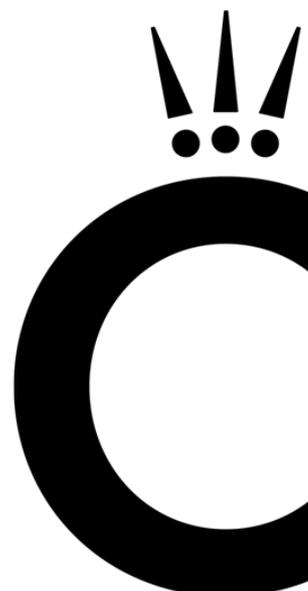


# PANDORA GROUP TAX POLICY

UPDATED MARCH 2021



## 1 INTRODUCTION

Bringing together traditional craftsmanship and state-of-the-art innovation, Pandora provides affordable jewellery made from high-quality materials to customers in more than 100 countries. Our hand-finished jewellery can be personalised, and every day people around the world express who they are and what matters to them with their Pandora jewellery.

Sustainability and responsible business practices have been part of Pandora's way of doing business since the very beginning. We believe high-quality jewellery, strong business performance and high ethical standards go hand in hand.

We continue to align our strategy with the United Nations (UN) Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights, and the Paris Agreement. Using these pillars of the global sustainability agenda to guide us, we regularly review sustainability issues and complete a materiality assessment to ensure that we build a sustainable business and meet stakeholder expectations.

Our sustainability strategy is reflected in our tax approach and we aim at paying a fair tax in all markets where we operate. Pandora considers tax to play a key role for societies and an important contribution in order to reach the goals of the global sustainability agenda.

Pandora's values expressed in our Code of Conduct is the foundation for our approach to tax management. Pandora is committed to doing things the right way – both in terms of integrity and compliance.

The purpose of our tax policy is to establish a clear and aligned tax approach to all transactional, reporting and compliance aspects of Pandora. The policy applies to all entities in the Pandora Group.

## 2 TAX APPROACH

Pandora is committed to ensure compliance with the letter and spirit of tax law on the markets where we operate, while striving to maximise shareholders value in a responsible way.

Pandora operates globally under a vertically integrated business model, and we own a significant part of our value chain from production to retail. Pandora's transfer pricing policy follows a so-called principal tax model, where profit follows risk and value creation throughout the value chain. While all steps of the value chain are important to Pandora, Pandora A/S is the principal value driver, including assuming the majority of business risks. Pandora allocates a profit margin, based on benchmark studies, to all entities in the Group and the residual profit (or loss) in the value chain remains with Pandora A/S.

Pandora supports the OECD international tax reform work on Base Erosion and Profit Shifting (BEPS) and we support the continuing coherent and coordinated implementation of harmonized international tax rules to avoid double taxation of any income.

### **3 TAX GOVERNANCE**

The Board of Directors are responsible for the tax policy as we believe tax is a core part of corporate responsibility. The responsibility for tax risk management lies with the Group CFO and is overseen by the Audit Committee.

The Audit Committee will make an annual review of the tax policy to ensure clarity about Pandora's attitude to tax, significant tax strategies and handling of tax issues.

To execute on the daily tax operations Pandora has a specialised tax function that is part of the Group CFO organization. The tax function is organised as a global function to ensure we have a consistent and global tax strategy, tax policies and processes.

### **4 TAX RISK MANAGEMENT AND TAX PLANNING**

With a principal tax model, Pandora by nature has a significant number of intercompany transactions. All intercompany transactions are based on arm's length standard and therefore priced on a basis consistent with the way unrelated parties would have priced such transactions.

Pandora will only implement structures that are driven by commercial strategy and we will refrain from unnecessarily complex tax set-ups. This results in a simple and business aligned model which is well understood and based on in-depth analysis of the tax impact.

Where the tax impact is subject to interpretation, we leverage the expertise of external tax advisors when making tax decisions. We will only adopt tax positions that are "more likely than not" to be allowable under applicable tax law based on the external tax advice and our own assessment.

Pandora has established a Tax Control Framework (TCF) for corporate income taxes, customs, VAT and other indirect taxes, transfer pricing, tax accounting and withholding taxes. The TCF is established to ensure that processes and controls are in place and that these are effective and being followed in practice. The TCF is a dynamic tool which adapts to changes in the regulatory environment and expands and improves as more insight is gained.

### **5 TAX INCENTIVES**

Pandora will consider government sponsored tax incentives where appropriate and in line with our Code of Conduct to support economic development, transfer of knowledge, creation of employment and maintaining good corporate citizenship.

Thailand provides tax incentives to foreign companies that invest in Thailand under the so-called Board of Investments (BOI) scheme. Pandora's production facilities are located in Thailand and approximately 11,000 people are employed at Pandora's two facilities in the country. Our investments and business in Thailand are eligible for tax privileges under the BOI. The BOI privileges are temporary exemption for corporate income tax on in-house production and customs duties on import plus other non-tax privileges.

## **6 TAX HAVENS**

Pandora does not avoid taxes or exploit the lack of transparency and information exchange by operating in tax havens. We use the OECD definition of tax havens, and as of 31 December 2020 we have one company in the Pandora Group located in a tax haven (Panama). The company acts as the regional office for Latin America and provides services on behalf of Pandora A/S to our group entities in the region and receives an arm's length service fee for this activity.

## **7 TRANSPARENCY**

Pandora understands the need for more transparency by both taxpayers and tax administrations to rebuild trust in the global corporate tax system and to provide more clarity about Pandora's position on tax.

We provide regular information about our approach to tax and taxes paid to our stakeholders, including investors, policy makers, employees and the general public.

Pandora communicates openly about our tax payments and effective tax rates in our key markets.

## **8 RELATIONSHIP WITH TAX AUTHORITIES**

Pandora is committed to maintaining a good and constructive relationship with all relevant tax authorities. We are open and transparent and respond to relevant tax enquiries in a straightforward and timely manner. We balance the necessary respect for confidential business information with our general aspiration to communicate openly with the tax authorities in all countries where we operate.

Pandora seeks dialogue and agreements with tax authorities in order to increase predictability and minimise the risk of double taxation and tax disputes.

