

### **Statutory report on corporate governance for the financial year 2015, 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 2015 and is prepared pursuant to section 107 b of the Danish Financial Statements Act.

As required for a listed company on Nasdaq 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**

PANDORA's aim regarding good corporate governance is to ensure transparency, accountability, and that we meet our obligations to shareholders, customers, consumers, employees, authorities and other key stakeholders to the best of our ability in order to maximise long-term value creation.

At PANDORA, we intend to exercise good corporate governance at all times and to assess our 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 Copenhagen, which has included the recommendations in its 'Rule Book for Issuers of Shares'. The Danish corporate governance recommendations were updated in May 2013 with minor revisions in 2014, which do not impact PANDORA's reporting. In 2015, PANDORA chose to deviate partly from Clause 3.4.6 as the Chairman of the Nomination Committee is not the Chairman of the Board.

At PANDORA, the Nomination Committee elects a chairman, who must be either the Chairman or one of the Deputy Chairmen of the Board. The Chairmanship is handled in cooperation between the Chairman of the Board and the Deputy Chairmen and thus, in practice, the Deputy Chairman represents the Chairman on the Nomination Committee. All other Corporate Governance recommendations are followed by PANDORA.

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

Powers are distributed between the Board of Directors and the Executive Board and independence exists between these two bodies as is normal practice in Denmark. The Board of Directors is elected at the General Meeting and all Board members are up for election every year.

The Executive Board 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 and the Executive Board together develop 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 2015**

During 2015, the Board held seven ordinary Board meetings. The total attendance rate was 90%. In 2015, the primary focus area for the Board was continued growth and global expansion, exemplified by entering into a strategic alliance in China, acquisition of store network in Singapore and Macau, taking over the distribution rights for Philippines, taking over leaseholds in Germany, expanding the strategic alliance with The Walt Disney Company to include Asia Pacific, and launching e-commerce in several countries, including in the US.

### **Board Committees**

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee.

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 Michael Hauge Sørensen. The Audit Committee reviews and assesses the Company's financial reporting and audit process as well of control procedures. More specifically, the duty of the Audit Committee is to supervise the following areas:

- financial reporting process
- internal control and risk management systems
- external audit

In 2015, the Audit Committee met seven times and had an attendance rate of 90%. The main activities in 2015 were:

- meetings with the Executive Board and external auditors to review the audited annual report
- meetings with the Executive Board 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 significant financial risks of the Company
- re-assessment of the need for an internal audit function and approved implementation of a Governance Risk & Compliance function
- recommendation for the selection of external auditors including evaluation of independence, competencies and compensation
- the Audit Committee's annual self-assessment

### **The Remuneration Committee**

The current members of the Remuneration Committee are Peder Tuborgh (Chairman), Christian Frigast, Allan Leighton, Bjørn Gulden and Andrea Alvey. 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

The Remuneration Committee met four times in 2015 and had an attendance rate of 85%. 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. The Committee also performed a review of the Long Term Incentive Program covering the Company's top management.

## **The Nomination Committee**

The current members of the Nomination Committee are Christian Frigast (Chairman), Anders Boyer-Søgaard, Ronica Wang and Per Bank. 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 2015, the Nomination Committee met twice and had an attendance rate of 87%. The main activities were the annual self-evaluation and an in-depth analysis of the qualifications required for members of the Board and the Executive Board.

## **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 Nomination Committee directs the assessment process. The assessment is carried out by each Board member completing a questionnaire followed by a Board discussion where improvement areas are defined and agreed upon. Once a year, the CEO must perform an assessment of the individual members of the Executive Board.

Among the topics covered in the Board self-assessment are Board composition, the nomination process and competencies of the Board. Also covered is e.g. the Board's involvement in financial management and control, risk management, cooperation with the Executive Board, personal contributions and committee work.

The self-assessment conducted in 2015 identified the following strengths and development areas for the Board. In general, the Board demonstrates appropriate industry knowledge and includes a diversity of experience and backgrounds well fitted to PANDORA's business and strategy. Board structure and committee work are effective, and the Board considers itself to be sufficiently involved in financial oversight. The primary action points for 2016 are improvement of the processes around Board meetings and the interaction between the Board and the committees. Furthermore, in order to gain further insight, the Board will allocate time for market visits and enhancing its experience to all levels of the organisation.

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

Responsibility for PANDORA's internal controls and risk management systems in relation to the financial reporting process rests with the Board of Directors and the Executive Board.

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 provide a true and fair view, free from material misstatements, and that the financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. While the internal controls and risk management systems are designed and aim to ensure that material misrepresentation of assets, losses and/or significant errors or irregularities and omissions in the financial reporting are avoided, it provides no absolute assurance that all errors are detected and corrected. Internal controls and risk management systems are under continuous development.

- control environment
- risk assessment
- control activities
- information and communication
- monitoring

#### **Control environment**

The Board of Directors has established an Audit Committee that assists the Board of Directors in supervising the financial reporting process and the efficiency of PANDORA's internal controls and risk management systems. The Audit Committee reviews significant risks related to PANDORA's business, activities and operations as well as risks related to financial reporting. The Audit Committee seeks to ensure that such risks are managed proactively, efficiently and systematically. The Executive Board is responsible for maintaining controls and an effective risk management system and it has taken the necessary steps to address the risks identified in relation to financial reporting.

In 2015, the Governance, Risk and Compliance (GRC) department was established based on recommendation from the Audit Committee. The GRC department helps PANDORA accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of internal controls, risk management, compliance, and governance processes. The GRC department will assist PANDORA's Management and the Audit Committee in identifying, avoiding and mitigating risks.

The compositions of the Board of Directors, the Audit Committee and the Executive Board have ensured the availability of relevant competencies with respect to internal controls and risk management systems in relation to the financial reporting.

#### **Risk assessment**

The Board of Directors and Executive Board assess risks on an ongoing basis, including risks related to financial reporting and an assessment of measures to manage or eliminate and/or reduce the identified risk. The Audit Committee reviews certain high-risk areas quarterly, including significant accounting estimates and material

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 three to four times a year. This forum sets the finance strategy for the Group. In addition, PANDORA Finance Manager conferences are held in order to discuss the latest developments in significant accounting matters and best practice regarding internal controls.

Controlling functions in the corporate finance function, reporting to the CFO, are responsible for controlling the financial reporting from the Parent Company and subsidiaries, and monitoring compliance with relevant legislation on an ongoing basis.

The Group has adopted and defined an internal control framework that identifies key processes, inherent risks and control procedures, in order to secure appropriate accounting processes.

The control procedures include a variety of processes in order to prevent any misrepresentation, significant errors, omissions and fraudulent behaviours. The control procedures are assessed bi-annually and reported to the Audit Committee annually.

**Information and communication**

The Board of Directors has adopted an Investor Relations policy that prescribes that all communication to stakeholders, including financial reporting, must be conducted adequately, timely and openly internally as well as externally and must be conducted factually and truthfully and in compliance with legislation and applicable regulations.

**Monitoring**

PANDORA's internal controls and risk management systems are continuously monitored, tested, documented and subject to evaluation. The Audit Committee monitors the internal controls and risk management systems to ensure that any weaknesses are eliminated and material errors corrected, including controls or procedures implemented to prevent such errors.

PANDORA's external auditors are appointed for a term of one year at the Annual General Meeting following recommendation from the Board of Directors. 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 services, is agreed annually between the Board of Directors and the auditors following 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 complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee <b>recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	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 special investor relations report is prepared for the Board at every regular board meeting. Disclosures, including company announcements and financial reporting, are published in both Danish and English and provided on the company's website.
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with	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

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
company policies.				available on PANDORA's website, including the company's mission, the investor relations policy, the CSR policies and Supplier's Code of conduct.
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports	X			PANDORA publishes quarterly reports.
<i>1.2. General meeting</i>				
1.2.1. The Committee <b>recommends</b> that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.	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. 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 the Board evaluates whether to conduct the general meeting by physical attendance or as partly or entirely electronic general meeting.
1.2.2. The Committee <b>recommends</b> that proxies granted for the general meeting 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.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>1.3. Takeover bids</i>				
<p>1.3.1. The Committee <b>recommends</b> that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should 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 themselves.</p>	X			<p>PANDORA has established formalized contingency procedures. Actions will be determined on a case-by-case basis with due consideration to shareholders.</p>
<b>2. Tasks and responsibilities of the board of directors</b>				
<i>2.1. Overall tasks and responsibilities</i>				
<p>2.1.1. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.</p>	X			<p>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. The Rules of Procedure are reviewed at least annually. 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</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				includes a strategy meeting and a budget meeting. In 2015, the Board met [X] times. The number of Board meetings is disclosed in the annual report.
2.1.2. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	X			The Board reviews 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.
2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and longterm value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's 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.
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the Executive Management; this includes establishing requirements for the Executive Management on timely, accurate and adequate reporting to the board of directors.	X			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.  The Board's Rules of Procedure and annual meeting

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				plan includes as fixed items an annual review of the instructions to the Executive Board.
2.1.5. The Committee <b>recommends</b> that at least once a year the board of directors discuss the composition of the Executive Management, as well as developments, risks and succession plans.	X			The Board's Rules of Procedure and annual meeting plan includes as fixed items an annual review of the instructions for the Executive Board. Succession planning and composition of the Executive Board are addressed in the Nomination Committee's terms of reference and reviewed by the Board at least once a year.
2.1.6. The Committee <b>recommends</b> that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.	X			<p>The Board has set a number of gender diversity objectives which it reviews annually:</p> <p>By 2020, the gender split in senior management positions (members of the Executive Board, general managers and vice presidents) should be 40%-60% represented by women and men respectively. At the end of 2015, 33% of senior management roles were held by women, compared to 34% in 2014, 24% in 2013 and 26% in 2012.</p> <p>The gender composition of the Group's leadership programmes for the years 2012-2015 should mirror the gender composition of staff in vice president and director positions (on aggregate). In 2015, women</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>accounted for 59% of this management group, and made up 48% of the enrolment in our leadership programmes. For the whole period, women accounted for 47% of the participants on leadership programmes. The Board will continue to follow the gender composition of our leadership programmes in the years to come.</p> <p>Finally, it is PANDORA's objective that by 2018, at least 35% of board members elected at the Annual General Meeting must be women. At the end of 2015, two female Board members made up 22% of a total of nine board members, still well above the 2015 average 11% for Danish listed companies. The Board will continue to consider gender composition when appointing new members.</p>
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	X			PANDORA'S CSR policies, commitments and annual Ethics Reports which showcase our CSR approach and performance are available on the companywebsite.
<i>2.3. Chairman and vice-chairman of the board of directors</i>				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
2.3.1. The Committee <b>recommends</b> appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner 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.  A list of tasks, duties and responsibilities of the chairmanship is part of the Board's Rules of Procedure.
2.3.2. The Committee <b>recommends</b> ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.	X			PANDORA agrees with the recommendation in principle and will disclose details on a case-by-case basis.
<b>3. Composition and organization of the board of directors</b>				
<i>3.1. Composition</i>				
3.1.1. The Committee <b>recommends</b> that the board of directors annually accounts for	X			A competency profile of the Board has been established and disclosed on the company's website. The competency profile is reviewed annually. The

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>• the skills it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> <li>• the special skills of each member.</li> </ul>				nomination committee evaluates the skills and expertise of existing Board members and nominate new board members in light of the competency profile. 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.
3.1.2. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.	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, and such criteria is part of the terms of reference for the committee. The principles for nomination of board candidates, e.g. regarding diversity, are also laid down in the terms of reference for the nomination committee, available on the company's website.
3.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about the candidates' <ul style="list-style-type: none"> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> </ul>	X			The recommended information is provided in the notice convening the Annual General Meeting, in the annual report and on the company's website.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>demanding organizational tasks, and information</li> <li>about whether candidates to the board of directors are considered independent.</li> </ul>				
3.1.4. The Committee <b>recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.	X			According to the Rules of Procedure the Board shall seek not to nominate candidates older than 67. The age of Board members are printed in the annual report.
3.1.5. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	X			All Board members stand for election every year.
<b>3.2. Independence of the board of directors</b>				
3.2.1. The Committee <b>recommends</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not: <ul style="list-style-type: none"> <li>be or within the past five years have been member of the executive board (Executive Management), or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>within the past five years, have received larger emoluments from the company/group,</li> </ul>	X			The Board consists of 9 members of which 6 members are considered independent based on the criteria listed in recommendation 3.2.1.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>• a subsidiary undertaking or an associate in another capacity than as member of the</li> <li>• board of directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</li> <li>• be or within the past three years have been employed or partner at the external auditor,</li> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> <li>• have been close relatives with persons who are not considered independent.</li> </ul>				
<p>3.3. <i>Members of the board of directors and the number of other executive functions</i></p>				
<p>3.3.1. The Committee <b>recommends</b> that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</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. Expected time commitment is clarified individually in the nomination process.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.3.2. The Committee <b>recommends</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</li> <li>• whether the member is considered independent,</li> <li>• the date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and</li> <li>• demanding organizational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>	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. The annual report contains the recommended information regarding share holdings.</p>
<p>3.4. Board committees</p>				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company’s website:</p> <p>The terms of reference of the board committees,</p> <ul style="list-style-type: none"> <li>• the most 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 committees, as well as information on which members are independent members and which members have special qualifications.</li> </ul>	X			Terms of reference have been established for all three committees and is published on the company’s website. The annual report and the company website include information with respect to important activities during the year, number of meetings held and individual members qualifications.
<p>3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.</p>	X			PANDORA has established audit, remuneration and nomination committees in all of which the majority is independent.
<p>3.4.3. The Committee <b>recommends</b> that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> <li>• the chairman of the board of directors is not chairman of the audit committee, and</li> <li>• between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated</li> </ul>	X			An audit committee has been established. 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.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
market.				
<p>3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <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 for the current year.</li> </ul>	X			The rules of procedure of the audit committee sets out the committee’s responsibilities and key tasks including the monitoring and reporting of accounting policies and estimates, related party transactions as well as uncertainties and risks.
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assesses the need for an internal audit, and in such case, makes 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 include the tasks described in the recommendation. Based on the assessment of the audit committee PANDORA established a Governance Risk & Compliance function in 2015. The GRC function will report conclusion and recommendations to the executive management and Audit committee at least once pr. year.
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the</p>		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 complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</li> <li>• annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,</li> <li>• annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> <li>• consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and</li> <li>• propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>				<p>The Chairman of the nomination committee is not the Chairman of the Board. In PANDORA, the nomination committee elects a chairman, who must be either the Chairman or the Deputy Chairman of the Board. In Pandora, the Chairmanship is handled in cooperation between the Chairman of the Board and the Deputy Chairman and thus, in practice, the Deputy Chairman is representing the Chairman in the nomination committee.</p>
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a remuneration committee with at</p>	X			<p>A remuneration committee has been established and the terms of reference document for the committee includes the tasks listed in the recommendation.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,</li> <li>make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and</li> <li>recommend a remuneration policy applicable for the company in general.</li> </ul>				
<p>3.4.8. 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>	<p>X</p>			<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>3.5. Evaluation of the performance of the board of directors and the executive board</i></p>				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
3.5.1. The Committee <b>recommends</b> that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.	X			The Board has established an annual procedure for evaluation of the composition and performance of the Board, of the individual members of the Board and of the Executive Board. 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. Evaluation of the members' skills and expertise is part of the annual Board self-assessment.
3.5.2. The Committee <b>recommends</b> that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.	X			The Board currently has 9 members, which is considered adequate to ensure constructive debate and efficient decision-making. According to the company's Articles of Association, the Board should consist of 3 to 10 directors. The nomination committee reviews annually the size of the Board.
3.5.3. The Committee <b>recommends</b> that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear 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

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				evaluation, the performance of each member of the Executive Board and the cooperation between the Board and the Executive Board.
3.5.4. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.	X			Evaluation of the cooperation between the Board and the Executive Board is part of the formal annual self-evaluation of the Board.
<b>4. Remuneration of management</b>				
<i>4.1. Form and content of the remuneration policy</i>				
4.1.1. The Committee <b>recommends</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance</li> </ul>	X			The Board has adopted a remuneration policy and guidelines on incentive payments, applicable to the Board and the Executive Board. The remuneration policy and the guidelines on incentive payments are approved by the Annual General Meeting. The remuneration policy and guidelines on incentive payments include a thorough description of the components and are available on the company's website. They also include the reasons for choosing the individual components and a description of the criteria on which the balance between the individual

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>between the individual components of the remuneration is based.</p> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>				<p>components of the remuneration is based. The remuneration policy and guidelines on incentive payments are considered clear and transparent.</p>
<p>4.1.2. 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 terms,</li> <li>• there be clarity about performance criteria and measurability for award of variable components,</li> <li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</li> <li>• an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul>	X			<p>The variable components of the remuneration policy 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>Employment contracts with executive directors contain specific clause on the possibility of repayment of variable remuneration components on the basis of misstated information.</p>
<p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include</p>	X			<p>Due to PANDORA's wish to encourage common and persistent long-term goals for the Board and</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
share options.				shareholders, PANDORA has chosen to establish a board member share plan according to which the Chairman and the other members of the Board each are obliged to own a minimum number of shares corresponding to the amount of their respective initial gross annual compensation. This is not part of their board remuneration.
4.1.4. The Committee <b>recommends that</b> if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	X			The share-based remuneration of the Executive Board is structured according to the recommendation.
4.1.5. The Committee <b>recommends that</b> agreements on termination payments should not amount to more than two years' annual remuneration.	X			Termination payments amount to a maximum of two years' annual remuneration.
<i>4.2. Disclosure of the remuneration policy</i>				
4.2.1. The Committee <b>recommends that</b> the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's	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

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
statement at the company's general meeting.				chairman's statement.
4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the board of directors 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.
4.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	X			The total remuneration granted to each member of the Board and the Executive Board by the company and other consolidated companies is disclosed in the annual report. As recommended, the most important contents of retention and severance programmes are disclosed in the company's annual report.
<b>5. Financial reporting, risk management and audits</b>				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee <b>recommends</b> that the board of directors in the management commentary review and account for the most important strategic and business-	X			The annual report contains all information deemed necessary and relevant to understand the business of PANDORA, including information on financial results,

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
related risks, risks in connection with the financial reporting as well as for the company's risk management.				operational progress, corporate governance, risk management, internal controls, shareholder information and corporate social responsibility. 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.
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	X			The Board has decided to establish an externally administered Ethics Hotline, enabling staff to raise concerns via phone and internet. All staff are trained in available channels for raising concerns – including the Ethics Hotline.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the	X			The Board maintains a regular dialogue and exchange of information with the auditor as this is part of the duties of the audit committee and included in the committee terms of reference. The complete Board meets once a year with the external auditor in connection with the approval of the

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
auditor without the executive board present. This also applies to the internal auditor, if any.				annual report.
5.3.2. The Committee <b>recommends</b> that the audit agreement and auditors' fee be agreed between the board of directors 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.