

ASSESSMENT

16 May 2024



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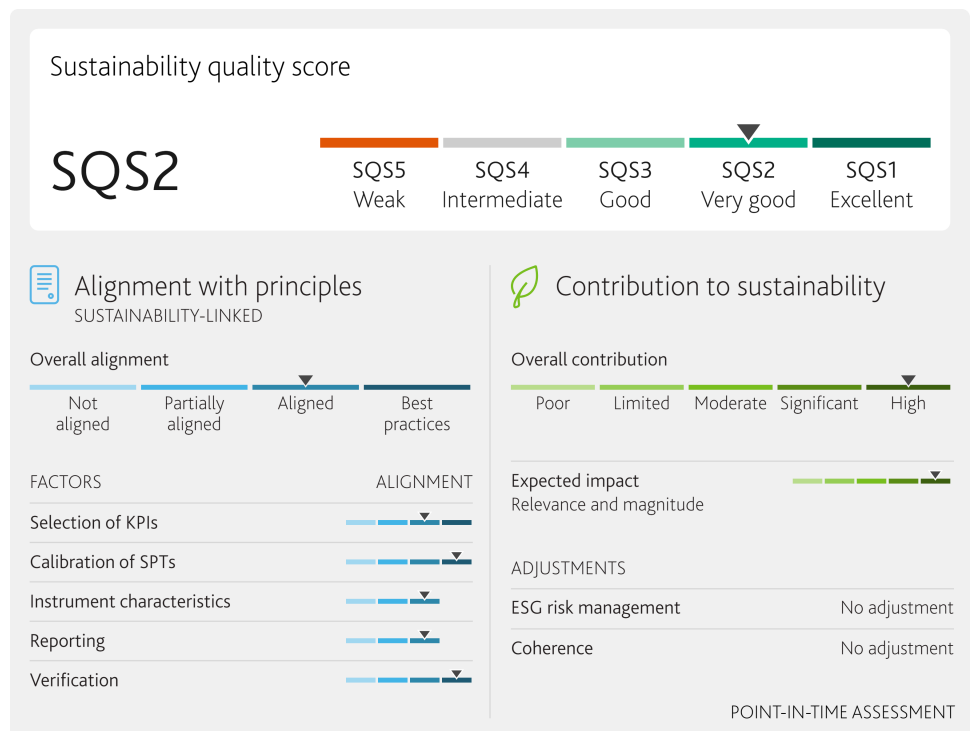
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Pandora A/S

Second Party Opinion – Sustainability-Linked Finance Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (very good) to Pandora A/S (Pandora)'s sustainability-linked finance framework dated May 2024. Pandora has created this framework to issue sustainability-linked instruments to finance general corporate purposes and has selected two key performance indicators (KPIs) — KPI 1 is related to reduction in greenhouse gas (GHG) emissions and KPI 2 is related to gender diversity. The main feature of this type of financing is the change in the instruments' financial characteristics, depending on whether or not the issuer achieves predefined sustainability targets. The framework is aligned with the five core components of the International Capital Market Association's (ICMA) Sustainability-Linked Bond Principles 2023, and the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Sustainability-Linked Loan Principles (SLLP) 2023. The framework demonstrates a high contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Pandora's sustainability-linked finance framework, including its alignment with the ICMA's SLBP 2023 and the LMA/APLMA/LSTA's SLLP 2023. The company has selected two sustainability KPIs related to GHG emissions and gender diversity, which are outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of the framework received on 8 May 2024, and our opinion reflects our point-in-time assessment¹ of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Headquartered in Copenhagen, Denmark, Pandora A/S is a world leader in the design, manufacturing and marketing of jewellery. Pandora markets its products in more than 100 countries on six continents, with more than 6,700 points of sale. As per year-end 2023, Pandora employs an approximate workforce of 33,000 individuals worldwide, of whom more than 12,200 are located in Thailand, where the company manufactures its jewellery in jewellery crafting facilities.

The company's sustainability strategy includes both social and environmental elements. In terms of environmental issues, the company is seeking to reduce its GHG emissions by adopting low-carbon business initiatives and aims for circular innovation through responsible sourcing practices. In parallel, it is cultivating a socially inclusive environment, with a particular focus on achieving complete gender equality by 2030. In terms of its overarching sustainability goals, the company has publicly set a net-zero target for 2040, currently being validated by SBTi.

Strengths

- » The timeline, baseline and trigger events of the sustainability performance targets (SPTs) are clearly disclosed.
- » KPI data undergoes both internal and external verification.
- » Verification will be conducted until maturity of the sustainability-linked instruments.

Challenges

- » Where meter readings and invoices are not available for Pandora's owned and operated retail stores, consumption is estimated based on spend or size of locations in order to calculate scope 2 emissions.

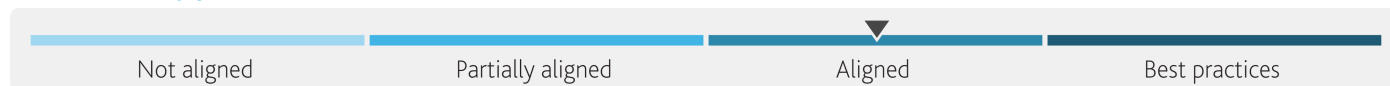
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Alignment with principles

Pandora's sustainability-linked finance framework is aligned with the ICMA's SLBP 2023 and the LMA/APLMA/LSTA's SLLP 2023:

- Green Bond Principles (GBP)
- Social Bond Principles (SBP)
- Green Loan Principles (GLP)
- Social Loan Principles (SLP)
- Sustainability-Linked Bond Principles (SLBP)
- Sustainability Linked Loan Principles (SLLP)

Selection of key performance indicators



Definition – ALIGNED

Pandora has clearly detailed the characteristics of the selected KPIs, including the units of measurement, the rationale and process for selecting the KPIs, the calculation methodologies and the scope. These details have been disclosed in the framework. The company has selected two KPIs. KPI 1 aims at reducing absolute emissions from the company's own operations and value chain emissions (scope 1, 2 and 3). The KPI is calculated in metric tons of carbon dioxide equivalent (mtCO₂e). KPI 2 addresses gender diversity and is calculated as the percentage of women in leadership positions within the company.

Measurability, verifiability and benchmark – ALIGNED

The KPIs selected by the company are measurable and externally verifiable by independent auditors. The calculation methodology is consistent, and in case of any change in the methodology, the issuer commits to informing the investors about such changes.

KPI 1's definition relies on external references, following the Greenhouse Gas Protocol Corporate Standard, which allows it to be benchmarked. KPI 2 on gender diversity, follows an internal definition, but it can be benchmarked. KPI 2 is calculated as the percentage of women in leadership positions within the company.

Historical performance data for both the KPIs, for at least the last three years, has been disclosed in the company's sustainability report. Data for KPI 1 has been externally verified, and for KPI 2 external verification will be available from 2024 in Pandora's annual report.

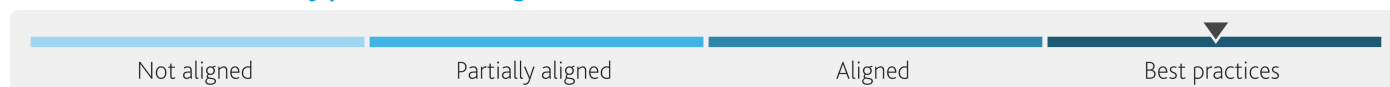
Relevance and materiality – ALIGNED

The selected KPIs are relevant, core and material to Pandora's business strategy for its current and future operations as GHG emissions (scope 1, 2 and 3), and diversity, equity and inclusion have been identified as priorities in the company's important sustainability matters. KPI 1 covers key sustainability challenges for the retail and apparel sector, including carbon transition. KPI 1 covers more than 99% of all the company's GHG emissions. Although KPI 2 covers a very low share of Pandora's workforce, it focuses on positions within the company's workforce that have the lowest representation by women. The level of relevance and the significance of the KPIs are analysed in detail in the "Contribution to sustainability" section.

Best practices identified - selection of key performance indicators

- » There is continuity or traceability, with independent verifiers, in case of a change in the methodology used to measure KPIs
- » The KPI(s) definition(s) explicitly rely on external references, allowing them to be benchmarked

Calibration of sustainability performance targets



Consistency and ambition – BEST PRACTICES

The selected SPTs are consistent with the issuer's sustainability strategy, which is to achieve net zero emissions by 2040 and to reach full gender parity in senior leadership, at the Vice President (VP) level and above, by 2030. The strategy is part of a companywide vision to address climate change, and to create an inclusive, diverse and fair culture. The performance of the SPTs of both the KPIs demonstrates a significant improvement from the issuer's business-as-usual (BaU) scenario. The ambition of SPTs 1 and 2 is in line with that of the company's key sector peers. In addition, SPT 1 has been benchmarked against the science-based scenarios. SPT 2 follows internal guidelines but can be benchmarked against existing European legislation promoting gender equality. The level of ambition for the SPTs is analysed in detail in the "Contribution to sustainability" section.

The means for achieving the SPTs are disclosed in the framework, and are considered credible. Although the respective contribution is described in broad terms in the Framework, Pandora has disclosed to us the quantitative contribution on a confidential basis.

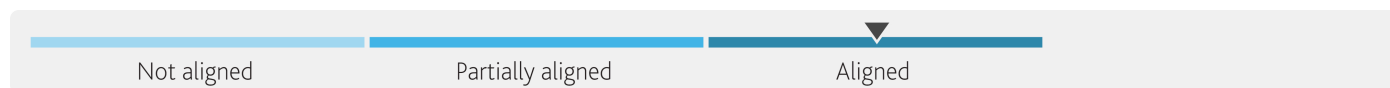
Disclosure – BEST PRACTICES

The timeline, baseline and trigger events have been disclosed in the framework. Pandora has a clear pathway for its KPIs, complemented by intermediate targets, which allows for sufficient visibility into their performance over time. Information about the intermediate targets, which is relevant for the KPIs, is publicly available through the company's reporting.

Best practices identified - calibration of sustainability performance targets

- » Disclosure of the means for achieving the SPT(s) as well as their respective contribution in quantitative terms to the SPTs OR as well as any other key factors beyond the issuer/borrower's direct control that may affect the achievement of the SPT(s)
- » The means for achieving the SPT(s) are credible
- » Disclosure of the timeline, baseline and trigger events, including relevant intermediate targets
- » The selected baselines are relevant and reliable

Instrument characteristics



Variation of structural characteristics – ALIGNED

Pandora has confirmed that the instruments issued under this framework will be subject to variations in their financial characteristics, depending on the achievement of the SPTs. It may include, but is not limited to, a predetermined coupon or margin adjustment, or premium payment. The exact mechanism and impact will be detailed for each instrument in the corresponding instrument documentation (financial terms). Pandora plans to systematically use KPIs 1 and 2 jointly across all issuances under this framework. In the case of bonds, the potential variation will be made public in the SLB announcement and legal documentation, while in the case of loans it is likely that it will be disclosed to lenders only.

Reporting



Transparency of reporting – ALIGNED

The issuer has committed to report annually until the maturity of the bond. The intended scope and granularity of the reporting are clear and exhaustive, covering all the required and recommended elements, including information on the performance of the KPIs and any relevant information that enables investors to monitor the level of ambition of the SPTs. The reporting will be made publicly available in Pandora's annual report, which will be published on the company's website.

Verification



Verification process – BEST PRACTICES

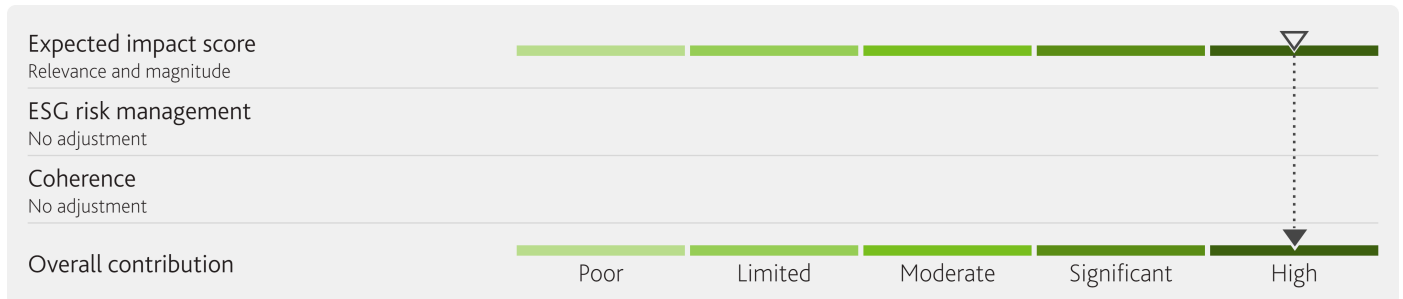
The performance of the KPIs against their SPTs will be externally verified, on an annual basis and in case of significant changes affecting the sustainability-linked instruments' financial or nonfinancial characteristics, or both, until the maturity of the instruments. The verification assurance report will be made publicly available as part of Pandora's annual report.

Best practices identified - verification

- » Verification will be conducted until maturity of the bond or loan

Contribution to sustainability

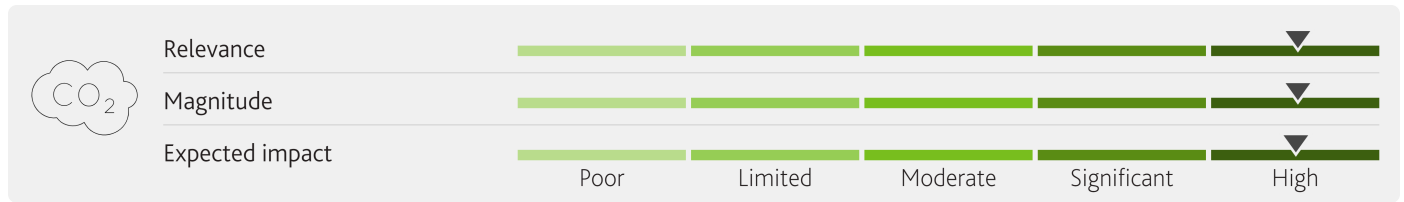
The framework demonstrates a high overall contribution to sustainability.



Expected impact

The expected impact of the KPIs is high. Based on information provided by the issuer, we have allocated a slightly higher weight to KPI 1 to calculate the overall expected impact. A detailed assessment is provided below.

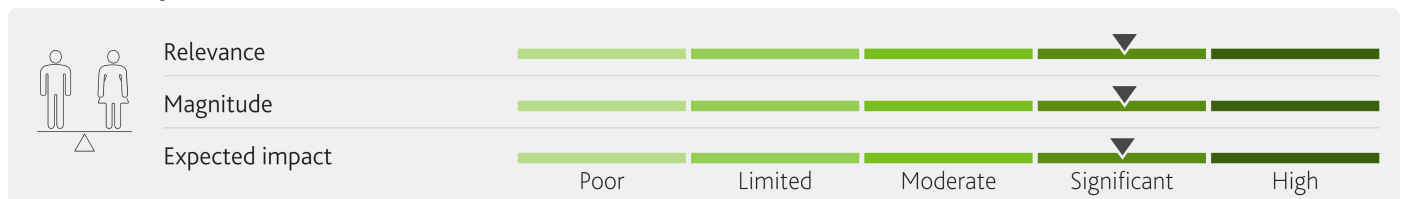
Absolute emissions reduction in scope 1, 2 and 3



Reducing GHG emissions is highly relevant for Pandora as the company has already addressed the other main sources of negative environmental impact related to their activities. The company sources 100% of its gold and silver from recycled sources, largely addressing the negative impact associated with mining and reducing the company's exposure to negative externalities such as water pollution and soil erosion challenges. KPI 1's strength comes from its comprehensive coverage of well over 99% of Pandora's total carbon footprint, predominantly from scope 3 emissions (97%). Scope 2 emissions are measured using both the location- and the market-based methods, where the latter may lead to discrepancies between reported emissions and actual energy use, leading to inflated estimates of the effectiveness of the mitigation measures. Finally, Pandora identified "Greenhouse gas emissions (Scopes 1, 2 and 3)" as one of the most material topics and is also in line with the company's goal of achieving net zero emissions by 2040.

The magnitude of SPT 1, which reflects its ambition, is considered high based on the combination of three benchmarking approaches. The company's target represents an improvement from its BaU scenario. Emissions decreased at an average annual rate of 7.4% from 2019 to 2023, despite the significant increase in emissions from 2020 to 2022, which is explained by the increase in scope 3 emissions. The rise can be attributed to the overall growth of the organization. Meanwhile, the supplier engagement programme, which aims to support suppliers in switching to renewable energy and increasing savings related to energy efficiency measures, is still in the initial stages of implementation. The decline in absolute emissions from 2023 to 2028 is estimated at 12.8%, and from 2023 to 2030, it is expected to be 31.9%. These figures correspond to an average annual rate of 2.7% and 5.3% respectively. While the observed decrease in GHG emissions may be characterised by a slower rate, it is considered an improvement. A linear decline in GHG emissions is not necessarily expected. Pandora's target is in line with that of its sector peers in terms of GHG emission reduction volumes and the time frame. As for international standards, the SBTi validated Pandora's target to be aligned with a 1.5°C trajectory by 2030. To date, the SBTi does not classify scope 3 targets by temperature. However, the SBTi mentions that it reviews scope 3 ambition to ensure it meets the temperature alignment specifications outlined in the SBTi criteria. According to our estimates, Pandora's targets are consistent with a global net zero pathway consistent with the most ambitious goals of the 2015 Paris Agreement on climate change of limiting temperature increases to 1.5°C. The strategy to achieve the SPT will primarily involve energy-saving measures and the augmented use of renewable energy, both credible and common methods for emissions reduction, in addition to maintaining the purchase of 100% recycled silver and gold, and enhancing supplier engagement.

Gender diversity



The relevance of KPI 2 is considered significant because of its focus on women in leadership positions. Although these positions account for a minor share of the total workforce, they have the lowest representation of women, especially at the VP, Senior VP and executive leadership levels. The company has provided confidential information about the number of women in leadership positions, demonstrating that the presence of women in leadership roles is low (34%) compared with the company's total workforce (79%). The issue of underrepresentation of women in senior management roles is not as prevalent in the jewellery manufacturing sector as in other industries. However, this is a very important issue for Pandora at the company level.

The magnitude of the SPT related to KPI 2, which reflects its ambition, is significant, based on a combination of benchmarking approaches. With regard to BaU, the SPTs represent a significant improvement compared with BaU. Historical data for the period 2021-23 demonstrates an annual increase of 21.6%. For SPT 2a, during the period 2023-28, the expected annual increase is 5.3%,

with a total variation of 29.4%, while for SPT 2b during 2023-30 the expected annual increase is 5.7%, with a total variation of 47.1%. Although these represent a lower ambition than the historical growth rate between 2021 and 2023, the trajectory is positive. When compared with the 2021 baseline, the annual variation is 9.7% until 2028 and 9.0% until 2030. Pandora's SPT is in line with those of comparable companies in its sector that have established quantified targets for women's representation in leadership roles. Several of the peer entities are companies headquartered in France that stand out as top performers in this area, partly explained by French regulation that sets quotas for female representation in leadership roles for large companies. However, Pandora is subject to Danish legislation, and not subject to these same requirements. Among other comparable peers, some have not even formalised targets. In terms of sector standards, in aiming for complete parity by 2030, Pandora is targeting the best practices in terms of gender parity (representation in the workforce). This target exceeds the requirements set by the Danish Financial Statements Act - 99b and certain national laws. For example, the "Rixain" law in France, which is currently considered a benchmark for some of the most stringent legislation regarding gender parity. Pandora has disclosed the means for achieving this KPI, and these are in line with credible measures used in the market. The efforts will include increasing awareness and responsibility among decision-makers in the recruitment and development of senior female leaders. The company will incorporate learning modules to underscore the importance of all hiring managers maintaining a fair and equitable approach during the hiring process, as well as inclusive training for the executive leadership team and the VP level and above, emphasising the crucial role that leaders play in fostering an environment of inclusiveness.

ESG risk management

We have not applied a negative adjustment for environmental, social and governance (ESG) risk management to the expected impact.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score because the sustainability-linked finance framework seems aligned with the company's strategy.

Appendix 1 - Mapping the KPIs to the United Nations' Sustainable Development Goals

The two KPIs included in Pandora's framework are likely to contribute to three of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 5: Gender Equality	Gender diversity	5.5: Ensure women's full participation and equal opportunities for leadership at all levels of political and economic life
GOAL 7: Affordable and Clean Energy	Absolute emissions reductions in Scopes 1, 2 and 3	7.3: Double the global rate of improvement in energy efficiency
GOAL 13: Climate Action	Absolute emissions reductions in Scopes 1, 2 and 3	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

The United Nations' SDGs mapping in this SPO considers the eligible project categories (or key performance indicators) and associated sustainability objectives/benefits documented in the issuer/borrower/lender's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance, and the UN SDG targets and indicators.

Appendix 2 - Summary of the KPIs in Pandora's framework

KPI	SPTs	Sustainability Objectives	Unit
KPI 1: Absolute emissions reductions in Scopes 1, 2 and 3	SPT 1a: Reduce Scopes 1, 2 and 3 GHG emissions by 36% by 2028 versus 2019 SPT 1b: Reduce Scopes 1, 2 and 3 GHG emissions by 50% by 2030 versus 2019	Climate Change Mitigation	mtCO2e
KPI 2: Gender diversity	SPT 2a: At least 44% women in leadership by 2028 SPT 2b: Reach 50% women in leadership (+/- 5%) by 2030	Gender equality	Leadership team gender ratio, female/male, %

Endnotes

¹ Point-in-time assessment is applicable only on the date of assignment or update.

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