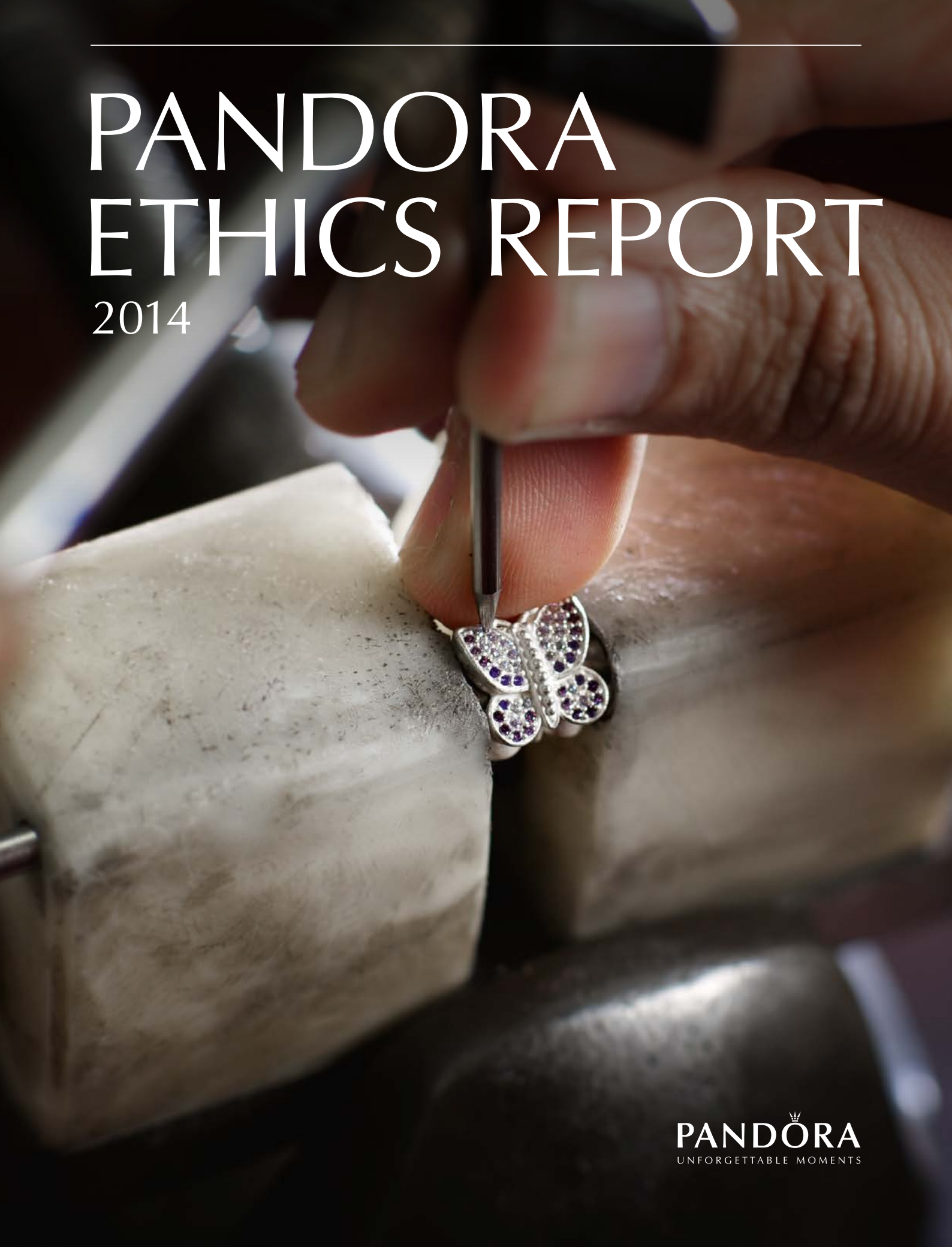

PANDORA ETHICS REPORT

2014



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Our CSR Policy guides the way

“PANDORA is committed to advancing responsible business practices, from the sourcing of gemstones, precious metals and other materials to the crafting and marketing of our jewellery. We believe that corporate social responsibility and our aspiration to offer high quality and genuine jewellery go hand in hand. Responsible business practices and social awareness have always been part of PANDORA’s DNA, and they are virtues which we strive to honour in our daily operations as well as through initiatives that aim at raising the bar for the jewellery industry.

Furthermore, we believe that our business shall benefit our stakeholders and not least our customers. Therefore, PANDORA has a social commitment to supporting charitable purposes that inspire individuality and improve the lives of women around the world.”



CEO STATEMENT

A prosperous year has passed, allowing us once again to celebrate strong top-line performance and increased profitability. 2014 delivered remarkable growth for PANDORA both in terms of geographies and products and, with the opening of concept store number 1,400, we now have a more branded store network than ever before.

All this was made possible by the 12,000 dedicated people who by the end of 2014 operated our integrated value chain, which continued to accelerate and perform unprecedented. We increased the number of pieces produced from 79 million in 2013 to 91 million in 2014 and offered competitive and rewarding jobs to an additional 3,500 people.

Whilst increasing in numbers, we simultaneously managed to maintain and further develop our responsible business practices. By involving the entire organisation, we were able to ensure high ethical standards from the design phase, through sourcing and crafting to the marketing and sale of our products.

2,000 new colleagues joined PANDORA Production Thailand, which now provides a safe and healthy place to work and the opportunity to develop for more than 7,900 craftspeople. Accident rates as well as the number of craftspeople choosing to leave us remained remarkably low, and we considerably improved the recycling of our industrial waste. On the other hand, the increase in both product complexity and the number of pieces produced challenged our ambition to lower energy and water consumption.

During 2014 we launched a new energy efficient store concept, which will significantly lower energy consumption. Further, we reached an all-time high in developing the skills of our store affiliates with more than 380,000 e-learning courses completed within jewellery knowledge and sales expertise.

As always, responsible business practice is work in progress. In this year’s report we once again share our efforts to craft our PRODUCT with integrity, to provide a great environment for our PEOPLE and to take actions to minimise our environmental impact on the PLANET.

Allan Leighton
President & Chief Executive Officer



The glass used for PANDORA charms is produced on Murano, a small island off the coast of Venice.

PRODUCT

PANDORA jewellery is sold in 9,900 stores in more than 90 countries around the world. In 2014, we produced approximately 91 million pieces of jewellery, representing a growth in number of 15% compared to 2013. This has been achieved by our more than 12,000 highly competent people who operate our integrated and highly scalable value chain. Moreover we have been able to meet our commercial goals – while still improving our performance within responsible business practices.

VALUE CHAIN

From the very outset of the PANDORA journey, our “founding fathers” were determined to ensure responsible business practices throughout the value chain. Only by building collaborative and transparent relations with our suppliers have we gained access to quality materials and the latest crafting techniques. Only by providing a safe and secure working environment and by giving our people opportunities to develop have we been able to attract and retain skilled and innovative craftspeople. Finally, only by facilitating the training and professional development of sales representatives in our own and partner stores have we been able to market our product successfully to millions of customers.

The importance of our integrated value chain cannot be overestimated since it enables us to respond quickly and decisively when new opportunities or requirements appear on the horizon. We call this “respond-ability”. Our integrated and scalable value chain not only provides respond-ability in terms of bringing more, newer and still more complex products to market. It also enables us to react fast when encountering new challenges and opportunities within the realm of responsible business practices. In fact, we believe that we have been able to

improve our overall responsibility performance at the same pace as we have improved our product offering.

DESIGN

Any PANDORA product starts its journey in Group Design. As the design evolves our designers will make choices on which materials to use. When new materials are being introduced our designers consult Group CSR to understand more about potential environmental or social impacts associated with a given material.



Creating a PANDORA Murano glass charm.



Purple amethyst stone being set on a pendant.

Such early interaction helps to ensure that PANDORA refrains from using potentially problematic material – and it provides Group CSR and other departments with valuable knowledge in due time.

Design and CSR also benefit from a close cooperation in regards to our strategic partnerships. Like PANDORA, our strategic partners have strict ethical requirements of their business partners. This means that our crafting facilities in Thailand, as well as our suppliers of jewellery boxes and bags, all have to be audited and approved by these partners before a final business contract can be signed. Our integrated value chain makes it possible for us to react swiftly and arrange successful audits within a matter of days.

Our designers constantly interact with Group Manufacturing to ensure that our designs and crafting techniques are a match. At our cutting-edge Innovation Centre in Bangkok we develop innovative production techniques and improve our ability to introduce new products. The Innovation Centre offers our Thai colleagues the opportunity to work and invent in the frontline of technical development within the jewellery industry. Each of our people acquires top-notch skills within highly advanced jewellery manufacturing and it is our firm belief that PANDORA's Innovation Centre makes an important contribution to maintaining Thailand's position as a global hub in the jewellery industry.

RESPONSIBLE SUPPLIER PROGRAMME

PANDORA sources vast quantities of jewellery materials as well as a wide range of fixtures, furniture, gift bags, and jewellery boxes, etc. In order to ensure that our partners are complying with our ethical standards, all suppliers are required to sign and comply with our Supplier's Code of Conduct which is downloadable from www.pandoragroup.com/csr.

To support our suppliers in complying with the Code we have developed a comprehensive supplier programme. Our CSR team, based in Bangkok, Hong Kong and Copenhagen, work extensively with our suppliers throughout the world both to enable them to fully understand our requirements and to inspire them to implement sustainable solutions. To this end, we provide our suppliers with annual training on 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.

The Supplier Programme has been in operation since 2011, and it was reviewed in 2014. The review reaffirmed that we are on the right track and resulted in the decision to expand the scope of our audit list to 120 questions and to intensify training of our own sourcing and purchasing staff. This will allow them to spot potential CSR issues during their initial contacts with new or potential suppliers.



Each stone is controlled before being set.

SUPPLIER AUDITS

Our key performance sourcing indicator stipulates that 80% of total sourcing value must come from suppliers who have either been successfully audited by our external auditing company or are certified members of the Responsible Jewellery Council (RJC), which means that they have been audited against the broadest and strictest standards within the jewellery supply chain.

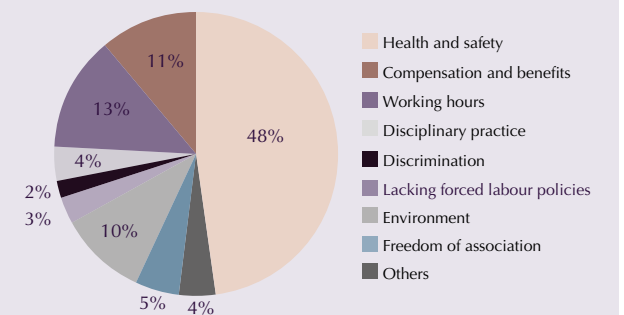
Non-compliances identified during the independent supplier audits predominantly have to do with either health and safety standards or working conditions. PANDORA has worked diligently to achieve high standards as well as expertise within both issues at our crafting facilities in Thailand. Thus we regularly invite suppliers to visit our crafting facilities in Thailand to understand more about how we maintain high people standards and how such standards help us raise safety levels, job satisfaction, commitment, attraction and retention, and in turn performance and productivity.

In 2015 our 60 most important Chinese suppliers will be invited to attend a major training programme at PANDORA Production Thailand to learn more and showcase best practice on site.

CORE MATERIALS

The vast majority of PANDORA's products are made of silver or gold, often decorated with gemstones or stones. At PANDORA we are fully aware that 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.

2014 NON-COMPLIANCE ISSUES AT AUDITED SUPPLIERS





Gold grains before being transformed into jewellery.

Gold and silver

In 2014, all gold grains entering PANDORA's crafting facilities were sourced from reputable refining companies certified according to the RJC's Code of Practices. Furthermore, all PANDORA gold suppliers are certified conflict free according to the London Bullion Market Association (LBMA) "Good Gold Delivery List" or the RJC Chain-of-Custody Standard for gold. 90% originated from recycling and the remaining 10% from mining.

| Origin of sourced gold and silver | | | | |
|-----------------------------------|------------------------|-------------------------|-----------|--------|
| | RJC certified refiners | Certified conflict free | Recycling | Mining |
| Gold | All | All | 90% | 10% |
| Silver | All | N/A* | 99% | 1% |

In 2014, 99% of the silver grain entering PANDORA's crafting processes originated from recycling and the remaining 1% originated from mining. Further, all our silver grain suppliers are certified members of the RJC. Thus PANDORA can guarantee that our silver is conflict free as well as environmentally friendly compared to mined material. However, as PANDORA is committed to helping improve ethics throughout the jewellery supply chain, we will start working with our suppliers in 2015 to develop a standard for responsible silver mining.

Finally, PANDORA cooperates with a very limited number of highly specialised manufacturers of semi-finished gold and silver parts. All such partners deliver auditable proof that the gold used in their products is sourced from RJC/LBMA certified suppliers. In 2015 we will continue to work with our suppliers of specialised silver products to find ways to ensure that they will also be able to guarantee the ethical origin of their silver.

Stones, gemstones and diamonds

Man-made stones, natural gemstones and diamonds are all included in our jewellery, and have different characteristics and advantages. Man-made stones are identical to their natural gemstone counterparts in almost every way, including the same basic crystal structure and chemical composition. They are fully traceable, affordable and can be supplied in quantities suitable for large-scale jewellery crafting. Finally, they exhibit fewer variations in color and quality, which considerably reduces material waste.

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 and diamonds did not feature in any of the 2014 collections except in the PANDORA Club charm. In the sourcing of diamonds, which we continue to do to support customer demand for existing collections, we only accept suppliers who comply with the following statement, which is included on all PANDORA invoices:

"The diamonds herein invoiced have been purchased from legitimate sources not involved in the funding of conflict and in conformance with United Nations resolutions. PANDORA hereby guarantees that these diamonds are conflict free, based on written guarantees provided by the supplier of these diamonds."

Further, since 2012 we have required written guarantees from our diamond suppliers that the diamonds sent to PANDORA do not originate from the Marange region in Zimbabwe.

INTELLECTUAL PROPERTY RIGHTS

Like any other global brand, PANDORA is facing the challenge of counterfeiters attempting to copy our brand, our products and our identity. We safeguard our intellectual property rights by all available means, including comprehensive global surveillance, registration and control programmes, so that our customers can remain confident that their PANDORA products are authentic and live up to our standards.

As part of our commitment to advancing responsible business practices, we want to make sure that our consumers have access to information about the special features, stamps and markings, allowing them to distinguish genuine PANDORA jewellery from counterfeits.

For more information, please visit our Brand Protection section at www.pandoragroup.com.



Silver charm hearts and gold heart pieces are cast in one "tree".



Extensive training programmes for our store affiliates gives in-depth knowledge of our business and products.

PEOPLE

At PANDORA, the importance of our products is equalled only by the importance of our people. We constantly work to improve their conditions as well as their performance and make sure that our people have the required skills and opportunities to develop.

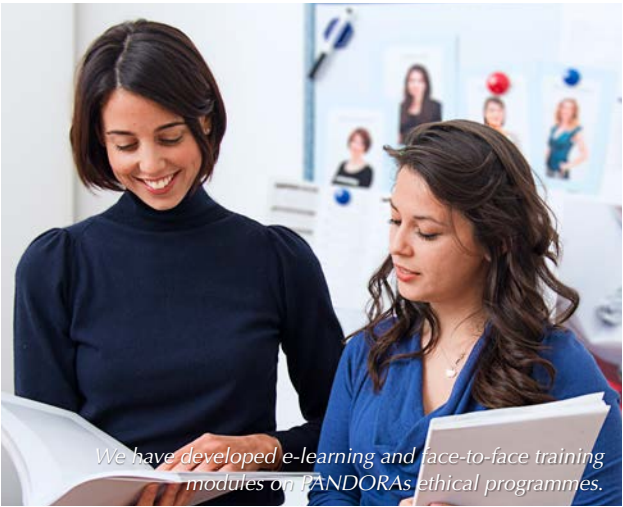
PEOPLE DEVELOPMENT

The main contact between PANDORA and our consumers is established and nurtured by the more than 29,000 people passionately engaged in selling our jewellery in more than 90 countries around the world. We are dedicated to helping sales people develop their skills and knowledge, in both our own stores and the more than 9,500 points of sale operated by our partners.

Our extensive training programmes provide face-to-face training, coaching and e-learning. The scope is broad and entails training in PANDORA's values, identity and history, jewellery and material expertise, production processes and professional sales skills and techniques.

PANDORA's Group Training Department has the overall responsibility for developing our training programmes, which are implemented by our 55 in-house trainers. Face-to-face training is supported by our comprehensive e-learning programme available in 19 languages. In 2014 the number of online training sessions completed amounted to more than 380,000 up from 200,000 in 2013.

Focusing on responsible business practices, in 2014 we launched three CSR e-learning modules for our store staff introducing them to our responsible sourcing practices, working conditions at our crafting facilities in Thailand and finally how to combat counterfeit jewellery. In 2015, we expect to develop face-to-face training modules to further ensure that our sales people are always



We have developed e-learning and face-to-face training modules on PANDORA's ethical programmes.

informed and knowledgeable about PANDORA's ethical programmes and initiatives. The overall goal of these tools is to enable us to communicate PANDORA's ethical aspirations and initiatives to our consumers and, in turn, to engage them in our company, in our values and in our responsibly crafted products.

GLOBAL TRAINEE PROGRAMME

We have a responsibility to make sure that our people have the opportunities to develop in their professional environment. We also acknowledge our responsibility to participate in the education of new generations of global knowledge workers. In 2014 we developed a Global Trainee Programme, which will be tested as a pilot in 2015. The programme will ensure each participant experiences

two years of traineeship and different assignments at PANDORA organisations on three continents. The aim is to give each trainee the skills and insights so they can develop a broad global perspective on PANDORA's value chain and consumer value creation. The pilot will be evaluated at the end of 2015, and we expect the programme to be expanded in the years to come.

DIVERSITY

Employment and promotions at PANDORA must always be based on merit. We are deeply committed to work against any form of discrimination and remain especially committed to ensure 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. The objectives and recent results are as follows:

» By no later than 2020, the gender split in senior management positions (members of the Executive Management, General Managers and Vice Presidents) should be 40% - 60%. At the end of 2014, 34% of senior management were women, up from 31% in 2013 and 26% in 2012.

» The gender composition of the Group's leadership programmes for the years 2012-2015 (on aggregate) should mirror the gender composition of staff in Vice President and Director positions. On 1 January 2014, women accounted for 50% of this management group, and made up 50% of the enrolment in our 2014 leadership programmes.

» It is PANDORA's objective that by 2015 at least 35% of board members elected at the Annual General Meeting must be women. By the end of 2014 women made up 20% of our board members, which is well above the average 11% for Danish listed companies, but still below our 35% target. Subsequently we have changed the target year from 2015 to 2018 and we will from 2015 work to reach our target.

You can find more statistics on our Group-wide gender, management and age composition in the DATA section.

HUMAN AND LABOUR RIGHTS

Our Human Rights Policy is published on www.pandoragroup.com/csr and stipulates PANDORA's commitment to the United Nations Guiding Principles for Businesses 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. To do this, in 2014 we continued our engagement in Steering Committees of the Human Rights Exchange Initiative under the Responsible Jewellery Council and the Danish Business Network for Human Rights.

At PANDORA we regularly assess potential human rights risk in our value chain. These assessments – either carried out internally or in cooperation with external experts and peers – tend to reach the same conclusion; that the largest human rights risks are to be found amongst our suppliers. By sourcing our core jewellery materials from certified responsible suppliers we seek to lower the risks of becoming complicit in human rights infringement where the potential risks are most severe.

Further, PANDORA's Responsible Supplier Programme (described under PRODUCT) is designed to prevent us from becoming complicit in human rights infringements through our general sourcing and procurement activities.

Within jewellery crafting and trading we are aided by our vertically integrated business model that gives us full control of the crafting process. Further, the responsible foundation on which our Thai crafting facilities are built, as well as the PANDORA Ethics Programme, allows us to prevent - and when necessary mitigate and remedy - negative impact of our activities.

One ongoing challenge during our continued growth has been keeping the amount of overtime in Thailand below ILO conventions (overtime at PANDORA is always voluntary, compliant with Thai law and remunerated at premium rates). Again in 2014, due to exceptional

business circumstances caused by our high growth and the acceleration of product introductions, weekly working hours in specialised departments periodically exceeded 60 hours per week. In order to mitigate this and ensure our capacity for future growth, we hired an additional 2,000 employees in 2014 and took steps to expand existing crafting facilities. This expansion will continue in 2015, when we will also begin the construction of a new crafting facility in a different area of Thailand.

CHARITY

PANDORA has always been committed to charitable efforts and has historically taken a special interest in the fight against breast cancer. In addition to this, in 2014 we launched the PANDORA Hearts of Today programme as a pilot on the US market. Hearts of Today supports causes that are important to our female consumers. It is an initiative to celebrate the selfless work women do within their communities and around the world to improve the livelihood of women and children. A number of women were nominated and PANDORA Club members voted to select the final eight honourees.

Each honouree received USD 25,000 to support their causes, which we hope will help them in their mission to help others. Hearts of Today was a very rewarding experience, and we are planning to launch the initiative in Canada, Italy and Hong Kong in 2015.

In total PANDORA donated more than DKK 10 million to charities and sponsorships in 2014.



PEOPLE IN THAILAND

PANDORA's global mission "to provide women across the world with a universe of high quality, hand finished, modern, genuine jewellery at affordable prices" has at its foundation the skills, care, attention and professionalism of our craftspeople.

PANDORA's jewellery is crafted by our 7,900 colleagues at PANDORA Production Thailand (PPT). PPT is a state-of-the-art jewellery crafting facility and since the earliest days of PANDORA's crafting operations in Thailand, our approach to the employment relationship has exceeded simple compliance with Thai legislation or minimal conformance with international regulations.

In 2014 this commitment was recognised by Jewellery News Asia, when it chose PPT from 91 highly qualified entrants to win the Employer of the Year Award.

Clarity, Competence, Confidence and Commitment (4 Cs)

The 4 Cs are our way of operationalising the employee relationship at PPT. Clarity, Competence, Confidence and Commitment are interconnected values of equal importance and we have unrelenting focus on them. We believe they are necessary for our long-term development and support our vision, and we constantly measure ourselves against them. Everything we do at PPT should support at least one and preferably all of the 4 Cs.

CLARITY

Everyone in our team must have a clear idea of our vision, mission and values - Clarity. They should have a clear idea of their own role and responsibilities and how this role contributes to meeting the needs of our customers. Equally important is that everyone is clear on what is expected of them and that they receive regular, supportive feedback on how they are performing against those expectations.

CONFIDENCE

It is of great importance that all our craftspeople have the confidence to speak out – to raise issues, concerns and opportunities. We want everyone to be confident that when they do speak up, they will be listened to and get a response. From a management perspective, we want all of our leaders to have the confidence to listen, even to opinions they may not agree with, and to provide feedback in a constructive and professional manner.



COMPETENCE

Our colleagues draw on their skills, their knowledge and their experience in making hundreds of decisions each day. Decisions that impact each piece of jewellery that they are responsible for. It is our obligation to ensure that our colleagues have the skills required to fulfil these responsibilities.

COMMITMENT

We believe that by providing Clarity, building and enhancing Competence, and creating an environment of Confidence, we get Commitment. This commitment fosters the unique individual skills and talents of our team, and applies them to the collective goal of providing outstanding products and services to our customers. It has helped create the PANDORA of today and will serve as our foundation for the future.

Communication

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

But we also want to listen. Besides training and encouraging our people and managers to both speak up and 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.



Training and development

We invest significantly in training and development spanning technical skills, safety, health, the environment, business continuity, leadership skills, quality and life skills. All training activities aim to further advance a safe and rewarding environment for our colleagues and to demonstrate our socially responsible practices as an employer and important member of the local community.

An example of proactive life skills training is the impressive story of our financial literacy programme “Happy Money”. Recognising that credit card debt and loan sharks are common in Thailand, we launched basic courses in personal finance in 2011 to raise staff awareness about debt dynamics and the nature of bank and credit card interest rates.

“Happy Money” has evolved from basic courses to include extended confidential individual financial counselling to employees. A “Savings Club” has since been established and the Government Savings Bank makes monthly visits to PPT to make it possible for employees to make savings deposits. Finally the creation of an employee-managed PANDORA Cooperative Savings Club shows impressive commitment by our colleagues.

Health and safety

At PPT, we operate an effective Safety, Health & Environment (SHE) Committee comprised of senior management and employee representatives. 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 role. In 2014 all colleagues received SHE-related training using a number of training methods and supported by a variety of channels such as PANDORA TV and Radio. In addition to regular on-the-job safety training, our dedicated team of SHE experts delivered tailored training courses to more than 3,292 colleagues, regularly participated in morning talks across all departments and provided SHE news using our internal communication channels.

In 2014, the Ministry of Labour and Social Welfare gave the SHE team the Thailand National Safety Award in recognition of its excellent management and performance in occupational safety, health and environment.

As a result of our on-going focus on improving safety and health standards, we saw as few as eight work-related accidents at PPT in 2014 (resulting in a total of 64 lost working days). With 7,900 people by year-end, this is a



50 different acts competed in PANDORA Got Talent 2014.

remarkably low accident rate compared with any industrial sector in any country. This achievement was recognised with the prestigious Gold Level Award by the Thai Ministry of Labour. Nonetheless, recognising that any accident is one too many, we will continuously work to improve our performance in 2015.

Employee development and benefits

Our Employee Welfare Committee operates with three sub-committees responsible for coordinating employee interests within a) Compensation & Benefits, b) Employee Relations and c) Social Activities. As is the case for the SHE Committee, the 15 members of the Employee Welfare Committee also draw on modern facilities and extensive training.

PPT employee benefits include cheap and healthy meals, parental classes, extensive professional and personal development training, annual outings, scholarships, employee operated radio and TV channels, as well as safe bus transport to and from work. By year-end, more than 6,200 colleagues regularly took advantage of the buses which over the course of the year added up to more than 25,000 roundtrips.

Three times per week, our HR Services team sets up consultation centres during lunch breaks to allow

employees to ask questions or seek assistance on issues such as pay, benefits or employee relations at a time and place convenient for the employees. In 2014, the HR Services team received over 8,310 visits.

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 2014, the library had more than 50,900 visits, and more than 10,100 books were borrowed throughout the year.

Fun

Our colleagues' commitment to PANDORA is also clearly visible during our great social events. What in early days started out as a small company outing to the beach, is today a two-day large-scale beach event for more than 1,700 people. Those colleagues opting not to go to the beach receive family tickets for the nearby fun park. The end of year party is an even larger event, and with more than 5,000 participants it resembles a music festival. For entertainment at the party, national pop stars and the winner of that year's very popular "PANDORA Got Talent" competition perform for the happy crowd.



Colleagues walking towards the buses at closing time.

2014 HIGHLIGHTS



SUPPLIERS



We engage with our suppliers to achieve high ethical standards



MAN-MADE STONES
have less environmental impact



WE CHECK OUR CORE MATERIALS FROM MINE TO MARKET
Diamonds, gold and silver are certified conflict free



90% recycled gold
99% recycled silver

CONSUMERS

PANDORA

HEARTS OF TODAY

supports women who help their local communities



SOLD IN
+90
COUNTRIES



We vigilantly protect our unique designs against counterfeits



+3,000,000
devoted customers follow us on Facebook



10,000,000
donated to charity

PANDORA Club
+6,000,000
Club members

STORES



ALL PAPER BAGS
certified by the Forest Stewardship Council



50%
ENERGY CUT
by the use of LED lighting in new concept stores



380,000
completed e-learning modules



3 NEW CSR E-LEARNING MODULES
about our ethical work and aspirations

PRODUCTION



Having our own production facilities in Thailand means full production control



+91,000,000
PIECES OF JEWELLERY PRODUCED



Pregnant employee benefits include extra breaks and maternity classes



OHSAS
Health & Safety Management

ISO 9001
Quality Management

ISO 14001
Environmental Management

ISO 50001
Energy Management

RJC
Code of Practices



+2,000
new craftspeople at PANDORA Production Thailand



EMPLOYER OF THE YEAR AWARD



5%
Employee turnover amongst craftspeople



50 acts
entered the yearly PANDORA Got Talent competition



+50,000
visits to the modern Edutainment Centre with free computers, internet and a large library



10,000,000 DKK
deposited in the employee-run PANDORA cooperative bank

WASTE



3R RECYCLING AWARD
from the Thai Ministry of Industry



80%
recycled industrial waste



0%
recycled water. Something we want to improve!

TRANSPORT



4,300 tonnes
of CO₂ emissions from transporting our jewellery



1,000,000 km
driven by buses ferrying Thai colleagues to and from work



Millions of jewellery pieces are sorted and sent to our consumers from our Distribution Centres.

PLANET

As part of our commitment to continuously minimise our environmental footprint, PANDORA Production Thailand initiated a Life Cycle Assessment (LCA) project in 2014 in collaboration with the Eco-Efficient Engineering Research Laboratory (Eco-Lab) at Mahidol University in Thailand. The project revealed a range of interesting findings, some of which we have instantly been able to react upon. The project also revealed shortcomings in the LCA methodology – not least due to lack of comparable data in available environmental databases – leaving it up to the individual company to estimate its impact rather than depending on reliable third-party verified impact data.

PRECIOUS METALS

The LCA project confirmed that recycling precious metals will under effective controlled conditions remarkably reduce carbon emissions compared to mining. The Ecoinvent Database Eco-Lab estimates that under proper conditions, reusing gold and silver results in CO₂ emissions of as little as 5% and 7% respectively compared to the emissions associated with mining. This makes reused precious metals extremely efficient in terms of potential CO₂ reductions.

As part of our efforts to advance social and environmentally responsible sourcing practices 90% of all gold used in PANDORA products in 2014 originated from recycled sources. The remaining 10% originated from mined material that is certified conflict free.

When it comes to silver, 99% of the silver grains sourced by PANDORA in 2014 originated from recycling. The remaining 1% can be traced back to responsible mining. Further, PANDORA is working with our specialised silver product suppliers to ensure that the silver used in their products also originates from reused sources.

Thus PANDORA can guarantee that our silver is environmentally friendly compared to mined material. However, as PANDORA is committed to help improve ethics throughout the jewellery supply chain, we will in 2015 start working with our suppliers to develop a standard for responsible silver mining, as we have also stated in the PRODUCT chapter.

TRANSPORT

PANDORA jewellery is sold in more than 90 countries around the world; hence PANDORA requires transport services from a variety of different providers using different types of transport - rail, sea, road and air - with various levels of environmental impact.



Gold hearts being soldered on to duotone “LOVE” charms.

In 2014 CO₂ emissions from the transport of our jewellery was identified as a new focus area, and we are closely cooperating with our transport providers on how to gather reliable data and how to minimise emissions in the future. Our first transport data from 2014 covered more than 90% of our transport activities and estimated the transport emission of 4,300 tonnes CO₂.

STORES

PANDORA jewellery is presently sold in 9,900 stores around the world, of which more than 300 are owned and operated by PANDORA. The remaining stores are operated by our retail partners.

As part of the development of our new Evolution store concept, we wanted to significantly lower energy consumption. While our previous concept relied on conventional light bulbs, Evolution relies to a greater extent on LED lights. According to our in-house estimates, this change will enable us to cut up to 50% of our electricity consumption in an average PANDORA concept store. This reduction will come from more effective illumination in fixtures, furniture and ceilings which in turn will reduce the need for air conditioning. Finally, all paper bags and almost all printed material is certified by the Forest Stewardship Council (FSC) and we continuously seek to expand our range of certified paper-based and wood-based materials according to international sustainability standards.

PRODUCTION

PANDORA experienced a sharp increase in demand and produced approximately 91 million pieces of jewellery in 2014, compared with 79 million in 2013. At the same time, the accelerated pace at which we introduce our still more complex jewellery designs has made it challenging to simultaneously reduce our energy and water consumption at our crafting facilities. With planned expansion of our production capacity, we expect to be able to improve performance in the years to come.

Energy

Having achieved the ISO 14001 certification on environmental management in 2012, PPT acquired ISO 50001 certification on energy management in 2014. This will help us define and monitor our goals, methodology and performance in regard to energy consumption. Training in energy management awareness has been initiated and

will continue into 2015 when an expected 500 people will undergo the training.

2014 also saw several smaller projects aiming at reducing energy consumption. Thus, one of our production facilities now has solar panels on the entire roof, LED lights have been tested with promising results and we are testing how to optimise energy consumption in different production processes. At PPT the amount of energy used was up from 19,170,000 kWh in 2013 to 23,243,000 kWh in 2014. This rise in energy consumption was a result of the increased number and complexity of jewellery pieces produced.

At PPT modern and energy efficient burn-out ovens and chillers regulating the heat in the buildings account for approximately 40% of consumption. All buildings are air conditioned to provide a pleasant working environment for our 7,900 craftspeople. The LCA project confirmed our own impressions that the potential for lowering the electricity consumption of our crafting processes is modest, since most of our production does not rely on machinery but literally lies in the capable hands of our craftspeople.

Bus services

We offer our PPT colleagues safe bus transport to and from work, which in 2014 totalled more than 25,000 roundtrips and more than 1 million kilometres. By year-end, more than 6,200 people regularly made use of this service. Bus companies are subject to regular control 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 with other feasible means of transportation.

Water

As a result of our growth and the increased complexity of our jewellery designs, our water consumption at PPT increased by almost 30% from 291,572 M³ in 2013 to 378,973 M³ in 2014. The disposal of waste water is subject to control by local authorities, audited by external experts, and handled by a joint waste water treatment facility managed by the industrial estate.

While continuously experimenting we have still not been able to find efficient solutions to the recycling of water and the results so far remain insignificant. This is in part due to lack of space for recycling within our present facilities, which is something we will take into consideration in future expansion plans. We will however continue our search for solutions for existing premises and hope to improve our performance in 2015.



The Evolution store concept uses energy saving LED lighting in the displays.

Waste

Our waste management procedures measurably improved in 2013 and continued to do so in 2014. At PANDORA, waste is seen as a resource. In 2014, 81% of the total waste produced by our crafting facilities in Thailand was reused or recycled, an increase of 24% compared to 2013. The crafting of our jewellery generates three main types of process waste: glass, rubber and gypsum. The gypsum derives from the jewellery casting process, the glass from the making of our Murano charms and the rubber from moulds. In 2014 an impressive 100% of Murano glass waste was recycled as glass tiles and 100% of our rubber waste was used as an alternative fuel source in the cement industry.

An average of 90% of waste gypsum was recycled in the construction sector, reaching 100% in November.

It is a great pleasure to see our waste being transformed into useful products. The benefits are twofold as we optimise the use of resources and considerably reduce our own waste.

In 2014, our Thai facilities were recognised for this impressive achievement within waste management by the Thai Ministry of Industry. The “3 Rs” (Reduce, Reuse, Recycle) award was given as a recognition of good practice in resource management.



Wax models of charms are attached to a wax tree which is used for making a gypsum mould.

APPROACH

In 2014, we continued the rollout of our PANDORA *Ethics* programme, which is designed to implement our ethical aspirations and policies within human rights, working conditions, the environment, business ethics and responsible sourcing. Our core Ethics policies can be found on www.pandoragroup.com/csr.

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 about governance on www.pandoragroup.com

PANDORA *Ethics* is governed by our CSR Steering Committee, headed by our Vice President, Group CSR and is further made up of the heads of Procurement, Manufacturing, HR and Investor Relations & Communications, with our CFO and Chief Marketing & Merchant Officer representing executive management. Our progress in advancing responsible business practices is regularly addressed at PANDORA's Audit Committee under the Board of Directors.

RESPONSIBLE JEWELLERY COUNCIL

PANDORA is a certified member of the Responsible Jewellery Council (RJC). RJC is an organisation dedicated to reinforcing consumer confidence by developing and implementing responsible business practices and standards



across the entire jewellery supply chain. RJC is recognised by other leading certification organisations as the sustainability leader within the jewellery industry.

In 2014, PANDORA continued in the Standards Committee as the elected representative of the jewellery manufacturing members and accepted additional roles as Standards Committee Chair as well as a seat in the RJC Executive Committee.

In 2012, the PANDORA entities around the world were successfully audited by independent consultants in order to achieve Group-wide certification under the RJC Code of Practices, which requires strict compliance with more than 100 sustainability provisions. PANDORA's recertification against the new and improved RJC Code of Practices is due in 2015 and we expect to be in compliance with all applicable provisions. Find the list of these provisions on their website: www.responsiblejewellery.com



Tools used to grind and polish the jewellery.

UNITED NATIONS GLOBAL COMPACT

In 2014, PANDORA continued as a member of the United Nations Global Compact and also remained active in the Global Compact Nordic Network. PANDORA continues to support the Global Compact, which we recognise to be the most important sustainability initiative across industries.

STAKEHOLDER COMMUNICATION

It is PANDORA's policy to be open and transparent about our CSR efforts and results. We maintain a comprehensive CSR section on our corporate website www.pandoragroup.com, we have published a PANDORA Ethics Report each year since 2010 and we have honoured our commitment to openly engage in stakeholder dialogue. Going forward we will more proactively communicate our

responsible business practices to our consumers. We do this with the dual purpose of catering for the generally growing number of ethically conscious consumers as well as to strengthen our brand equity with our loyal customers.

In 2014 our production facilities in Thailand greeted visitors from national newspapers, lifestyle magazines and bloggers from countries such as Italy, the UK, Poland, France, Malaysia and Singapore, all with a keen interest in CSR-related stories. The benefits for PANDORA have been staggering, both in terms of PR value from the numerous positive stories about our designs, brand and responsible business practices and the lessons we have learnt in terms of which stories and messages resonate with different consumer segments. In 2015 we will use this valuable knowledge to further strengthen our consumer communication through various media channels.

PEOPLE DATA

| Staff as of 31 December | 2012 | | | 2013 | | | 2014 | | |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | M | F | Total | M | F | Total | M | F | Total |
| < 18 | 1 | 8 | 9 | 0 | 10 | 10 | 0 | 26 | 26 |
| 18-25 | 616 | 1,320 | 1,936 | 1,006 | 2,009 | 3,015 | 1,322 | 3,047 | 4,396 |
| 26-35 | 1,546 | 1,910 | 3,456 | 1,980 | 2,527 | 4,507 | 2,591 | 3,538 | 6,129 |
| 36-45 | 195 | 389 | 584 | 248 | 494 | 742 | 312 | 730 | 1,042 |
| 46+ | 104 | 271 | 375 | 121 | 288 | 409 | 153 | 471 | 624 |
| Total | 2,462 | 3,898 | 6,360 | 3,355 | 5,328 | 8,683 | 4,378 | 7,812 | 12,190 |

| Management | 2012 | | | 2013 | | | 2014 | | |
|------------------------|------|-----|-------|------|-----|-------|------|-----|-------|
| | M | F | Total | M | F | Total | M | F | Total |
| Global Management Team | 12 | 0 | 12 | 11 | 0 | 11 | 12 | 1 | 13 |
| Vice Presidents | 42 | 19 | 61 | 40 | 23 | 63 | 43 | 27 | 70 |
| Directors/Managers | 132 | 153 | 285 | 155 | 192 | 347 | 207 | 244 | 451 |
| Store Managers | 19 | 136 | 155 | 13 | 159 | 172 | 21 | 263 | 284 |
| Total management | 205 | 308 | 513 | 219 | 374 | 593 | 283 | 535 | 818 |
| Total management in % | 40 | 60 | | 37 | 63 | | 35 | 65 | |

| Staff Turnover | 2012 | | | 2013 | | | 2014 | | |
|---|------|-------|-------|-------|-------|-------|-------|-------|-------|
| | M | F | Total | M | F | Total | M | F | Total |
| New staff | 488 | 1,188 | 1,676 | 1,133 | 2,028 | 3,161 | 1,345 | 3,388 | 4,733 |
| Resignations/dismissals/retirements including store staff | 305 | 680 | 985 | 220 | 539 | 759 | 315 | 664 | 979 |

| Accidents | 2012 | | 2013 | | 2014 | |
|---------------------|------|--|------|--|------|--|
| No. of accidents | 7 | | 26 | | 21 | |
| Number of lost days | 37 | | 319 | | 310 | |

PLANET DATA

| CO ₂ Emissions (tonnes) | 2014 |
|------------------------------------|-------|
| Transport emissions total | 4,324 |

| PPT Energy Consumption (kWh) | 2012 | 2013 | 2014 |
|------------------------------|------------|------------|------------|
| Total | 13,913,000 | 19,170,000 | 23,243,000 |

| PPT Waste (tonnes) | 2012 | 2013 | 2014 |
|--------------------|-------|-------|-------|
| General waste | 1,813 | 161 | 476 |
| Recycled waste | 284 | 1,693 | 3,229 |
| Industrial waste | 1,418 | 1,084 | 259 |
| Hazardous waste | 43 | 16 | 1 |
| Total | 3,558 | 2,954 | 3,965 |
| Total % recycled | 8 | 57 | 81 |

| Crafting Waste | 2013 (tonnes) | 2013 (% recycled) | 2014 (tonnes) | 2014 (% recycled) |
|----------------|---------------|-------------------|---------------|-------------------|
| Gypsum | 1,921 | 46 | 2,320 | 90 |
| Rubber | 49 | 29 | 60 | 100 |
| Murano glass | 6 | 45 | 8 | 100 |

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