

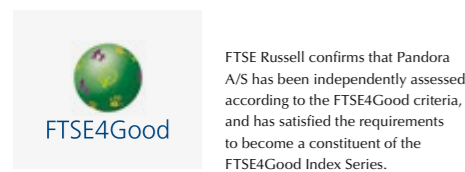
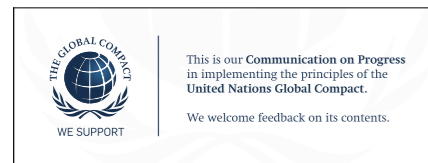
A young woman with long brown hair, wearing a maroon shirt, is smiling and looking to the right. She is holding a pen and appears to be working on a project. In the background, another person is visible, also working. The setting is a classroom or workshop with various items on a table.

PANDORA ETHICS REPORT 2017/18

PANDORA

Front page: A colleague
from our crafting facility
in Northern Thailand

CONTENTS



PANDORA contributes to progress on most of the 17 united nations sustainable development goals. We focus on the seven goals where we believe our business can have the largest positive, as well as adverse, impact.

4	CEO STATEMENT	24	SILVER, GOLD & STONES
5	ABOUT PANDORA	26	Silver & Gold
6	PANDORA ETHICS TIMELINE	27	Environmental benefits
8	PEOPLE	29	Stones
10	People in brief	30	PRODUCT
11	Providing proper working conditions for our people	32	Product in brief
16	Case: My School Project	33	Crafting our products with integrity
18	PLANET	36	Case: The Story of Jet and Bee
20	Planet in brief	38	PARTNERSHIPS
21	Minimising our environmental impact	40	Creating shared value
23	Case: A personal take on ethically produced jewellery		

CEO STATEMENT

In 2017, PANDORA revenue increased by 12% to DKK 22.8 billion, and we strengthened our foundation for future growth with several strategic initiatives company-wide. In this interview, PANDORA CEO, Anders Colding Friis, discusses some of the highlights from the past year and the importance of having high ethical standards.



WHAT WAS THE BIGGEST CHANGE FOR PANDORA EMPLOYEES IN 2017?

“Our business is always evolving, and there are plenty of opportunities for employees to evolve with it. In 2016/17, for example, more than 2,000 employees decided to change their lives by relocating from our crafting facilities in Bangkok to our new crafting facility in Northern Thailand. We have tried to make this journey as attractive for them as possible, and are grateful for having their passion and expertise with us.”

HOW DID PANDORA'S RETAIL PRESENCE EXPAND IN 2017?

“We opened more than 300 new concept stores globally and continued to improve our consumer-facing activities. Our eSTOREs also performed well with strong development across regions; sales increased by 60% compared to last year. As a result, we will continue to welcome and train even more colleagues in this part of our business.”

WHAT INVESTMENTS ARE MADE TO SUPPORT INCREASED DEMAND?

“To support demand, we have continued to invest in our crafting facilities. We were proud to open our new green production facility in Lamphun, near Chiang Mai, in Northern Thailand in early 2017. Besides being Leadership in Energy and Environmental Design (LEED) Gold certified, we are already harvesting the benefits of the facility's leaner crafting process, which enables us to increase efficiency and reduce lead times.”

IS IT TRUE THAT INNOVATION, DESIGN AND CRAFTSMANSHIP GO HAND IN HAND AT PANDORA?

“It is very true. To strengthen our capabilities for the future even further, we have built a new PANDORA Innovation Centre in Bangkok, incorporating the latest technology in jewellery crafting and design, where we can explore innovations and develop new concepts. We have furthermore updated our innovation and product development process, to speed it up and make it even more consumer-centric.”

WILL PANDORA OPEN ANY NEW FACILITIES IN 2018?

“Yes, we already have. The new LEED certified facility we built in Gemopolis, Bangkok, opened for commercial production in early 2018 to further strengthen our position as the world's largest jewellery manufacturer – with very high environmental standards.”

DOES THE GROWTH MEAN THAT PANDORA HAS TO CUT CORNERS ON ETHICAL APPROACHES?

“No. What we are especially proud of is that we have achieved solid growth for the future without compromising on our high ethical standards and environmentally friendly initiatives, which you can read more about in the report.”

HAS PANDORA COMMITTED ITSELF TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS)?

“PANDORA is committed to United Nations Global Compact and contributes to progress on most of the 17 UN SDGs. As for now, we are focusing on the seven goals where we believe our business has the greatest impact.”

ANY FINAL THOUGHTS?

“I would like to thank our employees for their contribution to our results, our customers who have stayed loyal to our brand, and our shareholders for their support.”

Anders Colding Friis,
President & Chief Executive Officer

ABOUT PANDORA



13,250
CRAFTSPEOPLE IN
THAILAND

They bring their skills,
their vision and their hearts and
minds to work each day



+27,350
PEOPLE GLOBALLY

+117
MILLION
PIECES OF JEWELLERY
CRAFTED

That equates to more than 13,000
pieces of jewellery every hour of
every day



7,700
POINTS OF SALE

2,400 of these are
PANDORA concept stores



DKK 22.8 BILLION
IN REVENUE

A 12% increase
compared to last year

10.7 MILLION
PANDORA Club members



13 MILLION
Facebook followers

OUR CRAFTING FACILITIES
IN THAILAND

Hubs of innovation and efficiency
that ensure our ability to maintain
and develop high ethical standards



PANDORA ETHICS TIMELINE



2010

PANDORA's CSR department established



2011

Launched Responsible Supplier Programme

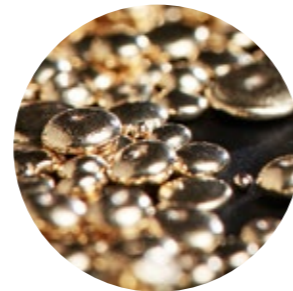
Signatory of UN Global Compact



2012

Certified member of the Responsible Jewellery Council (RJC)

PANDORA Ethics Compliance Programme launched



2013

100% of silver and gold grain suppliers are RJC/LBMA-certified

Responsible Supplier Programme enhanced



2014

New energy-efficient store concept launched

Partnership with Disney established

All paper bags labelled with Forest Stewardship Council (FSC) trademarks



2015

RJC re-certification against their 120 provisions completed

100% recycling of our four main types of production waste



2016

New LEED-certified Global Office opened in Copenhagen, Denmark

10th "My School" local community project



2017

PANDORA engaged in setting new RJC Chain of Custody standard for gold

PANDORA Production Thailand, Lamphun becomes LEED-gold certified

Colleagues starting their workday at our
crafting facility in Northern Thailand



PEOPLE

PANDORA PEOPLE IN BRIEF



5,200

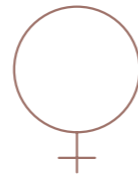
BOOKS AVAILABLE AT OUR
LIBRARIES IN THAILAND

The most popular books in the employee libraries are in the self-development and production effectiveness genre



5,850

NEW JOBS AT PANDORA
WORLDWIDE



63%

OF OUR MANAGERS
ARE FEMALE

170,000

E-LEARNING MODULES
COMPLETED

That equates to more than
450 modules every day in 2017

4.2%

EMPLOYEE TURNOVER
IN THAILAND



>16,000

VISITS TO OUR
EDUTAINMENT CENTRE

Our Thai crafting facilities provide free access to PCs, library services and training resources



SPECIAL BENEFITS
FOR PREGNANT EMPLOYEES

8,500

ATTENDEES AT OUR
NEW YEAR'S PARTY

Our Thai colleagues enjoyed
a great event



8.2

HOURS OF TRAINING

Every crafting colleague receives
this amount of classroom training
on average in 2017

PROVIDING PROPER WORKING CONDITIONS FOR OUR PEOPLE

CODE OF ETHICS

The PANDORA Code of Ethics stipulates our ethical aspirations as a company and our ethical expectations regarding the behaviour of our people. The Code of Ethics covers areas such as human rights, working conditions, environmental footprint, anti-corruption and supplier relations. Building on our ethics policies, the Code offers PANDORA employees one common point of reference for ethical dilemmas, backed by training modules spanning hiring procedures, workplace ethics, anti-harassment, fraud, gift giving and the misuse of company assets.

In 2017, we developed a new Code of Ethics training programme, which will be rolled out to all employees in the beginning of 2018. The training programme includes e-learning, on-site training sessions and an ethical dilemma board game aimed primarily at management.



Working in a PANDORA shop requires knowledge of hundreds of different jewellery pieces and possible variations

TO SUPPORT THE CODE OF
ETHICS, OUR EMPLOYEES
ARE ENCOURAGED TO
RAISE ETHICAL CONCERNS

To support the Code of Ethics, our employees are encouraged to raise ethical concerns with local management, HR, Legal or Ethics departments. Should employees perceive that their 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 Whistleblower. In 2017, less than 10 cases were raised through the Whistleblower. We see this as a positive indication of our employees' trust in our internal structures.

TRAINING

The main contact between PANDORA and our consumers is established and nurtured by over 30,500 people, who are passionate about selling our jewellery in more than 100 countries around the world. Sales associates have to take on an enormous amount of information covering the entire PANDORA universe. We are dedicated to helping sales colleagues develop their skills and knowledge, both in our own stores and in over 7,100 points of sale operated by our partners.

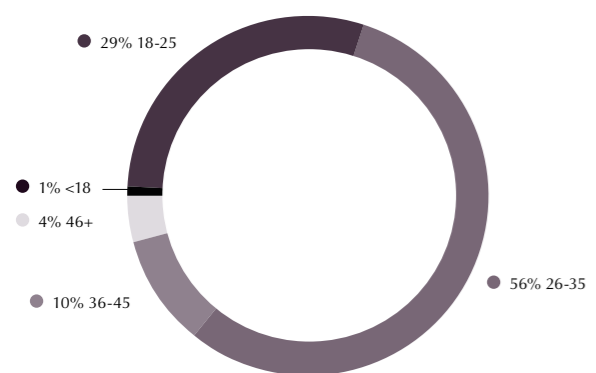
Our extensive training programmes span face-to-face training, coaching and e-learning. The scope is broad and entails training in PANDORA's values, ethics, identity and history, jewellery and materials expertise, crafting processes, and professional sales skills and techniques. Face-to-face training is supported by our comprehensive e-learning programme, which is available in 23 languages. In 2017, the number of online training sessions completed amounted to more than 170,000.

DIVERSITY

Employment and promotion 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 2017, 39% of senior management were women, compared with 37% in 2016, 33% in 2015 and 34% in 2014.
- The gender composition of the Group's leadership programmes should mirror the gender composition of employees 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 2017, women accounted for 64% of this management group, and made up 60% of the enrolment in our leadership programmes.
- By 2018, our objective is that at least 35% of Board members elected at the Annual General Meeting should be women. At the end of 2017, women made up 33% of our Board members (3 out of 9), compared with 30% in 2016 (3 out of 10). This means we are well above the average of 16% for Danish listed companies. The Board will continue to consider gender composition when appointing new members.

AGE SPLIT, GROUP



Headcount
December 31, 2017

GENDER SPLIT, MANAGEMENT

	Male	Female
Board	67%	33%
Senior Management (MB, VP + GMs)	61%	39%
Directors and managers	34%	66%
Store managers	9%	91%
Total management	37%	63%

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 (RJC'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 and 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 our 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 crafting facilities in Thailand 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 International Labour Organisation (ILO) standards. Overtime at PANDORA is always voluntary, compliant with the Thai law and remunerated at premium rates. In 2017, weekly working hours periodically and to a minor extent exceeded 60 hours per week. In order to mitigate this and ensure our capacity for future growth, we opened new state-of-the-art facilities in Northern Thailand in 2017 and in Bangkok in early 2018, hired 850 additional employees and introduced new lean crafting processes.

PANDORA's Human Rights Policy stipulates our commitment to the United Nations Guiding Principles on Business and Human Rights, and the core conventions of the 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.

FOCUS ON THAILAND

Our modern manufacturing facilities in Thailand, placed in Bangkok and Lamphun (Northern Thailand), provide safe, healthy, developing and engaging working conditions for more than 13,250 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 company.

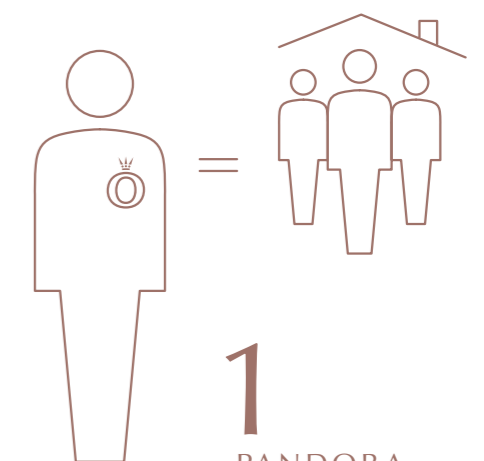


Buddhist shrine at our crafting facility in Bangkok

SOCIAL IMPACT STUDY

We consider our crafting facilities in Thailand to be a significant positive contributor to the surrounding Thai communities and the country in general. This has been verified by a recent Social Impact Study conducted by external experts and finished in 2017.

The study showed that the average total salary for a PANDORA crafting employee is above the industry average, and that it can sustain an average-sized household in Bangkok (2.9 people) and more than two average-sized households (3.1 people) in Northern Thailand, where living expenses are significantly lower. Furthermore, the study showed that for each job at the PANDORA crafting facility in Bangkok, 1.7 additional jobs are created in Thailand, due to the overspill effect of purchasing from suppliers and the spending power of our employees.



1
PANDORA
CRAFTING
EMPLOYEE'S
SALARY

SUSTAINS ONE
AVERAGE HOUSEHOLD
IN BANGKOK AND
ALMOST 2 AVERAGE
HOUSEHOLDS IN
NORTHERN THAILAND



Learning new skills and techniques at our Jewellery Skills Academy

TRAINING AND DEVELOPMENT

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 for specific jewellery making skills from beginner to expert levels. In 2017, 93 courses were completed with a total of 4,125 participants.

Recognising that access to education is a challenge in Thailand, we have established Edutainment Centres in both Bangkok and Lamphun, which feature contemporary e-learning and internet facilities, and a library.

This provides our colleagues with a comfortable and inspiring environment where they can relax and learn. During 2017, the libraries in Bangkok and Lamphun had more than 16,500 visitors and more than 5,200 books were available throughout the year; the most popular genres in 2017 were self-development and production efficiency.

EMPLOYEE WELFARE COMMITTEE

We have established an Employee Welfare Committee at both our Bangkok and Lamphun sites, consisting of 15 and 10 committee members respectively who are elected by their colleagues every second year. The last election in Bangkok in 2016 had a participation rate of 86% and we also expect high engagement in our 2018 elections.

Both committees operate with three sub-committees, responsible for coordinating employee interest in a) General Employee Welfare, b) Employee Relations and c) Social Activities. The Employee Welfare Committee is offered modern facilities and extensive training in their roles.

Employee benefits at our crafting facilities 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.



Parenthood course for mothers to be

HEALTH AND SAFETY

At PANDORA Production Thailand (PPT), we operate an effective Safety, Health & Environment (SHE) Committee comprising senior management and elected employee representatives. The employee representatives are offered modern, on-site facilities and receive comprehensive training, both in-house and externally, enabling them to contribute to their roles effectively. 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 cases of non-compliance. SHE professionals are involved in all new production set-ups to make safety a priority from the start. In 2017, 48 SHE related courses in general health, safety, and firefighting were completed with more than 2,600 participants. 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 two work-related accidents at PPT (resulting in a total of four lost working days). With 13,250 people employed at PPT by the year end, this is a remarkably low accident rate compared with any industrial sector in any country.

COMMUNICATION

We want to provide up-to-date and relevant information for our colleagues so that everyone fully understands the context of their work, and has a clear picture of PANDORA's global performance and the feedback we receive from our consumers. To this end, we share company 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.

The PANDORA self-service app provides 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 also want to listen to our colleagues. Besides training and encouraging people to speak up and 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.

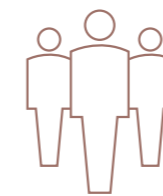
Several times a week, our HR Services team sets up mobile consultation centres in canteens and locker rooms during lunch breaks. This allows employees to ask questions or seek assistance for issues such as pay, benefits or employee relations at a time and place convenient for them. In 2017, the HR Services team provided such consultation setups 246 times.



United Nations Development Programme (UNDP) Goodwill Ambassador Nikolaj Coster-Waldau, was the honorary referee and judge at the Global Goals World Cup

SOCIAL EVENTS

Our colleagues' commitment to PANDORA is also clearly visible during our social events. At the annual year-end party some of Thailand's greatest stars appeared onstage, making sure more than 8,500 colleagues had a great time. What initially started out as a small company outing to the beach around twenty years ago has evolved into a two-day beach event for hundreds of people in 2017. Colleagues who chose not to go to the beach received family tickets to the nearby amusement park instead. Finally, our all-female football team participated in the Global Goals World Cup in Bangkok, playing for awareness and to support the United Nations initiative: Sustainable Development Goals. We received the prize for the best-engaged crowd.



PEOPLE ASPIRATIONS

To ensure our people have a safe, developing workplace



PEOPLE

	2017	2016	2015	2014
Craftspeople turnover, %	4.2	3.2	3.3	5.0
Global incident rate (OSHA standard)	0.30	0.30	0.18	0.17
Employees offered annual personal development reviews, %	100	100		
Training hours per craftsman	8.2	14.2	14.5	

MY SCHOOL PROJECT

Since My School Project began in 2006, over 550 volunteers have donated their time to renovating 11 different schools, thus helping improve the education of students.

At PANDORA, contributing to the United Nations Sustainable Development Goals at a company level extends to ensuring sustainable development goals on a personal level. The annual PANDORA My School Project gives colleagues in Thailand the chance to say thank you to their local community, the school they attended and their teachers with a gesture that is tangible and benefits the next generation; rebuilding school facilities that inspire children through teaching, development and play.

CHILDREN ARE THE FUTURE AND WE ARE HELPING THEM ON THEIR WAY BY BUILDING NEW SCHOOL FACILITIES IN LOCAL COMMUNITIES IN THAILAND.

In some areas of Thailand, especially rural areas, school buildings can be run-down and filled with old equipment. Some schools may lack essential everyday facilities, such as wire screens to prevent mosquitoes, a good supply of water, adequate sanitation, or toys, which can restrict developmental activities and lower the quality of education.



A renovated and freshly painted school building waiting for the traditional hand-over ceremony

In 2017, more than 80 PANDORA volunteers built a new school building at Ban Non Bok Junior School in a rural area of Ubon Ratchathani – a school that several PANDORA employees attended. After the renovation, in keeping with the project’s tradition, PANDORA hosted a ceremony where the whole community came together to celebrate the new facility and the colleague who nominated their old school.

My School Project is unique and transparent, enabling employees to play an active role in rebuilding the school they nominate and feel a connection with it. Whenever a new school opens for learning, the positivity around the project rings loud and clear in the community, because it transforms the opportunities for children in a way that is truly personal, and that people can see.

Proud colleagues have contributed their voluntary work to renovate and upgrade a local village school

“Most companies would collect money and donate to the school, but not build a whole new building. Thanks to this project, I could pay back to my hometown, providing education opportunities to the children that live where I once did.”

Prontana Khiandar, Team Leader, IQC Raw Material, whose school was selected in 2017

11
NEW SCHOOLS
RENOVATED SINCE 2006



THIS STORY REFLECTS SEVERAL UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS:

- Goal 4: Quality Education,
- Goal 5: Gender Equality,
- Goal 6: Clean Water and Sanitation,
- Goal 17: Partnerships for the Goals

The state-of-the-art PANDORA crafting facility in Lamphun, Thailand and the picturesque surrounding scenery

PLANET



PANDORA PLANET IN BRIEF



80%
OF WASTE

was recycled at our
crafting facilities



+46,000
ROUND TRIPS

Our Thai colleagues were
driven to and from work for free by
140 energy efficient buses



RECYCLING

OF JEWELLERY CRAFTING WASTE:

100%

GYPSUM WASTE
is reused in the construction sector

100%

GLASS WASTE
is recycled into new glass products

100%

RUBBER WASTE
is reused as fuel

100%

WAX WASTE
is reused by figurine manufacturers

97%

RECYCLED SILVER

74%

RECYCLED GOLD



95%

ENVIRONMENTAL SAVING
for every kg of
recycled gold used



95%

ENVIRONMENTAL SAVING
for every kg of
recycled silver used



95%

ENVIRONMENTAL SAVING
for every kg of
cubic zirconia used



100%

PAPER BAGS & GIFT
WRAPPING PAPER
originate from wood from
sustainable forestry

MINIMISING OUR ENVIRONMENTAL IMPACT

CRAFTING

PANDORA produced approximately 117 million pieces of jewellery in 2017. At the same time new jewellery categories are more resource intensive to produce. These combined factors weigh heavily on our consumption of natural resources. To counteract this, we have invested heavily in new green crafting facilities in the last few years. We inaugurated our new Leadership in Energy and Environmental Design (LEED) Gold certified crafting facility in Northern Thailand in 2017, and also our LEED certified crafting facility in Bangkok in 2018.

ENERGY

Our crafting facilities in Thailand are by far our most energy-consuming entities. The amount of energy used there increased from 35,907 MWh in 2016 to 45,689 in 2017.

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 together account for approximately 40% of the energy consumption. In our new green crafting facilities, the innovative air conditioning and ventilation setup can reduce energy loss by up to 80%; for instance, by making sure that the cold exhaust air helps to cool down the fresh warm air coming into the building. This simple approach is highly effective.

At our facility in Bangkok the premises only allow for a small number of solar cells, but at our green facility in Northern Thailand, we have installed more than 8,500 m² of solar cells on the building. Here, 16% of the electricity used originates from the facility's solar panels.

WATER

As a result of our new crafting facilities, our growth and new jewellery categories, our water consumption at PPT increased from 584,108 m³ in 2016 to 630,289 m³ in Bangkok and adding 196,000 from our new facility in Lamphun in 2017.

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 facility in Northern Thailand had a clear focus on water usage and recycling from the very construction phase. This approach is expected to result in a reduction in water consumption by more than 70% compared to a traditional jewellery crafting facility and a water recycling percentage of 45%.

We expect a continuous increase in both energy and water consumption as our strategy is to keep growing within rings, earrings and neckwear, which are resource intensive categories to craft. We will partly offset this by resource efficiency initiatives; Leadership in Energy and Environmental Design (LEED) Gold certified crafting facilities and improved production processes.

WASTE

The crafting of our jewellery generates four main types of process waste: gypsum, glass, rubber and wax. Our gypsum waste is recycled in the construction sector, our glass waste is recycled into various glass products, our rubber waste is used as fuel by the cement industry, and our wax waste is used in candle manufacturing or as moulding material for other manufactures. We sell some types of waste and we pay to have other types recycled, with gypsum, for instance, PANDORA pays for the transportation to the vendor.

CRAFTING WASTE



In 2015 and 2016, we managed to reach 100% reuse or recycling of these four main types of waste. In 2017 we worked hard to find the right vendors to recycle or reuse the waste from our new facility in Northern Thailand, with success for all categories. In 2017, our waste handling programme received five awards and our total amount of crafting waste had a recycling percentage of 80%.

LOGISTICS

PANDORA jewellery is sold in more than 100 countries around the world; hence PANDORA requires logistical services from a variety of different transport providers to move our goods via rail, sea, road and air. In 2017, the estimated transport emissions for over 90% of our transport activities amounted to 12,700 tonnes of CO₂; up from 8,700 in 2016. However, it is encouraging that the dialogue with our transport providers, all global leaders in their industries, clearly shows a dedication towards lowering their emissions. In 2018, we will continue the dialogue but still concentrate our focus on a place where our sphere of influence is stronger: our crafting facilities.

BUS SERVICES

In Thailand, road traffic accidents represent the second highest cause of death, and the pollution stemming from traffic weighs heavily on the environment, especially in the Bangkok area. We offer our PPT colleagues safe and environmentally friendly bus transportation to and from work, which, in 2017, totalled more than 46,000 round trips and more than 1.6 million kilometres. By the year end, more than 7,000 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 being in good condition, this option is highly efficient compared to other feasible means of transportation.

STORES

PANDORA jewellery is presently sold in 2,400 PANDORA Concept stores around the world, of which more than 900 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 to lengthen the lifetime of the fixtures and furniture.

As part of the development of Evolution, energy consumption was considerably reduced by using LED lights rather than conventional light bulbs. According to our in-house estimates, this change and the ongoing optimisation of LED light bulbs have enabled us to reduce the electricity consumption in an average PANDORA Concept store by 60%. The reduction is a result of more efficient lights, which also create less heat – reducing the need for air conditioning. In 2017, approximately 60% of all PANDORA Concept stores have switched to the Evolution store design.



PLANET ASPIRATIONS

To minimise our environmental impact

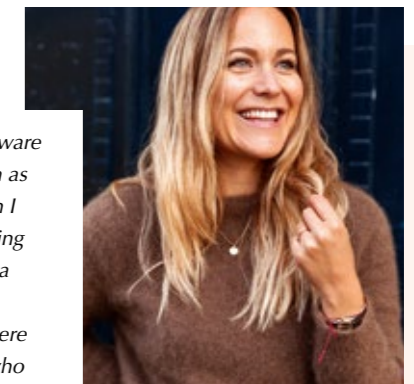
PLANET

	2017	2016	2015	2014
Water consumption at crafting facilities Lamphun/Bangkok, m ³	196,000 / 630,289	584,108	483,000	379,000
Recycled crafting waste, %	80	86	83	81
Energy consumption at crafting facilities Lamphun/Bangkok, MWh	8,867 / 36,822	35,907	29,472	23,243
Global transport emissions, tonnes CO ₂	12,734	8,665	5,435	4,324
Recycled silver/gold grains used at our crafting facilities, %	97/74	91/86	83/96	99/90

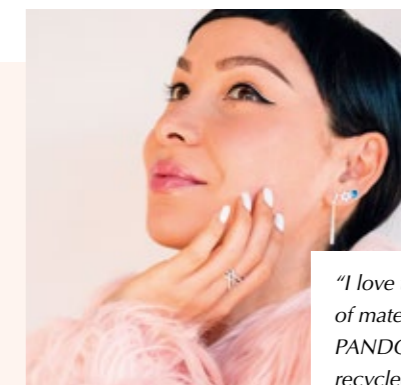
A PERSONAL TAKE ON ETHICALLY PRODUCED JEWELLERY

At PANDORA, we combine our strong heritage of crafting contemporary and high-quality jewellery with a strong commitment to high ethics standards throughout our value chain. In the light of this, we have asked influential women of today about their take on why high ethical standards are important to them, both as consumers and influencers with large fanbases.

"I'm becoming more and more aware of not only my own consumption as much as the one of others, which I indirectly reinforce when endorsing products on my blog. With such a power I feel a responsibility to enlighten my followers about where these products come from and who makes them."



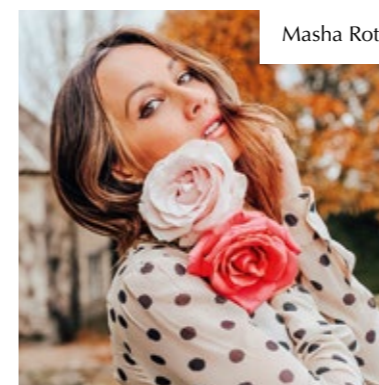
Emily Salomon, Denmark



"I love that a high percentage of materials used in making PANDORA jewellery is recycled and that they value the health of our environment as much as they do with the high quality of their products."

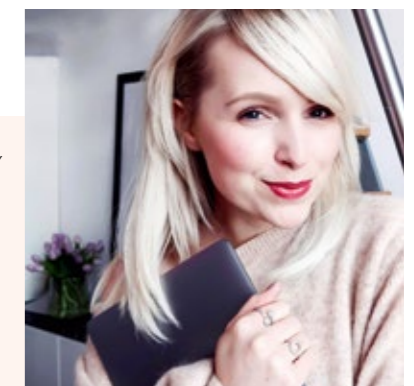
Katherine Sabbath, Australia

"Developing a company with the environment in mind, inspires me as a consumer in today's world."



Masha Rotar, United Kingdom

"It is always important to know where something is produced and especially under which conditions. As a blogger it's my task to work with brands, that want to give something back to their employees and to our environment."



Frances von Zuckermädchen, Germany

14 carat gold heart being soldered
onto sterling silver

SILVER, GOLD & STONES



SILVER, GOLD & STONES

SILVER & GOLD

Our path to success has been paved with gold and silver; the foundation of the vast majority of our jewellery today.

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.

RJC CODE OF PRACTICES (COP) STANDARD

The COP defines responsible ethical, human rights, social, and environmental practices for businesses in the jewellery industry

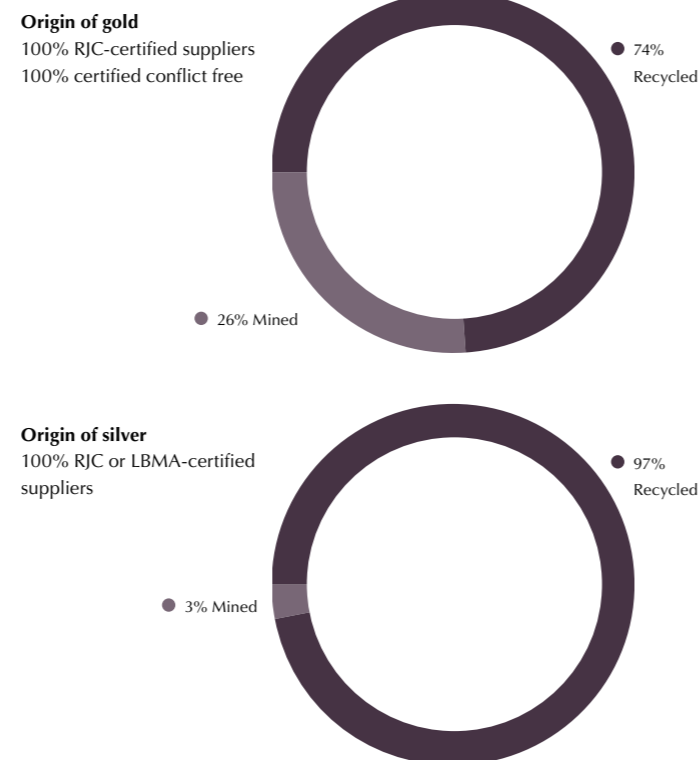
In 2017, all gold grains entering PANDORA's crafting facilities were sourced from reputable refining companies, certified according to the Responsible Jewellery Council (RJC) Code of Practices. Furthermore, all gold must be certified conflict-free according to the London Bullion Market Association (LBMA) "Good Delivery List" or the RJC Chain-of-Custody Standard for gold.

Until now, there has been no similar certification scheme for silver, but during 2018, the RJC will expand their scope to include silver and will integrate silver into the RJC Code of Practices standard. PANDORA fully supports this initiative and has actively participated in the development of the standard. Today, all of our silver grain suppliers are certified members of the RJC or LBMA certified.

Additionally, PANDORA cooperates with a number of highly specialised manufacturers of semi-finished gold and silver parts.

These partners must deliver auditable proof that the gold used in their products is sourced from RJC-/LBMA-certified refiners.

ORIGIN OF PRECIOUS METALS



ENVIRONMENTAL BENEFITS

In addition to their alluring look and fantastic crafting potential, using gold and silver can also have 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.

A 2016 study conducted for PANDORA by the environmental cost consultancy, Trucost, sought to quantify and value the hidden positive and negative consequences of different materials used in our manufacturing, by calculating the financial cost of environmental damage (such as health costs associated with pollution) to society from various materials and crafting methods.

THE VAST MAJORITY OF THE SILVER AND GOLD USED BY PANDORA COMES FROM RECYCLED SOURCES

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. When it comes to silver and gold, using recycled sources reduces the environmental cost by more than 95%.



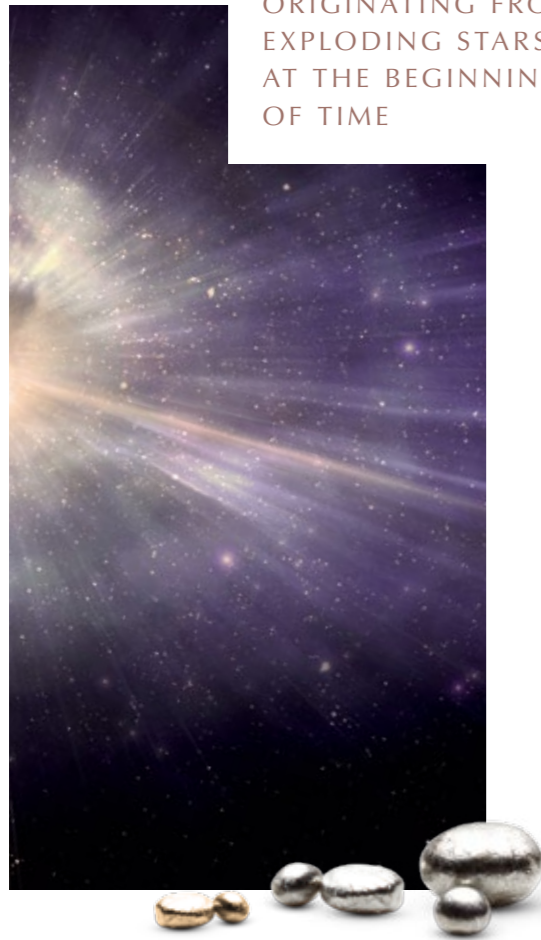
97% of our silver grains and 74% of our gold grains comes from recycled materials

We always strive to minimise our environmental impact on the planet. In 2017, as part of our efforts to advance social and environmentally responsible sourcing practices, 74% of all gold grains used in the crafting at our facilities in Thailand originated from recycled sources. The remaining 26% originated from virgin material from certified conflict-free refineries.

In terms of silver, 97% of the silver grains used in the crafting at our facilities in Thailand originated from recycling in 2017. The remaining 3% originated from virgin materials supplied by certified members of the RJC or LBMA.



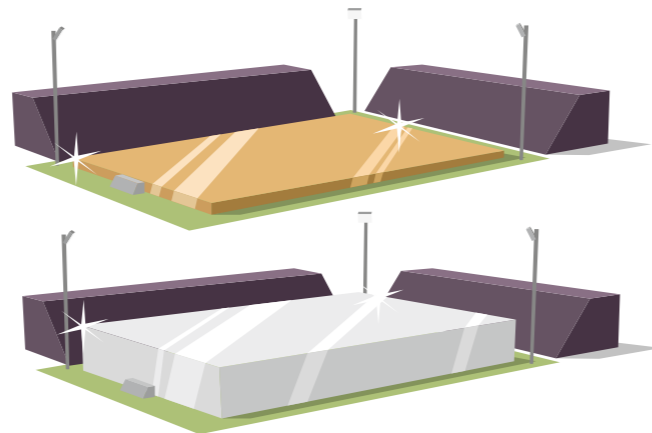
GOLD AND SILVER ARE FANTASTIC RAW MATERIALS, ORIGINATING FROM EXPLODING STARS AT THE BEGINNING OF TIME



FINITE MATERIALS

Metalsfocus, the gold and silver experts, estimate that throughout 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 this graphic.

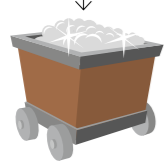
TOTAL AMOUNT OF GOLD AND SILVER IN THE WORLD



MINING

3% SILVER
26% GOLD

of the grains we use at our Thai crafting facilities comes from responsible mining

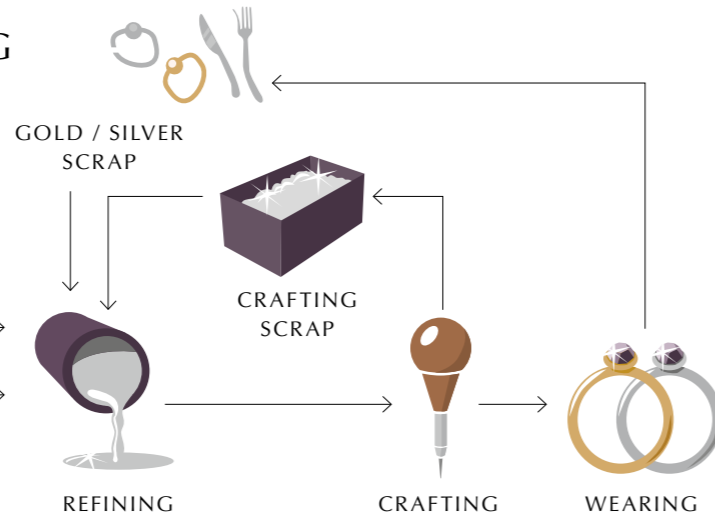


MINING

RECYCLING

97% SILVER
74% GOLD

of the grains we use at our Thai crafting facilities comes from recycling



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 2017, we used approximately 2.6 billion stones; the vast majority being man-made cubic zirconia.

MAN-MADE STONES

Man-made stones can be identical to their natural gemstone counterparts in almost every way, and will often exhibit the same basic crystal structure. The origin of man-made stones is fully traceable, and the ability to grow stones with fewer variations in colour and quality considerably reduces material waste.

The risk of contributing to adverse human rights impacts is minimal and the environmental cost is significantly lower with man-made stones compared to mined stones. 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.

The mining and processing of 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 ethical supply chain for core jewellery materials.

DIAMONDS

From 2012 to 2017, 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 consumer 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.



THE ENVIRONMENTAL COST OF A RING

GOLD	Mined gold & diamond	Recycled gold & man-made stone
	Environmental cost in Euro cent	Environmental cost in Euro cent
Green House Gasses	983	53
Land Use	235	0.6
Air Pollutants	920	9
Water Consumption	4	0.1
Land & Water Pollutants	52807	12
DIAMOND OR CUBIC ZIRCONIA		
Green House Gasses	24	0.0004
Air Pollutants	1	0.0002
Total	54974	75



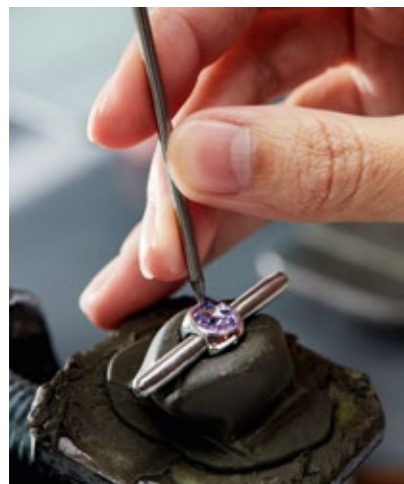
The figures in this calculation stem from a recent study made by external experts Trucost seeking to quantify and value the environmental cost of different materials used in our manufacturing. The study calculates the financial cost of environmental damage (such as health cost associated with pollution) to society from various materials and crafting methods.

Murano glass charms with pink
heart shaped stones cooling off



PRODUCT

PANDORA PRODUCT IN BRIEF



**2.6
BILLION**
STONES SPARKLING ON
OUR JEWELLERY

The vast majority are man-made stones,
which often exhibit the same basic
crystal structure as natural stones



**RESPONSIBLE
SILVER**

PANDORA supports the
development of new responsible
silver certification schemes



**100%
CERTIFIED**
SILVER AND GOLD GRAIN
SUPPLIERS



>85%
OF OUR TOTAL
SOURCING VALUE

came from suppliers
audited by external experts

30
PAIRS OF HANDS

on average contribute to creating
one piece of jewellery



8 OUT OF 10
WOMEN KNOW PANDORA

CRAFTING OUR PRODUCTS WITH INTEGRITY

DESIGN

Every PANDORA product starts its journey with our in-house Design team. As a new piece evolves, our designers will make choices regarding 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.



Sterling silver and pearl "Dignity" charms from our Essence collection

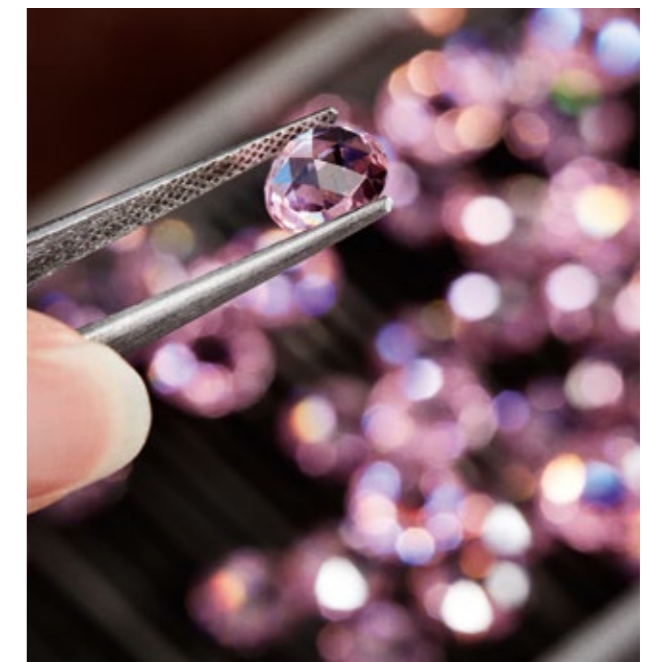
Our designers constantly interact with our crafting colleagues in Thailand to ensure that our designs and crafting techniques are a match. In 2017, we built a new Innovation Centre in Bangkok that incorporates the latest technology in jewellery crafting and design so we can explore new innovations and concepts.

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 crafting facilities in Thailand, as well as the suppliers providing all store materials, are subject to our Responsible Supplier Programme. Suppliers are required to sign and comply with our Suppliers' Code of Conduct.

To support our suppliers in complying with our Code of Conduct, we have developed a comprehensive supplier programme. Our Ethics teams, based in Bangkok 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 and international workers' rights, and human rights.

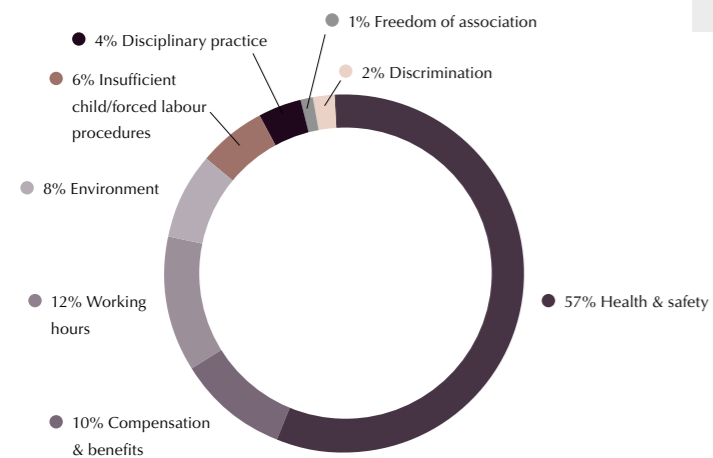


Every single stone used is quality checked several times

SUPPLIER AUDITS

In 2017, 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 Responsible Jewellery Council (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 involved either health and safety standards or working conditions. PANDORA's crafting facilities in Thailand have 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, to help them raise safety levels, job satisfaction and commitment – and thereby increase attraction, retention, productivity and profitability.

NON-COMPLIANCE ISSUES IDENTIFIED AT AUDITED SUPPLIERS IN 2017



RESPONSIBLE SUPPLIER PROGRAMME



PRODUCT ASPIRATIONS

To craft our product with integrity

PRODUCT

	2017	2016	2015	2014
Sourcing suppliers subject to PANDORA's Responsible Suppliers Programme, %	100	100	100	100
Total sourcing value audited by external CSR experts, %	>85	>85	>80	>80
Silver and gold suppliers certified by RJC/LBMA, %	100	100	100	100
Suppliers trained in ethical business practices at annual PANDORA supplier conferences	0	199	150	-

Radiant droplet charm made of sterling silver and cubic zirconia





Almost 2,000 colleagues have taken the over 700 kilometers journey to establish a new life in Northern Thailand



EACH PERSON WHO RELOCATES CAN ENSURE THAT OUR UNIQUE VALUES AND CULTURE REMAIN STRONG

A social impact study shows that purchasing power is almost double in Chiang Mai compared to Bangkok, giving moving colleagues new opportunities



“When I first saw the new facility, it was more beautiful than I had imagined. It made me excited and proud of being part of PANDORA Lamphun. It is a very green facility and all processes are located under one roof, so the items can flow easily. We do not have to waste time transporting them.”

Sudarat “Bee” Nemken, Crafting expert, wax process

THIS STORY REFLECTS SEVERAL UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS:

- Goal 5: Gender Equality,
- Goal 8: Decent Work and Economic Growth,
- Goal 9: Industry, Innovation and Infrastructure

THE STORY OF JET & BEE

RELOCATING TO THE NORTH

Jet and Bee are a PANDORA love story; a married couple who first met while working at PANDORA Production Thailand in Gemopolis, Bangkok. When we announced that we were building our new crafting facility, PANDORA Production Thailand, Lamphun, more than 900 employees asked to relocate there. Jet and Bee were among the first employees to sign up.

At the heart of our crafting facility in Lamphun are our goldsmiths, silversmiths, stone-setters and other key staff. Like Jet and Bee, these are the people who craft our beautiful jewellery and bring pride, passion and performance to their work, approaching every challenge with a can-do attitude.

Transferring their skills, values and spirit to a brand-new facility, which is setting new standards in the jewellery industry regarding scale and speed, was an opportunity for Jet and Bee on a professional

level. For instance, Bee has worked at PANDORA for seven years, and now she can learn new skills as well as pass on her knowledge to her new colleagues at the facility. Equally, on a personal level, a smooth move to a flourishing location with lower living costs was a definite plus for Jet and Bee from a work-life-balance perspective.

Before the relocation, PANDORA's HR team researched the housing market, as well as schools, hospitals, shops and other aspects of the city to make the transition as easy as possible for employees. Jet and Bee, and other colleagues were given time off to sort out practical details, and PANDORA paid the relocation expenses.

All this helped to make moving to Chiang Mai an exciting new beginning for Jet and Bee, and created the next chapter of their PANDORA story.



Shot from our
Spring campaign 2017



PARTNERSHIPS

CREATING SHARED VALUE

By engaging in external partnerships, PANDORA gains valuable insights into critical factors that shape our business environment and sustainability performance, such as legislation, industry dynamics, mining practices, marketing ethics, and stakeholder and consumer expectations. Activities include engagement with the Responsible Jewellery Council (RJC), active membership of the United Nations Global Compact (UNGC), strategic business partnerships, community engagement at our Thai crafting facilities, support for charitable organisations, and daily dialogue with the millions of consumers who connect with us on our social media platforms.

An overarching principle for PANDORA's engagement in multi-stakeholder initiatives is not just to act as an ordinary participant, but to assume leadership and be an active part of shaping the content of these initiatives, always striving to create shared value for all stakeholders involved.

HIGHLIGHTS OF 2017

Throughout 2017, PANDORA has continued its engagement with the RJC and its industry-leading initiatives, striving to develop and implement responsible business practices throughout the jewellery supply chain. PANDORA held a seat in the RJC Executive Committee and assumed the role of Chairman in the RJC Standards Setting Committee, which comprises industry representatives, experts and leading civil society organisations.

In 2017, the Standards Setting Committee finalised the revision of the RJC Chain-of-Custody Standard for gold, providing responsible brands with the opportunity to source gold that has been independently audited and certified to come from responsible sourcing. Also in 2017, under the chairmanship of PANDORA, the Standards Setting Committee initiated the revision of the RJC Code-of-Practices standard against which all RJC members must undergo a thorough independent audit and certification. Building on the experiences from the RJC's standards-setting processes, PANDORA participated in the London Bullion Market Association's development of the first-ever industry-wide standard for responsible silver in 2017.

While standards and compliance are relevant for providing our customers with assurances regarding our ethical business practices, the main value of engaging with external stakeholders is to get inspired by peers and to share PANDORA's own experiences in implementing responsible business practices.

PANDORA is part of the steering group of the "Danish Business Network for Human Rights" and has worked to transform the network to also include large and responsible businesses from the other Scandinavian countries. The network has a case-oriented approach to networking, offering members the opportunity to discuss their company's challenges and dilemmas with peers who represent different economic sectors and approaches to responsible business practices.

Finally, as one of the largest listed companies in Denmark, PANDORA has played an active role in the working group entrusted to establish a Danish Chapter in the United Nations Global Compact (UNGC) initiative. The Danish Chapter was established in 2017 to attract new members, as well as to inspire and help existing members comply with the UNGC principles and engage with the Sustainable Development Goals.

INTERNAL GOVERNANCE

PANDORA Ethics is governed by our Ethics Steering Committee. Committee members include the heads of several departments: Procurement, Manufacturing, HR, Legal, Investor Relations and Corporate Communications, and our CFO represents executive management. Our progress in advancing responsible business practices is addressed biannually, sometimes more frequently, at PANDORA's Audit Committee under the Board of Directors.

White enamel meticulously added
to "Three of hearts" charms



From the pond 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 an even more sustainable setup.



SILVER

PurePrint® by KLS
Produceret 100 % bionedbrydeligt
af KLS PurePrint A/S

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

Phone: +45 3672 0044
CVR nr.: 28505116

www.pandoragroup.com

PANDORA