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# TRANSPARENCY IN SUPPLY CHAINS STATEMENT

2017

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*This statement is elaborated in accordance with the California Transparency in Supply Chains Act and the UK Modern Slavery Act. It demonstrates how PANDORA works to prevent and mitigate the risk of forced labour, modern slavery and human trafficking in our value chain.*

## ABOUT PANDORA

PANDORA designs, manufactures and markets hand-finished and contemporary jewellery made from high-quality materials at affordable prices. PANDORA is the world's largest branded manufacturer of jewellery with a full value chain. We own and operate the greatest part of our value chain, from design and raw material procurement through crafting to marketing and sale of our jewellery. This means we know where our jewellery comes from and how it is made – and can ensure that every piece is designed, crafted and distributed according to our ethical standards. Owning and operating the greater part of our value chain give us control and transparency over the process, and strengthen collaboration across teams, functions and geographies. Responsible business practices begin in the design phase with the choice of materials and suppliers, and continue through to how we craft, distribute and sell our jewellery. PANDORA jewellery is available in thousands of points of sale in over 100 countries through our concept stores, eSTOREs, online partners and other points of sale.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 27,300 people worldwide of whom around 13,200 are located in Thailand, where we manufacture the majority of our jewellery. We take pride in an employee turn-over rate at only 4.2% at our Thai crafting facilities in 2017 - compared to an industry average of approx. 15%.

A recent Social Impact Study conducted by external experts and finished in 2017 showed that on average, one PANDORA crafting employee's salary can sustain one average household in Bangkok (2,9 people), and almost two average households in Northern Thailand (3,1 people).

Our craftspeople are offered a competitive wage and benefit package, continued professional and personal skills development, a healthy and safe work environment as well as a range of social activities. To avoid potential employees being overcharged by recruitment agencies (a common problem in Thailand), we hire our craftspeople directly.

## PANDORA ETHICS

PANDORA believes that corporate social responsibility (CSR) and our aspiration to offer high-quality and contemporary jewellery go hand in hand. Responsible business practices and social awareness are virtues which we strive to honour in all operations. A central part of this is our continued efforts to ensure responsible supply chains for the sourcing of jewellery materials and point of sale materials.

Our CSR and compliance program “PANDORA Ethics” consists of policies, guidelines, and a range of monitoring and controlling tools, developed to ensure that we honour our ethical commitments. You will find more detailed material on our corporate website: <http://pandoragroup.com/csr>.

Here you will also find PANDORA’s Human Rights Policy stipulating PANDORA’s commitment to the United Nations’ Guiding Principles on Business and Human Rights as well as our Responsible Supplier Policy and Suppliers’ Code of Conduct detailing our expectations to the ethical conduct of our suppliers within areas such as human and worker’s rights, business integrity and the environment. Our Human Rights Policy instructs us to respect all human rights and specifically never to engage in, solicit or accept child labour or forced labour in any form; to recognise and respect the right to freedom of movement, the right to associate and the right to enter into collective bargaining; to prohibit discrimination or any other unsuitable behaviour that might impair the dignity of our employees and the communities in which we operate; to provide employment and development opportunities for staff through fair and objective performance criteria; and to respond openly and transparently to perceived human rights violations.

Further, PANDORA’s Suppliers’ Code of Conduct clarifies our expectation to the ethical performance of our suppliers.

The Code’s provision on forced labour states that: *“All forms of forced labour, such as lodging deposits or the retention of identity documents from personnel upon commencing employment are forbidden as is prisoner labour that violates basic human rights. Neither the company nor any entity supplying labour to the company shall withhold any part of any personnel’s salary, benefits, property, or documents in order to force such personnel to continue working for the company. Personnel shall have the right to leave the workplace premises after completing the standard workday, and be free to terminate their employment provided that they give reasonable notice...”* and *“All workers shall be provided with a written, understandable and legally binding labour contract. Provisions for non- permanent and seasonal workers shall be no less favourable than for permanent workers.”*

## IDENTIFIED SALIENT HUMAN RIGHTS ISSUES

Mining and processing of jewellery materials are often debated within the industry, by civil society, media and authorities. At PANDORA we fully recognise that while mining and processing are valuable sources of income for millions of people around the world, they can be associated with severe adverse social and environmental impact.

We regularly assess potential human and labour rights risks in our value chain. These assessments – carried out internally or in cooperation with external experts and peers – tend to reach the same conclusion: PANDORA’s main human and labour rights risks are to be found upstream in our supply chain, and more specifically associated with mining. Below please find an overview of the steps PANDORA has taken to manage these risks.

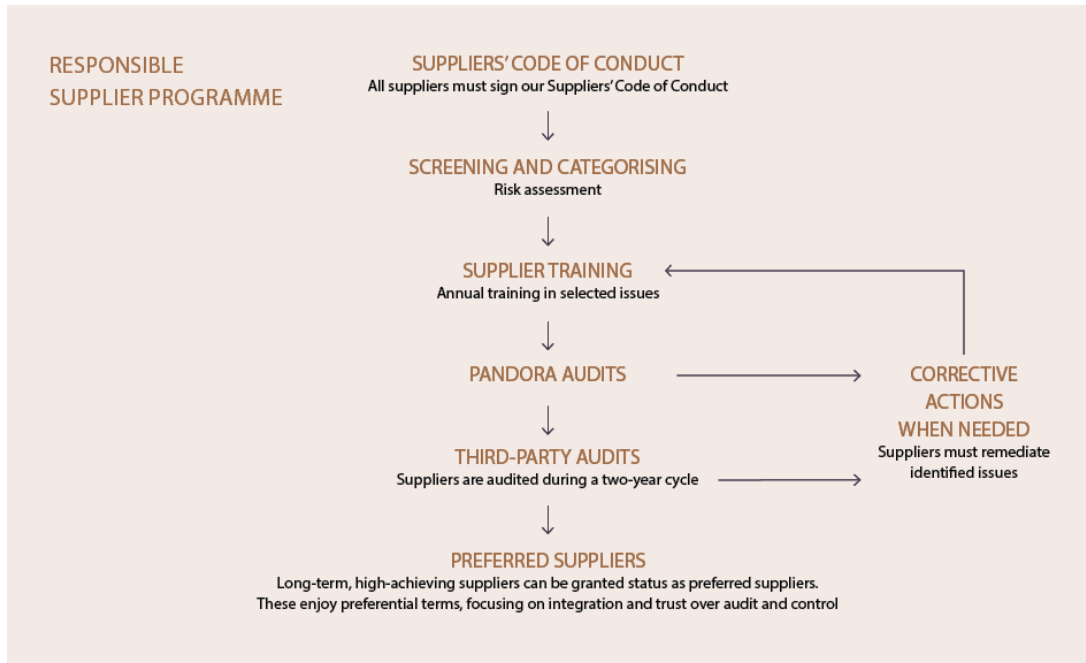
## SPECIFIC PROCEDURES AND EFFORTS IMPLEMENTED BY PANDORA

### 1. Responsible Sourcing Practices:

As previously stated, potential adverse human rights impacts within the jewellery supply chain are predominantly associated with mining. We minimise this risk by sourcing recycled gold and silver grains and by predominantly using man-made stones. All the gold, silver and diamonds that we use can be traced back to certified responsible suppliers.

## 2. Due Diligence of our supply chain:

PANDORA's Responsible Supplier Program has been in force since 2011 and adopts a four step approach to supply chain due diligence (screening, training, auditing and implementing corrective actions).



## 3. Supplier audits to evaluate compliance:

By sourcing our core jewellery materials from certified responsible suppliers, we seek to lower the risks of becoming complicit in human rights infringements. PANDORA's key performance sourcing indicator stipulates that 85% of total sourcing value must come from suppliers who are either successfully audited by third party auditors or certified members of the Responsible Jewellery Council (RJC). The RJC Code of Practices is the broadest and strictest standard within the jewellery supply chain and includes provisions against all forms of forced labour, also comprising human trafficking and modern slavery.

Standard audits within our Responsible Supplier Program comprise production site walk-throughs, document reviews and worker interviews. If non-compliances are identified, PANDORA's in-house experts operating out of Copenhagen and Bangkok will work with the supplier to ensure corrective actions and remediation. Finally, compliance is verified through announced audits carried out by an independent audit company.

PANDORA is itself a certified member of the Responsible Jewellery Council. As an RJC member PANDORA undergoes regular re-certification audits.

#### 4. Requires suppliers to certify compliance:

PANDORA's Suppliers' Code of Conduct is an enforced part of contracts with third party suppliers. The Code stipulates that: *"The provisions of the code extend to all activities and workers, including workers who are engaged informally, on short-term contracts, or on a part-time basis. Suppliers must ensure that the Code of Conduct is also observed by subcontractors involved in production processes of final manufacturing stages carried out on behalf of Pandora"; and "Suppliers must, in addition to meeting the provisions of this code, comply with all national laws and regulations..."*.

For details on assurance and certification requirements applied by PANDORA in relation to sourcing of core materials, please refer to the annual Ethics Report, available at: [www.pandoragroup.com/en/CSR/Publications](http://www.pandoragroup.com/en/CSR/Publications)

#### 5. Internal accountability & training:

PANDORA's internal Code of Ethics stipulates our ethical aspirations as a company and the rights, duties and expectations to our employees within areas such as human and workers' rights, anti-corruption and environmental stewardship – including specific provisions prohibiting child and forced labour. The Code has been distributed to all our people worldwide and is accompanied by group wide training and a mandatory E-learning module.

If employees perceive that laws, internal codes or policies are violated, they are expected to raise their concerns with their management. If a reported concern is not properly addressed by their manager, employees shall approach local/Group HR, Legal or Ethics. As a last resort, concerned employees are encouraged to use the externally administered Whistleblower. The Whistleblower enables our people to raise concerns online (anonymity is an option) in their own language.

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.

#### 6. Supplier training:

Our Ethics teams, based in Bangkok and Copenhagen, work extensively with our suppliers throughout the world to enable them to fully understand our requirements and to inspire and enable them to implement sustainable solutions. To this end, we provide our suppliers with training on issues such as safety, health and environmental management as well as human and workers' rights. Training take place both at our supplier's premises and at our own crafting facilities in Thailand where we take pride in showcasing our own best-practice solutions.

### KEY ACTIONS IN 2017

- In 2017, as part of our efforts to advance social and environmentally responsible sourcing practices, 97% of the silver grains used in the crafting at our facilities in Thailand originated from recycled sources. The remaining 3% originated from virgin materials supplied by certified members of the RJC or LBMA. In terms of gold, 74% of all gold grains used in the crafting at our facilities in Thailand originated from recycled sources in 2017. The remaining 26% originated from virgin material from certified conflict-free refineries. Further reducing human and workers' rights risk, the vast majority of the approx. 2.6 billion stones set in our jewellery in 2017 were man-made cubic zirconia.

- PANDORA continues to be certified against the Responsible Jewellery Council’s Code of Practices, the broadest and strictest standard within the industry (including on human and workers’ rights) . Visit: <http://www.responsiblejewellery.com/> for details
- 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.
- 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 industrywide standard for responsible silver in 2017.
- PANDORA remains an active member of the “Nordic Business Network for Human Rights” and has worked to transform the network to also include large and responsible businesses from the other Scandinavian countries.
- PANDORA has played an active role in the working group entrusted to establish a Danish Chapter in the United Nations Global Compact (UNGC) initiative.
- 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.
- 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.

This statement has been approved by the Board of Directors and signed by the CEO.

Copenhagen, 14 March 2018

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Chairman

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Deputy Chairman

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Board member

Bjørn Gulden  
Board member

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Board member

Anders Colding Friis  
President and Chief Executive Officer (CEO)