
PANDORA CSR REPORT

2011



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CEO STATEMENT

2011 was an eventful CSR year for PANDORA. Entering into 2011, we had developed our Group values, established our CSR organisation governed by a cross-functional CSR committee, and joined The Responsible Jewellery Council and United Nations Global Compact. In 2011, we dedicated our efforts to developing and testing a range of new CSR policies and supporting programmes. We have done so with the clear aim of having the entire PANDORA Group certified on its responsible business practices during 2012.

Building on the solid foundation of fairness and craftsmanship we inherited from our founding fathers, PANDORA spent 2011 strengthening and systematising our efforts to advancing responsible business practices in our own operations as well as in the entire jewellery industry. In practical terms, 2011 was the year where we developed and tested our CSR policies, procedures and proper mindset that will help us to achieve our vision of becoming the world's most recognised jewellery brand.

The 2011 CSR report covers PANDORA's CSR achievements between 1 January 2011 and 31 December 2011. While our 2010 CSR report defined the playing field for

CSR at PANDORA and gave a more detailed description of our responsible crafting facilities in Thailand, the 2011 report provides an in-depth description of our CSR Supplier Programme defining our expectations towards our suppliers.

2011 was the year where PANDORA outlined the roadmap towards becoming a fully sustainable jewellery company. However, we acknowledge that we are still facing a number of challenges when navigating towards this goal. Therefore, PANDORA's 2011 CSR Report is also an invitation for our stakeholders to engage with us, bring ideas to the table or raise concerns.

Marcello Bottoli
Interim CEO



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.



CSR APPROACH

CSR APPROACH

PANDORA is committed to supporting and advancing responsible business practices throughout the jewellery value chain. This commitment is the backbone of our CSR Policy and is reflected in internal operations as well as in our relations with external stakeholders. In 2011, we increased our efforts to proactively reach out to our surroundings and willingly enter into dialogue with stakeholders on how to strengthen our performance. Beside our engagement in the Responsible Jewellery Council, we have in 2011 worked to establish strategic cooperation with a range of stakeholders such as sourcing NGO's, experts, refiners etc.

The PANDORA CSR Report 2011 provides information and basic statistics on the results we have achieved in 2011. By conducting a materiality assessment in early 2011, we identified the sourcing of precious metals, gemstones and other materials as the most important challenge facing the jewellery industry. Furthermore, we recognise that PANDORA's jewellery crafting facilities in Thailand have a positive socio-economic impact and leave an environmental footprint.

While also serving as PANDORA's 2011 Communication on Progress on the ten principles of the United Nations Global Compact, this report pays special attention to our CSR Supplier Programme and our CSR achievements at our crafting facilities in Bangkok, Thailand.

This focus is deliberate. PANDORA remains committed to openly communicate the real dilemmas facing the jewellery industry, our responses to such dilemmas, and the achievements we make in advancing responsible business practices – internally as well as in the entire jewellery industry. A natural part of this approach is to welcome stakeholders to comment on this report, bring ideas to the table and raise concerns regarding PANDORA's activities.

CSR AT PANDORA

2010 – Setting the scene

April	May	August	November	December
CSR Committee	UN Global Compact	RJC Responsible Jewellery Council	Suppliers Code of Conduct	Group CSR Function

2011 – Develop and text

March	April	April	September	December
4-Step Supplier Program	CSR Report 2010 & website	Business Ethics Policy	Road map to RJC Certification	Policy Framework for CSR

2012 – Full Implementation

February	February	June	August	August onwards
Policy Framework enters into force	CSR Report 2011 & Roll-out	RJC audits entire PANDORA Group	Responsible Business Practices Certificate	Strategic CSR Project/integration

CSR POLICY

Following a thorough stakeholder consultation process in 2010 and early 2011, we have revised PANDORA's CSR Policy which lays the foundation of our CSR related efforts:

"PANDORA is committed to advancing responsible business practices from the sourcing of gemstones, precious metals and other materials to the crafting and marketing of our jewellery.

We believe that corporate social responsibility and our aspiration to offer high quality and genuine jewellery go hand in hand. Responsible business practices and social awareness have always been part of PANDORA's DNA and they are virtues which we strive to honour in our daily operations as well as through initiatives that aim at raising the bar for the jewellery industry.

Furthermore, we believe that our business shall benefit our stakeholders and not least our customers. Therefore, PANDORA has a social commitment to supporting charitable purposes that inspire individuality and improve the lives of women around the world".

CSR COMMITTEE

PANDORA CSR is governed by a global CSR Steering Committee, commissioned to coordinate and monitor responsible business practices across our value chain, from sourcing through crafting to the trading of our jewellery. The Committee is headed by our Vice President Group CSR and further consists of the heads of Production, Procurement, HR, and Communications and with our Chief Financial Officer and Chief Merchant representing the Executive Management. The CSR Steering Committee convenes once a month. Each member of the CSR Committee is responsible for developing and embedding CSR in their own business area while drawing on the expertise of our CSR units located in Copenhagen and Bangkok.

PANDORA LIFE

In March 2011, PANDORA launched the PANDORA Life programme by implementing the three core company values that guide us in fulfilling our vision of becoming "... the world's most recognised jewellery brand". The three values are *pride, passion and performance*.

- PANDORA is a PRIDE of strong individuals, skilful and unique, though only successful when working as a team.
- PANDORA PASSION is wholehearted; a big overview and a great heart.
- PANDORA PERFORMANCE comes from a can-do attitude.

In short the sentence "PANDORA is a pride of strong individuals with a wholehearted, can-do attitude" help us navigate on how to work together as colleagues and how to behave and act towards our surroundings and stakeholders.

PANDORA ETHICS

In alignment with the overarching PANDORA Life values, in 2011 PANDORA developed a set of CSR policies defining our standards regarding human rights, working conditions, environmental impact and business ethics. Our Business Ethics Policy is described in more detail in chapter 4.1. With these policies in place, we have a clear and uniform CSR guidance for staff and business partners as well as a solid platform for entering into dialogue with other stakeholders.

Acknowledging that such rules and regulations cannot alone provide any guarantees for responsible business practices, we have developed and tested a range of procedures, training concepts and compliance tools. The result is a CSR programme named "PANDORA Ethics" that guide us in honouring our commitment to advancing responsible business practices in our own operations as well as in the jewellery industry in general.

SCOPING CSR

PANDORA operates with a highly integrated value chain covering all processes from jewellery design to after sales service. This means that appropriate methods of ensuring responsible business practices will vary across the Group. Thus, we have tailored our CSR Programme to containing three main processes: sourcing, crafting and trading. The remainder of the report is dedicated to communicating our progress within these areas.

A close-up photograph of a person's hand sorting through a large quantity of small, cylindrical metal fasteners, possibly rivets or bolts, on a dark, textured surface. The fasteners are scattered across the frame, with a significant portion in the foreground and background. The hand is positioned on the left side, with fingers reaching towards the center. The lighting is dramatic, highlighting the metallic sheen of the fasteners against the dark background. The word "SOURCING" is overlaid in white, serif, all-caps font in the center of the image.

SOURCING

SOURCING

In order to sell 50 million pieces of jewellery in 2011, PANDORA sourced large quantities of silver and gold, diamonds, gemstones and other materials used in the production process. Further, the more than 10,000 retail outlets selling PANDORA jewellery require a wide range of additional products ranging from sales displays, jewellery boxes and paper bags to cleaning detergents.

With a commitment to longstanding business relations and a highly integrated business model, our point of departure for responsible sourcing relies on mutual respect, dialogue and sustainable business relations rather than PANDORA using its buying power to force suppliers into delivering what might turn out to be superficial or unsustainable solutions.



SUPPLIERS' CODE OF CONDUCT

PANDORA Suppliers' Code of Conduct clearly expresses our expectations for the ethical performance of our suppliers within the realms of human rights, working conditions, environmental impact and business ethics. To ensure that our suppliers are aware of and comply with these expectations, the Code was adopted into all new and updated supplier contracts during 2011. We acknowledge that such a contractual commitment does not in itself guarantee the implementation of responsible business practices. Therefore, during 2011 we developed, tested and adjusted a new and comprehensive CSR Supplier Programme. The programme instructs our sourcing and purchasing staff to adopt a four-step approach with the purpose of ensuring that our suppliers meet the requirements listed in the Code of Conduct, and understand complying with these requirements can help them increase their own profitability.

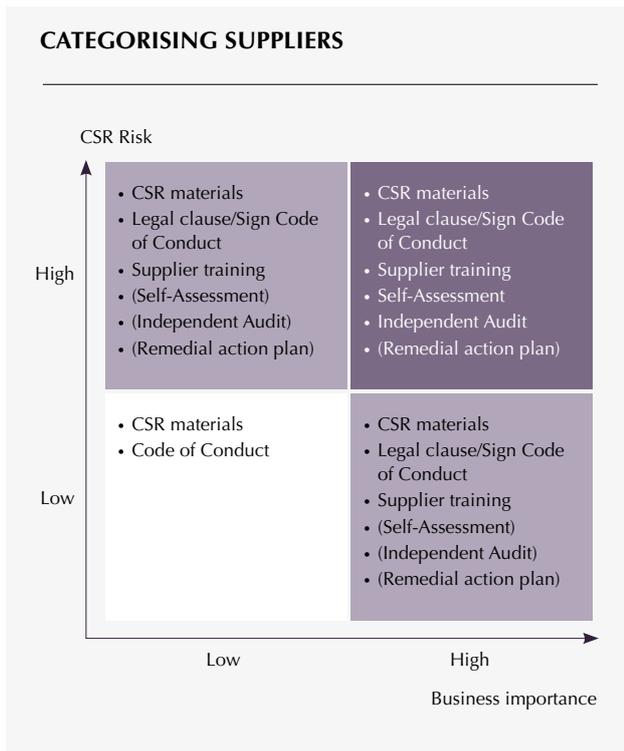
CSR SUPPLIER PROGRAM

In order to strengthen the CSR competencies and skills of our purchasing staff and enable them to carry out their important role in PANDORA's four-step CSR Programme, in 2011 we trained our purchasers to identify and mitigate CSR risks in our supply chain. The training was delivered by our CSR teams based in Denmark and Thailand. Our CSR specialists have comprehensive experience from more than 500 CSR supplier audits throughout Europe and Asia – regions that account for almost 100 per cent of our direct supply base. The training includes supplier audits by teams comprised of our purchasers, our CSR specialists and a global audit company which we have contracted to conduct independent CSR audits in our supply chain.

Step 1: Screening suppliers

During the first step of the CSR Supplier Programme, our purchasers screen and categorise all suppliers delivering goods above a threshold limit of USD 50,000. Each of these eligible suppliers are investigated for the CSR risks related to their specific product as well as the CSR risks that typically occur in their country of operation. Further, our purchasers must assess the CSR maturity of each supplier by conducting a desktop investigation of any public evidence regarding the CSR performance of the supplier. Finally, purchasers are instructed to trust their own instincts and never approve a supplier they do not fully believe to be in compliance with PANDORA's Suppliers' Code of Conduct. Suppliers falling under the USD 50,000 threshold limit – but still fail to convince the responsible purchaser – will also become eligible for further investigation.

The outcome of this initial CSR screening is integrated into our "Supplier Segmentation Model" which also categorises suppliers according to their potential business impact as well as other supply risks associated with the supplier. The integration of CSR risks into our supplier model allows us to sort our suppliers into four categories, each eligible to specific actions.



Step 2: Supplier trainings

Depending on the outcome of the initial screening, suppliers are either directly approved for business or invited to move on to step two of the programme which is a one-day CSR supplier training course. In 2011, more than 50 supplier representatives participated in such trainings organised in Bangkok and Hong Kong. The key objective of the CSR training is to enhance suppliers' awareness of CSR risks, improve their understanding of PANDORA's CSR approach and expectations and ensure that they are aware of relevant rules and regulations. Whenever working through agents, we invite both the agent and their suppliers responsible for the actual production.

During the training, we encourage and seek to inspire our suppliers to make use of practical tools and methods to raise their standards and to prevent or mitigate non-compliance with our Code of Conduct. A vital part of this exercise is to share with our suppliers how we work to ensure responsible business practices at our own crafting facilities in Thailand, operating under similar conditions as the majority of our suppliers. This approach has proved to be a fruitful means of facilitating difficult discussions on how seemingly unsolvable issues can be turned into business advantages.

In addition to content delivered by PANDORA's CSR team, suppliers who participate in our training also receive advice from independent experts on relevant national and international legislation and common breaches related to these laws. Finally, staff from our contracted independent audit company explains in detail how the actual audit process is structured.

Step 3: Supplier audits

The third step is an actual CSR audit conducted by an independent audit company. The audit process is often initiated by asking the supplier to perform a preliminary CSR self-assessment using a template provided by PANDORA. We do this with a dual purpose. Firstly, we wish to allow our suppliers to identify and mitigate any non-compliance that they might not have understood or paid attention to in the past. Secondly, we want to obtain sufficient knowledge about the supplier's CSR performance before ordering a comprehensive supplier audit. If such a self-assessment provides vital and reliable information, which proves beyond doubt full compliance with all relevant regulations, we might decide to not initiate an audit.

Following our commitment to constructive dialogue and long-term partnerships, we decided that all 2011 audits would be announced to our suppliers 2 to 3 weeks in advance.

Finally, by training our purchasers to spot irresponsible business practices as part of their daily contacts with our suppliers, we find ourselves capable of identifying potential irregularities, posing the right questions and acting accordingly. In 2012 we will review this approach to see if we could benefit from an approach that combines announced and unannounced audits.

Step 4: Corrective actions

The fourth and final step is to develop and implement corrective action plans ensuring that any non-compliance identified during daily operations, initial screenings, dialogue during the supplier training, self-assessments or through independent audits, are eliminated within a reasonable time frame.

Most audits reveal non-compliances of varying severity, which result in the independent audit team preparing a draft corrective action plan based on their CSR expertise and local knowledge of how fast companies and authorities can be expected to act on the given context. The plan is presented to the supplier at the end of the audit, and the supplier can either accept it or suggest an alternative plan, which ultimately must be accepted by our purchaser and Group CSR.

Failure to comply with the Code of Conduct code results in an escalation of PANDORA's efforts, which may ultimately result in PANDORA's CSR committee deciding to terminate the business relation.

In November 2011, PANDORA seized the opportunity to present our CSR Supplier Programme to the Nordic Network for United Nations Global Compact member companies. At this event, we received positive recognition and valuable input that will help us in further developing the programme.

IMPROVEMENTS IN 2012

During 2011, we developed and tested different audit concepts, ranging from audits carried out by PANDORA staff only, independent third party audits, and joint audits with the participation of both independent auditors, PANDORA's purchasers and our CSR teams. In 2012 we wish to move towards a model that relies on more independent audits and to start developing a CSR toolkit that will help our suppliers integrate CSR into their company procedures. Finally, we will be gaining further experience in executing our four-step CSR Programme, enabling us to define Key Performance Indicators on how frequently we should engage with the different supplier categories.

SPEARHEADING INDUSTRY ACTION

At PANDORA, we consider our current Code of Conduct to fully match the codes issued by our peers in the global jewellery brands. PANDORA acknowledges that many suppliers today suffer from "Code Mania". This means that suppliers have to comply with a wide range of codes, each with their unique, but comprehensive, requirements for documentation. To help counter this problem, and to help advance the role of the Responsible Jewellery Council (RJC), PANDORA will work to abandon our Suppliers' Code of Conduct and replace it with the equally suited RJC Code of Practices.

In the spring of 2011 PANDORA was elected by our peers to represent the Jewellery Manufacturers in RJC's Standards Committee. During 2012, the RJC Standards Committee will work with an external stakeholder panel to update the RJC Code of Practices. We will use this as our platform to persuade our peers within the industry to unite behind the RJC Code of Practices.

Finally, PANDORA has in 2011 accepted an invitation to join the reference group for the NICE Code of Conduct for the fashion industry – the first sector-specific initiative under the United Nations Global Compact in its history. The NICE code will be launched in 2012 and promoted during the Rio+20 Summit.

SOURCING OF GOLD

The gold supply chain is complex, and especially gold mining has often been criticised for harsh working conditions, a high environmental impact, and in some cases breaches to fundamental human rights. This has already led to increased regulatory demands in the US, and more governments are now following suit pushing for full traceability of gold from mine to market.

PANDORA's jewellery crafting process requires a fineness of our gold at 99.99 per cent. Thus, PANDORA depends on high quality gold smelters, refiners and traders who in turn acquire their gold from a range of sources. Our initial inquiries into our gold supply chain indicate that the primary source of our gold is recycling, but we are aware that the melting process might also contain gold from bullion banks and mining. To date, PANDORA has found no evidence or indication that our gold originates from sources or countries known to be associated with conflict or irresponsible business practices. In 2012 we will further



investigate the origin of gold entering our supply chain and strive towards traceable gold sourcing.

Gold is one of the world's commodities with the highest recycling percentage. It is estimated that between 90 and 100 per cent of all gold re-enters the global market through recycling. The drawback to this positive fact is that recycling makes it extremely difficult to determine the exact origin of gold. In 2012 PANDORA will work to introduce procedures that meet, or exceed, the upcoming "OECD Due Diligence Guidance for Responsible Supply Chains for Gold". While the OECD guidance has not yet been finalised, and since there is no creditable gold certification system in operation, PANDORA has decided to start developing our own due diligence procedures within gold sourcing. Thus, in 2011 PANDORA initiated a project to ensure that we can trace the origin of our gold to either responsible mining or recycling facilities that have been certified by the Responsible Jewellery Council. Further, as a member of the RJC Standards Committee, PANDORA actively participates in RJC's initiative to develop a voluntary Chain of Custody certification system. The Chain of custody certification is expected to be released in 2012.

LIGHTHOUSE PROJECT

In December 2011 we joined forces with "Solidaridad", a leading NGO within responsible gold sourcing. Together we wish to explore the feasibility of assisting a medium scale mine to achieve the RJC certification and thus develop a fully transparent and traceable sourcing process from that mine to the market. If successful, this project might serve as a model for other jewellery brands and small and medium sized mining companies to follow.

PAPER AND WOOD CONSUMPTION

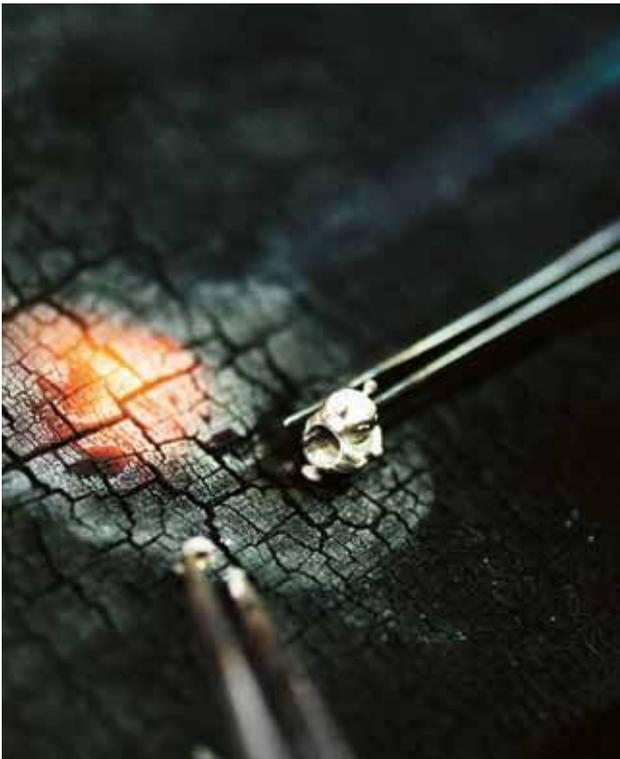
For several years, PANDORA has marketed FSC certified wood beads, and we continuously seek to expand the range of paper and wood based materials certified according to international standards. Thus, in 2011 we decided to implement a full shift to certified paper bags, a goal that we expect to reach in 2012. Finally, we are investigating the feasibility of ensuring certified paper in printed brochures and jewellery boxes across all markets.



CRAFTING
IN
THAILAND

CRAFTING IN THAILAND

PANDORA continues to benefit from the enthusiasm and skills of more than 5,000 employees around the world. While all our people and entities are equally important, we have once again decided to pay special focus to our responsible business practices in the crafting of our jewellery, all of which takes place in Thailand. As mentioned in last year's CSR Report, we operate in full compliance with Thai regulations, the International Labour Organisation's core conventions as well as with our own firm commitment to providing sound working conditions, attractive employment terms and a range of social and welfare benefits for our more than 3,600 Thai employees and their families.



RESPONSIBILITY APPROACH

PANDORA's jewellery crafting takes place in modern and safe facilities within an industrial estate near Bangkok, Thailand. Here, we are subject to specific requirements and regular audits from authorities within Safety, Health and the Environment (SHE). We operate with a fully integrated SHE organisation that enables us to continuously strengthen and systematise our performance on all three issues within a common setup. All new employees are introduced to the SHE organisation as part of our Thai induction programme that ensures a thorough and engaging introduction to PANDORA values and operating practices relating to quality, health, safety and the environment. Also, we have a comprehensive, externally audited annual training plan ensuring that existing staff are kept up to date on relevant SHE issues and procedures.

PREVENTING WORKPLACE ACCIDENTS

PANDORA is highly committed to preventing workplace accidents. We define an accident as any incident that leads to an employee being absent for one or more working days. With the expertise and commitment of our SHE team and the engagement and cooperation of our colleagues we saw a reduction in the number of accidents from nine in 2010 to five in 2011. Similarly, we achieved a reduction in lost time through accident from 47 man days in 2010 to 37 man days in 2011. The number of incidents which required medical treatment, but did not lead to absence, fell from 64 in 2010 to 27 in 2011.

On the rare occasion that an accident occurs, the SHE department specialists, together with employee representatives and employees within the respective departments, will assess the cause, document and publish the incident internally and implementing corrective actions. Our colleagues' primary focus, however, is far more pro-active and



preventative – assessing the work environment for risk and potential hazards, thorough incident and statistical analysis, documentation and, at a minimum, monthly organization wide communications of initiatives and activities taken. In 2011, we expanded our team of Safety, Health and Environment specialists and continued to focus on education, prevention and rigorous audit of policies and practices to further enhance our working environment.

ATTRACTIVE EMPLOYMENT TERMS

Our HR and Reward Management strategies seek to attract, motivate, develop and retain a skilled and engaged workforce capable of conducting complex tasks with the dedication required within the crafting of quality jewellery. In 2011, the percentage of staff leaving PANDORA Thailand, including those who did not pass probation, was 4.4%. This turnover rate is significantly lower than the national average. If we exclude dismissals (such as failing probation), the percentage of staff leaving through resignations was 1.7%

To ensure high quality products, we reward quality and accuracy rather than pieces produced. We offer our Thai

employees attractive employment terms by paying living wages above the national minimum wages and which are competitive by industry norms. All Thai staff are hired on open ended contracts that include a Provident Fund with matching contributions from the company and medical benefits that meet or exceed legal requirements.

Not least, PANDORA provides a range of welfare benefits that target additional needs of our employees. Obvious examples of our welfare benefits are special breaks and maternity classes for pregnant employees, paternity leave, free meals, free bus transportation for more than 2,000 employees every day, and traffic safety initiatives such as facilitating the provision of affordable, high quality traffic helmets.

Recognising that credit card debt and loan sharks are common in Thailand, PANDORA provided financial literacy training for all of our employees in 2011. During phase two of this initiative, which continues in 2012, we will provide extended confidential, individual, financial counselling to a group of employees experiencing severe difficulties, delivered by an independent external consultant. In 2011, PANDORA was nominated by the Thai Health Promotion Agency, chaired by the Prime Minister, for two national awards relating to our “Happy Money” financial literacy programme.

LABOUR RIGHTS

PANDORA complies with the core conventions on labour rights as defined by the International Labour Organisation (ILO). We recognise the right to freedom of association and collective bargaining. We strictly oppose forced and bonded labour, child labour and discrimination in any form. Measures to ensure compliance with the ILO conventions are incorporated in all Thai procedures.

Reflecting the general age composition in Thailand, we have a high percentage of young staff with the youngest being 19 years of age. We employ comparable percentages of male and female staff up to the level of director, and wage rates and measures are consistent across gender. Being a production facility, directors are mainly hired on technical qualifications and experience. Here, we have found that the pool of qualified candidates in Thailand still predominantly consists of men. As part of our strategic approach to succession planning, all managers are regularly assessed against transparent quantitative as well as qualitative indicators. In 2011, we delivered a comprehensive programme of leadership training for our entire management and supervisory team to support their continued development. With this, and other related development and career path initiatives currently under way, we expect the pool of female candidates suitable for executive management positions to further expand in the future.

REDUCING OVERTIME

The growth that PANDORA has experienced over the past decade has been accompanied by a high degree of overtime at our Thai crafting facilities. We have worked hard to reduce overtime by optimising processes, opening new facilities and hiring more staff. Thus, since 2005 we have grown from 380 employees to 3,632 employees by the end of 2011. These efforts have made it feasible to achieve our goal of reducing overtime. As discussed in more detail in last year's CSR report, overtime is always voluntary and compensated competitively by industry standards. Consequently, reducing overtime has had a negative financial impact on some of our employees due to the subsequent drop in their earnings.

EXPRESSING OPINIONS AND RAISING CONCERNS

An integral element in responsible business practices is to support each employee in expressing their opinion, developing their competences and striving to succeed. At our Thai crafting facilities, we have clear and transparent processes and procedures to encourage and enable our colleagues to raise suggestions, air ideas, voice opinions and register complaints. We have regular and frequent forums for our colleagues to inform, be informed and discuss matters directly with managers and directors. We value highly the contribution such forums make to our business performance and to employee satisfaction and development. In addition, on each floor of each building at our Thai entities, we have located confidential suggestion/complaint boxes wherein comments or grievances can be addressed directly to our Managing Director, the Vice President of HR or the SHE Manager.

Employee representatives on our SHE and Welfare committees and subcommittees are elected by and among all employees, and we are very proactive in ensuring that staff representatives are provided with the time, training, equipment, facilities and freedom to fulfil their important roles. In April 2011, we launched Radio PANDORA broadcasting five days a week, providing news, company and departmental updates and musical entertainment throughout all our Thai crafting facilities, with "DJ" duties performed by employee teams voted for by their listeners.

ENVIRONMENTAL IMPACT

PANDORA acknowledges that our contribution to the Thai economy is accompanied by the consumption of natural resources and other environmental challenges. Apart from the sourced raw materials, the crafting of our jewellery mainly requires water and energy. At our Thai facilities, energy is mainly used in our modern casting equipment and for running air conditioning in the facilities that house jewellery crafting as well as administrative offices. Thus, approximately 85% of the buildings at our crafting facilities are air-conditioned. Altogether, PANDORA Thailand consumed 12,721,500 KWH in 2011. Furthermore, the jewellery crafting processes required 74 tonnes of liquid petroleum gasses.

Our environmental impact is also influenced by our waste and waste treatment procedures. We divide our industrial waste into four categories; hazardous waste, general waste, recyclable waste and refined waste. When disposing of hazardous waste, we engage with certified vendors who manage the waste in accordance with Thai law. Finally, in 2011 we consumed 165,236 cubic metres of water. The disposal of waste water is subject to control by local authorities, audited by external experts, and handled by a joint waste water treatment facility managed by the industrial estate.

STRENGTHENING AND SYSTEMATISING

Our Thai jewellery crafting facilities are already certified to the ISO 9001 quality standard. In 2011, we started to further systematise and strengthen our SHE capabilities. During 2012, this process is intended to result in the acquirement of the OHSAS 18001 certificate on occupational health and safety as well as the ISO 14001 certificate on environmental management. By these international standards as well as the RJC certification on responsible business practices, we strive to develop a best practice model for responsible jewellery crafting.

BANGKOK FLOODINGS

Several Thai regions were impacted by severe and prolonged flooding in the last quarter of 2011. Although our own facilities were not directly impacted, PANDORA was proactive in providing assistance to the affected communities by sponsoring teams of doctors and nurses providing medical support and supplies in situ, and also by providing financial help to the families of employees and a small number of employees whose homes were flooded.



TRADING

TRADING

In 2011, PANDORA sold 50 million pieces of jewellery in more than 65 countries. PANDORA currently owns and operates more than 100 stores and our jewellery is sold at more than 10,000 stores around the world of which the vast majority are independent retailers. PANDORA's overarching CSR Policy instructs us to constantly develop our responsible business practices in our own operations and to use our position to influence and encourage our business partners to do the same.

BUSINESS ETHICS POLICY

Within responsible trading, our 2011 PANDORA Ethics activities have primarily been focusing around implementing our Business Ethics Policy on a global scale. The purpose of this policy is to ensure that PANDORA staff do not adopt corrupt practices or become complicit in corrupt practices through agents and other business partners.

In certain countries, corruption is endemic and represents a challenge to all responsible companies. In order to prevent and mitigate such corrupt practices, we issued a Group Business Ethics Policy in April 2011, defining a zero tolerance towards bribery, extortion and facilitation payments for all staff and agents. The policy also provides strict guidance regarding fair competition, conflicts of interest as well as the provision and acceptance of hospitality, entertainment and gifts. Finally, employees are encouraged to raise concerns if they find that our policies are being breached. As a last resort, our staff can use our anonymous whistle blower function. In 2011, we carried out a business ethics risk assessment that resulted in face-to-face training of the 100 staff members representing the business units most likely to be confronted with corrupt practices. During spring 2012, we will continue these tailored training sessions supported by a general e-learning module allowing all staff to familiarise themselves and comply with all our CSR policies.

HEALTH, SAFETY AND THE ENVIRONMENT

In 2011, we dedicated substantial resources to ensuring safe and healthy working conditions at our owned and operated retail stores. As part of this endeavour, we work systematically with employee satisfaction surveys and Personal Development Reviews. PANDORA continues to have a low rate of accidents. Thus, the more than 5,000 people making up the PANDORA Group lost 408 working days due to work related accidents. We will continue our endeavour to minimize the number of accidents in the years to come.

In 2011, we initiated a project that will lower the energy consumption for store lightning at new stores across the world. This will also result in considerable cuts in air conditioning in the stores. In 2012, PANDORA will work to establish clear energy saving KPIs for our points of sale as well as for our jewellery production facilities in Thailand.

TRAINING

PANDORA is dedicated to continuously improve the qualifications of the staff in our own stores as well as staff at our business partners selling our jewellery. During 2011 PANDORA'S 35 in-house trainers delivered face-to-face trainings for more than 13,500 participants.

The second key feature in our training academy is the PANDORA Online Directory (POD). Through this e-learning system, we ensure that our sales associates are constantly informed and trained in regards to PANDORA history, culture, values as well as sales and product standards. Following a major update in of the POD in June 2011, the almost 16,000 users had completed more than 80,000 training modules by end 2011. To increase the competences and product knowledge of sales staff and to enhance compliance with business standards, including CSR, we have integrated the POD training with other learning opportunities such as face-to-face training and train-the-trainer programmes.



One such example is our cooperation with the Gemological Institute of America (GIA), a leading authority within the jewellery industry. In 2011, 135 PANDORA staff members gained profound jewellery knowledge and understanding through GIA courses, enabling them to provide the best possible service and product disclosure to our customers. These employees are now "GIA Accredited Jewellery Professionals". Furthermore, 700 PANDORA store managers were enrolled in a specialised jewellery fundamentals POD course as well as a train-the-trainer module. Furthermore, 700 PANDORA store managers were enrolled in a specialised GIA jewellery fundamentals e-learning course which also included training materials for them to use with their own staff.

In October 2011, PANDORA Australia won the "Employer of Choice Award", an Australian HR Award for excellence in people management. Here, the POD was mentioned as one of PANDORA's key achievements alongside PANDORA Australia's reward and recognition programme for retail staff and the GEM program (Growing Exceptional Managers) targeting existing and potential people managers.

CHARITY

PANDORA remains committed to support charitable courses. Again in 2011 we have globally supported the cause and most of PANDORA's market joined forces in the support of the Breast Cancer Association. This year's collection featured beautiful charms and pendants that raised a total donation sum of 10,9 million Danish kroner.

While continuously working to align our donations, in 2011 individual markets continued to support relevant local initiatives such as Denmark's Collects 2011 dedicated youth in Africa and support for local communities affected by the 2011 Bangkok flooding described above.

PANDORA GROUP STAFF STATISTICS

	M	F	Total
Staff on 31. Dec			
<18	3	17	20
18-25	547	988	1,535
26-35	1,519	1,809	3,328
36-45	171	357	528
46+	89	246	335
TOTAL*	2,329	3,417	5,746
Management			
General Management Team	11	1	12
Vice Presidents	27	11	38
Directors/Manager	93	121	214
Store Manager	6	68	74
Staff Turnover			
New staff	99	420	519
Resignations	96	206	302
Dismissals	18	74	92
Retirements			

PANDORA GROUP ACCIDENT STATISTICS

Accidents	2010	2011
Hours worked	10,986,139	11,590,187
No. of accidents with absence	15	12
Number of lost working hours	3,264	840
Total working days lost	408	105

HOW THE UNITED NATIONS GLOBAL COMPACT IS COVERED IN CSR REPORT 2011

	Human Rights		Labour Rights				Environmental impact			Anti-corruption
	UNGC 1	UNGC 2	UNGC 3	UNGC 4	UNGC 5	UNGC 6	UNGC 7	UNGC 8	UNGC 9	UNGC 10
CSR Approach	x	x	x	x	x	x	x	x	x	x
Sourcing	x	x	x	x	x	x	x	x	x	x
Crafting	x	x	x	x	x	x	x	x		
Trading	x	x					x	x	x	x

* The 5746 staff members by 31st December 2011 equals 5,387 full time employees

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