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# TRANSPARENCY IN SUPPLY CHAINS STATEMENT

2018

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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, child 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, and 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. Pandora jewellery is available in thousands of points of sale in over 100 countries through our concept stores, online and other points of sale.

Founded in 1982 and headquartered in Copenhagen, Denmark, Pandora employs more than 32,000 people worldwide of whom around 14,000 are located in Thailand, where we manufacture the majority of our jewellery. We take pride in an employee turn-over rate at only 7.7% at our Thai crafting facilities in 2018 - compared to an industry average of approx. 15%.

Our craftspeople are offered a competitive wage and benefits package, continued professional and personal skills development, a healthy and safe work environment, as well as a range of social activities.

## PANDORA ETHICS

Pandora believes that corporate social responsibility (CSR) and our aspiration to offer high-quality and contemporary jewellery go hand in hand. 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 meet our ethical commitments. You will find more detailed material on: <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, the core conventions of the International Labour Organization (ILO) 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 expectations 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 impacts.

We assess potential human and labour rights risks in our value chain. In addition to our internal assessments, assessments carried by external certification bodies give us a better understanding of potential risks in our supply chain and 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

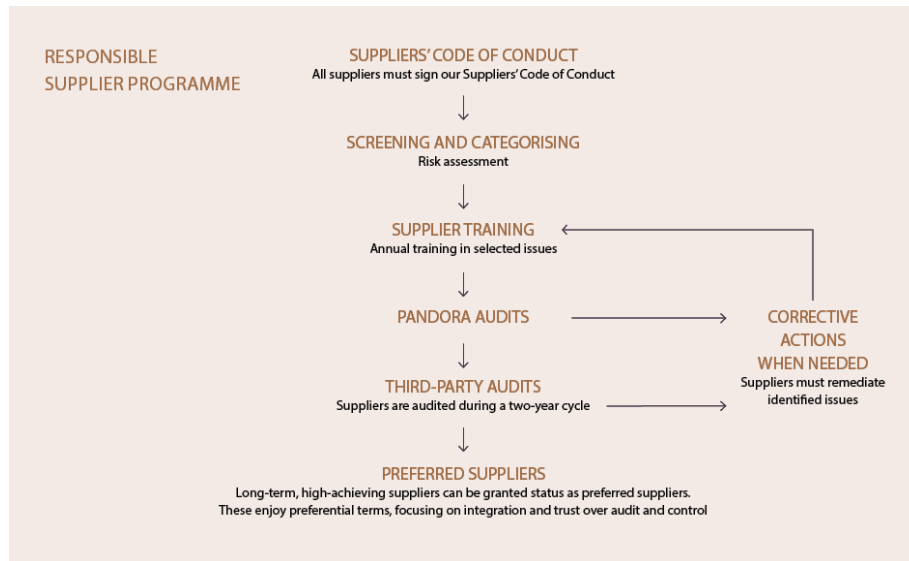
### 1. Responsible Sourcing Practices:

Potential adverse human rights impacts within the jewellery supply chain are predominantly associated with mining. We minimise this risk by primarily sourcing recycled gold and silver as well as using man-made stones. All the precious metals 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). 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. Pandora only sources from countries that has a Worldwide Governance Indicators (WGI)\* average percentile rank of more than 25%.

\* The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for over 200 countries and territories over the period 1996–2017, for six dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. Source: <http://info.worldbank.org/governance/wgi/#home>



### 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 aims to ensure that 85% of total sourcing value come from suppliers who have either been audited by our external auditing company, are certified members of the Responsible Jewellery Council (RJC), or are otherwise covering all our requirements through internationally recognised certification standards.

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 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.

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. Pandora is itself a certified member of the Responsible Jewellery Council. As an RJC member Pandora undergoes regular re-certification audits, and in 2018 we successfully extended our global RJC-certification to 2021.

### 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 Sustainability Report, available at: [www.pandoragroup.com/en/CSR/Publications](http://www.pandoragroup.com/en/CSR/Publications)

## 5. Internal accountability & training:

Pandora's 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.

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 or Risk & Compliance. As a last resort, concerned employees are encouraged to use the externally administered whistleblower hotline. The whistleblower enables employees and other stakeholders to raise concerns online (anonymity is an option) in their own language.

## 6. Supplier training:

Our CSR audit team works with our suppliers throughout the world 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.

## KEY ACTIONS IN 2018

- As part of our efforts to advance social and environmentally responsible sourcing practices, 88% of the silver grains and 100% of the gold grains used at our crafting facilities in Thailand in 2018 originated from recycled and certified sources. The remaining 12% of silver grains originated from virgin materials supplied by refiners certified by the RJC or LBMA.
- Further reducing human and workers' rights risks, 99.96% of the stones set in our jewellery in 2018 were man-made.
- 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). In 2018 Pandora successfully extended our RJC-certification until 2021, visit: <http://www.responsiblejewellery.com/> for details
- Pandora remains an active member of the "Nordic Business Network for Human Rights" facilitated by the Danish Institute for Human Rights.
- In 2018, we rolled out a new Code of Ethics e-learning module to all employees.
- In 2018 we reached our target, stipulating that 85% of our total sourcing value of direct spend must come from suppliers who have either been audited by our external auditing company, are certified members of the Responsible Jewellery Council (RJC), or are otherwise covering all our requirements through internationally recognised certification standards. This means that they have been audited against the broadest and strictest standards within the jewellery industry.
- Pandora reports on *type of identified non-compliance issues at audited suppliers*. Please find statistics for 2018 in our latest annual [Sustainability report](#).

## APPROVAL

This statement has been approved by the Board of Directors on May 6, 2019 and signed by the CEO.