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# TRANSPARENCY IN SUPPLY CHAINS STATEMENT

2019

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*This statement is made in accordance with the California Transparency in Supply Chains Act, the UK Modern Slavery Act and the Australia Commonwealth Modern Slavery Act. It describes how Pandora works to prevent and mitigate the risk of forced labour, child labour, modern slavery and human trafficking in our business and supply chains.*

## ABOUT PANDORA

Pandora designs, manufactures and markets hand-finished jewellery made from high-quality materials at affordable prices. Pandora jewellery is sold in more than 100 countries through 7,400 points of sale, including more than 2,700 concept stores. Pandora is the world's largest branded manufacturer of jewellery, and we own and operate the greatest part of our supply chain, from design through crafting to marketing and sale of our jewellery. In 2019, Pandora sold 96 million pieces of jewellery.

Headquartered in Copenhagen, Denmark, Pandora employs 28,000 people worldwide and crafts its jewellery at two LEED certified facilities in Thailand. Pandora is certified according to the Responsible Jewellery Council Code of Practices, the leading supply chain initiative in the jewellery supply chain. Our crafting facilities provide safe and healthy working conditions for more than 11,000 employees. The company plans to be carbon neutral by 2025 and has joined the Science Based Targets initiative to reduce emissions across its full value chain.

Pandora is listed on the Nasdaq Copenhagen stock exchange and generated sales of DKK 21.9 billion (EUR 2.9 billion) in 2019. Apart from the sale of jewellery, the parent company (Pandora A/S) maintains and develops Group functions, including administration, distribution, business development, retail set up, product development and risk management, which all determine the activity level in the parent company.

## PANDORA'S SUPPLY CHAINS

Sustainability and responsible business practices have always been part of Pandora's way of doing business. We believe high-quality jewellery, strong business performance and high ethical standards go hand in hand, and we craft our jewellery with respect for resources, environment and people. 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.

Pandora predominantly uses gold, silver, palladium, copper and man-made stones such as nano-crystals and cubic zirconia in our jewellery. We also use, in significantly smaller amounts, materials such as natural gemstones, leather, polyester and glass. Our points of sale materials are mainly wood-based products but

also include plastics and other materials. In 2019, silver accounted for over half of all purchased product materials, measured by weight.

In general, Pandora has a stable product supply chain that counts relatively few suppliers compared to similarly sized manufacturing and retail businesses. In 2018, we made the decision to disclose the names of our primary 1<sup>st</sup> tier raw material product suppliers, a process still underway, as a way to provide greater transparency into our supply chain.

The vast majority of our product suppliers are based in Europe and Thailand while our largest suppliers of point of sale materials are located in China and South East Asia. This contributes to strengthening our supply chain due diligence and our understanding and mitigation of human rights risks and impacts.

We aim at improving the social and environmental footprints of our supply chain, primarily by choosing suppliers that comply with category-specific internationally recognised standards. For example, ensure an adequate supply of recycled silver and gold that is certified according to robust standards such as LBMA and RJC. Further, all our paper-based products are certified according to the Forest Stewardship Council (FSC).

## PANDORA'S APPROACH TO ENSURE THE RIGHTS OF EVERY HUMAN

Our Responsible Sourcing Programme consists of policies, guidelines, and a range of monitoring and controlling tools developed to ensure that we meet our ethical commitments. You will find more detailed information on: <https://pandoragroup.com/sustainability>.

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 International Labour Organization (ILO). It sets the basis for our Responsible Supplier Policy and Suppliers' Code of Conduct that detail our expectations of 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.

## IDENTIFIED SALIENT HUMAN RIGHTS ISSUES

Pandora's main human rights risks are associated with the extraction of our product raw materials upstream our supply chain, mainly in mining of metals such as gold, silver, copper and palladium, and minerals such as natural gemstones. In addition, there are human rights risks in the recycled metals supply chain, primarily in the informal recycling of electronic and industrial waste for extraction of gold and silver. These risks are well-known and documented as a result of extensive research and assessments undertaken by business, civil society and relevant standard-setting organisations. Further, Pandora recognizes human rights risks in its manufacturing supply chain including risks associated with modern slavery, largely assessed by Pandora's own supplier on-site assessments as well as suppliers' own third-party assessments.

In addition to our human rights risk mitigation program, see below, Pandora's business model effectively reduces the inherent risks in the upstream supply chain. Because we operate a lean supply chain with relatively few suppliers, we can build long-term relationships and continuously eliminate, reduce and mitigate risks. Moreover, Pandora is committed to sourcing only recycled gold and silver by 2025 (the ratio in 2019 was 71%). This will gradually reduce our risk exposure, as human rights risks are greater in mining than in the recycled supply chain. More than 99.9% of the stones we use are man-made, which further reduces risks related to mining. As we continuously move towards becoming a more circular business, we expect to see a further reduced risk profile of our upstream supply chains.

## SPECIFIC PROCEDURES AND EFFORTS IMPLEMENTED BY PANDORA

### 1. Responsible Sourcing Program

Pandora's human rights risks are primarily mitigated through our Responsible Sourcing Program. In 2019, we evolved our responsible sourcing strategy around three objectives: Responsibility, traceability and transparency.

Responsibility means that we will continuously improve the social and environmental footprint of our supply chain, primarily by choosing suppliers that comply with category-specific internationally recognized standards. For instance, in 2019 all our gold and silver refiners were certified according to either the LBMA or the RJC standards. 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.

Traceability means that we will continuously improve our ability to trace the origin of our raw materials, including ensuring that raw materials are conflict-free.

Transparency means that we will disclose key suppliers and the structure of those. For instance, since 2018, we have disclosed our suppliers of silver and gold grains, and our diamond suppliers.

We aim to work with suppliers that share our commitment to sustainability. We take a category-specific approach to responsible sourcing. This means that we seek to define specific criteria for each of our product and material categories based on a common set of standards codified in our supplier code of conduct and our responsible sourcing policy. In general, we seek to align with internationally recognized product or materials standards that now cover the vast majority of all our direct spend.

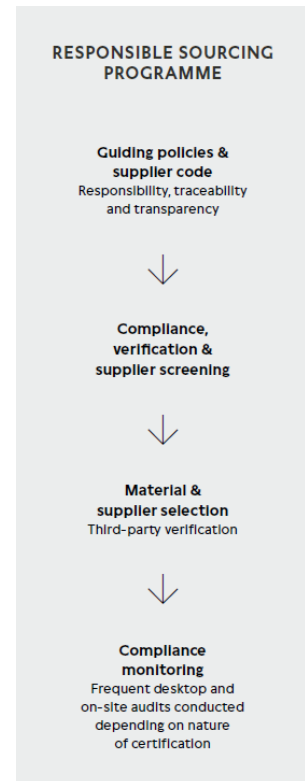
Pandora's Suppliers' Code of Conduct clearly expresses our requirements to the ethical performance of our suppliers within the realms of business ethics, human rights, working conditions and the environment. Pandora's Suppliers' Code of Conduct is embedded in our legal contracts with our suppliers.

### 2. Due Diligence of our supply chain

Pandora's Responsible Supplier Program has been in force since 2011 and outlines our supply chain due diligence (clear standards, supplier screening, auditing, corrective actions and compliance monitoring and reporting). Our due diligence is informed by the OECD Guidelines for Due Diligence Guidance for Responsible Business Conduct. Our suppliers of gold, silver, platinum group metals, and diamonds must comply with the relevant Signet Responsible Sourcing Protocol.

### 3. Supplier audits to verify compliance

We require that all new product suppliers are assessed by an independent third party or hold active certifications from internationally recognised certification standards. The same applies to suppliers of point-of-sales located in high-risk countries. All existing suppliers perform a bi-annual third party (announced) audit or confirm their active certification to verify compliance with our standards. Suppliers are audited annually if they have to comply with materials traceability requirements. By sourcing our core jewellery materials from certified responsible suppliers, we seek to lower the risks of becoming complicit in human rights infringements. We require that identified violations are remediated and we may terminate suppliers that fail to live up to our standards



In 2019, we aligned our supplier code of conduct with the Ethical Trading Initiative’s ETI Base Code on labour practice, and our associated audit protocol with the internationally recognised Sedex Member Ethical Trade Audit’s (SMETA) four pillars of labour, health and safety, environment, and business ethics. This change will take effect during 2020. Pandora’s in-house experts conduct a pre-assessment of potential new suppliers.

#### 4. Requires suppliers to confirm compliance

Pandora’s Suppliers’ Code of Conduct is an enforced part of contracts with 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 Sustainability Report, available at: <https://pandoragroup.com/sustainability/publications>

#### 5. Internal accountability & training

Pandora’s Code of Conduct 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.

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, Sustainability, Global Compliance or Global Internal Audit and Compliance Controlling. As a last resort, concerned employees are encouraged to use the externally administered whistleblower hotline. The whistleblower hotline enables employees and other stakeholders to raise concerns anonymously, online, and in their own language.

#### 6. Supplier training

Our audit team works with our suppliers to enable them to fully understand our requirements and to inspire and enable them to implement sustainable solutions. We provide our suppliers with training, often in connection to audits, on issues such as safety, health and environmental management as well as human and workers’ rights.

### MEASURING EFFECTIVENESS OF REMEDY STEPS

In 2019, 99% of our total product sourcing value was audited by third party auditors which is consistent with previous years. Pandora ordered a total of 16 independent third-party supplier audits that identified a total of 262 non-compliance issues, of which only two were zero-tolerance breaches that were immediately and satisfactorily resolved. The majority of non-compliance cases identified during the audits involved either health and safety standards or working conditions.

NON-COMPLIANCE ISSUES IDENTIFIED AT AUDITED SUPPLIERS IN 2019	
Issues	Percentage
Health and safety	56%
Compensation and benefits	17%
Working hours	10%
Environment	8%
Insufficient child/forced labour procedures	4%
Freedom of association	3%
Disciplinary practices	1%
Ethics	1%

## KEY ACTIONS IN 2019

- As part of our efforts to advance social and environmentally responsible sourcing practices we have committed to only source recycled silver and gold. By 2025, all gold and silver in our products will originate from recycled sources. In 2019, we were at 71%, so this shift will have a significant impact on our value chain carbon emissions and on our broader environmental footprint. While we are confident that our suppliers meet our social and environmental standards, we also recognise that the recycled silver supply chain poses its own social and environmental challenges. We will engage with stakeholders in the industry to improve standards and make the supply chain more transparent. In 2019 all our gold and silver grain refiners were certified according to either the LBMA or the RJC standards.
- In 2019, Pandora commissioned a study on the global silver market and supply chains. The study has shed light on some important characteristics of the global market for recycled silver and potential human rights infringements of that supply chain. In 2020 Pandora will explore how it can effectively contribute to mitigating such risks.
- In 2019, Pandora took steps to better align our responsible sourcing programme with our sustainability ambitions.
- In 2019, we aligned our supplier code of conduct with the Ethical Trading Initiative's ETI Base Code on labour practice, and our associated audit protocol with the internationally recognised Sedex Member Ethical Trade Audit's (SMETA) four pillars of labour, health and safety, environment, and business ethics. This change will take effect during 2020.
- In 2019, 99% of our total product sourcing value was audited by third party auditors which is consistent with last year's number. Pandora ordered a total of 16 independent third-party supplier audits that identified a total of 262 non-compliance issues, of which only two were zero tolerance breaches that were immediately and satisfactorily resolved. The majority of non-compliance cases identified during the audits involved either health and safety standards or working conditions.
- Pandora remains an active member of the "Nordic Business Network for Human Rights" facilitated by the Danish Institute for Human Rights, which is forum with a group larger Nordic companies that addresses topics such as modern slavery and other human rights issues.

## APPROVAL

This statement has been approved by the Board of Directors on June 16 2020 and signed by the CEO.