

# PANDORA TRANSPARENCY IN SUPPLY CHAINS STATEMENT

2020

*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 its business and supply chains.*

## INTRODUCTION TO OUR BUSINESS

Pandora designs, manufactures and markets hand-finished jewellery made from high-quality materials. Pandora is the number one jewellery brand in the world by volume. Known by more consumers and crafting more jewellery than any other brand, we provide affordable luxury to consumers in more than 100 countries through more than 6,700 points of sale. Pandora's largest markets are the US, Italy, the UK and China. In 2020, Pandora sold more than 85 million pieces of jewellery.

Headquartered in Copenhagen, Denmark, Pandora employs 26,000 people worldwide and crafts its jewellery at two LEED-certified facilities in Thailand. Pandora is certified to the Responsible Jewellery Council Code of Practices, the leading supply chain initiative in the jewellery supply chain. We plan to be carbon neutral in our own operations by 2025 and have joined the Science Based Targets initiative to reduce emissions across our full value chain. Pandora is listed on the Nasdaq Copenhagen stock exchange and generated sales of DKK 19 billion in 2020.

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.

## SUSTAINABILITY GOVERNANCE

Our sustainability governance structure ensures that our sustainability programme meets Pandora's social and environmental ambitions and supports the business.

Pandora's Sustainability Board, which reports to the Board of Directors, sets the corporate sustainability strategy and roadmap. The Sustainability Board receives three to four updates per year from the Corporate Sustainability team on sustainability strategy implementation, progress towards achieving our sustainability targets and identified risks and opportunities. The nine-member Sustainability Board is chaired by our CFO and includes four other members of Pandora's Executive Leadership Team.

## GLOBAL CODE OF CONDUCT

The Pandora [Code of Conduct](#) provides our employees and business partners with a framework to guide them through Pandora's core values. The Code covers topics such as workplace culture, human rights, financial crime detection and loss prevention. We work to ensure a culture of honest and ethical conduct and Pandora requires all individuals within the organisation to adhere to both the letter and spirit of the Code, as well as all underlying applicable policies (e.g., Human Rights Policy), standards and procedures. We also expect those who we conduct business with to share and observe these same values. Employees are encouraged to report any concerns of Code breaches to their direct manager, local HR, local management, Global Legal & Compliance, Global Internal Audit & Compliance Controlling, Global HR and by phone or online submission via the externally administered [whistleblower hotline](#).

In 2020, we launched an updated Code of Conduct with extensive mandatory training being planned for roll-out in 2021.

## OUR APPROACH TO HUMAN RIGHTS

We respect the human rights of our employees, customers and business partners, the workers in our supply chain and the communities in which we operate. Our commitment is aligned with the UN Guiding Principles on Business and Human Rights (UNGPs) and the core conventions of the International Labour Organization (ILO) and is outlined in our [Human Rights Policy](#). We acknowledge our responsibility to prevent, to the extent possible, any form of modern slavery, including but not limited to child and forced labour.

## IDENTIFIED SALIENT HUMAN RIGHTS ISSUES

In 2020, we commissioned a third-party human rights impact assessment covering 100% of our operations to better understand the human rights risks and impacts in our entire value chain. The assessment highlighted a set of salient human rights issues for Pandora and reinforced the need for increased standardisation of processes and clear governance of human rights across the entire company, not just the supply chain. While some issues were familiar, such as the risks of forced labour and child labour in our supply chains, others highlighted newer challenges. These include the need to assess our impact in digital advertising and marketing, be more conscious of risks to specific employee groups such as women, and engage business partners, particularly franchisees, in human rights and labour issues. The impact assessment will be used as basis for further developing our human rights strategy to mitigate the identified risks and to ensure robust risk governance across the company.

### Pandora's primary salient human rights risks

- Harassment and gendered impacts
- Modern slavery and forced labour
- Child labour and juvenile work
- Working hours, wages and benefits
- Discrimination and equality
- Privacy
- Freedom of association and collective bargaining
- Access to grievance mechanisms
- Online advertising

## ABOUT OUR SUPPLY CHAIN

Sustainability is central to how we approach each segment of the value chain, from design, sourcing and crafting through to the marketing and sale of our jewellery. We own and operate the vast majority of our value chain and most of our jewellery is produced in-house at our two crafting facilities in Thailand.

We predominantly use gold, silver, palladium, copper and created stones such as nanocrystals and cubic zirconia in our jewellery. We also use materials such as natural gemstones, leather, polyester and glass, although in significantly smaller volumes. In 2020, silver accounted for over half of all purchased product materials, measured by weight.

Pandora's business model effectively reduces human rights risks in its upstream supply chain. Due to operating a lean supply chain with relatively few suppliers compared to similarly sized manufacturing and retail businesses, we can build long-term relationships and minimise risks. As of February 2021, we work with a total of 87 tier 1 product suppliers. The vast majority of our product suppliers are based in and around Thailand. On our [corporate website](#) we list our primary precious metal and diamond suppliers.

We work to continuously improve the social and environmental footprint of our supply chain, primarily by choosing suppliers that comply with category-specific internationally recognised standards. Pandora supports and aligns its approach with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. All the gold and silver grains we buy is certified according to the London Bullion Market Association (LBMA) "Good Delivery List" or the RJC Chain-of-Custody Standard. We only accept mined diamond suppliers that are members of the Responsible Jewellery Council and can certify compliance with the System of Warranties for diamond sourcing established by the World Diamond Council. Going forward in 2021, we will no longer be using mined diamonds in our products. By sourcing our core jewellery materials from certified responsible suppliers, we seek to mitigate the risk of Pandora being complicit in adverse human rights impacts. Our supply chain is and will remain a key focus area of our human rights and modern slavery risk mitigation efforts.

Historically, human rights violations in the jewellery supply chain have primarily been associated with the upstream extraction of product raw materials, mainly in mining of metals such as gold, silver, copper and palladium, and minerals such as natural gemstones. Pandora's decision to source only recycled gold and silver by 2025 will reduce its risk exposure to human rights risks in mining. We recognise that there are also human rights risks in the recycled metals supply chain, primarily related to the informal recycling of electronic and industrial waste from the extraction of gold and silver; however, as the vast majority of our recycled gold and silver are sourced in regulated markets, risks are reduced. The fact that we predominantly use man-made stones also significantly reduces risks related to mining.

Lastly, Pandora recognises that although we produce the majority of our jewellery in-house, there are remaining human rights risks in our manufacturing supply chain, including risks associated with modern slavery.

## OUR RESPONSIBLE SOURCING PROGRAMME

### Guiding policies

Human rights risks in our supply chain are primarily mitigated through our Responsible Sourcing Programme. The programme was created to implement two foundational policies:

- [The Supplier Code of Conduct](#) outlines Pandora's requirements for supplier performance on business ethics, human rights, working conditions and the environment. It is embedded in all product supplier

contracts. Exceptions are rare and managed using pre-established screening criteria and if required, on a case-by-case basis. The newly updated Supplier Code of Conduct aligns with the Ethical Trading Initiative (ETI) Base Code and will be rolled out to suppliers in 2021.

- [The Responsible Sourcing Policy](#) describes how we ensure that our suppliers adhere to the Supplier Code of Conduct, and clarifies Pandora’s underlying ambitions to have a responsible, transparent and traceable supply chain.

**Due diligence and verification**

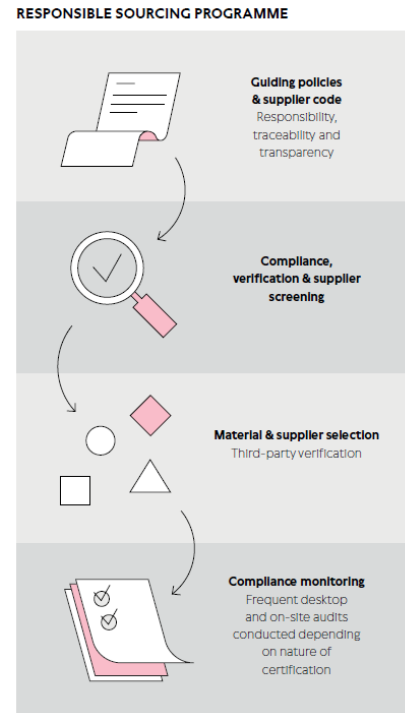
We are committed to conducting proactive due diligence in line with the UNGPs and the OECD Due Diligence Guidance for Responsible Business Conduct. Based on a risk assessment we screen potential suppliers before entering into business relationships, and audit all serial production suppliers. When suppliers hold an existing accepted certification or have been audited against standards and by auditors accepted by Pandora, we may choose not to undertake our own audit.

After a contract is signed, our suppliers continue to be audited regularly to ensure that they adhere to our Supplier Code of Conduct. Subject to our risk assessment, suppliers are required to undertake a biennial third-party audit unless they hold an existing accepted certification or provide evidence of having been successfully audited against standards and by auditors accepted by Pandora.

In 2020, we adopted the internationally recognised SMETA 4-pillar audit methodology for all third-party audits commissioned by Pandora. The SMETA methodology covers all aspects of responsible business practices, namely labour, health and safety, environmental management and business ethics standards. Audits are announced, and include desktop research and on-site reviews, including interviews with workers. We are currently in the process of updating our responsible sourcing approach and plan to roll this out over the next two years.

We support our suppliers to prepare corrective action plans for identified non-conformances, and our Supplier Development team ensures that all issues are resolved within the pre-determined timeframes. While rare, zero-tolerance cases may result in contract termination.

By signing Pandora’s Responsible Supplier Policy, existing and new suppliers acknowledge and accept Pandora’s zero tolerance issues, including but not limited to::



<b>Forced labour and inhumane treatment</b>	The recruitment, movement, harbouring or receiving of children, women or men through the use of force, coercion, abuse of vulnerability, deception or other means for the purpose of exploitation.
<b>Child labour</b>	Workers who are younger than 15 years (or the legal minimum age defined by the country, e.g., 14). Workers who are younger than 18 years old who are subject to hazardous working conditions likely to harm a person’s health, safety, or morals.

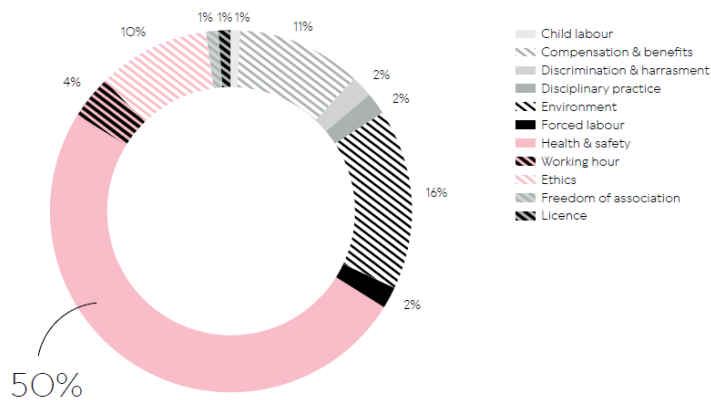
## Supplier performance and remedy

During 2020, Pandora ordered a total of 15 independent third-party factory audits. The audits covered 13 direct suppliers, representing 30% of our product spend. The remaining product suppliers are certified against other internationally recognised standards accepted by Pandora (60%), are due for their biennial third-party audit in 2021 (9%), or are considered low-risk according to our responsible sourcing screening process (1%). The audits performed throughout the year identified 274 non-conformances, of which 149 were categorised as minor, 123 as major and 2 as zero tolerance. Social impact issues were found in 13 out of 15 factory locations, with a total of 108 issues. 81 issues have been closed, 27 are in the process of being closed.

The majority of non-conformances in 2020 touched on issues such as health and safety, environmental management, and compensation and benefits. However, some instances linked to the topics of forced labour and child labour were identified. Forced labour non-conformances involved the signing of contracts too long after initiation of performed work, as well as shortcomings on documentation, training and communication on the topic. Some audits also revealed that facilities lacked proper child labour policies.

The two zero-tolerance breaches identified during the year involved a missing licence at a supplier facility and two young workers operating unauthorised equipment. The case of equipment usage by young workers was resolved and factory policy awareness-raising was performed. In the case of the missing factory license, the case is still pending but has a closely followed corrective action plan in place.

**NON-CONFORMANCES IDENTIFIED AT THIRD-PARTY AUDITS (DIRECT SUPPLIERS) (%)**



## Internal accountability & training

Pandora's Corporate Sustainability team manages the company's global environmental, social and governance portfolio and is based at Pandora's Global Office in Copenhagen. The Corporate Sustainability team establishes the framework for how we ensure responsible business practices related to human rights and modern slavery. The Supplier Development team based in Thailand is responsible for implementing these practices throughout our direct sourcing category. The team works with our suppliers to enable them to fully understand our requirements and to support and enable them to implement sustainable solutions. We provide our suppliers with informal training, often in connection to audits, on issues such as

safety, health and environmental management as well as human and workers' rights, stipulating our zero tolerance against any form of modern slavery.

For sustainability-related supply chain governance, we established a cross-functional Responsible Sourcing Committee (RSC) in 2020. This seven-member committee oversees the implementation of the Responsible Sourcing Policy and Programme, reviews and recommends approaches for the use of new materials, and advises on specific supplier relationships on a case-by-case basis. The RSC is co-chaired by the VP, Supply Chain and Director, Corporate Sustainability, meets twice a year and reports to the Sustainability Board.

We are also in the process of developing a global training module that will guide relevant colleagues on how to implement our Responsible Sourcing Policy and Supplier Code of Conduct. The module will also encompass topics related to human rights and more specifically modern slavery.

### **Grievance mechanism**

Pandora provides an externally managed whistleblower hotline. This allows both employees and external stakeholders to raise concerns in their local language if they witness violations of legislation or the Pandora Code of Conduct, which covers respect for human rights. Relevant information regarding the [Whistle-blower Policy](#) is promoted to all new hires and it can be accessed via our corporate website or intranet.

#### **Noticeable progress in 2020**

- For sustainability-related supply chain governance, we established a new cross-functional Responsible Sourcing Committee (RSC) in 2020
- 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 2020, around 60% of our gold and silver was recycled
- In 2020, we adopted the internationally recognised SMETA 4-pillar audit methodology for all third-party audits commissioned by Pandora
- In 2020, we conducted a human rights impact assessment covering 100% of our operations to better understand the human rights risks and impacts in our entire value chain

### **APPROVAL**

This statement has been approved by the CEO and the Board of Directors on June 18, 2021.



Alexander Lacik, President & CEO