

## **Statutory report on corporate governance for the financial year 2012, cf. Section 107 b of the Danish Financial Statements Act**

This statement forms part of the management's review in the PANDORA Annual Report covering the period 1 January – 31 December 2012 and is prepared pursuant to section 107 b of the Danish Financial Statements Act.

As required for a listed company on NASDAQ OMX Copenhagen under the rules for issuers of shares, PANDORA also issues the below statement of compliance with the Danish Committee on Corporate Governance's recommendations using the "comply or explain"-principle (Appendix 1). The recommendations have been published at [www.corporategovernance.dk](http://www.corporategovernance.dk). Appendix 1 is not part of the auditor's statement in the Annual Report.

### **RECOMMENDATIONS AND PRACTICE**

For PANDORA, the aim of good corporate governance and communication is to ensure transparency, accountability, and that the Company meets its obligations to shareholders, customers, consumers, employees, authorities and other key stakeholders to the best of its ability in order to maximize long-term value creation.

PANDORA intends to exercise good corporate governance at all times and to assess its practices according to the corporate governance recommendations of the Danish Committee on Corporate Governance. As a publicly listed company, PANDORA is subject to the disclosure requirements laid down by NASDAQ OMX Copenhagen, which has included the recommendations in its 'Rule Book for Issuers of Shares'.

The recommendations require companies to explain any non-compliance. Due to PANDORA's wish to encourage common and persistent long-term goals for the management and shareholders in accordance with PANDORA's strategy, PANDORA has chosen to deviate from the recommendations regarding the Board's and Executive Management's remuneration in the following areas:

- The Chairman of the Board of Directors ("the Board") is eligible for a one-off additional bonus for a share amount of DKK 6.5 million if certain EBITDA (on an adjusted basis) targets defined in PANDORA's business plan are met for the full year periods of 2013, 2014 or 2015 (recommendation no. 6.1.6)
- PANDORA has established a board member share plan whereby the Chairman and the other members of the Board are each to own a minimum number of shares corresponding to the amount of their respective initial gross annual compensation (recommendation no. 6.1.6)
- The remuneration policy for the Executive Board contains no specific clause on the repayment of variable remuneration components on the basis of misstated information as PANDORA considers the rules in Danish law to be sufficient in such cases (recommendation no. 6.1.8)

### **BOARD OF DIRECTORS AND EXECUTIVE BOARD**

As is current practice in Denmark, powers are distributed between the Board and the Executive Board and independence exists between these two bodies. The Board of Directors is elected by the General Meeting and all board members are up for election every year. The Executive Management is appointed by the Board.

The Executive Board handles day-to-day management, while the Board supervises the work of the Executive Board and is responsible for the general strategic direction. The primary tasks for the Board are to ensure that PANDORA has a strong management team, an adequate organisational structure, efficient business processes, optimal capital structure, transparent bookkeeping and practices, and responsible asset management.

The composition of the Board must be such that, at any time, the consolidated competencies of the Board enable it to supervise the Company's development and diligently address the specific opportunities and challenges faced by PANDORA. The Board, together with PANDORA's Executive Board develops the Company's overall strategies and oversees that the competencies and resources are in place to maximise the likelihood of PANDORA achieving its objectives. Furthermore, the Board oversees the financial development of PANDORA and the related planning and reporting systems.

## **BOARD ACTIVITIES IN 2012**

During 2012, the Board held 12 ordinary board meetings. The total attendance rate was 91.6%. In 2012, the Board paid special attention to the execution of the '18 Month Turnaround Plan', the completion of a major stock balancing campaign, the realignment of price and product architecture, the improvement of Like-for-Like sales in the Concept Stores, the definition of an optional capital structure and updated dividend policy, and the introduction of two new board members and the new CEO.

## **BOARD COMMITTEES**

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee, a majority of all of which are independent board members as defined in the corporate governance recommendations of the Danish Committee on Corporate Governance. The Board appoints Committee members and the Committee Chairman. The Committees' terms of reference are disclosed via the Company's website.

### **The Audit Committee**

The current members of the Audit Committee are Anders Boyer-Søgaard (Chairman), Andrea Alvey and Nikolaj Vejlsgaard. The Audit Committee reviews and assesses the Company's financial reporting and audit process, as well as the internal control systems, and evaluates the adequacy of control procedures. More specifically, the duty of the Audit Committee is to supervise the following areas:

- The financial reporting process
- The internal control and risk management system
- External audit

In 2012, the Audit Committee met six times and had an attendance rate of 100%. The main activities in 2012 were:

- Meetings with management and external auditors to review the audited annual report
- Meetings with management to review quarterly financial statements, the key accounting policies and significant accounting estimates
- Review of the adequacy and effectiveness of the Company's internal controls and risk management systems
- Review of the significant financial risks of the Company
- Assessment of the need for an internal audit function
- Recommendations for the selection of external auditors and approval of compensation of the external auditor
- The Audit Committee's annual self-assessment

## **The Remuneration Committee**

The current members of the Remuneration Committee are Allan Leighton (Chairman), Marcello V. Bottoli, Torben Ballegaard Sørensen, Christian Frigast and Ronica Wang. The main duties of the Remuneration Committee are:

- To prepare recommendations to the Board on the pay and remuneration policy applicable to the Board and the top 15 executives, including the Executive Board, with respect to fixed and variable pay components
- To submit proposals to the Board for the total individual pay and remuneration package of the board members and the Company's executive managers
- To verify that the information about remuneration in the annual report is true, accurate and adequate

In 2012, the Remuneration Committee met three times and had an attendance rate of 82%. The main activities were the annual review of the remuneration policy and guidelines on incentive payments as well as approval of the Company's overall wage regulation. As part of the review, the committee performed a benchmark of the total remuneration of the Company's executives versus national and international trends.

## **The Nomination Committee**

The current members of the Nomination Committee are Allan Leighton (Chairman), Christian Frigast and Ronica Wang. The Nomination Committee assists the Board in fulfilling its responsibilities with regard to the:

- Description of the qualifications required for members of the Board and the Executive Board
- Nomination of candidates for approval by the Board to fill vacancies on the Board and the Executive Board
- Self-evaluation of the Board
- Assessment of the performance of the Executive Board and the cooperation between the Board and the Executive Board
- Succession planning for top executive positions

In 2012, the Nomination Committee met twice, with an attendance rate of 100%. The main activities in 2012 were the annual board evaluation, as well as the

search, selection and training of new board members.

## **REMUNERATION POLICY**

PANDORA's remuneration policy covers the Board and the Executive Board and must be approved by the General Meeting. Furthermore, it covers both fixed and incentive based payment. It aims to attract, retain and motivate the board members and the executives.

### **Remuneration of The Board**

Each Board member is to receive a fixed base fee per year. The base fee is the same for all board members except for the Chairman of the Board. The Deputy Chairman of the Board will receive 1.5 times the base fee. A number of committees have been established and the members of each committee will receive a fixed fee for their contribution. The Chairman of the committee will receive 1.5 times this fee. The Chairman of the Board will not receive any fee for committee work.

### **Remuneration of The Executive Board**

The remuneration package for executive board members consists of a fixed base salary, a short-term cash bonus, a long-term share based incentive and other benefits. The short-term incentive cash bonus is designed to encourage enhanced performance and to ensure that the Company's executives are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The short-term incentive cash bonus may result in a maximum pay-out per year equal to 50% of the yearly base salary for the Executive Board. The targets for the short-term cash program are set by the Remuneration Committee and approved by the Board of Directors. The long-term incentive program is designed to promote the collective performance of the Executive Board and to align the interest of the Company's executives with the long-term interest of the Company's shareholders. No person will be eligible for severance pay in case of termination for wilful misconduct or gross negligence.

## **BOARD SELF-EVALUATION**

The Board conducts an annual self-assessment to constantly improve the performance of the Board and its cooperation with the Executive Board. The Chairman of the Board, who is also Chairman of the Nomination Committee, directs the assessment process. The assessment is carried out once a year. Each board member completes a questionnaire, followed by an individual interview with the Chairman. After consolidation of the answers, the results are presented at the following board meeting and improvement areas for the coming year are defined.

Among the topics covered in the self-assessment are Board composition, the nomination process and competencies of the Board. Other topics include functioning of the Board, Board 'atmosphere', cooperation with the Executive Board, the Board's involvement in financial management and control, personal contributions and committee work.

The self-assessment in 2012 led to the following conclusion: The Board is well functioning and as a whole is professionally fully equipped to contribute to PANDORA's business and there's good 'chemistry' and respect among board members. The conclusions from this assessment has also resulted in further strengthening of the succession planning process, as well as further structuring of the work of the nomination- and remuneration committees. Once a year, the Chairman of the Board carries out a formal assessment of the Executive Board.

## **INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS**

The purpose of PANDORA's internal controls and risk management systems in relation to the financial reporting process is to ensure that the internal and external financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, and to ensure that the financial statements give a true and fair view, free from material misstatement. While the internal control and risk management system aims to ensure that material errors or irregularities are identified and corrected, it provides no absolute assurance that all errors are detected and corrected. Internal control and risk management systems are under continuous development and comprise:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

### **Control environment**

The Board of Directors has set up an Audit Committee that assists the Board of Directors in supervising the financial reporting process and the efficiency of PANDORA's internal control and risk management systems.

The Executive Board is responsible for maintaining controls and an effective risk management system and it has taken necessary steps to address the risks identified in relation to financial reporting. The composition of the Board of Directors, the Audit Committee and the Executive Board ensures the availability of relevant competencies with respect to internal controls and risk management in relation to the financial reporting process.

### **Risk assessment**

The Board of Directors and Executive Board assess risks on an on-going basis, including risks related to financial reporting. The Audit Committee reviews certain high-risk areas quarterly, including:

- Significant accounting estimates
- Material changes to the accounting policies

At least once a year, the Audit Committee oversees a review of the current internal controls to consider whether they are effective in relation to the risks identified in the financial reporting process.

## **Control activities**

PANDORA operates with a global Finance Management Forum that meets on a quarterly basis. This forum sets the Finance Strategy for the Group. Controlling functions in the corporate finance function, reporting to the Chief Financial Officer, are responsible for controlling the financial reporting from the Parent Company and the subsidiaries. The skills of the corporate finance function are reviewed on an ongoing basis in order to ensure an appropriate and satisfactory control environment. The Group has defined an internal control framework which identifies key processes, inherent risks and control procedures, in order to secure accounting processes.

## **Information and Communication**

During 2012 PANDORA implemented a common ERP system for all units, except for the USA and Canada. This makes it possible to achieve great transparency in finances and is the foundation for increasing data quality and the speed of reporting. PANDORA Finance manager conferences are held in order to discuss the latest developments within significant accounting matters and best practice regarding internal controls.

## **Monitoring**

Financial reporting from subsidiaries is controlled on an ongoing basis and procedures are established for the control and testing of such reporting. Procedures are also set up to ensure that any errors are communicated to and corrected by the reporting companies. The Audit Committee monitors the internal control systems to ensure that any weaknesses are eliminated and that any errors in the financial statements that are identified and reported by the auditors are corrected, including the controls or procedures implemented to prevent such errors.

## **AUDIT**

PANDORA's external auditors are appointed for a term of one year by the Annual General Meeting upon recommendation from the Audit Committee. Prior to recommendation, the Board of Directors assesses, in consultation with the Executive Board, the independence and competencies and other matters pertaining to the auditors. The framework for the auditors' duties, including their remuneration, audit and non-audit tasks, is agreed annually between the Board of Directors and the auditors on recommendation from the Audit Committee.

**Appendix 1: Schedule for statement of compliance with the Danish Committee on Corporate Governance's recommendations**

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:   |
|--|----------------------|-----------------------------|---|
| <b>1. The role of the shareholders and their interaction with the management of the company</b>  |                      |                             |   |
| <i>1.1. Dialogue between the company and its shareholders</i>  |                      |                             |   |
| 1.1.1. The Committee <b>recommends</b> that the central governing body, for example through investor relations activities, ensure an on-going dialogue between the company and its shareholders in order that the central governing body knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website | X                    |                             | PANDORA has established an Investor Relations function. The Chairman, CEO, CFO and the VP Group Investor Relations are the main points of contact to the investors and shareholders. PANDORA communicates with its shareholders directly by personal meetings, conferences, telephone and email, via the annual general meeting, via tele- and webcasts and in writing through the company's website, annual and quarterly reports and company announcements when needed. A policy has been established for the communication with investors. A special investor relations report is prepared for the Board at every regular board meeting. |
| <i>1.2. Capital and share structure</i>  |                      |                             |   |
| 1.2.1. The Committee <b>recommends</b> that the central governing body every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.   | X                    |                             | The Board assesses at least once a year whether the capital and share structure are in the interest of the shareholders and the company. The Board's assessment is accounted for in the annual report.  |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| <i>1.3. General Meeting</i>   |                      |                             |  |
| 1.3.1. The Committee <b>recommends</b> that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.  | X                    |                             | PANDORA engages actively with the shareholders at the company's Annual General Meetings. An invitation to attend the general meeting along with the agenda is sent to all registered shareholders. All documents related to the general meetings are available in a separate section on PANDORA's corporate website with optional use of physical or electronic registration form, proxy forms or postal vote.   |
| 1.3.2. The Committee <b>recommends</b> that the central governing body resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or as a partly or entirely electronic general meeting. | X                    |                             | The Board has resolved that general meetings are conducted by physical attendance. PANDORA follows the technological advances on an on-going basis and each year in connection with the approval of the AGM notice, the Board evaluates whether to conduct the general meeting by physical attendance or as partly or entirely electronic general meeting. All documents related to the general meetings are available in a separate section on PANDORA's corporate website with optional use of physical or electronic registration form, proxy forms or postal vote. |
| 1.3.3 The Committee <b>recommends</b> that proxies given to the supreme governing body allow shareholders to consider each individual item on the agenda.   | X                    |                             | Shareholders may indicate on a proxy form how they wish to vote on each item on the agenda.  |
| 1.3.4 The Committee <b>recommends</b> that all members of the supreme governing body and the executive board be present at the general meeting.   | X                    |                             | All members of the Board and the Executive Board were present at the general meeting.  |



| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:   |
|--|----------------------|-----------------------------|---|
| <i>1.4. Takeover bids</i>  |                      |                             |   |
| 1.4.1 The Committee <b>recommends</b> that the central governing body, from the moment it obtains knowledge that a takeover bid will be submitted, do not, without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid. | X                    |                             | PANDORA agrees in principle with the recommendation. Actions will be determined on a case-by-case basis with due consideration to shareholders.   |
| 1.4.2. The Committee <b>recommends</b> that the central governing body give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.   | X                    |                             | PANDORA agrees in principle with the recommendation. Actions will be determined on a case-by-case basis with due consideration to shareholders.   |
| <b>2. The role of stakeholders and their importance to the company and the company's corporate social responsibility</b>   |                      |                             |   |
| <i>2.1. The company's policy in relation to its stakeholders</i>   |                      |                             |   |
| 2.1.1. The Committee <b>recommends</b> that the central governing body identify the company's key stakeholders and their main interests in relation to the company.  | X                    |                             | PANDORA has identified the company's key stakeholders, incl. customers, vendors, shareholders, employees and the societies in which the company operates. Specific policies have been established where deemed relevant and the company's approach towards individual stakeholder groups is available on PANDORA's website. |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| 2.1.2. The Committee <b>recommends</b> that the central governing body adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues. | X                    |                             | PANDORA has adopted a number of statements and policies addressing key stakeholder groups, including the company's mission, the investor relations policy, the CSR policy, policy for external communication and the whistle blower guideline. |
| <i>2.2. Corporate social responsibility</i>   |                      |                             |  |
| 2.2.1. The Committee <b>recommends</b> that the central governing body adopt a policy on corporate social responsibility.   | X                    |                             | PANDORA'S CSR policy is available on the company's website alongside information about the company's approach and specific CSR activities.   |
| <b>3. Openness and transparency</b>   |                      |                             |  |
| <i>3.1. Disclosure of information to the market</i>   |                      |                             |  |
| 3.1.1. The Committee <b>recommends</b> that the central governing body adopt a communication strategy.  | X                    |                             | PANDORA's communication strategy is formed by the company's separate policies for investor relations, media relations, corporate branding and CSR.   |
| 3.1.2. The Committee <b>recommends</b> that   | X                    |                             | Disclosures, including company announcements and financial reporting, are  |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| information from the company to the market be published in both Danish and English.  |                      |                             | published in both Danish and English and provided on the company's website.  |
| 3.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.   | X                    |                             | PANDORA publishes quarterly reports.   |
| <b>4. The tasks and responsibilities of the supreme and the central governing bodies</b>   |                      |                             |  |
| <i>4.1. Overall tasks and responsibilities</i>   |                      |                             |  |
| 4.1.1. The Committee <b>recommends</b> that the central governing body determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.  | X                    |                             | The Board determines the company's mission, vision, overall strategy and strategic objectives at least annually and such a process is included in the Board's standard annual meeting plan.  |
| 4.1.2. The Committee <b>recommends</b> that the supreme governing body at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals. | X                    |                             | The Board considers at least once a year whether the company is properly organised and whether the necessary qualifications and financial resources are in place in order for the company to achieve its strategic objectives, and such a process is included in the Board's standard annual meeting plan. |
| 4.1.3. The Committee <b>recommends</b> that the supreme governing body at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the         | X                    |                             | The Board has established its responsibilities in its Rules of Procedure, including the financial and managerial control and supervision of the work of the Executive Board. The charter of the Audit Committee outlines in more detail the key tasks related to financial and managerial control.         |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| executive board.   |                      |                             |  |
| <p>4.1.4. The Committee <b>recommends</b> that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the supreme governing body set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.</p> | X                    |                             | <p>PANDORA's Board has set the following diversity objectives:</p> <ul style="list-style-type: none"> <li>• By 2015, at least 35% (3 of 8) of the Board members elected by the General Meeting should be women. Following PANDORA's Annual General Meeting in March 2012, 25% of Board members are women.</li> <li>• At least 50% of the Board members elected by the General Meeting should have substantial international experience from management in and of large corporations or institutions. Following the annual general meeting in March 2012, more than 50 % of the Board members have international experience as defined.</li> <li>• The number of participants in the company's leadership programs for the years 2012-2015 (on aggregate) should at least mirror the gender composition in the group's management positions (Currently 41% women and 59% men).</li> <li>• By no later than 2020, the gender split in senior management positions (Executive Board, General Managers and VP) should be 40-60. Currently 24% (12 of 50) are women. Progress must be accounted for every year in the Annual Report.</li> </ul> |
| <i>4.2. Procedures</i>   |                      |                             |  |
| 4.2.1. The Committee <b>recommends</b> that the supreme governing body review its rules of   | X                    |                             | The Rules of Procedure are reviewed at least annually.   |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| procedure annually to ensure that they are adequate and always match the activities and needs of the company.   |                      |                             |  |
| 4.2.2. The Committee <b>recommends</b> that the supreme governing body annually review and approve procedures for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the supreme governing body and for any other communication between the two governing bodies. | X                    |                             | <p>According to the formal Instructions to the Executive Board, for each ordinary Board meeting, the Executive Board shall give an account of the activities of the company during the past period, including the interim financial statements, major transactions, expectations for the remainder of the financial year, any material budget deviations, and any special risks.</p> <p>The Board's Rules of Procedure and annual meeting plan includes as fixed items an annual review of the instructions for the Executive Board.</p> |
| <i>4.3. The chairman and deputy chairman of the supreme governing body</i>  |                      |                             |  |
| 4.3.1. The Committee <b>recommends</b> that a deputy chairman of the supreme governing body be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.   | X                    |                             | The Board has a chairman and a vice-chairman who constitute the chairmanship. The vice-chairman is able to act in the chairman's absence and as an effective sounding board for the chairman.  |
| 4.3.2. The Committee <b>recommends</b> the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.  | X                    |                             | A list of tasks, duties and responsibilities of the chairmanship is part of the Board's Rules of Procedure.  |
| 4.3.3. The Committee <b>recommends</b> that the   | X                    |                             | The chairman organises, convenes and chair meetings according to   |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| <p>chairman of the supreme governing body organize, convene and chair meetings to ensure efficiency in the body's work and to create the best possible working conditions for the members, individually and collectively.</p>  |                      |                             | <p>requirements in the Board's Rules of Procedures. An annual meeting plan with meeting dates and venue, fixed agenda items and expected main governance tasks of the board is maintained to facilitate efficient meeting conduct. Together with an annual meeting plan for each of the three committees it is ensured that all important governance tasks are executed as required.</p> |
| <p>4.3.4. The Committee <b>recommends</b> that, if the Board in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the Board will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the Board and the executive board. Information about agreements on the chairman's participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.</p> | <p>X</p>             |                             | <p>PANDORA agrees with the recommendation in principle and will disclose details on a case-by-case basis.</p>  |
| <p><b>5. Composition and organisation of the supreme governing body</b></p>  |                      |                             |  |
| <p><i>5.1. Composition</i></p>   |                      |                             |  |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| 5.1.1. The Committee <b>recommends</b> that the supreme governing body annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the supreme governing body to be submitted to the general meeting should be prepared in the light hereof.  | X                    |                             | A competency profile of the Board has been established and disclosed on the company's website. The competency profile is reviewed annually. The nomination committee evaluates the skills and expertise of existing Board members and nominate new board members in light of the competency profile.   |
| 5.1.2. The Committee <b>recommends</b> that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc. | X                    |                             | It is the responsibility of the nomination committee to ensure a formal, thorough and transparent process for selection and nomination of candidates to the Board. The principles for nomination of board candidates, e.g. regarding diversity, are laid down in the terms of reference for the nomination committee. The terms of reference are available on the company's website. |
| 5.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign  | X                    |                             | The recommended information is provided in the notice convening the Annual General Meeting   |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the supreme governing body is on the agenda.                                  |                      |                             |  |
| 5.1.4. The Committee <b>recommends</b> that every year, the annual report contain an account of the composition of the supreme governing body, including its diversity, and of any special skills possessed by the individual members. | X                    |                             | A profile of each board member and each Board member's special competences are included in the annual report, on the company's website and in the notice for the Annual General Meeting.   |
| <i>5.2. Training of members of the supreme governing body</i>  |                      |                             |  |
| 5.2.1. The Committee <b>recommends</b> that new members joining the supreme governing body be given an introduction to the company.  | X                    |                             | A formal introduction programme is arranged for all new board members and includes meeting with the chairman, Executive Board and local site visits to manufacturing and sales facilities. |
| 5.2.2. The Committee <b>recommends</b> that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.   | X                    |                             | This is part of the annual Board self-assessment, which includes individual interviews with all Board members about their responsibilities, contributions and e.g. need for training.      |
| <i>5.3. Number of members of the supreme governing body</i>  |                      |                             |  |
| 5.3.1. The Committee <b>recommends</b> that the supreme governing body have only so many   | X                    |                             | The Board currently has 8 members, which is considered adequate to ensure constructive debate and efficient decision-making. According to the  |



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|---|----------------------|-----------------------------|--|
| members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.   |                      |                             | company's Articles of Association, the Board should consist of 3 to 8 directors.   |
| 5.3.2. The Committee <b>recommends</b> that in connection with the preparation for each year's general meeting, the supreme governing body consider whether the number of members is appropriate in relation to the requirements of the company.  | X                    |                             | The nomination committee reviews annually the size of the board.   |
| <i>5.4. The independence of the supreme governing body</i>  |                      |                             |  |
| <p>5.4.1. In order for the members of the supreme governing body to act independently of special interests, the Committee <b>recommends</b> that at least half of the members elected by the general meeting be independent persons.</p> <p>The independent supreme governing body member may not:</p> <ul style="list-style-type: none"> <li>• be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company,</li> <li>• have received significant additional remuneration from the company/group or an associated company apart from a fee</li> </ul> | X                    |                             | The Board consists of 8 members of which 5 members are considered independent (62.5%) based on the criteria listed in recommendation 5.4.1 |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| <p>for its services in the capacity as a member of the supreme governing body,</p> <ul style="list-style-type: none"> <li>• represent the interests of a controlling shareholder,</li> <li>• within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the company or an associated company,</li> <li>• be, or have been within the last three years, an employee or partner of the external audit firm,</li> <li>• hold cross-memberships of governing bodies,</li> <li>• have been a member of the supreme governing body for more than 12 years, or</li> <li>• have close family ties with persons that are not regarded as independent persons.</li> </ul> |                      |                             |  |
| <p>5.4.2. The Committee <b>recommends</b> that at least once every year, the supreme governing body list the names of the members who are regarded as independent persons and also disclose whether new candidates for the supreme governing body are considered independent persons.</p>  | X                    |                             | <p>Disclosure on independence is included in the notice for the Annual General Meeting, in the annual report and on the company's website.</p> |
| <p><i>5.5. Members of the supreme governing body elected by the employees</i></p>  |                      |                             |  |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
|  |                      |                             |  |
| <p>5.5.1. The Committee <b>recommends</b> that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.</p> | X                    |                             | <p>The possibility of electing employees to the Board is governed by the Danish Companies Act. So far, the Board holds no employee-selected members as the employees have not requested such representation.</p>   |
| <p><i>5.6. Meeting frequency</i></p>   |                      |                             |  |
| <p>5.6.1. The Committee <b>recommends</b> that the supreme governing body meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.</p>               | X                    |                             | <p>The Board ordinarily meets a minimum of 6 times per year. All Board meeting dates and key Board tasks are addressed in the annual meeting plan, which is updated once a year. The meeting calendar includes a strategy meeting and a budget meeting. In 2012, the Board met 12 times. The number of Board meetings is disclosed in the annual report.</p> |
| <p><i>5.7. Expected time commitment and the number of other executive functions</i></p>  |                      |                             |  |
| <p>5.7.1. The Committee <b>recommends</b> that each member of the supreme governing body assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory</p>   | X                    |                             | <p>Each Board member's executive functions in other Danish and foreign businesses as well as board memberships are disclosed in the annual report and on PANDORA's website.</p> <p>The Rules of Procedure do not restrict the number of other functions held by</p>  |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| way for the company.  |                      |                             | Board members.   |
| <p>5.7.2. The Committee <b>recommends</b> that the annual report contain the following information about the members of the supreme governing body:</p> <ul style="list-style-type: none"> <li>• the member’s occupation,</li> <li>• the member’s other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign companies as well as demanding organisational tasks, and</li> <li>• the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year.</li> </ul> | X                    |                             | The annual report contains the recommended information.  |
| <i>5.8. Retirement age</i>  |                      |                             |  |
| <p>5.8.1. The Committee <b>recommends</b> that the company’s articles of association fix a retirement age for members of the supreme governing body and that the annual report contain information on such retirement age as well as the age of each member of the Board.</p>   | X                    |                             | According to the Rules of Procedure the retirement age of members of the Board is 70 years. The age of Board members are printed in the annual report. |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:   |
|--|----------------------|-----------------------------|---|
| 5.9. Election period   |                      |                             |   |
| 5.9.1. The Committee <b>recommends</b> that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.   | X                    |                             | All Board members stand for election every year.  |
| 5.9.2. The Committee <b>recommends</b> that the annual report state when the individual member of the supreme governing body joined the body, whether the member was re-elected and when the current election period expires.  | X                    |                             | The annual report contains the recommended information.   |
| 5.10. Board committees   |                      |                             |   |
| 5.10.1. The Committee <b>recommends</b> that the company publish the following information in the management commentary in its annual report or on the company's website: <ul style="list-style-type: none"> <li>• the terms of reference for the board committees,</li> <li>• important activities of the committees during the year and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the</li> </ul> | X                    |                             | Terms of reference have been established for all three committees. The terms of references include requirements for disclosure in the annual report or company website with respect to important activities during the year, number of meetings held and individual members qualifications. |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| committees, as well as information on which members are independent members and which members have special qualifications.  |                      |                             |  |
| 5.10.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent members.   | X                    |                             | PANDORA has established audit, remuneration and nomination committees, each with at least three members of which a majority is independent.  |
| 5.10.3. The Committee <b>recommends</b> that the supreme governing body establish an actual <u>audit committee</u> .  | X                    |                             | An audit committee has been established.   |
| 5.10.4. The Committee <b>recommends</b> that the following be taken into account in composing the audit committee: <ul style="list-style-type: none"> <li>• the chairman of the supreme governing body should not be chairman of the audit committee, and</li> <li>• between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit conditions of companies whose shares are admitted to trading on a regulated market.</li> </ul> | X                    |                             | The chairman of the board is not a member of the audit committee. Between them, the members of the audit committee hold significant expertise and experience in financial management and control in large and publicly listed companies. |
| 5.10.5. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitor and   | X                    |                             | The rules of procedure of the audit committee sets out the committee's responsibilities and key tasks as well as principles for membership, appointment and meeting structure. The tasks included in the                                 |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| report to the supreme governing body about: <ul style="list-style-type: none"> <li>significant accounting policies</li> <li>significant accounting estimates,</li> <li>related party transactions, and</li> <li>uncertainties and risks, including in relation to the outlook.</li> </ul>   |                      |                             | recommendation are carried out by the audit committee.   |
| 5.10.6. The Committee <b>recommends</b> that the audit committee: <ul style="list-style-type: none"> <li>annually consider whether there is a need for an internal audit function, and if so,</li> <li>formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul> | X                    |                             | The rules of procedure of the audit committee sets out the committee's responsibilities and key tasks as well as principles for membership, appointment and meeting structure. The tasks included in the recommendation are carried out by the audit committee. Currently, PANDORA has no internal audit function. |
| 5.10.7. The Committee <b>recommends</b> that the supreme governing body establish a <u>nomination committee</u> with at least the following preparatory tasks: <ul style="list-style-type: none"> <li>describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and</li> </ul>   | X                    |                             | A nomination committee has been established and the terms of reference document for the committee includes the tasks listed in the recommendation.   |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| <p>experience available in the two governing bodies.</p> <ul style="list-style-type: none"> <li>• annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes,</li> <li>• annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body,</li> <li>• consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and</li> <li>• identify and recommend to the supreme governing body candidates for the governing bodies.</li> </ul> |                      |                             |  |
| <p>5.10.8. The Committee <b>recommends</b> that the supreme governing body establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• make proposals, for the approval of the supreme governing body prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for</li> </ul>   | X                    |                             | A remuneration committee has been established and the terms of reference document for the committee includes the tasks listed in the recommendation. |



| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| <p>members of the supreme governing body and the executive board,</p> <ul style="list-style-type: none"> <li>• make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group, and</li> <li>• oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is correct, true and sufficient.</li> </ul> |                      |                             |  |
| <p>5.10.9. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>  | X                    |                             | <p>With regards to remuneration, the remuneration committee does not consult with the same external advisers as the Executive Board. The committee and the Executive Board inform the other part if and when external advisers will be used.</p> |
| <p><i>5.11. Evaluation of the performance of the supreme governing body and the executive board</i></p>   |                      |                             |  |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| 5.11.1. The Committee <b>recommends</b> that the supreme governing body undertake an annual evaluation of the performance and achievements of the supreme governing body and of the individual members of the body.  | X                    |                             | The Board has established an annual procedure for evaluation of the composition and performance of the Board and of the individual members of the Board.   |
| 5.11.2. The Committee <b>recommends</b> that the chairman be in charge of the evaluation of the supreme governing body, that the outcome be discussed in the supreme governing body and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.  | X                    |                             | The evaluation is done by the nomination committee in close cooperation with the chairman and consists of a combination of anonymous questionnaires, individual interviews with each of the Board members and discussion in the Board as a group. An outline of the process and outcome of the evaluation is disclosed in the annual report.   |
| 5.11.3. The Committee <b>recommends</b> that the supreme governing body at least once every year evaluate the work and performance of the executive board in accordance with pre-defined criteria.   | X                    |                             | Based on the formal 'Instructions to the Executive Board', which includes guidelines for the division of duties between the company's Board and the Executive Board, the Board continuously assesses, formally once a year in connection with the Board evaluation, the performance of each member of the Executive Board and the cooperation between the Board and the Executive Board. |
| 5.11.4. The Committee <b>recommends</b> that the executive board and the supreme governing body establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the supreme governing body and the chief executive officer and that the outcome of the evaluation be presented to the supreme governing body. | X                    |                             | This is part of the formal annual self-evaluation of the Board.  |
| <b>6. Remuneration of members of the governing bodies</b>  |                      |                             |  |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:   |
|--|----------------------|-----------------------------|---|
|  |                      |                             |   |
| 6.1. Content and form of the remuneration policy   |                      |                             |   |
| 6.1.1. The Committee <b>recommends</b> that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.   | X                    |                             | The Board has adopted a remuneration policy and guidelines on incentive payments, applicable to the Board and the Executive Board                         |
| 6.1.2. The Committee <b>recommends</b> that the remuneration policy and any changes to the policy be approved by the general meeting of the company.   | X                    |                             | The remuneration policy and the guidelines on incentive payments are approved by the Annual General Meeting.  |
| 6.1.3. Committee <b>recommends</b> that the remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.  | X                    |                             | The remuneration policy and guidelines on incentive payments include a thorough description of the components and are available on the company's website. |
| 6.1.4. The Committee <b>recommends</b> that the remuneration policy include: <ul style="list-style-type: none"> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> | X                    |                             | The remuneration policy and guidelines on incentive payments include the recommended components.  |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| •  |                      |                             |  |
| <p>6.1.5. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,</li> <li>• there be clarity about performance criteria and measurability for award of variable components, and</li> <li>• there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.</li> </ul> | X                    |                             | <p>The variable components of the remuneration are based on defined performance criteria and in total the variable components ensure a balanced and reasonable link between performance and remuneration due to a combination of short-term cash bonuses and long-term share-based incentive programs. The remuneration policy and guidelines on incentive payments describe the variable components in detail.</p>  |
| <p>6.1.6. The Committee <b>recommends</b> that remuneration of members of the supreme governing body do not include share or warrant programmes.</p>   |                      | X                           | <p>Due to PANDORA's wish to encourage common and persistent long-term goals for the board and shareholders, PANDORA has chosen to deviate from the recommendations regarding remuneration in the following areas:</p> <ul style="list-style-type: none"> <li>• The Chairman of the Board is eligible for a one-off additional bonus in a share amount of DKK 6.5 million if certain EBITDA (on an adjusted basis) targets defined in PANDORA's business plan are met for the full year periods of 2013, 2014 or 2015.</li> <li>• PANDORA has established a board member share plan according to which</li> </ul> |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
|  |                      |                             | the chairman and the other members of the Board each are to own a minimum number of shares corresponding to the amount of their respective initial gross annual compensation.  |
| 6.1.7. The Committee <b>recommends</b> that if members of the executive board receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided. | X                    |                             | The share-based remuneration of the Executive Board is structured according to recommendation 6.1.7.   |
| 6.1.8. The Committee recommends that employment contracts of the Executive Management providing for share-based incentives stipulate a right for the company in exceptional cases to require full or partial repayment of share-based incentives which have been paid on the basis of information which subsequently proves erroneous.   |                      | X                           | According to Danish law, the company can reclaim, remuneration in case of fraud or similar behaviour. PANDORA considers that it is only reasonable to reclaim variable components of remuneration in cases where the company has a claim to repayment in accordance with the general Danish legal basis of repayment requirements. The remuneration policy for the Executive Board, therefore, contains no specific clause on the repayment of variable remuneration components on the basis of misstated information. |
| 6.1.9. The Committee <b>recommends</b> that termination payments should not amount to more than two years' annual remuneration.  | X                    |                             | Termination payments amount to a maximum of two years' annual remuneration.  |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|---|----------------------|-----------------------------|--|
| <i>6.2. Disclosure of the remuneration policy</i>   |                      |                             |  |
| 6.2.1. The Committee <b>recommends</b> that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.   | X                    |                             | The remuneration policy and guidelines on incentive payments are considered clear and easily understandable and is disclosed in the annual report and posted on the company's website. |
| 6.2.2. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.  | X                    |                             | The remuneration policy and guidelines on incentive payments are treated as a separate agenda item on the Annual General Meeting and is explained in the chairman's statement.         |
| 6.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the supreme governing body and the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained. | X                    |                             | All recommended information is included in the annual report.  |
| 6.2.4. The Committee <b>recommends</b> that the details of any defined-benefit schemes offered to members of the supreme governing body or the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total                           | X                    |                             | Not relevant as PANDORA has no defined-benefit schemes for the Board or the Executive Board.   |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:   |
|--|----------------------|-----------------------------|---|
| remuneration.  |                      |                             |   |
| 6.2.5. The Committee <b>recommends</b> that the most important aspects of retention and severance programmes be disclosed in the company's annual report.  | X                    |                             | All recommended information is included in the annual report.   |
| 6.2.6. The Committee <b>recommends</b> that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general meeting.   | X                    |                             | The remuneration of board members is presented for and approved by the Annual General Meeting.  |
| <b>7. Financial reporting</b>  |                      |                             |   |
| <i>7.1. Other relevant information</i>   |                      |                             |   |
| 7.1.1. The Committee <b>recommends</b> that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients. | X                    |                             | The annual report contains all information deemed necessary and relevant to understand the business of PANDORA, including information on financial results, operational progress, corporate governance, risk management, shareholder information and corporate social responsibility. |
| <i>7.2. Going concern assumption</i>   |                      |                             |   |

| Recommendation   | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:  |
|--|----------------------|-----------------------------|--|
| 7.2.1. The Committee <b>recommends</b> that, upon consideration and approval of the annual report, the supreme governing body decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.  | X                    |                             | The annual report is approved and submitted under a going concern assumption.  |
| <b>8. Risk management and internal control</b>   |                      |                             |  |
| <i>8.1. Identification of risks</i>  |                      |                             |  |
| 8.1.1. The Committee <b>recommends</b> that the central governing body at least once every year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.   | X                    |                             | Risk management at Board level is taken care of by the audit committee, who at least annually reviews the adequacy and effectiveness of the company's internal controls and risk management systems as well as the significant risks that the company faces. |
| 8.1.2. The Committee <b>recommends</b> that the executive board currently report to the supreme governing body on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the supreme governing body to track the development and make the necessary decisions. | X                    |                             | Any significant development in significant risks is part of the Executive Board reporting to the Board in connection with all Board meetings.  |
| <i>8.2. Whistleblowing</i>   |                      |                             |  |



| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:           |
|---|----------------------|-----------------------------|---|
|   |                      |                             |   |
| 8.2.1. The Committee <b>recommends</b> that the supreme governing body decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing. | X                    |                             | The Board has established a whistle-blower function vested with the Group Legal function.           |
| <i>8.3. Openness about risk management</i>  |                      |                             |   |
| 8.3.1. The Committee <b>recommends</b> that the management commentary in the annual report include information about the company's management of business risks.  | X                    |                             | Significant risks and information about PANDORA's risk management is included in the annual report. |
| <b>9. Audit</b>   |                      |                             |   |
| <i>9.1. Contact to auditor</i>  |                      |                             |   |
| 9.1.1. The Committee <b>recommends</b> that the supreme governing body maintain a regular dialogue and exchange of information with the   | X                    |                             | This is part of the duties of the audit committee and included in the committee charter.            |

| Recommendation  | The company complies | The company does not comply | The company complies/does not comply with the recommendation due to the following reason:   |
|---|----------------------|-----------------------------|---|
| auditor.  |                      |                             |   |
| 9.1.2. The Committee <b>recommends</b> that the auditor agreement and auditors' fee be agreed between the supreme governing body and the auditor on the basis of a recommendation from the audit committee.   | X                    |                             | The auditor agreement and the auditor's fee are approved by the Board on the basis of a recommendation from the audit committee.  |
| 9.1.3. The Committee <b>recommends</b> that the supreme governing body and the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if any.   | X                    |                             | The Board meets once a year with the external auditor in connection with the approval of the annual report.   |
| <i>9.2. Internal audit</i>  |                      |                             |   |
| 9.2.1. The Committee <b>recommends</b> that the supreme governing body, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report. | X                    |                             | It is part of the charter of the audit committee once a year to assess the need to establish an internal audit function. Currently, PANDORA has no internal audit function. |