

# PANDORA GLOBAL RESPONSIBLE SOURCING POLICY

<b>VERSION</b>	V.2
<b>EFFECTIVE DATE</b>	03 May 2021
<b>DEPARTMENT OWNERSHIP</b>	Global Communications and Sustainability
<b>CONTENT ENQUIRIES</b>	sustainability@pandora.net
<b>RELATED DOCUMENTS</b>	Pandora Group Code of Conduct Pandora Supplier Code of Conduct

## 1 POLICY SCOPE

Pandora A/S (“Pandora” or “we” or “our”) is committed to ethical business practices. This means that we conduct business lawfully, appropriately and with honesty and integrity by adhering to applicable laws and regulations, exercising sound judgment and taking actions to minimize our environmental impact on the planet. The Pandora Group Code of Conduct sets out our ethical commitment, standards of behaviour and conduct to which we expect the entire Pandora organization to adhere to.<sup>1</sup>

We expect that our business partners including suppliers, share this commitment, and we are committed to working with our suppliers to ensuring high social, environmental, and business ethics standards. The [Pandora Supplier Code of Conduct](#) details the specific expectations to our suppliers.

This Responsible Sourcing Policy (the Sourcing Policy) sets out the principles and standards that Pandora applies when selecting and working with its suppliers. It details our approach to managing social, environmental, and business ethics impacts and risks in our supply chain including how we address violations of the Supplier Code of Conduct.

The Sourcing Policy applies to all suppliers of products and services to Pandora:

1. Suppliers from whom we procure goods and services to develop our products.
2. Suppliers from whom we procure goods and services to our in-store materials including product packaging, promotional and display materials, and furniture and fixtures.
3. Suppliers from whom we procure other goods and services that are not covered by the two other categories.

Suppliers must ensure that this policy is also observed by sub-suppliers.

### 1.1 OWNERSHIP

The Global Communications and Sustainability Department shall oversee this Sourcing Policy and review it and any addendums on an annual basis, and as our supply chain evolves, regulations or legal requirements change, customer and consumer expectations shift, and our business develops. Significant updates will be communicated directly to our existing suppliers and an up-to-date version will always be available on the Pandora website. The Supply Chain and Indirect Procurement Departments are responsible for the implementation of the Sourcing Policy. Our suppliers should familiarise themselves with

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<sup>1</sup> The Pandora Code of Conduct can be found [here](#)

the Sourcing Policy. The Policy must be published in English and readily accessible for employees on Pandora's intranet site, INFORA.

## **1.2 ROLES AND RESPONSIBILITIES**

The Sourcing Policy is governed by the Responsible Sourcing Committee (RSC), which comprises representatives from several functions within Pandora including Supply Chain, Indirect Procurement, Creative Sourcing, Innovation and Product Development, Marketing, Global Communications and Sustainability. The RSC is co-chaired by the VP, Supply Chain and the VP, Global Sustainability, and it convenes on a semi-annual basis and ad-hoc when required and reports to the Pandora Sustainability Board at least twice annually.

The RSC must ensure that the Sourcing Policy has been implemented and discharged. Moreover, the RSC must ensure that adequate procedures are in place throughout Pandora to ensure employee awareness of the Sourcing Policy as well as employee training and training materials adopted into the local language(s).

## **1.3 GENERAL FIRM POLICY**

Pandora takes measures to ensure the company and its world-wide subsidiaries source responsibly and comply with legal and regulatory requirements. Adherence to this Policy is fundamental to ensuring that all entities, regardless of geographic location, comply with applicable legislation.

Every employee is responsible for assisting Pandora in its' efforts to source responsibly. Any employee that fails to adhere to this Policy or applicable addendum(s) may be subject to disciplinary action up to and including termination.

## **2 OBJECTIVE**

The objective of the Sourcing Policy is to ensure that Pandora continuously works with suppliers that adhere to high social, environmental, and business ethics standards.

The Sourcing Policy is designed to help Pandora meet its specific responsible sourcing objectives of having a 'Responsible', 'Transparent', and 'Traceable' supply chain, with a particular focus on our product suppliers and sub-suppliers including suppliers of raw materials.

**Table 1: Responsible Sourcing Objectives**

	Responsible*	Transparent**	Traceable**
Commitment	We will continuously improve the social and environmental footprint of our supply chain in line with commonly accepted standards and ensure that all materials are conflict-free.	We will continuously improve disclosure on our supply chain.	We will continuously improve our understanding of our supply chain and the traceability of our product raw materials such as metals, minerals and other materials.
Our approach	Buy product raw materials and components with decreasing social and environmental impact; Work with suppliers that uphold responsible manufacturing and workplace practices; Contribute to improving supplier performance and the supply chains they form part of; Ensure good buying practices such as on-going dialogue and reasonable lead times.	Increase transparency on the raw materials we use in our products, including the names and locations of our suppliers; and disclose how our supply chain performs against our social and environmental standards.	Increase traceability of our product raw materials by mapping our supply chains and undertaking due diligence.

\*Applies to direct and indirect spend.

\*\*Applies to direct spend and select indirect spend categories.

### 3 POLICY STATEMENT - APPROACH

The Sourcing Policy is implemented through the Pandora Responsible Sourcing Program (RSP), which is an integral part of our procurement and supply chain strategies and processes.

Overall, the RSP is designed to focus on the spend categories and suppliers that carry the greatest potential risks of negative social, environmental, and business ethics impacts and negative business impacts, and to ensure that we comply with regulatory requirements as well as specific sustainability requirements from customers and standards that we have signed up to. The RSP consists of the following main components:

### 3.1 POLICIES

THE SOURCING POLICY AND THE SUPPLIER CODE OF CONDUCT (SUPPLIER CODE) ARE THE CORE DOCUMENTS.

- a) *The Supplier Code of Conduct sets out our social, environmental, and business ethics requirements to our suppliers. The Supplier Code is aligned with the Ethical Trading Initiative (ETI) Base Code and is consistent with international expectations and standards including ILO Fundamental Conventions, the UN Guiding Principles on Business and Human Rights, and others. Compliance with laws and regulations is a baseline requirement.*
- b) *The Supplier Code is complemented by internationally recognised standards that apply to suppliers and sub-suppliers of specific raw materials and products (Category Specific Requirements). Where relevant, such standards are in lieu of the Supplier Code.*

### 3.2 DUE DILIGENCE AND RISK ASSESSMENT

PANDORA PERFORMS ANNUAL SUPPLY CHAIN DUE DILIGENCE.

- a) *The due diligence is focused on raw materials and products used in our jewellery, and it is performed in alignment with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk areas.*
- b) *When required additional due diligence applies, e.g., when sourcing wood and paper products, we comply with the due diligence requirements of relevant regulations.*

### 3.3 MANAGEMENT SYSTEMS

THE SUPPLIER CODE IS AN INTEGRAL PART OF PROCUREMENT CONTRACTS FOR ALL SUPPLIERS.

- a) *Pandora assesses suppliers prior to contract conclusion using methods such as screening, desk assessments, on-site assessments, and review of certifications, and/or other third-party assessments.*
- b) *Specific requirements, including on traceability and transparency, apply to suppliers and sub-suppliers of certain raw materials. Suppliers of other materials may become subject to additional requirements specific to those materials.*

### 3.4 AUDITING

SUBJECT TO OUR RISK ASSESSMENT, ALL HIGH-RISK SUPPLIERS MUST UNDERGO THIRD-PARTY AUDITING INCLUDING THIRD-PARTY AUDITING COMMISSIONED BY PANDORA, CERTIFICATION

AUDITING OF RECOGNISED STANDARDS, OR OTHER THIRD-PARTY AUDITING RECOGNISED BY PANDORA.

- a) *Please refer to Annex A for a list of recognised certifications and third-party audits.*
- b) *Audits commissioned by Pandora are undertaken in alignment with the SMETA audit methodology. All high-risk suppliers must be third-party audited at least every two years. Pandora reserves the right to perform unannounced audits.*

### **3.5 REPORTING AND DISCLOSURE**

PANDORA PUBLICLY DISCLOSES ON ITS WEBSITE ITS POLICY AND APPROACH TO SUPPLY CHAIN DUE DILIGENCE AND REPORTS ANNUALLY THROUGH ITS SUSTAINABILITY REPORT CONSOLIDATED AND ANONYMOUS RESULTS OF AUDITS COMMISSIONED BY PANDORA.

- a) *In line with our commitment to transparency, Pandora seeks to continuously improve disclosure of the names of suppliers and/or the country of origin of primary raw materials used in our jewellery.*

## **4 POLICY STATEMENT – CORRECTIVE ACTION AND ZERO-TOLERANCES**

Pandora requires suppliers to comply with the Pandora Supplier Code or, where relevant and in effect for specific raw materials, other internationally recognised standards. Compliance with laws and regulations is a baseline requirement. When suppliers fail to comply with any requirements, identified performance gaps must be remedied by corrective actions within an agreed upon timeframe, typically 90 days. If a supplier fails to address identified performance gaps within the agreed upon timeframe, Pandora will respond proportionally.

### **4.1 NEW SUPPLIERS**

PANDORA WILL NOT ENTER INTO BUSINESS RELATIONSHIPS WITH NEW SUPPLIERS THAT FAIL TO MEET OUR ZERO TOLERANCE REQUIREMENTS AS OUTLINED IN TABLE 2.

- a) *Similarly, Pandora will not enter into business relationships with new suppliers that show structural failure to comply with the Pandora Supplier Code, as evidenced by a large number of critical non-conformances.*
- b) *A new supplier is defined as any supplier with whom Pandora has not transacted business within the preceding two years or any supplier, new or existing, that for the purpose of supplying*

*Pandora, uses a production facility not covered by an existing approval (no more than two years old).*

## **4.2 EXISTING SUPPLIERS**

EXISTING SUPPLIERS FOUND TO VIOLATE OUR ZERO TOLERANCE REQUIREMENTS OR OTHERWISE SHOW STRUCTURAL FAILURE TO COMPLY WITH THE PANDORA SUPPLIER CODE MUST IMPLEMENT APPROPRIATE CORRECTIVE ACTIONS WITHIN NO MORE THAN 30 DAYS, AFTER WHICH PANDORA MAY TERMINATE THE BUSINESS RELATIONSHIP.

- a) Corrective actions aimed at mitigating zero-tolerance violations must be verified by a third-party auditor for acceptance.*
- b) Pandora reserves the right to terminate any contract with immediate effect when corrective actions are considered materially insufficient or implemented later than agreed, and when such action is considered in the best interest of workers, communities and the environment.*
- c) Pandora ensures that identified non-compliances and other findings are reviewed in consultation with suppliers. No new orders can be placed with said supplier until our Zero Tolerance requirements have been met.*
- d) For both new and existing suppliers, Pandora will manage violations of its Zero Tolerance requirements carefully and on a case-by-case basis.*
- e) Using this approach, Pandora reserves the right, under exceptional circumstances and validated by the company's Responsible Sourcing Committee, to continue business transactions with suppliers failing to meet zero tolerance requirements or considered structurally non-compliant with the Pandora Supplier Code of Conduct.*
- f) Such decisions will only be allowed if both of the following criteria are met: 1) there are no longer imminent material risks to workers, communities, and/or the environment, and 2) suppliers commit to rigorous, resourced, time-bound and sustainable corrective action.*

**Table 2: Pandora list of zero tolerances**

	Definition
Forced labour and inhumane treatment	The recruitment, movement, harboring or receiving of children, women or men through the use of force, coercion, abuse of vulnerability, deception or other means for the purpose of exploitation.
Child labour and young labour	Workers who are younger than 15 years (or the legal minimum age defined by the country, e.g. 14). Workers who are younger than 18 years old who are subject to hazardous working conditions likely to harm a person's health, safety, or morals.
Falsified or fake records or attempts to inappropriately influence auditors	Falsified or fake records on compensation, working hours or other working conditions cover a significant share of the workforce or otherwise appear systematically used for the purpose of deceiving workers, their representative organizations, authorities and/or customers. Inappropriate attempts to influence Pandora or other auditors assigned to assess company compliance with social and environmental standards including by use of gifts, bribes, coercion or any other means to intimidate or incentivize to get an illegitimate advantage.
Corruption and bribery	Evidence of practices of corruption and bribery including kickbacks endorsed by management, implicitly or explicitly.
Serious threat to workers' health	Workers are exposed to hazardous working conditions without appropriate protection for reducing the health and safety risks.
Serious threat to environment	High risk of violating environmental regulations that may cause [significant] environmental damage to the environment or neighboring communities including, but not limited to, emissions to wastewater, soil, and air.
Structural failure to workers' rights	Evidence of structural practices that result in workers' income (comprising regular and overtime payment, pension, holiday pay, tax deductions, insurance or other) not meeting local regulatory requirements.

## 5 POLICY STATEMENT - PANDORA COMMITMENT TO SUPPLIERS

Pandora is committed to engaging with suppliers on the basis of principles of integrity, fairness and transparency. We are committed to working with our suppliers to ensure compliance with our policies.



## **6 ANNEX A - SUSTAINABILITY STANDARDS AND AUDITS RECOGNISED BY PANDORA**

Pandora is committed to reducing the burden on suppliers associated with duplicative auditing. To this end, when our suppliers have successfully passed audits undertaken by third-party auditors on the basis of standards and methodologies consistent with the Pandora Supplier Code of Conduct and the Pandora Responsible Supplier Policy's Zero Tolerance requirements, Pandora may choose not to commission an audit. This commitment applies to:

- a) *Suppliers that are required to meet only the Pandora Supplier Code of Conduct and;*
- b) *Suppliers that have been audited within the last two or three years by third-party auditors against our accepted standards; and;*
- c) *Suppliers that are not considered high-risk as determined by the Pandora supplier risk assessment process.*

Pandora accepts successfully passed third-party audits and certifications including:

- a) *BSCI/BEPI - amfori Business for Social Compliance Initiative (BSCI) and amfori Business for Environmental Performance Improvement (BEPI) combined;*
- b) *Sedex Members Ethical Trade Audit (SMETA) performed as full four pillar audits using standards consistent with the Pandora Supplier Code of Conduct and Responsible Sourcing Policy Zero Tolerance requirements;*
- c) *ICS – Initiative for Compliance and Sustainability;*
- d) *Disney ILS Audits;*
- e) *The Responsible Jewellery Council's Code of Practice standard.*

Pandora only accepts such audits when performed by auditors that are members of APSCA or who comply with ISO/IEC 17021 Conformity assessment and ISO 19011 Guidelines for auditing management systems.

## **7 DEFINITIONS**

Not applicable.