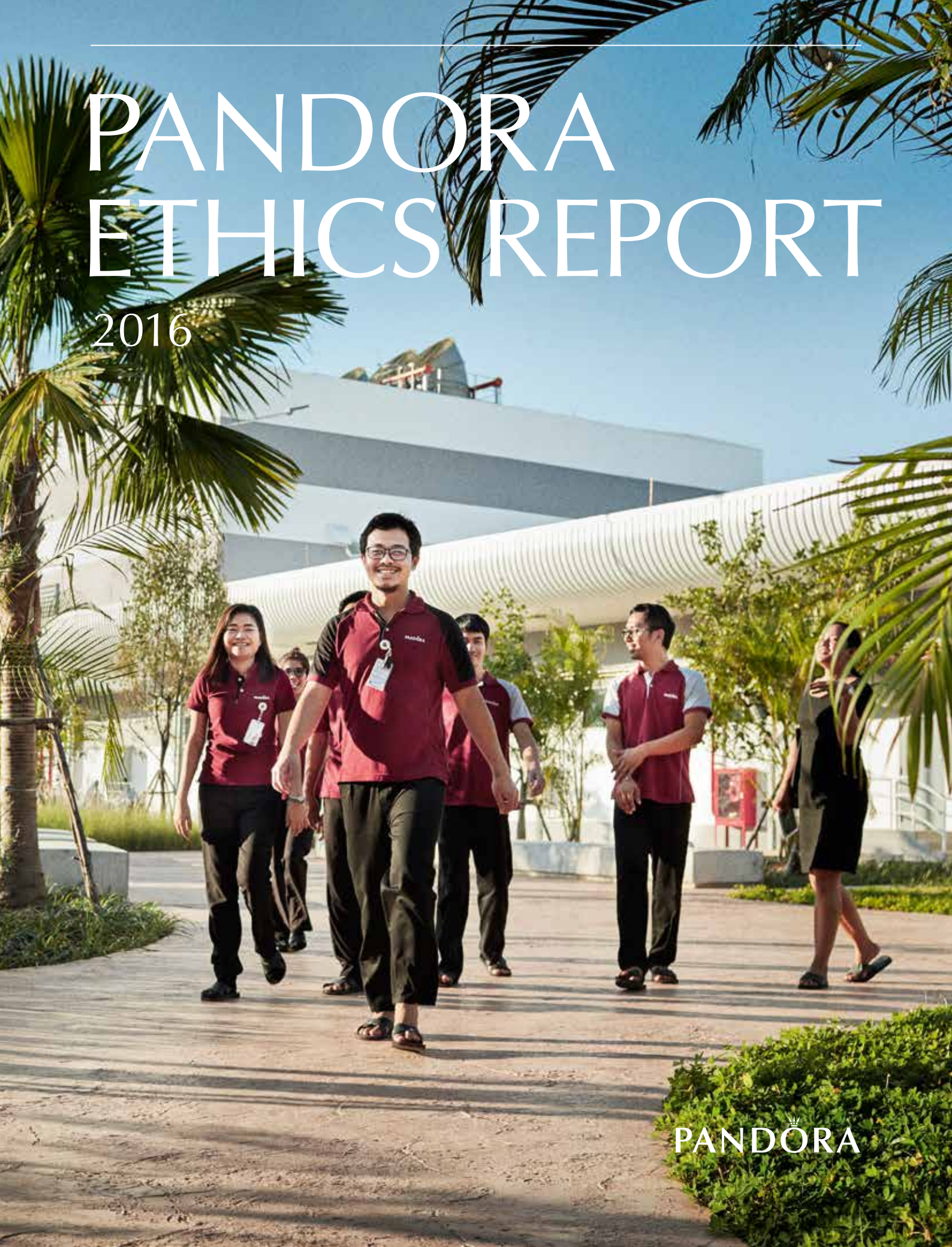


PANDORA ETHICS REPORT

2016



PANDORA

Front page: Colleagues enjoying the shaded outdoor environment at our crafting facility in Lamphun, Northern Thailand

CONTENTS

2 A GREENER FUTURE

3 About PANDORA

4 PEOPLE

6 People in brief

7 Code of Ethics

7 Training

7 Diversity

8 Human and labour rights

9 Case: Team PANDORA

10 Focus on Thailand

13 Case: A holistic approach

14 PLANET

16 Planet in brief

17 Precious metals

18 Man-made stones

18 Crafting

19 Case: Green buildings

20 Logistics

20 Stores

21 Gold & silver facts

22 PRODUCT

24 Product in brief

25 Design

25 Responsible supplier programme

26 Supplier audits

27 Case: Rings in the water

28 Core materials

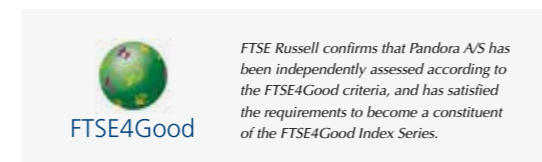
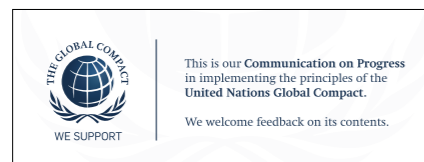
30 PARTNERSHIPS

32 Creating shared values

32 Strategic partners

32 Building brand equity

32 Internal governance



CEO STATEMENT

BUILDING FOR A GREENER FUTURE



2016 was exciting for PANDORA. It was another record-breaking year, with 122 million pieces of jewellery crafted and revenue exceeding DKK 20 billion. We opened our 17th eSTORE, our 2000th concept store and welcomed more than 4,800 new colleagues to the PANDORA pride.

It was also a year of building for the future, underlining our commitment to nurturing and safeguarding our environment, both within our company and in the world around us. The improvements we made in 2016 have left us well placed to push on towards our goal of becoming the world's most loved jewellery brand.

Internally, we reorganised ourselves in order to sharpen our focus on collaborations across our integrated value chain. As part of this process, we established three strong regions: The Americas, EMEA and Asia-Pacific. Finally, we inaugurated two LEED-certified (Leadership in Energy and Environmental Design) entities: new Global Office by the harbour in Copenhagen and a new green crafting facility near Chiang Mai in Northern Thailand. We also commenced the construction of another LEED-certified building at our crafting facilities in Bangkok.

These improvements were carried out to gear the company for the opportunities that lie ahead of us, while staying loyal to our pledge to run a healthy business that focuses on respect for our people, the integrity of our products and minimising our impact on the planet.

This is our seventh annual Ethics Report showcasing the aspirations, efforts and results we have achieved as part of PANDORA's ongoing journey towards becoming a more resilient and sustainable company. We are proud of the progress we made in 2016, and we are equally proud of the shared value we have been part of creating through partnerships, such as the United Nations Global Compact and the Responsible Jewellery Council. Here, we assume a leading role among peers, industry experts and civil society organisations in defining the ethical standards for the entire jewellery industry. Last but not least, we are also proud of the increased transparency and assurances that we can offer our consumers, who trust us to ensure that their jewellery is produced according to the highest ethical standards.

Our many achievements in 2016 would not have been possible without the dedicated people that make up our company. It has been extremely inspiring to see how our colleagues have reacted and embraced the changes by living out our core values of pride, passion and performance.

Anders Colding Friis,
President & Chief Executive Officer

ABOUT PANDORA



>122
MILLION
PIECES OF JEWELLERY
CRAFTED



12,400

CRAFTSPEOPLE
IN THAILAND

bringing their skills,
their vision and their hearts and
minds to work each day



OUR OWN

CRAFTING FACILITIES
IN THAILAND

ensures our ability to maintain and
develop high ethical standards



+21,500

PEOPLE GLOBALLY



+8,100

POINTS OF SALE

2,100 of these are
PANDORA concept stores



DKK 20
BILLION

IN REVENUE

21% up
from last year

Craft people working
at our facility in Lamphun

PEOPLE

PANDORA PEOPLE IN BRIEF



5,000

BOOKS AVAILABLE

in the employee library in Bangkok.
Most popular books: Percy Jackson
series and English proficiency

3.3%

EMPLOYEE TURNOVER
IN THAILAND



+18,000

VISITS TO OUR
EDUTAINMENT CENTRE

at our Thai crafting facilities with
free access to PCs, library services
and training facilities



4,800

NEW JOBS AT PANDORA
WORLDWIDE



19,000

Thai colleagues including their family
members went to a local fun park at
the yearly company outing



14.2
HOURS

of class room training given to every
crafting colleague on average



600,000

E-LEARNING SESSIONS
COMPLETED

That is more than one
every minute of every hour



SPECIAL
BENEFITS

FOR PREGNANT
EMPLOYEES

PROVIDING PROPER WORKING CONDITIONS FOR OUR PEOPLE

CODE OF ETHICS

In 2015, PANDORA launched a new Code of Ethics, stipulating our ethical aspirations as a company and our ethical expectations to the behavior of our people. The code covers areas such as human rights, working conditions, environmental footprint, anti-corruption and supplier relations. Building on our ethics policies (available on www.pandoragroup.com/csr), the code offers our employees one common point of reference for ethical dilemmas backed by training modules spanning hiring procedures, workplace ethics and anti-harassment to fraud, gift giving and misuse of company assets. In 2016, we continued the implementation of our Code of Ethics to all staff and directors, and initiated a major review process to ensure that the Code of Ethics remains relevant vis-à-vis the development of the company and the world around us. A new code and training program is expected to be rolled out in 2017.

To support the Code of Ethics, our employees are encouraged to raise ethical concerns or ideas for ethical improvements with local management, HR, Legal or Ethics departments. Should employees perceive that concerns are not properly addressed, or if they are not comfortable with raising their concerns through these channels, they can choose to use PANDORA's externally administered multilingual Ethics Hotline. In 2016, less than 10 cases were raised through the Ethics Hotline. We see this as a positive indication of our employee's trust in our internal structures.

TRAINING

The main contact between PANDORA and our consumers is established and nurtured by over 35,000 people, who are passionate about selling our jewellery in more than 100 countries around the world. We are dedicated to helping

sales people develop their skills and knowledge, both in our own stores and the 8,100+ points of sale operated by our partners. Our extensive training programmes span face-to-face training, coaching and e-learning.

The scope is broad and entails training in PANDORA's values, ethics, identity and history, jewellery and material expertise, crafting processes, and professional sales skills and techniques. Face-to-face training is supported by our comprehensive e-learning programme, which is available in 22 languages. In 2016, the number of online training sessions completed amounted to more than 600,000. This means that our people completed one online training session every minute of every hour in 2016.

DIVERSITY

Employment and promotions at PANDORA must always be based on merit. We are deeply committed to working against any form of discrimination and remain especially committed to ensuring gender diversity in our management positions. To this end, we have set a number of management diversity objectives, and progress is reviewed once a year by our Executive Management and Board of Directors.

- By 2020, the percentage of women in senior management positions (members of the Management Board, general managers and vice presidents) should be at least 40%. At the end of 2016, 37% of senior management were women, compared to 33% in 2015, 34% in 2014 and 24% in 2013.
- The gender composition of the Group's leadership programmes should mirror the gender composition of staff in vice president and director positions. Since we started our leadership programmes in 2012, the gender split has on aggregate been close to 50/50. In 2016, women accounted for 56% of this management group, and made up 60% of the enrolment in our leadership programmes.
- By 2018, at least 35% of Board members elected at the Annual General Meeting must be women. At the end of 2016, women made up 30% of a Board members (3 out of 10), compared to 22% in 2016 (2 out of 9). As such, we are well above the average 16% for Danish listed companies, but still below the 35% target. The Board will continue to consider gender composition when appointing new members.

AGE SPLIT, GROUP

■ <18	38
■ 18-25	6941
■ 26-35	12050
■ 36-45	1881
■ 46+	963
Headcount December 31st	21873



HUMAN AND LABOUR RIGHTS

At PANDORA, we recognise our duty to respect human rights. To ensure this, PANDORA is certified according to the Responsible Jewellery Council's Code of practices. The RJC's code has been developed in cooperation with peers, independent experts and non-governmental organisations (NGOs) to assess, identify and mitigate human rights risks in the jewellery supply chain. Moreover we regularly assess potential human rights as well as environmental risks in our own value chain. These assessments – either carried out internally or in cooperation with external experts and peers – tend to reach the same conclusion: that the main human and labour rights risks are to be found among our suppliers. By sourcing our core jewellery materials from certified responsible suppliers, and by enrolling all suppliers in PANDORA's Responsible Supplier Programme (described under PRODUCT), we seek to lower the risks of causing or becoming complicit in human rights infringements.

The responsible foundation on which our Thai crafting facilities are built, as well as our Code of Ethics supported by the internal PANDORA Ethics Programme instruct all of us to prevent – and when necessary mitigate and remedy – negative impacts of our activities. An ongoing challenge during our continued growth has been to always keep the weekly working hours below ILO standards. Due to exceptional business circumstances caused by our growth, weekly working hours in some specialised departments in Thailand periodically exceeded 60 hours per week.

GENDER SPLIT, MANAGEMENT

	Male	Female
Board	70%	30%
Senior Management (MB, VP + GMs)	63%	37%
Directors and managers	42%	58%
Store managers	8%	92%
Total management	28%	72%

Find more detailed data on people on pandoragroup.com/csr

Overtime at PANDORA is always voluntary, compliant with Thai law and remunerated at premium rates. In order to mitigate this and ensure our capacity for future growth, we hired 1,250 additional employees in 2016, worked to introduce new crafting techniques, opened a new state-of-the-art facility in northern Thailand (described under PLANET) and started the construction of a new crafting facility in Bangkok.

PANDORA's Human Rights Policy is published on our corporate site (www.pandoragroup.com/csr). It stipulates our commitment to the United Nations Guiding Principles on Business and Human Rights, and the core conventions of the International Labour Organisation (ILO). The policy further instructs us to advance human rights within our sphere of influence (described under PARTNERSHIPS). For our statements on the UK Modern Slavery Act and The California Transparency in Supply Chains Act, please visit www.pandoragroup.com/csr.

Elizabeth is one of our colleagues from the successful Pitt Street store in Australia

TEAM PANDORA

We estimate that more than 35,000 sales associates acts as PANDORA's ambassadors on the front line of retail; fountains of knowledge that consumers can lean on for advice and inspiration when looking for a perfect gift or a personal jewellery treat.

Working in sales at PANDORA is both a memory game and so much more. Sales associates have to take on an enormous amount of information covering the entire PANDORA jewellery universe. Therefore, it is crucial that they receive best-in-class training. PANDORA's training resources are designed to develop each person's skills and they can be tailored to make learning personal.

PANDORA's team in Australia exemplifies this approach. Along with face-to-face sessions and interactive PANDORA e-learning modules, several initiatives have been rolled out in Australia. "We have a huge focus on consumer experience training and making sure that our sales associates have the skills to personalise the experience for each consumer who walks in their store," says Penny Bjorkmann, National Training Manager, Australia. She adds: "Classroom-style training focusing on experiential learning, using storytelling as a sales tool, plus a micro-learning gamification tool for the Christmas 2016 campaign are two recent successes."

The Australian team also uses a structured mystery shopping guide, where all team members visit and rate the customer experience in another retailer – greatly improving awareness and self-reflection. For the Autumn/Winter 2016 campaign, which featured PANDORA Rose jewellery, the team embraced the idea of bringing optimism to any customer scenario. Everyone received a pair of rose-coloured glasses as a reminder that a positive attitude is always possible.

The personal approach is certainly working. Revenue at the Pitt Street store in Sydney (one of the busiest PANDORA stores in the world), rose 500% from 2012 to 2016.



FOCUS ON THAILAND

Our modern manufacturing facilities in Thailand provide safe, healthy, developing and engaging working conditions for more than 12,400 people. Their skills, commitment, flair for aesthetics, and the way they bring their hearts and minds to work every day are a major part of the foundation of our vision to become the world's most loved jewellery brand. In 2016 we initiated a Social Impact Study of our engagement in Thailand. Results are expected in 2017.

Training and development

PANDORA Production Thailand (PPT) has built its success on the 4C philosophy of Clarity, Competence, Confidence and Commitment; the four key, interdependent pillars essential to long-term development.

When our people have clarity in their roles and responsibilities, the competence to master their craft and think outside the box and, finally, the confidence and channels to express their ideas and concerns, the result is the fourth "C": a deep commitment to the workplace that manifests itself in PPT's status as an employer of choice with a very high employee retention rate and exceptional performance year after year.

Recognising that access to education is a challenge in Thailand, we have established an Edutainment Centre, which features modern e-learning/internet facilities and a library. This provides our colleagues with a comfortable and inspiring environment where they can relax and learn. During 2016, the library in Bangkok had more than 18,000 visits and more than 5,000 books were available throughout the year; the most popular genres being adventure fiction and English proficiency studies. This successful initiative has been replicated for our new crafting facility in Lamphun.

The scope of our training and development programmes goes far beyond technical skills and work processes, and includes life skills, safety, health, environmental practices, business continuity and leadership. In 2016, we opened a new and ambitious Jewellery Skills Academy, which drives technical development through specific skills from beginner to expert levels. Every week, approximately 50 colleagues receive dedicated training at the Academy.

Health and safety

At PPT, we operate an effective Safety, Health & Environment (SHE) Committee comprised of senior management (16 members) and elected employee representatives (15 members). The 15 employee representatives are offered modern, on-site facilities and receive comprehensive training, both in-house and externally, enabling them to effectively contribute in their roles. Together with external experts, the elected representatives assume the responsibility of checking SHE conditions, while our highly competent SHE professionals are responsible for continuously improving standards as well as correcting non-compliances.

SHE professionals are involved in all new production set-ups to make safety a priority from the start. In 2016, more than 14,000 people participated in training sessions in general health & safety and firefighting. SHE communication entails TV and radio spots, engaging events and competitions for employees to suggest SHE improvements.

As a result of our ongoing focus on improving safety and health standards, we saw as few as 4 near misses and 2 work-related accidents at PPT (resulting in a total of 8 lost working days). With 12,400 people employed at PPT by the year end, this is a remarkably low accident rate compared with any industrial sector in any country.

Employee Welfare Committee

We have also established an Employee Welfare Committee, which consists of 15 people elected by their colleagues every second year. New committee elections were held in 2016, with a participation rate of 86%. The committee operates with three sub-committees, responsible for coordinating employee interest in a) Compensation & Benefits, b) Employee Relations and c) Social Activities. As is the case for the SHE Committee, the Employee Welfare Committee draws on modern facilities and extensive training.

PPT employee benefits include affordable and healthy meals, parental classes, extensive professional and personal development training, annual outings, scholarships, employee-operated radio and TV channels, and free bus transportation to and from work.

A large amount of gypsum is used in our jewellery casting process



Communication

We want to provide up-to-date and relevant information to our colleagues so that everyone fully understands the context of their work, has a clear picture of PANDORA's global performance and the feedback we get from our consumers. To this end, we share news updates, departmental news and customer feedback through our in-house PANDORA Radio (with employee-elected DJs) and PANDORA Production TV, both with daily broadcasting.

In 2015 and 2016, the communication channels were significantly broadened with the PANDORA self-service app, providing easy access to both news streams and relevant employee data, such as working hours, available holidays and the ordering of staff uniforms. Free Internet access on the premises supports the use of the app.

Communication is a two-way street and we naturally also want to listen. Besides training and encouraging our people to speak up and our managers to listen on a daily basis, we also conduct monthly meetings where colleagues are invited to share their opinions and ideas, and suggest subjects for discussion.

Three times a week, our HR Services team sets up mobile consultation centres at canteens and locker rooms during lunch breaks. This allow employees to ask questions or seek assistance with issues such as pay, benefits or employee relations at a time and place convenient for the employees. In 2016, the HR Services team received more than 13,000 visits.

Fun

Our colleagues' commitment to PANDORA is also clearly visible during our social events. What initially started out as a small company outing to the beach twenty something years ago has now evolved into a two-day beach event for hundreds of people at the start of 2016. Colleagues opting not to go to the beach received family tickets for the nearby fun park instead. Including family members more than 20,000 people participated in these events.

PEOPLE – KEY PERFORMANCE INDICATORS

	2016	2015	2014	2013
Craftspeople turnover, %	3.2	3.3	5.0	-
Global incident rate (OSHA standard)	0.30	0.18	0.17	0.30
Employees who would recommend PANDORA as a workplace, %	76	-	-	-
Employees covered by annual personal development reviews, %	100	-	-	-
Training hours/craftspeople	14.2	14.5	-	-

Blue maternity dresses are offered to our pregnant colleagues

A HOLISTIC APPROACH

A career at PANDORA Production Thailand (PPT) starts with a passion for jewellery that takes root in a deep understanding of the business – and blossoms into both personal and professional opportunities. We focus on making and keeping our colleagues happy, at work and at home.

PPT has a family feel. With an employee turnover below 4%, a position at PPT is often a long lasting one. Our 12,400 craftspeople spend many years dedicating their time and skill to PANDORA, and we always like to give back. This is why PPT has a "Happy Workplace" focus. As happiness is often personal to each person, we have taken a holistic, nurturing approach with a broad range of initiatives that encourage a happy mind, body and soul.

Colleagues can use the Edutainment Centre for access to books and magazines of their choosing, use free PCs and Wi-Fi, relax with their colleagues, and take various courses. Sports classes are available, including football, badminton and cycling – and the new yoga classes are especially popular. An in-house doctors and nurses station is also available and doctors can be booked via e-mail or phone. When stress was identified as an issue with some colleagues, we created the "Don't worry be happy" anti-stress campaign, with both preventive and mitigating actions, which included generic toolkits and personal counselling. In 2016, we also introduced similar projects to help employees battling drug or mental problems and hired an in-house counseling psychologist.

Recognising that credit card debt and loan sharks are common in Thailand, we launched the financial literacy programme, "Happy Money," in 2011. Initially comprising basic courses in personal finance, Happy Money has since evolved to include confidential financial counselling, monthly visits from the Government Savings Bank, and an employee-managed PANDORA Cooperative Savings Club. The holistic approach pays off. Our crafting facilities in Thailand are considered a great place to work. This is why, when looking for new colleagues in June 2016, 12,500 people turned up. See how it looked like here: www.pandoragroup.com/recruitment2016



From the pond at our
crafting facility in Lamphun



PLANET

PANDORA PLANET IN BRIEF



86%

RECYCLED WASTE AT OUR CRAFTING FACILITIES



+40,000

ROUND TRIPS

taken by 120 buses driving our Thai colleagues to and from work for free

91%
RECYCLED SILVER

86%
RECYCLED GOLD



100%

of our paper bags originate from wood from sustainable forestry

>95%

less cost to the environment, by using recycled gold

>95%

less cost to the environment, by using recycled silver

>99%

less cost to the environment, by using man-made cubic zirconia



100%
RECYCLING

all of our gypsum waste is used in the construction sector

all of our glass waste is made into glass tiles

all of our rubber waste is used as fuel

all of our wax waste is used by figurine manufacturers

MINIMISING OUR ENVIRONMENTAL IMPACT

PRECIOUS METALS

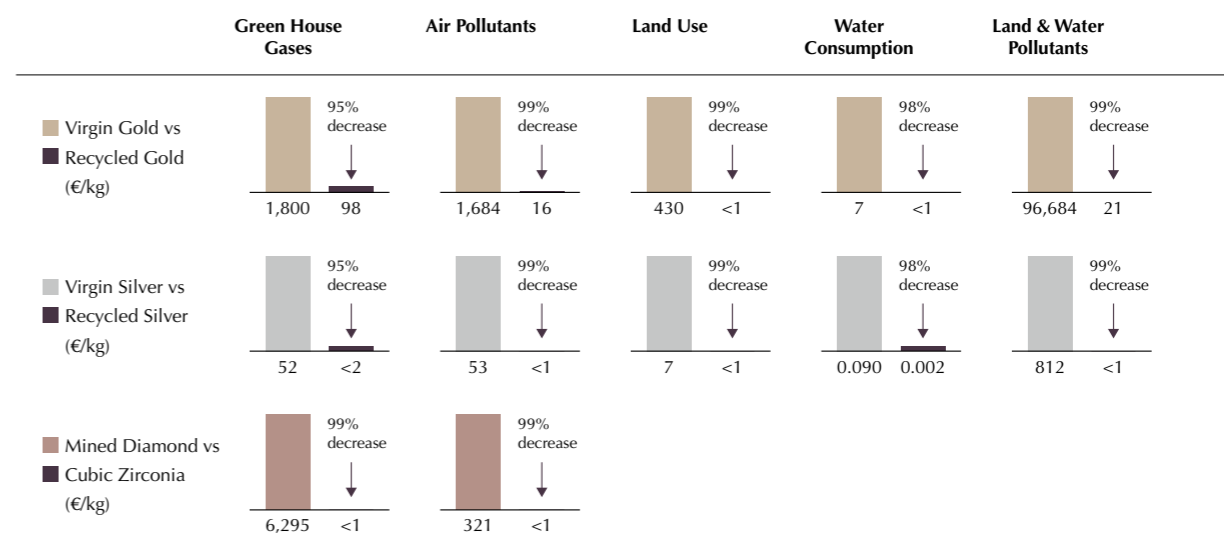
The Trucost study revealed that when it comes to silver and gold, using recycled sources reduces the environmental cost with more than 95%. We want to minimise our environmental impact on the planet. As part of our efforts to advance social and environmentally responsible sourcing practices, 86% of all gold grains used in the crafting at our Thai facilities in 2016 originated from recycled sources. The remaining 14% originated from virgin material from certified conflict free refineries.

When it comes to silver, 91% of the silver grains used in the crafting at our Thai facilities in 2016 originated from recycling. The remaining 9% originated from virgin materials supplied by certified members of the RJC. Thus, PANDORA can guarantee that the vast majority of our silver is environmentally friendly compared to virgin material.

NATURAL CAPITAL

At PANDORA, we recognize that mining and processing of metals and stones are associated with adverse environmental impact. A recent study performed for PANDORA by the environmental cost consultancy Trucost, sought to quantify and value the hidden positive and negative externalities of different materials used in our manufacturing. The study calculates the financial cost of environmental damage (such as health cost associated with pollution) to society from various materials and crafting methods. The study revealed that using recycled precious metals and man-made stones significantly reduces the environmental cost compared to mined materials due to less environmental damage.

ENVIRONMENTAL IMPACT COMPARISON



Disclaimer: PANDORA's mission is to provide its customers with affordable luxury, producing high-quality and contemporary jewellery at affordable prices. While diamonds and cubic zirconia are not typically comparable, with one being a precious natural stone and the other being man-made, PANDORA uses both materials to produce jewellery that appeals to its customers whilst also targeting an affordable price point. In this context, PANDORA sought to understand the environmental impacts of both types of stones used in its jewellery to help inform future strategies to grow the business whilst reducing its environmental impacts.

MAN-MADE STONES

We gain many ethical advantages by predominantly using man-made stones in our collections. The origin of man-made stones is fully traceable and the ability to grow stones with fewer quality variations considerably reduces material waste. In a recent study carried out for PANDORA, the environmental cost of man-made cubic zirconia stones compared to mined diamonds is estimated to be decreased by more than 99% when it comes to greenhouse gas emissions and air pollutants.

CRAFTING

PANDORA experienced a sharp increase in demand and produced approximately 106 million pieces of jewellery in-house in 2016. At the same time, the greater complexity and intricacy of our jewellery designs have made it challenging to simultaneously reduce our energy and water consumption at our crafting facilities. With the new Leadership in Energy and Environment (LEED) certified crafting facility in northern Thailand and another LEED certified crafting facility currently under construction in Bangkok, we expect to be able to significantly improve our environmental performance in the years to come.

Energy

PANDORA Production Thailand (PPT) is by far our most energy-consuming entity. The amount of energy used here increased from 29,472 MWh in 2015 to 35,907 in 2016. The rise in energy consumption reflects the increase in crafting complexity and the number of pieces of jewellery produced. Besides the state-of-the-art burnout ovens used in the crafting process, the extensive use of chillers to ensure a cool and comfortable working environment throughout our facilities consumes a considerable amount of energy. Ovens and chillers put together account for approximately 40% of energy consumption. We expect the LEED-certified facilities will significantly optimise the use of energy going forward, plus contribute with solar power, and we look forward to the future results.

Water

As a result of our growth and the increased complexity in our jewellery designs, our water consumption at PPT increased from 482,500 m³ in 2015 to 584,108 m³ in 2016. In 2016, we invested in additional on-site waste water treatment at our Bangkok facilities, drastically improving the quality of waste water. The disposal of waste water is subject to control by both our own SHE team and local authorities, and is audited by external experts as a final check.

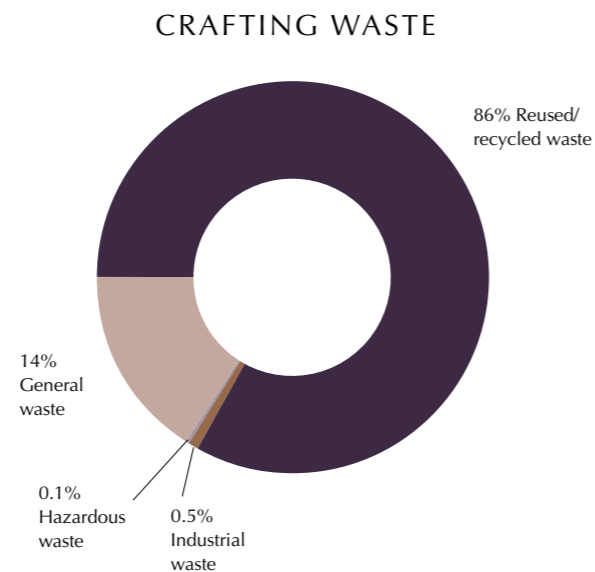
Our new LEED certified facilities have a clear focus on water recycling, and we expect to improve our future water consumption and recycling significantly.

Waste

The crafting of our jewellery generates four main types of process waste: gypsum, glass, rubber and wax. Gypsum waste is recycled in the construction sector, glass waste is recycled into glass tiles, rubber waste is used as fuel by the cement industry and, finally, wax waste is used in the casting process by a figurine manufacturer. Some categories are sold and others we pay to have recycled, as in the case of gypsum where PANDORA pays for the transportation to the vendor.

In 2015, these four main types of waste reached an impressive result: 100% reuse or recycling, making the total reuse or recycling of our crafting waste 83%. In 2016, we were able to continue the trend with 100% recycling of our main types of waste and a total recycling of 86%.

Find more detailed data on waste on pandoragroup.com/csr



Mountain view from the top of our crafting facility in Lamphun



BUILDING FOR A GREENER FUTURE

At PANDORA, we constantly strive to minimise our impacts on the planet, and we have taken great strides to ensure we can be environmentally friendly in various ways, every day. In 2016, we opened a new, highly modernised crafting facility in Lamphun in Northern Thailand. Awarded the Leadership in Energy and Environmental Design (LEED) certificate, the new green building meets the highest demands regarding CSR and sustainability, placing PANDORA in a league of its own in the jewellery industry.

The construction process itself aims for high sustainable standards. In order to minimise transport emissions, most of the building materials originates from an area within 800 km from the construction site, 30% of construction materials are made of recycled content, and 75% of the construction waste was diverted to recycling facilities.

The new facility provides an inspiring and healthy working environment for our colleagues. Due to its many impressive sustainability features, water and energy usage is lower than ever: A reduction of 45% in water consumption is possible due to a specially designed water management system, and innovative air conditioning and ventilation systems help reduce ventilation energy losses by up to 80%. At the same time, solar panels on the roof of the main crafting facility generates electricity equivalent to 14% of the total energy consumption of the facility corresponding to 700 Thai households.

And it doesn't stop there. Another sustainable, state-of-the-art crafting facility is due for completion in 2018 at our site in Bangkok, Thailand. Additionally, in Copenhagen, Denmark, the new PANDORA Global Office, which we moved into in 2016, are LEED-certified in the gold category. Here, energy consumption is powered by windmills and onsite solar panels, and recycling stations for all types of materials have replaced bins on the office floors.

LOGISTICS

PANDORA jewellery is sold in more than 100 countries around the world; hence PANDORA requires logistics services from a variety of different providers moving our goods through different types of transport – rail, sea, road and air. In 2014, CO₂ emissions from the transport of our jewellery was identified as a focus area, and we have been in close dialogue with our transport providers on how to gather reliable data and how to minimise emissions in the future. In 2016, the estimated transport emissions for over 90% of our transport activities amounted to 8,700 tonnes of CO₂; up from 5,400 in 2015. We consider this rise in transport emissions to be a result of our growth and especially the increased number of concept stores, which is without a doubt the store type with the highest use of point of sales materials: such as fixtures & furniture, bags & boxes. It is encouraging that dialogue with our transport providers, all global leaders in their industries, clearly shows a dedication towards lowering their emissions. In 2017, we will continue the dialogue but still concentrate our focus on a place where our sphere of influence is stronger: our supply chain and our crafting.

Bus services

We offer our PPT colleagues safe bus transportation to and from work, which, in 2016, totalled more than 40,000 round trips and more than 1,6 million kilometres. By year end, more than 9,700 people regularly made use of this service. Bus companies are subject to regular controls by government agencies and our in-house SHE teams. With 50 passengers per bus and buses in good condition, this option is highly energy efficient compared to other feasible means of transportation. The bus transportation set-up has been replicated at our new facility in Lamphun.

STORES

PANDORA jewellery is presently sold in about 2,100 PANDORA concept stores around the world, of which more than around 600 are owned and operated by PANDORA. The remaining stores are operated by our retail partners.

Our current store concept “Evolution” was introduced in 2014 and it is environmentally friendly in several ways. The concept is designed to be extra durable and it is possible to replace smaller parts over time – stretching the lifetime of the fixtures and furniture. As part of the development of Evolution, energy consumption was considerably reduced by relying on LED lights rather than conventional light bulbs. According to our in-house estimates, this change and the ongoing optimisation of LED light bulbs has enabled us to cut up to 50% off our electricity consumption in an average PANDORA concept store. The reduction is a result of more efficient lights, which also create less heat – reducing the need for air conditioning. In 2016, approximately 50% of all concept stores had switched to Evolution.

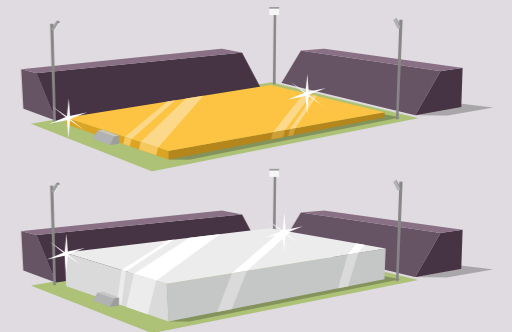
Finally, all paper bags are certified by the Forest Stewardship Council (FSC). Moreover, we continuously seek to expand our range of certified paper-based and wood-based materials according to international sustainability standards.

PLANET – KEY PERFORMANCE INDICATORS

	2016	2015	2014	2013
Water consumption at crafting facilities, m ³	584,108	483,000	379,000	292,000
Recycled crafting waste, %	86	83	81	57
Energy consumption at crafting facilities, MWh	35,907	29,472	23,243	19,170
Global transport emissions, tonnes CO ₂	8,665	5,435	4,324	-
Recycled silver/gold, %	91/86	83/96	99/90	-



TOTAL AMOUNT OF GOLD AND SILVER GLOBALLY



Gold and silver experts Metalsfocus estimates that through time 180,000 tonnes of gold and 1,900,000 tonnes of silver have been mined from Earth. Spread out on a football field, it would look something like the above.

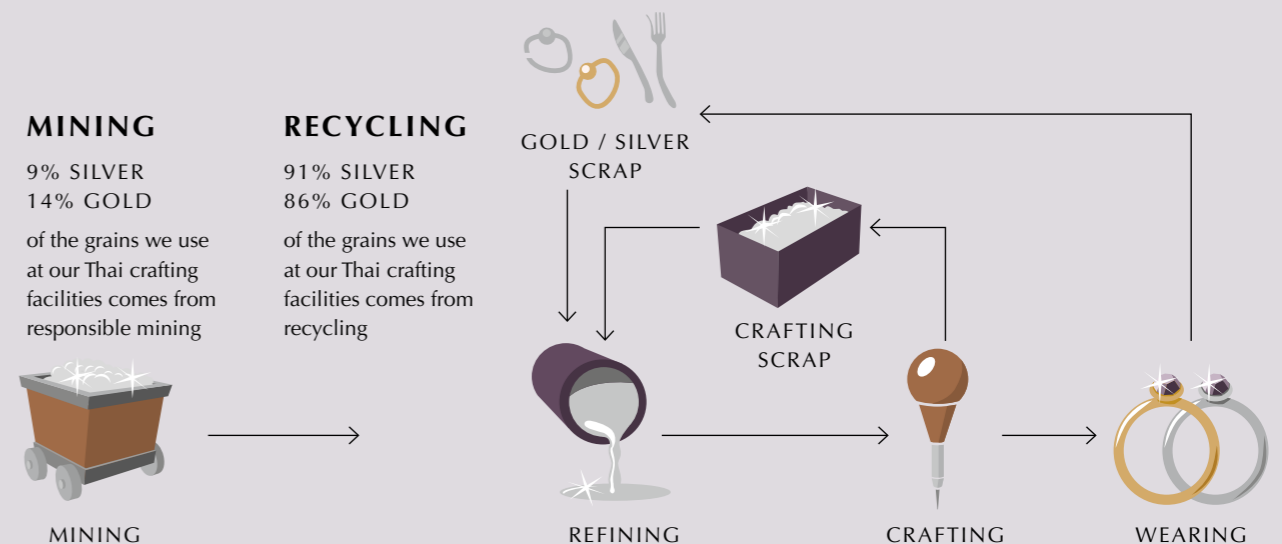
GOLD AND SILVER FACTS

Originating from a goldsmith’s work bench, our path to success has been paved with gold and silver; the foundation of the vast majority of our jewellery today.

Besides their alluring look and fantastic crafting potential, gold and silver also have great environmental benefits. Being high-value precious metals, obsolete gold and silver objects are not thrown away, but are re-melted and re-refined into pure quality gold and silver, which can be used time and time again without their quality being diminished.

Using recycled precious metals significantly reduces the environmental impact compared to the impact of mined metals.

Gold and silver are both finite materials, but the exact amount of what we have on Earth can only be based on assumptions.



One of our craftspeople
working on a silver charm



PRODUCT

PANDORA PRODUCT IN BRIEF



2.7
BILLION

STONES SET INTO OUR
JEWELLERY

The vast majority being man-made,
often exhibiting the same basic
crystal structure as natural stones



RESPONSIBLE SILVER

PANDORA supports the
development of new responsible
silver certification schemes



30

PAIRS OF HANDS

on average contribute to creating
one piece of jewellery



>85%

of our total sourcing value
audited by external experts



ISO 9001
QUALITY MANAGEMENT
certification

100%
RJC CERTIFIED

SILVER AND GOLD GRAIN
SUPPLIERS

199

PARTICIPANTS FROM KEY
SUPPLIERS

Received Ethics training
at our crafting facilities

CRAFTING OUR PRODUCTS WITH INTEGRITY

DESIGN

Any PANDORA product starts its journey with our in-house Design team. As a new piece evolves, our designers will make choices on which materials to use. Whenever new materials or suppliers are introduced, our Ethics teams are consulted in order to discuss potential environmental or social impacts. Such early interaction helps to ensure that PANDORA refrains from using potentially problematic materials – and it provides Group Ethics and other departments with valuable knowledge, enabling them to act in due time.

Our designers constantly interact with our Thai crafting facilities to ensure that our designs and crafting techniques are a match. At our cutting-edge Innovation Centre in Bangkok, Thailand, we develop innovative processing techniques and continuously improve our ability to introduce new products. The Innovation Centre offers our Thai colleagues the opportunity to work and invent on the frontline of technical developments within the jewellery industry, and each colleague acquires top-notch skills within advanced jewellery manufacturing. It is our firm belief that the development projects at PANDORA's Innovation Centre make an important contribution to maintaining Thailand's position as a global hub in the jewellery industry.



RESPONSIBLE SUPPLIER PROGRAMME

All of our suppliers (subcontractors, original equipment manufacturers, original design manufacturers and material suppliers) for our Thai crafting facilities, as well as the suppliers providing all store materials, are enrolled in our Responsible Supplier Programme. Suppliers are required to sign and comply with our Suppliers' Code of Conduct, which is downloadable from www.pandoragroup.com/csr.

To support our suppliers in complying with our code of conduct, we have developed a comprehensive supplier programme. Our Ethics teams, based in Bangkok, Hong Kong and Copenhagen, work extensively with our suppliers all over the world to enable them to fully understand our requirements, and to inspire them to implement sustainable solutions. To this end, we offer our suppliers ongoing dialogue and training in issues such as safety, health and environmental management, national/international worker rights and human rights, and we take pride in showcasing our own best-practice solutions.

RESPONSIBLE SUPPLIER PROGRAMME

SUPPLIERS' CODE OF CONDUCT

All suppliers must sign our Suppliers' Code of Conduct

SCREENING AND CATEGORISING

Risk assessment

SUPPLIER TRAINING

Annual training in selected issues

PANDORA AUDITS

BKK, HKG & CPH Ethics teams

THIRD-PARTY AUDITS

Suppliers are audited on a two-year cycle

PREFERRED SUPPLIERS

Long-term, high-achieving suppliers may be granted status as preferred suppliers. These enjoy preferential terms, focusing on integration and trust over audit and control.

CORRECTIVE

ACTIONS

AS REQUIRED

Suppliers must

remedy identified

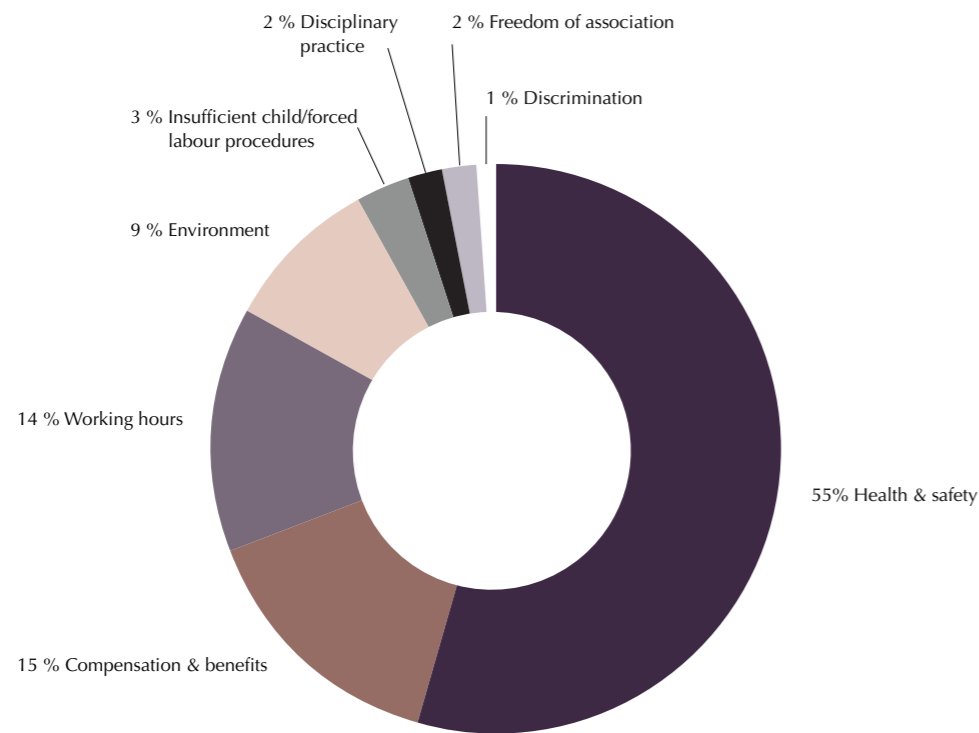
issues

SUPPLIER AUDITS

In 2016, we reached our target, stipulating that 85% of our total sourcing value must come from suppliers who have been audited by either our external auditing company or are certified members of the RJC. This means that they have been audited against the broadest and strictest standards within the jewellery supply chain. The majority of non-compliance cases identified during the independent supplier audits involve either health and safety standards or working conditions. PANDORA's crafting facilities in Thailand has

worked diligently to achieve high standards as well as expertise within both areas. Thus, we seek to transfer our knowledge and expertise to our suppliers helping them to raise safety levels, job satisfaction and commitment – and thereby also attraction, retention, productivity and profitability. Further, in 2016, 199 participants from our key suppliers attended a one day conference at our new facility in Lamphun. Here we showcased our state-of-art green solutions.

NON-COMPLIANCE ISSUES IDENTIFIED AT AUDITED SUPPLIERS IN 2016



All PANDORA paper bags originate from wood from sustainable forestry

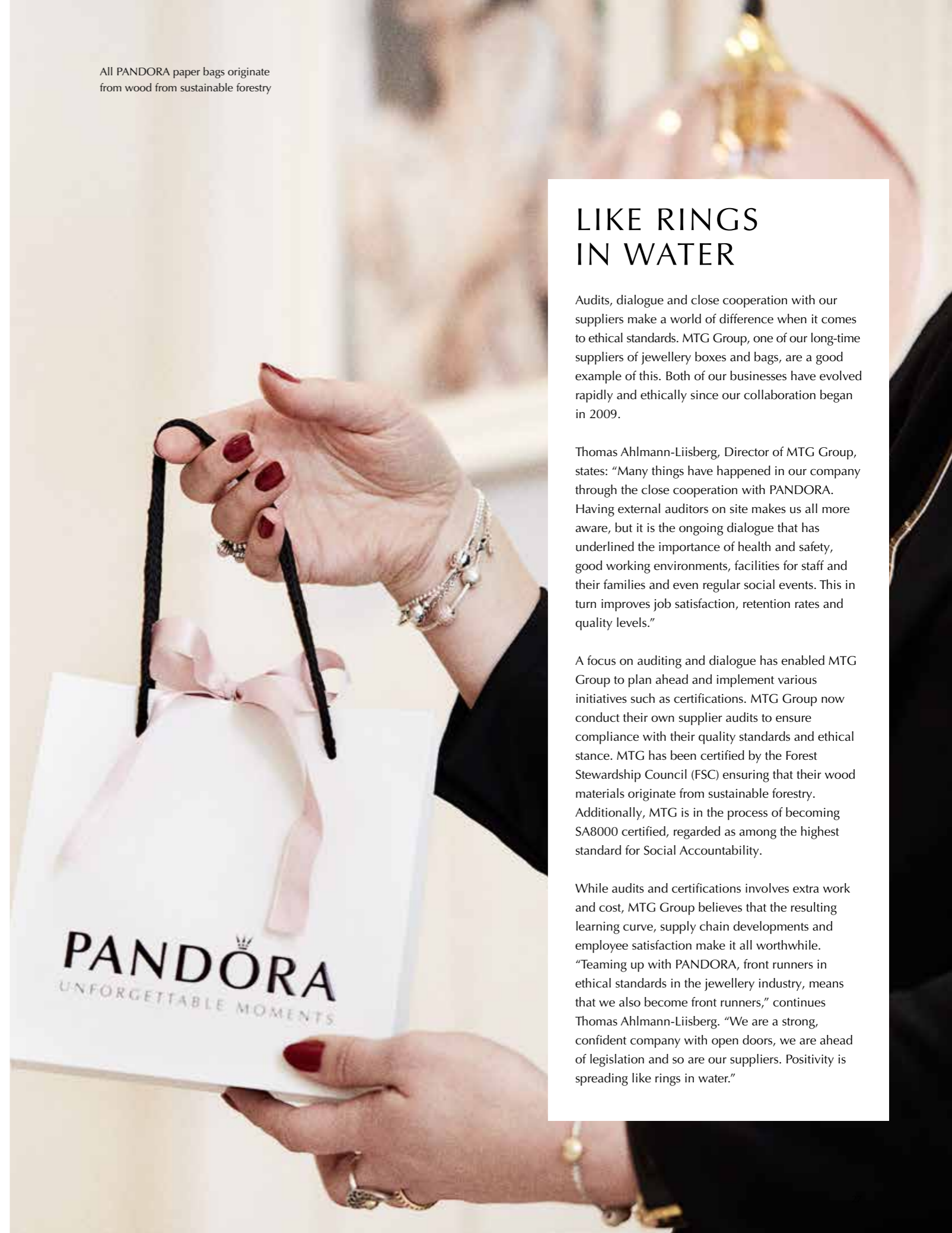
LIKE RINGS IN WATER

Audits, dialogue and close cooperation with our suppliers make a world of difference when it comes to ethical standards. MTG Group, one of our long-time suppliers of jewellery boxes and bags, are a good example of this. Both of our businesses have evolved rapidly and ethically since our collaboration began in 2009.

Thomas Ahlmann-Liisberg, Director of MTG Group, states: "Many things have happened in our company through the close cooperation with PANDORA. Having external auditors on site makes us all more aware, but it is the ongoing dialogue that has underlined the importance of health and safety, good working environments, facilities for staff and their families and even regular social events. This in turn improves job satisfaction, retention rates and quality levels."

A focus on auditing and dialogue has enabled MTG Group to plan ahead and implement various initiatives such as certifications. MTG Group now conduct their own supplier audits to ensure compliance with their quality standards and ethical stance. MTG has been certified by the Forest Stewardship Council (FSC) ensuring that their wood materials originate from sustainable forestry. Additionally, MTG is in the process of becoming SA8000 certified, regarded as among the highest standard for Social Accountability.

While audits and certifications involves extra work and cost, MTG Group believes that the resulting learning curve, supply chain developments and employee satisfaction make it all worthwhile. "Teaming up with PANDORA, front runners in ethical standards in the jewellery industry, means that we also become front runners," continues Thomas Ahlmann-Liisberg. "We are a strong, confident company with open doors, we are ahead of legislation and so are our suppliers. Positivity is spreading like rings in water."



CORE MATERIALS

The vast majority of PANDORA's products are made of silver and/or gold, often decorated with man-made cubic zirconia stones and less often with gemstones or diamonds. At PANDORA, we are fully aware that the mining and processing of precious metals, gemstones and semi-precious stones can be associated with adverse social and environmental impacts. As a major player within the jewellery industry, we recognise our ability as well as our responsibility to help develop a more responsible supply chain for core jewellery materials.

In 2016, all gold grains entering PANDORA's crafting facilities were sourced from reputable refining companies, certified according to the RJC Code of Practices. Furthermore, all gold must be certified conflict free according to the London Bullion Market Association (LBMA) "Good Delivery List" or the RJC Chain-of-Custody Standard for gold. Notably, 86% of gold grains originated from recycling and the remaining 14% from certified responsible sources – including mining. In 2016, 91% of the silver grains entering PANDORA's crafting facilities originated from recycling. Moreover, our silver grain suppliers are certified members of the RJC.

Additionally, PANDORA cooperates with a number of highly specialised manufacturers of semi-finished gold and silver parts. In 2016, these partners produced approximately 16 million pieces of jewellery. All such partners must deliver auditable proof that the gold used in their products is sourced from RJC-/LBMA-certified suppliers. Today, there are no similar certification schemes for silver, but promising initiatives are expected within 2017/18. PANDORA supports these initiatives and is actively participating in the development of these standards.

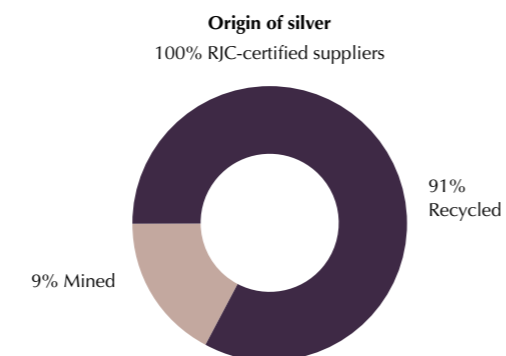
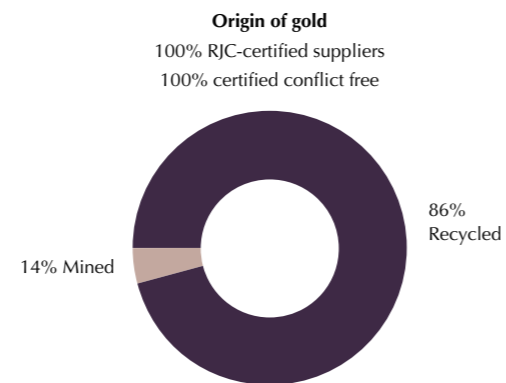
Stones

Man-made stones, natural gemstones and diamonds are all included in our assortment. While we have made no decision to remove diamonds and gemstones from our assortment, man-made stones are taking on an increasingly important role in our collections. In 2016, we used approximately 2,7 billion stones, the vast majority being man-made cubic zirconia. Man-made stones can be identical to their natural gemstone counterparts in almost every way, and will often exhibit the same basic crystal structure as natural stones. However, the risk of contributing to adverse human rights impacts are minimal and the environmental cost is significantly lower (see PLANET).

Man-made stones are also fully traceable and can be supplied in quantities suitable for large-scale jewellery crafting. Finally, they exhibit fewer variations in colour and quality, which considerably reduces material waste.

From 2012 to 2016, diamonds were only included as a feature on special-edition PANDORA Club charms. The diamonds on these charms were all natural diamonds recycled from discontinued PANDORA jewellery. In the sourcing of natural diamonds, which we continue to do to support customer demand for existing collections, we only accept suppliers who are members of the RJC and who can certify compliance with the System of Warranties, established by the World Diamond Council for diamond sourcing.

ORIGIN OF PRECIOUS METALS



Great customer service in one of our stores

PRODUCT – KEY PERFORMANCE INDICATORS

	2016	2015	2014	2013
Suppliers enrolled in PANDORA's Responsible Suppliers Programme, %	100	100	100	-
Total sourcing value audited by external experts, %	>85	>80	>80	>75
Silver and gold grain suppliers certified by Responsible Jewellery Council, %	100	100	100	100
Suppliers trained in ethical business practices at annual PANDORA supplier conferences	199	150	-	-

Quality control of one
of our glass charms



PARTNERSHIPS

RESPONSIBLE BUSINESS PRACTICES ARE A WORK IN PROGRESS

CREATING SHARED VALUE

By engaging in external partnerships PANDORA gains valuable insights into critical factors shaping our business environment, such as legislation, mining practices, industry dynamics, marketing ethics and consumer expectations. Our engagement spans from active membership of – and communication through – the United Nations Global Compact and the Danish Business Network for Human Rights (DBNHR) to community engagement at our Thai crafting facilities, support to charitable organisations and dialogue with the millions of consumers that has signed up to our social media platforms. As members of the steering committees for both the Danish UN Global Compact network and the DBNHR we seek to learn from and influence the ethical performance of other Danish companies.

Perhaps more importantly, PANDORA has since 2010 been a member of the Responsible Jewellery Council (RJC), and the entire company has been externally certified according to the RJC Responsibility Standards. The RJC is a full member of the ISEAL Alliance – the global membership association for credible sustainability standards. In 2016 the RJC accounts to more than 850 dedicated companies from across the jewellery supply chain. PANDORA is seated in RJC's Executive Committee and has been elected as chair of the multi stakeholder Standards Committee. Here we facilitate the cooperation between responsible brands, independent jewellery experts and NGOs.

In 2016 the Standards Committee started a review process of the RJC standards to ensure that they always reflects the most ambitious ethical performance. Further, the committee recommended the RJC to expand its scope from gold and diamonds to also include coloured stones and silver.

STRATEGIC PARTNERS

Like PANDORA, our strategic partners, such as Disney and Signet, also have strict ethical requirements of their business partners. This means that our crafting facilities in Thailand, as well as relevant suppliers and subcontractors are subject to audits and approvals by these partners before a final business contract can be signed, and are subject to frequent audits hereafter.

BUILDING BRAND EQUITY

Besides loving our jewellery, we want to assure our consumers that our jewellery is sourced, crafted and traded in accordance to the highest ethical standards in the industry. We are working on a number of platforms to communicate this message, primarily through PR activities, social media and store staff training.

In 2016, we proactively shared our ethical aspirations, efforts and results with fashion and news media, and hosted numerous press visits to our crafting facilities in Thailand. The participating media representatives paid special interest to three subjects in particular – design, craftsmanship and ethical business practices – and this interest led to a great deal of ethics-related PR coverage for PANDORA. In 2017, we will continue the communication of our ethical standards, through PR and social media primarily.

INTERNAL GOVERNANCE

For PANDORA, the aim of good corporate governance is to maximise long-term value creation and ensure transparency and accountability in the way we fulfil our obligations towards all key stakeholders. PANDORA intends to exercise good corporate governance at all times, and we assess our practices according to the recommendations issued by the Danish Committee on Corporate Governance (read more at www.pandoragroup.com). PANDORA Ethics is governed by our Ethics Steering Committee, headed by our Vice President, Group Ethics, and is further made up of the heads of Procurement, Manufacturing, HR, Investor Relations and Corporate Communications, with our CFO representing executive management. Our progress in advancing responsible business practices is addressed at least biannually, at PANDORA's Audit Committee under the Board of Directors.

Indigenous plants ensures biodiversity at our crafting facility in Lamphun

CRADLE-TO-CRADLE

This Ethics Report is a cradle-to-cradle certified product. This means that you turn over the pages of a 100% biological decomposable and totally free of any toxic chemicals and heavy metals report.

It also means that in producing this Ethics Report, we have reused the resources of the earth in a natural circular process, leaving no harmful waste materials poisonous for people or the environment. A true inspiration for our own journey towards a still more sustainable setup.



PANDORA A/S
Havneholmen 17-19
DK-1561 Copenhagen V
Denmark

Phone: +45 3672 0044
CVR nr.: 28505116

www.pandoragroup.com

PANDORA