of the most effective tools for personal development available. The feedback is completely individual, and leaders get feedback from all angles – from their own supervisor, their peers, and their team.



Leadership in difficult times

Consistent with the company's core values, the LEGO Group places a major emphasis on continual, open and honest communication of the company's results, decisions and strategy. This meant that in June 2006, after two years of dialogue with the employees, the LEGO Group communicated the complete plan to outsource the majority of production in the period up until 2010. The reason for this early notification was the desire of the management to give employees the best possible opportunities to prepare for the changes and to create a future for themselves outside the LEGO Group when the time comes.

Throughout the year, there has been a focus on helping employees and leaders through this process of change. All managers and employees in the Global Supply Chain have participated in seminars and been given a number of tools. The seminars have provided a forum in which the effects of such a major processes of change on employees could be discussed.

The LEGO Group has been involved in helping and supporting employees, so that they can move on in their working lives in the best way possible, whether they are to stay

in the company, or leave it. Employee training and skill identification and development have been initiated for employees. Assistance with job seeking is provided as the need arises. Finally, financial compensation has been introduced which aims to help retain employees throughout the entire period they are needed in the LEGO Group.

A number of tools have been developed for leaders – the so-called Transition Communication Toolbox – which can help them manage the tasks they face in connection with the outsourcing. Systematic work has also been done to ensure that leaders can draw on experiences from earlier cases of outsourcing in the company.

Business integrity – creating value through responsible business management

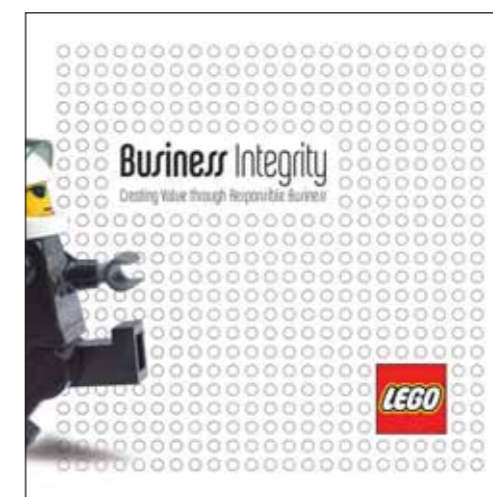
Operating a business in a responsible and ethical way has always been part of the culture in the LEGO Group. As a global company with departments in many countries and cultures, it is important that there is a common understanding of what business integrity means. In 2006, we therefore developed regulations that spell out the company's attitude to issues such as corruption.

All departments in the LEGO Group were informed about this policy in 2006. This included the distribution of a brochure which explains the policy in detail. The brochure contains a description of our attitudes to:

- Bribery
- Facilitation Payments
- Gifts and entertainment
- Charity
- Political contributions
- Money laundering
- Protection money

The LEGO Group culture is founded on openness and dialogue. We therefore expect all employees to help ensure that we fulfil our policies. This means that employees must make the company aware of any situation

which they consider to be in conflict with our policies. This dialogue normally takes place between employees and their leaders. But to cover all contingencies, a mechanism has been introduced to allow anonymous reporting of non-compliance with the LEGO Group policies. This can be done via an email from our Intranet or letter. All reports go to the legal department, which ensures that they are processed and presented to the Corporate Compliance Board.



Future House in Billund

The decision was made in 2006 to establish Future House. The centre is intended to serve as a focal point within the LEGO Group for the work of supporting the large number of employees in Billund who will be affected by the outsourcing of production, whether they are staying in the company, or leaving it. The aim of Future House is to ensure that at least 80 per cent of all retrenched employees get a new job within six months of termination. Future House is managed by a steering committee made up of leaders and union representatives.

Future House will be active in three types of situation:

- Upon retrenchment, Future House is to provide advice and guidance and conduct a skill identification process.
- Employees who remain for a longer period are to have their general and personal skills extended, to better equip them for their dream job.
- Employees who are to stay within the LEGO Group are to have their skills harmonised with the future demands of their job.

Employees who wish to remain for a longer period will be offered a personal training package (10 days) related to their dream job.

Future House is working to train a number of employees, especially union representatives, to be frontline guides. Frontline guides are to provide their colleagues with initial guidance regarding the assistance available to them.

Similar initiatives have been implemented in USA.





Health & Safety

Ambitious goal

The LEGO Group has a very long tradition of working with health and safety issues. Our attitude to the health and safety of our employees is expressed in our Occupational Health & Safety Policy, which states:

“ all activities of the LEGO Group must be planned and carried out in a manner consistent with a healthy and safe working environment. The LEGO Group has set itself the goal of 0 occupational injuries. ”

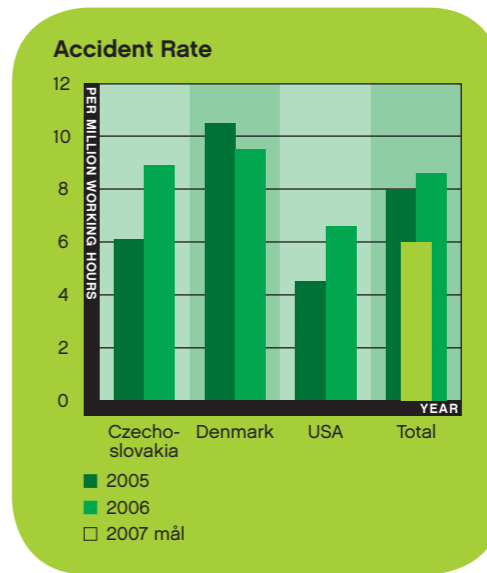
The policy focuses on health, safety, respect, work planning, improvements and responsibility for compliance.

To ensure we work with our policy in a cohesive and uniform manner, and as preparation for the global health and safety certification of major departments, global definitions were drawn up for central health and safety parameters such as accident rate, sick leave and leave due to accident.

The Danish departments of the LEGO Group have been certified in accordance with the occupational health and safety standard, OHSAS 18001, since 2003. The work of certifying the Group's departments in Czechoslovakia, USA, Great Britain and Germany has begun and is to be completed by the end of 2007. The health and safety management system ensures that our global work is based on the same general health and safety guidelines, and that continual improvements are being made in each department. Departments which are not being certified must work in accordance with the guidelines in the management system and the Occupational Health & Safety Policy.

Report for 2006

At the same time as production is being outsourced to suppliers, work is being done everywhere in the Group to improve efforts to ensure a good and safe working environment. There has been a particular focus on preventing accidents and near accidents. The results at the end of the year were a global accident rate of 8.6 per million working hours, and an absence rate due to accidents of 0.54 per thousand working hours.



Given the Group's general goal of zero accidents, this result is not satisfactory. The year has been characterised by major changes, with equipment being decommissioned, moved between factories, assembled and re-commissioned. There have also been new employees, including many temporary workers. These factors have led to a number of challenges, and are seen as a major reason why the accident rate has not fallen as desired. Reaching our goal of zero accidents is therefore likely to be a long-term project.

Production facilities

Kladno, Czechoslovakia

The majority of production at the LEGO Group factory in Kladno, Czechoslovakia, has been taken over by our supplier, Flextronics. However the LEGO Group has retained the section responsible for building LEGO® display models. This department has moved to a new location and a new organisation is being set up. There is a constant focus on the working environment and reducing accidents, and the factory has to be certified with regard to health and safety under OHSAS 18001 by the end of 2007.

Enfield, USA

Despite the outsourcing of production to Flextronics currently underway, the LEGO Group factory in Enfield, USA, has intensified its health and safety programme and increased its focus on preventing accidents. The factory has worked with employee empowerment, training programmes for



managers and employees, and auditing. A Safety and Housekeeping Inspection Program (SHIP) has been established. The SHIP involves monthly audits throughout the company, including offices, and a SHIP trophy which is awarded each quarter to the department which has demonstrated the highest level of safety. Once production in USA is outsourced to Mexico, many office positions are expected to be retained, and the Enfield department must therefore be certified under OHSAS 18001 by the end of 2007.

Billund, Denmark

Prevention of accidents and near accidents has been in focus, and many initiatives have been launched. Unfortunately, the accident rate has not been reduced to the target level, and this area therefore remains a high priority in 2007. The accident rate in Denmark is 9.4 per million working hours, and the absence rate due to accidents is 0.6 per thousand working hours. The general sick leave rate is 3.8 per cent.



Production in Billund has run at full capacity throughout the year, and the final announcement about the company's outsourcing plans has also been communicated. These factors have put employees under great pressure, which has probably contributed to the accident rate not falling to the target level. However, the trend for the

last three months indicates that the initiatives introduced in 2006 are beginning to work. We therefore have reason to expect a fall in the accident rate in 2007.

The trial merger of the Cooperation and Safety organisations in Billund has been made permanent following a three-year trial. This makes LEGO System A/S one of the very few private companies in Denmark that has combined its cooperation and safety organisations into a single forum. Top management, union representatives and the safety organisation can work together in this forum to improve wellbeing, health and safety. This leaves the Billund department in a strong position to handle future working environment challenges, most of which are expected to be in the areas of health, wellbeing and work-life balance.

Improvements have been made to the statutory process of work place assessments (WA). Process improvements and a new on line management system have been implemented, and the entire safety organisation has received training in new internal requirements. The new system will be put to the test in 2007, and it is expected that the tool will streamline WA work, draw greater attention to working environment problems, and improve problem resolution.

Comprehensive efforts are being made to maintain employee health. Permanent employees are covered by a treatment guarantee, and have the opportunity of receiving treatment in our Healthcare department. Efforts have also been made to ensure canteen food is healthy, and to give employees opportunity to participate in an exercise programme and quit-smoking and weight-loss courses. Many people have joined the weight-loss and quit-smoking courses in 2006. 122 people have been on the quit-smoking course, and 45 per cent have completely stopped smoking. 232 employees have participated in weight-loss courses, resulting in a total weight loss of 2065 kg, or an average of over 8.9 kg per participating LEGO® employee. Health initiatives will continue in 2007, and employees will also be given the opportunity to have a personalised health profile drawn up.

Flexible workplace

The company offers support to employees suffering from illness and on sick leave, through health interviews and assistance in returning quickly to the workplace – where necessary through relocation, light duties, flexible hours, or in the LEGO Group's internal sheltered workshop.

Targets for 2007

The global goal for 2007 is an accident rate of 6 or less per million working hours, absence due to accident of 0.3 per thousand working hours, and a sick leave rate of 2.9 per cent.

Local action plans will be prepared to ensure that we do not exceed these targets.

There will also be focus on the following areas:

- Implementing and certifying health and safety management in USA, Czechoslovakia, Germany and Great Britain
- Global data collection for joint measurement areas
- Employee wellbeing and health



Work for the disabled (sheltered workshop)

The LEGO Group wishes to support employees who are unable to manage a normal full-time job. In 1992, a department was therefore created to provide work for the disabled. This department has flexible positions that can be adjusted so that each employee can manage with their given health status. Jobs in this department include sorting components from production for discoloration and casting faults, repacking sub-packaging bags, various assembly tasks, collating folders for courses and producing labels.

There are two types of flexible jobs:

- Flexible jobs for employees that are well enough to not qualify for a disability pension, yet unable to manage a full-time job. Individual agreements are worked out depending on how much each person is capable of.
 - Work trials for people have been on sick leave and are ready to start again. This is coordinated with the surrounding municipal councils.
- There are currently 21 employees in the sheltered workshop, but there are also flexible positions in other areas of the company – a total of 37 employees work in flexible jobs.



Our business partners and suppliers

Strategic business partners

The opportunities for cheaper production presented by globalisation have meant that most major players in the toy industry have had production in Asia, and primarily China, for a long time. After a long period of financial difficulties in the LEGO Group, the company decided in 2006 to outsource most of its production. This step will have vital importance to the long-term survival of the LEGO Group. Production will be outsourced between 2006 and 2010.

It has been vitally important when selecting suppliers that the unique quality of LEGO® products is maintained. Emphasis has also been given to suppliers being able to demonstrate that they meet strict health & safety and environmental requirements, for example, by having management systems in place. The LEGO Group also has a set of ethical guidelines which the company's key suppliers have made a commitment to abide by, including our strategic suppliers, such as Flextronics.

During 2006, the LEGO Group has gained extensive experience with outsourcing. Production of DUPLO® bricks has been moved to Flextronics in Hungary, and most of the European distribution is being moved to DHL Solutions, a logistics company, which has built a brand new distribution centre in Jirny, Czechoslovakia. Finally, a number of packaging tasks have been transferred to the Polish factory of the American packaging supplier, Sonoco.

Overall, the outsourcing implemented to date has gone according to plan and with the expected level of teething problems.

We have also realised that outsourcing requires extensive documentation of processes and specifications, and the fact

that LEGO production has been internal in the past is reflected to some extent in many implicit or unwritten rules and processes. To maintain future product quality, these rules and process are now being explained and incorporated through certification and extensive participation by the LEGO Group in suppliers' production.

The process of outsourcing the initial activities has been instructive, both for the LEGO Group and our suppliers, and has given us valuable and extensive experience for the ongoing, very comprehensive outsourcing programme.

Ethical supplier management

In 1997, we drew up a set of guidelines expressing the minimum requirements we expect our suppliers to meet with regard to labour standards, human rights, the environment and anti-corruption. These guidelines are formulated in the LEGO Group's Code of Conduct, which is regularly revised – most recently in 2006.

We see it as our responsibility to help ensure that our suppliers act in accordance with a number of minimum requirements. The need for such a set of guidelines is due to the unfortunate fact that suppliers in some countries fail to ensure compliance with, for example, key ILO conventions governing labour standards. The requirements in the LEGO Group Code of Conduct are therefore more strict in many areas than the general standard in some of the countries our suppliers are based in. Clearly there may be structural conditions or cultural traditions that mean we cannot expect immediate compliance with the LEGO Group Code of Conduct. The most important thing is that suppliers are prepared to actively work to ensure they eventually comply with the requirements.

Our Code of Conduct expresses our support for the UN Declaration of Human Rights, and we also encourage our suppliers to sign up to the UN Global Compact.

The LEGO Group Code of Conduct covers:

- Child labour
- Wages and working hours
- Discrimination
- Coercion and harassment
- Forced labour
- Health and safety
- Freedom of association
- The environment
- Combating corruption

The LEGO Group Code of Conduct is available in seven languages at www.LEGO.com/info.

Audits

The LEGO Group Code of Conduct is part of the contract the LEGO Group enters into with selected suppliers in countries such as China, which produce LEGO products or components, and suppliers who manufacture under licence. In other words, these suppliers contractually commit to complying with the LEGO Group Code of Conduct, and allowing the company to perform audits at any time.

The LEGO Group does its own initial evaluations, follow-up inspections and training sessions, but the actual audits are conducted by independent third parties, i.e. companies which specialise in performing such audits. If there are conditions that do not meet the LEGO Group's requirements, the supplier, in cooperation with the LEGO Group or the given audit company, is required to draw up an action plan and specify a time frame within which the conditions will be rectified. This is followed by a follow-up visit to investigate whether the conditions have been rectified. Through action plans, follow-up visits and training, the LEGO Group is helping ensure ongoing improvements to conditions at suppliers.

A new tool for evaluating suppliers was developed in 2006. It aims to ensure, before entering into a contract, that suppliers have been assessed in relation to a number of parameters, including quality and purchasing factors. The requirements in the LEGO Group Code of Conduct are also included as one of these parameters. The tool provides a broad and integrated approach to selecting new suppliers. From 2006, the LEGO Group has stipulated that suppliers from China must go through a pre-assessment prior to entering

into a contract, with the aim of ensuring that suppliers want to work together to meet the requirements in the Code of Conduct. 19 pre-assessments were carried out in 2006. These led to three companies not being approved to enter into a contract with the LEGO Group.

During the year, the LEGO Group has requested 19 audits and carried out 9 follow-up visits aimed at monitoring compliance with the guidelines. Special effort has been made to train suppliers in China. 20 training sessions have been conducted, and the effect of these has been positive, leading to progress on a number of issues. This effect could be measured during the follow-up visits.

The LEGO Group's licence partners are responsible for ensuring that their suppliers are audited, and a number of the LEGO Group's relatively few toy suppliers from China have been certified under the joint ICTI-CARE initiative of the toy industry, and therefore fall outside the LEGO Group's own auditing procedures.

ICTI-CARE

ICTI-CARE is an international toy industry initiative aimed at ensuring that working conditions, etc., at suppliers meet a number of minimum standards. The supply companies who apply and demonstrate that they fulfil the requirements through an audit by an independent third party receive a Seal of Compliance. The scheme currently only covers China, Hong Kong and Macau, but these are also the most relevant countries in this area. The initiative encompasses over 1000 companies today, over 500 of which have received a Seal of Compliance. These companies employ a total of over one million staff.

The LEGO Group plays an active role in maintaining the integrity of the initiative and promoting it, participates in the Technical Advisory Board and leads a task force charged with expanding the programme to cover toy suppliers in Europe.



Our society

“ The LEGO Group has always taken responsibility for the society and the locations in which we operate. We will continue to be responsible, trustworthy and adhering to the principles of Global Compact. Our stakeholders have expectations towards us regarding amongst other environment, health and safety and charity, and as we increase our use of suppliers this will give new challenges and expectations, which we will strive to meet. ”

Environment

The LEGO Group has always had the core value of showing consideration for its surroundings and causing as little impact on the local environment as possible. We are constantly working to reduce the environmental impact from the company's activities through everyday processes and the assessment of new raw materials and chemical additives before using them. In 2006, these principles were incorporated into a new environmental policy for the entire Group.

The aim of the environmental policy is to ensure continual environmental improvements, for example by reducing energy consumption and recycling plastic material. These improvements are to be achieved through employee empowerment, and the integration of environmental considerations into our processes.

As one of the milestones in the implementation of the environmental policy, we will implement environmental management systems in accordance with the international ISO 14001 standard. Environmental management systems are to be an integrated part of our own production areas, and will therefore be introduced in our production facilities in Billund and in Czechoslovakia, where LEGO® models are produced. These two locations will be the only production facilities in the long-term, and are therefore the major focus of our efforts. Environmental management systems are to be introduced by the end of 2007.

Recycling

Waste material and recycling have always been a focus area for the LEGO Group.

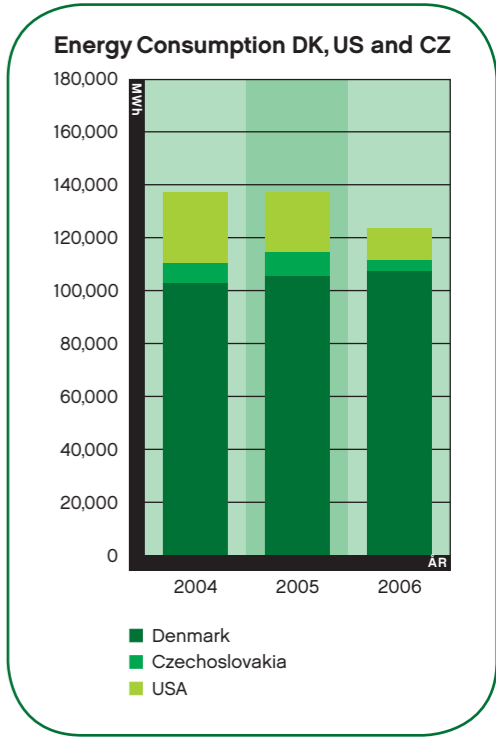
All plastic removed during production or rejected for any reason is sorted by plastic type. Most of it is granulated in our plastic recycling department and is forwarded to our casting machines, where it is used as a raw material. The plastic types which we are unable to recycle for various reasons are sold to companies who are able to reprocess them. Only a very small proportion, approx. 1.1 per cent, is discarded, and this is sent to a CHP plant for incineration.

Selecting chemical substances

There has been a focus on the use of chemical substances in 2006. Before being used, they have to be assessed by our Environment, Health & Safety department to ensure that the substances used are the safest available in relation to the environment and working environment. There has been a lot of focus on the use of glue, especially after model production was moved to Czechoslovakia, and it is important that we continue to focus on the use of chemical substances, to constantly ensure that employees are not exposed to harmful substances. During 2006, the EU worked towards adopting new legislation governing the use of chemicals – REACH. The LEGO Group has followed developments closely and is ready to implement REACH where applicable.

Focus on energy consumption

The problems of climate change and global warming have meant that we have decided to look at how to reduce energy consumption, which will also help reduce costs. The majority of the LEGO Group's energy consumption is related to the electricity used in the casting process. Plastic granulate has to be melted, cast and cooled, and these are the most energy-intensive processes in the production of LEGO bricks. This energy consumption has the potential to cause significant environmental impact, depending on the source of energy used to produce electricity. In 2005, renewable energy accounted for 28.5 per cent of electricity production in Denmark.



The total global energy consumption of the LEGO Group has fallen over the last two years, but consumption in Denmark has risen. This is due to the fact that production in Czechoslovakia was transferred to a supplier in August 2006, and we began relocating machines in USA during the fourth quarter 2006. Production capacity was increased to the maximum in Denmark, leading to an increase in energy consumption in this country.

Product transportation during the production process and during delivery to our customers also leads to significant emissions. Most of this transport is provided by external partners. It is therefore important that the partners the LEGO Group has chosen work actively to reduce the environmental impact of transportation.

Targets

We have chosen to calculate energy consumption in production in relation to material usage (volume of plastic granulate). We have also calculated energy consumption in office areas per m². The reason for this approach is that much of production is going to be outsourced over the next few years, leading to much less energy consumption. We are therefore interested in looking at how efficiently we utilise the energy we use.

Energy efficiency DK and CZ		
Targets:	2006 (actual)	2007 (target)
Energy consumption, production (MWh/tonne raw material)	3.90	-5% 3.71
Energy consumption, administration (MWh/m ²)	0.23	-5% 0.22

The targets for 2007 have been set in relation to consumption in 2006. During 2006 we developed new, global reporting methods to use in future. This will better enable us to monitor developments

and respond to deviations, and to improve and target our efforts. Reporting takes place via our intranet, increasing its visibility within the company.



Support for children's learning

The focus on education is increasing all over the world, and the LEGO Group is uniquely positioned to contribute in this area, based on our knowledge of the value of learning through play. LEGO products allow users to train themselves in solving complex problems. And they can have fun at the same time! This is a unique combination which can help develop each child's mental toolkit, which they can use and benefit from throughout their lives.

LEGO Education in the LEGO Group develops products that consciously stimulate creative and problem-solving skills. Many of the tasks have to be solved in teams, thereby strengthening teamwork skills as well. Special focus is given to children's early development and learning areas such as mathematics and technology – which can often be difficult areas in which to motivate children to learn. Experiences from thousands of pre-schools and schools have shown that children become very involved and captivated when presented with fun and challenging tasks using LEGO products. LEGO Education has many partnerships with education specialists all over the world, including Carnegie Mellon University's Robotics Academy in Pittsburgh, USA, and Tufts University's Center for Engineering Outreach (CEEEO) in Boston, USA.

LEGO® MINDSTORMS® – Robot competitions

Education using robots helps cover important subjects such as technology, mathematics, science and engineering skills, as well as the ability to design a process. LEGO MINDSTORMS® robots have become very popular in schools and clubs alike. The LEGO Group engages in constant dialogue with consumers, fans and other interested parties. In cooperation with LEGO fans, the company is involved in many initiatives, such as the FIRST LEGO League – a robot competition for children and youths aged 9-16. This competition is organised in cooperation with the American non-profit organisation, FIRST (For Inspiration and Recognition of Science and Technology), which develops children's skills and interest in science and mathematics via projects arranged by children. One of the goals of the FIRST LEGO League is to create interest in these disciplines by challenging children in areas they might also be confronted with in real life. Each year there is a new challenge in relation to which participants must compete. In 2006 the theme was nanotechnology. There were 9,000 competing teams in 2006, and competitions were held in 37 countries all over the world.

A similar robot competition based on LEGO MINDSTORMS robots was held in 2006 in the Asian World Robotic Organisation (WRO). This competition was held for the first time in 2004, and is primarily aimed at Asian robot fans. In 2006, 26,070 teams from 17 different countries participated.

LEGO Education, in cooperation with a number of partners, has also set up LEGO MINDSTORMS Centres, which offer hands-on robot challenges. All centres have trained staff that can provide guidance in solving the various tasks. They introduce children to challenges where they have to design, program and test robots. A process that is much like product development in the real world. This gives the children various skills and helps strengthen their development. Over 40 partners (museums, amusement parks, etc.) have set up such centres around the world. The centres are located in USA, Chile, Mexico, Singapore, Malaysia, Taiwan, Norway, Sweden, Denmark and Germany, among other countries.

LEGO Education Centres

A number of education centres have also been established which provide a good leisure alternative for school children. These LEGO Education Centres contribute to the development of useful skills, while also providing good and entertaining experiences for children. These centres also have trained staff that can provide guidance with the various tasks. In Asia, LEGO bricks are renowned for their great educational value, and although centre activities vary in nature, they all aim to promote learning and develop children's independence, creativity and communication skills. There are currently 150 LEGO Education centres in Japan, China, Singapore and Australia. A new one just opened in New York in 2006. In Korea alone, 50,000 children are participating in a LEGO Education centre programme. Find out more about education using LEGO products at the LEGO Education website: www.LEGO.com/education



Charity

The LEGO Group has a clear desire to be a socially active and humanitarian engaged company. The primary aim of the company's charity policy and product donations is to promote the rights and living conditions of children and their opportunities for creative play and learning.

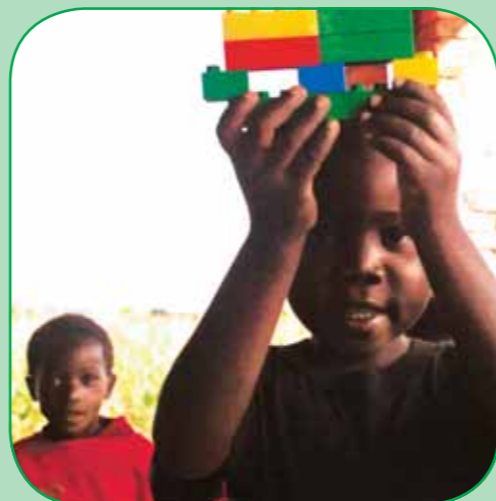
In 2006, the LEGO Group supported a number of charitable causes all over the world by means of product donations. The largest single product donation was 5,000 units to SOS Children's Villages for poor and orphaned children in countries like Armenia, Cambodia, Nicaragua and Uzbekistan. A total of over 45,000 units have been distributed to disadvantaged children and families all over the world.

In USA, a special initiative supported schools and pupils in New Orleans after hurricane Katrina. The restoration project following this natural disaster is one of the biggest such projects in the history of the world. Out of 115 public schools in New Orleans, only 12 had reopened six months after the disaster. Many schools are still closed, and the ones which are open are operating with minimal resources. In an effort to supply children in this area with creative resources, the LEGO Group asked families all over USA to donate at least one LEGO® brick to schools and children in New Orleans. Over 800,000 LEGO bricks were collected from children, families, teachers, scouts, churches and local communities. The LEGO Group had promised to match the donations on a one-to-one basis. The result was that over 1.6 million LEGO bricks were donated to schools and children in New Orleans.

The LEGO Group has also supported the Global Compact Foundation. This foundation was established with the aim of providing support to activities initiated by the UN Global Compact, such as conferences and

publications containing tools for companies to use in their work with sustainability and corporate responsibility.

In 2007, the LEGO Group's charity policy will be aimed at refining the many existing activities and promoting further global initiatives that support opportunities for creative play and development for children. In 2007, the LEGO Group will launch the LEGO Children's Fund in USA. This fund will support groups and individuals who have



initiatives that support the importance of creativity in children's lives. Through this fund, support will be given to innovative projects and programmes which can inspire and encourage children's creativity, while also improving their quality of life and preparing them for the future. There will be a particular focus on improving children's creative learning and education opportunities, and supporting play environments for children who are limited in their ability to express their creativity due to illness, social causes, or mental disability, etc.

Charity work is organised in cooperation with the charity fund of the LEGO Group's founding family, and the family is significantly involved in the charity work.

Continual improvements

The LEGO Group aims to constantly improve our results in the areas we have chosen to report on in the preceding chapters. We have summarised all this data below, together with other relevant data, for example, regarding the environment.

In working on this report, the LEGO Group has used the Global Reporting Initiative as inspiration in selecting relevant areas to report on. The Global Reporting Initiative is a network of thousands of experts from all

over the world who are continually working to create the best method of reporting on economic, social and environmental factors. In 2006, the third generation of the Global Reporting Initiative's reporting guidelines, GRI3, were published.

This sustainability report also constitutes our annual report to Global Compact – our "Communication on Progress".

Target and Results

	Target 2007	Target 2006	2006	2005	2004
Our Consumers and customers					
Consumer Complaint Call Rate	< 0.075	< 0.1	0.118	0.085	0.041
Product Recalls	0	0	1	0	0
Net Promoter Score Index	115	-	111	100	n/a
Customer Pulse					
- Overall Satisfaction			93	87	100
- Products			108	105	100
- Marketing			105	103	100
- Service			87	88	100
- Partnership			98	97	100
- Value			106	102	100
Our Employees					
Number of employees	-	-	4,922	5,321	5,620
Pulse – Employee Commitment	78	76	73	74	75
Pulse – Personal Leadership	75	71	73	69	69
Pulse – Empowerment	82	80	79	79	78
Pulse – Setting a clear direction	75	73	72	69	68
Talent Retention	94%	94%	96,9%	95%	n/a
Number of accidents leading to sick leave – total					
- Denmark	-	-	42	50	-
- USA	-	-	15	11	-
- Czechoslovakia	-	-	8	9	-
Accident rate – total					
- Denmark	-	-	9.5	10.5	-
- USA	-	-	6.6	4.5	-
- Czechoslovakia	-	-	8.9	6.1	-
Absence rate	0.30	-	0.54	-	-
Sick leave	2.9%	-	-	-	-
Our Business Partners and Suppliers					
No. of pre-assessments	-	-	19	-	-
No. of audits	-	-	19	23	-
No. of follow-up visits	-	-	9	16	-
No. of training courses	-	-	20	-	-
Our Society					
Total energy consumption (MWh)	-	-	123,751	137,266	137,046
Energy efficiency (DK-CZ):					
- Production (Energy in MWh/Material use in tonnes)	-5%	-	3.90	-	-
- Administration (Energy in MWh/area in m²)	-5%	-	0.23	-	-
Raw material consumption (plastic) tonnes	-	-	25,481	25,378	24,207
Water consumption m³ (DK, USA and CZ)	-	-	71,475	74,373	-
Waste tonnes (DK, USA and CZ)	-	-	4,252	5,001	4,020