



# PANDORA

Sustainability Report 2019

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Read about **reducing emissions**



Read about our **impact through suppliers**



Bringing together traditional **craftsmanship** and state-of-the-art innovation, we provide **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 **PANDÖRA** jewellery. In a time of many fleeting moments, our jewellery offers an enduring voice to **people's loves**.



PANDORA for unicef

We have partnered with UNICEF to support young voices



Top ranking in annual MSCI sustainability rating for the fourth consecutive year



### Science-based target

Committed to set a science-based target to reduce carbon emissions across our full value chain



### Carbon neutral

Carbon neutral in our own operations by 2025



### Renewable energy

100% renewable energy at our crafting facilities by 2020



### Recycled materials

By 2025, all silver and gold in our jewellery will come from recycled sources

# Time for transition

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, and we craft our jewellery with respect for resources, environment and people.

With the direction set by the UN Sustainable Development Goals, companies now have a clear roadmap for how to contribute meaningfully to solving some of the world's biggest challenges. Since 2011, Pandora has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption. Over the past year, we have made a number of important decisions to raise our sustainability efforts with particular regard to climate and environment.

Pandora is committed to become a low-carbon, circular and inclusive business, and we are taking significant steps towards this aspiration. Already by 2025, we will be carbon neutral in our own operations, and by joining the Science Based Targets initiative - the leading corporate collaboration for ambitious action on climate change - we have set

By 2025 we will be carbon neutral in our own operations.

out to reduce carbon emissions across our full value chain in line with the Paris Agreement. Moving further towards circularity in our materials and waste, our ambition is that all our silver and gold will come from recycled sources by 2025.

To help promote diversity and inclusion beyond our own operations, we have launched a global partnership with UNICEF. The aim is to empower the world's most vulnerable children, especially girls, and support them in education and life skills. Profits from limited edition jewellery sold in 100 markets will support UNICEF's programmes. The partnership evolves our long-standing engagement in Thai schools to now reach children in many other countries.

As the world struggles with the repercussions of the COVID-19 outbreak, our priorities are to support our employees as best as we can, and ensure that

Pandora's operations are aligned with the efforts of governments and health authorities. We strive to manage store closures and reopenings in the best way possible for everybody involved, and are dedicated to ensuring safe work and safe shopping. Through our work with UNICEF, we also support work to combat the spread of the virus.

Taking care of people and the planet is our responsibility as a large global company, and it is also a strategic position that will benefit our business in the long term. Consumers are increasingly loyal to brands with strong social and environmental profiles, employees prefer companies with whom they share values, and investors consider Environmental, Social and Governance (ESG) performance alongside traditional financial metrics.

Looking ahead, I believe sustainability will only become more important. Not just for Pandora, but for all companies. The transition to a low-carbon economy is essential and will make businesses more resilient, profitable and relevant. Pandora has a strong foundation to build on and I look forward to sharing our progress.

**Alexander Lacik**  
President & CEO

	<p>COMMUNICATION ON PROGRESS</p> <p>This is our <b>Communication on Progress</b> in implementing the Ten Principles of the <b>United Nations Global Compact</b> and supporting broader UN goals.</p> <p>We welcome feedback on its contents.</p>
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Photographer: Jenna Schoenefeld

OUR SUSTAINABILITY APPROACH

# Crafting for the future

Every day, people express who they are and what matters to them with their Pandora jewellery. Whether it is a display of friendship or romance of any kind, or a love for art, gardening or our planet. Our jewellery is a way to express these loves. That is our purpose: We give a voice to people's loves.

Since our foundation, we have been conscious of the need to manage our impacts on the environment and how our business affects the livelihoods of workers and communities in our value chain. This business approach has already led to extensive use of recycled metals, re-use of waste and deep engagement in the Thai community.

The need for sustainable business practices has only become more important as it is now clear that companies must adjust their way of doing business to respond to the climate crisis, the loss of biodiversity, the depletion of natural



resources, social and economic inequality, and other major global issues. The UN Sustainable Development Goals (SDGs) capture these challenges and set out an agenda that Pandora actively contributes to as part of our day-to-day operations.

To remain a successful business, Pandora must continue to evolve as a sustainable company that creates value to all our stakeholders. This way of working is in line with our historic legacy, while at the same time requiring us to accelerate the integration of sustainability throughout our business. This is the point of departure for our sustainability strategy and our three-pronged aspiration to become a low-carbon, circular and inclusive business.

## SUSTAINABLE DEVELOPMENT GOALS

Pandora supports the UN Sustainable Development Goals. Four goals in particular guide our strategy as this is where we can contribute the most.



### Gender equality

We are an inclusive brand committed to advancing equality and diversity through e.g. our partnership with UNICEF by funding programmes that support girls' education and empowerment.



### Decent work and economic growth

Our modern crafting facilities in Thailand provide safe and healthy working conditions for more than 11,000 employees with wage levels and benefits above local jewellery industry average.



### Responsible consumption and production

Circularity is central to how we design, craft, source and offer our jewellery, e.g. we use recycled metals in our jewellery, and the majority of our crafting waste is reused.



### Climate action

We are intensifying our climate efforts by committing to become a carbon neutral company and set a carbon emission reduction target in line with the Paris Agreement and the best available science recommendations.



### A low-carbon business

In early 2020, we announced our first big step towards becoming a low-carbon business with our commitment to be carbon neutral in our own operations by 2025, convert to 100% renewable energy in our manufacturing operations by the end of 2020, and set a science-based target for reducing greenhouse gas emissions across our value chain.

### A circular business

Reducing our carbon footprint also requires changes to our choice of materials and our procurement, waste management and design. This is why another cornerstone of our strategy is to adopt a circular approach to how we design, craft and source our products, packaging and other in-store materials as well as our stores themselves. This will help us become a business that leaves a smaller impact on the environment. Here, we are also taking big steps. By 2025, all gold and silver in our jewellery will come from recycled sources – including grains, semi-finished items such as chains and bangles, and other components. In 2019, we were at 71%, so this shift will have a significant impact on our value chain carbon emissions and our broader environmental footprint.



100

percent renewable energy in our manufacturing operations by end 2020

### An inclusive brand

We continuously work towards creating an inclusive and effective organisation benefiting from a diverse group of high-performing employees. We do not tolerate any form of discrimination and are committed to gender diversity in our organisation. As an element in this, we entered a major global partnership with UNICEF in 2019 to educate and empower children and young people, with particular focus on girls.

Later, we will unfold our strategy for diversity and inclusion to further advance equality in and beyond our company.

Becoming a low-carbon, circular and inclusive business will require close collaboration with a wide range of stakeholders. In 2019, we evolved our responsible sourcing programme further to cover more aspects of social and environmental impacts in our supply chain.



# 02 Climate and environment



# Reducing emissions

## Carbon neutral in own operations by 2025

As the world's largest jewellery maker, we are determined to reduce our climate footprint and help set an example for the wider industry. We aim to source 100% renewable energy at our crafting facilities by the end of 2020 and become carbon neutral in our own operations by 2025.

Our own operations cover crafting facilities, retail stores, offices, and warehouses. In 2019, the footprint of our own operations was 71,699 tCO<sub>2</sub>e. Electricity and heating make up the main emission sources. Our crafting facilities accounted for 52% of our emissions, followed by our more than 1,300 owned-and-operated (O&O) stores and 200 other points of sale, which accounted for 46%.

## Joining the Science Based Targets initiative to reduce impact across full value chain

Joining other leading companies in reducing emissions in line with the Paris Agreement and the best available science recommendations, Pandora has committed to set a science-based target through the Science Based Targets initiative. Thus, before the end of 2021 we will present a detailed plan for reducing emissions across our value chain.

More than 90% of our emissions occur in our value chain, driven by the raw materials used in our jewellery, franchise stores and transportation. In partnership with experts and our suppliers, we are researching the impact of our materials as well as exploring scaleable solutions that will result in significant carbon emissions reductions. Moreover, by using recycled metals and man-made stones that have a lower carbon footprint than their mined counterparts, we significantly reduce our value chain emissions.

## PANDORA'S CLIMATE AMBITIONS

Three targets guide our efforts to reduce our carbon emissions



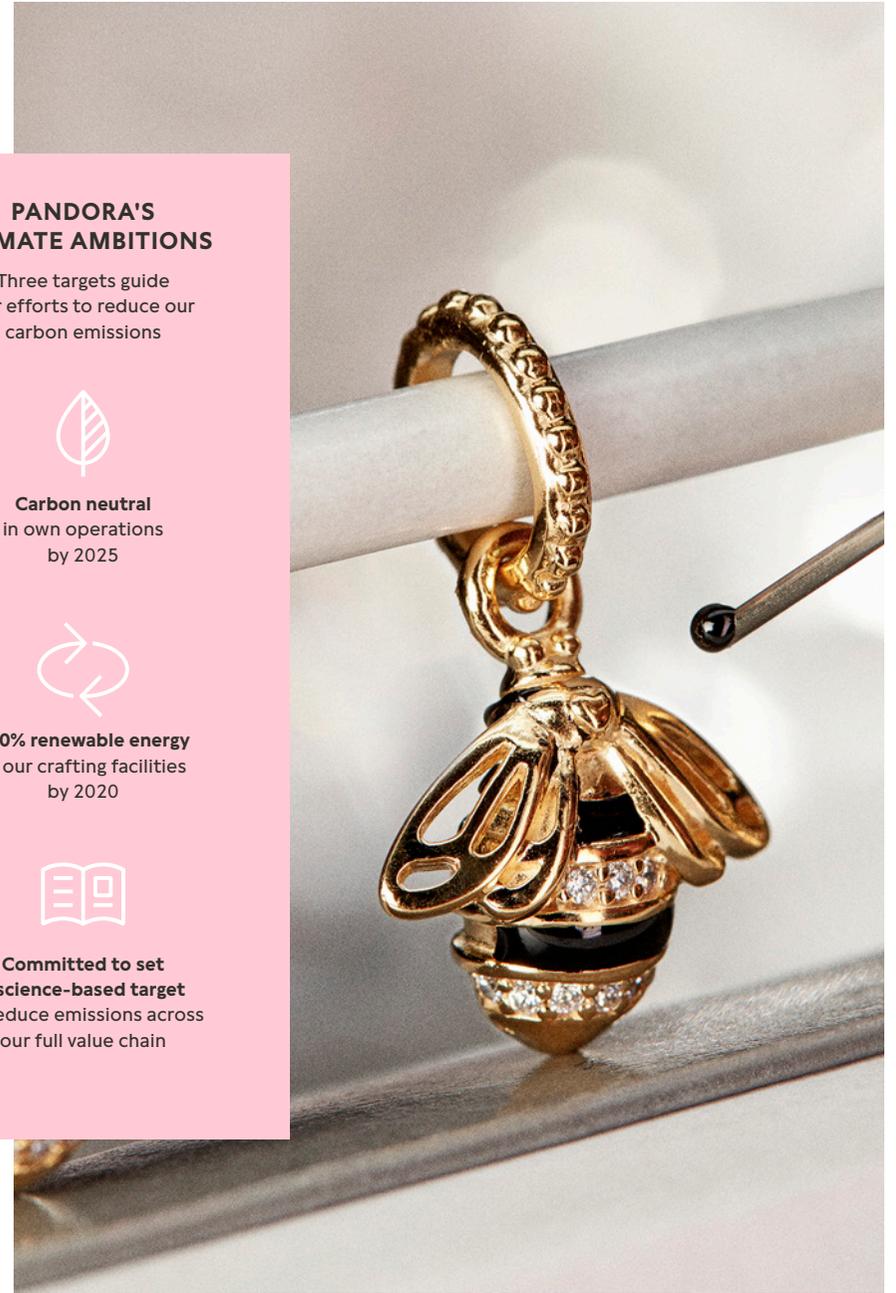
**Carbon neutral**  
in own operations  
by 2025



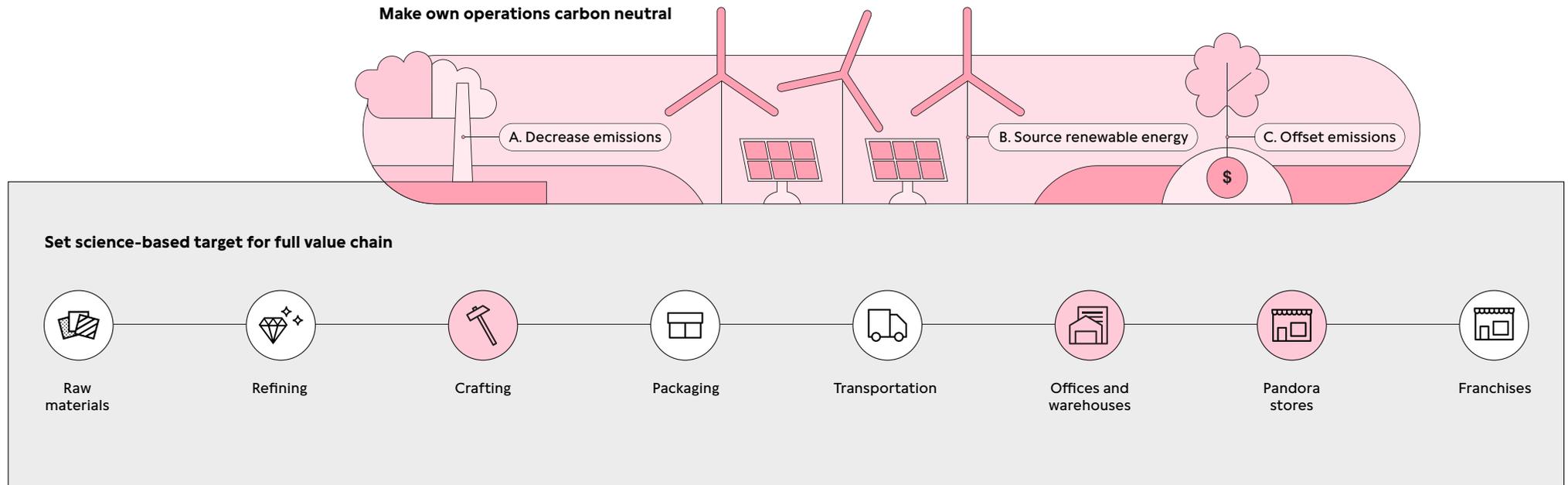
**100% renewable energy**  
at our crafting facilities  
by 2020



**Committed to set a science-based target**  
to reduce emissions across  
our full value chain



## Pandora's path to carbon-neutral operations



### A. Decrease emissions

We continuously work to implement new energy-saving measures across our stores, offices, crafting facilities, and warehouses. Pandora's crafting facilities in Thailand are among the most modern and energy efficient in the industry. Our facility in Lamphun in Northern Thailand and our AAA crafting site in Bangkok are both LEED (Leadership in Energy and Environmental Design) certified. Furthermore, in 2019 Pandora launched the test of a new store concept. It was created with sustainability in mind and reduces lighting energy consumption by at least 20% compared with lighting in the old stores.

### B. Source renewable energy

We will source renewable electricity for our crafting facilities from verified solar energy providers in Thailand through renewable energy certificates.

Longer term, we plan to increase our own production of solar power, currently providing 2.4% of our crafting facilities' electricity, and engage directly in developing renewable energy projects, e.g. through power purchase agreements. We will also introduce a policy for purchasing green power for our stores.

### C. Offset unavoidable emissions

For all remaining unavoidable emissions linked to our direct business activities, we will purchase carbon offsets to meet our target of becoming carbon neutral. We acknowledge the limitations of this approach, but see it as the best possible solution when it is not possible to reduce emissions in any other way.

Offsets can also help mitigate other causes of climate change such as deforestation and the destruction of wetlands. We expect offsets to not exceed more than 5% of our total emissions reductions.

# Less waste

In addition to reducing carbon emissions, we continuously work to reduce our wider environmental footprint. Here, our focus is on water usage and waste at our crafting facilities.

## Water

We aim to reduce water consumption and increase water recycling rates.

Water consumption decreased 4% from 967,046 m<sup>3</sup> in 2018 to 928,010 m<sup>3</sup> in 2019, largely as a result of reduced production volumes. In parallel, we increased the water recycling rate from 22% in 2018 to 23% in 2019 as a result of various investments in water recycling capacity at our crafting sites, including installation of new filters for recycling water. At our Lamphun facility, we recycled 47% of water in 2019. We will continuously transfer experience and knowledge from Lamphun to our facility in Bangkok to drive further improvements in our total water usage.

## Waste

Pandora is committed to reduce or recycle waste materials. We focus on waste at our crafting facilities.

Total waste decreased 8.3% from 6,897 tonnes in 2018 to 6,321 tonnes in 2019. In parallel, we succeeded in maintaining a very high overall waste recycling rate of 88%, one percentage point lower than in 2018. The high recycling rate is driven by 100% recycling rates for our four primary waste streams, gypsum, glass, wax and rubber. Gypsum waste is recycled in the construction sector, glass waste is recycled into various glass products, wax waste is used to make candles or as a moulding material for other manufacturers, and rubber waste is made into plastic products or used as fuel by the cement industry. Pandora cannot repurpose these waste streams within our own operations, so we have partnered with other industries to give them a second life.

In addition to minimising waste at our crafting facilities, we encourage all store staff to sort and dispose of in-store waste and live up to local requirements. We are looking into global waste management systems for our key waste materials.



88%

waste at our crafting facilities recycled in 2019

100%

gypsum waste reused in e.g. the construction sector

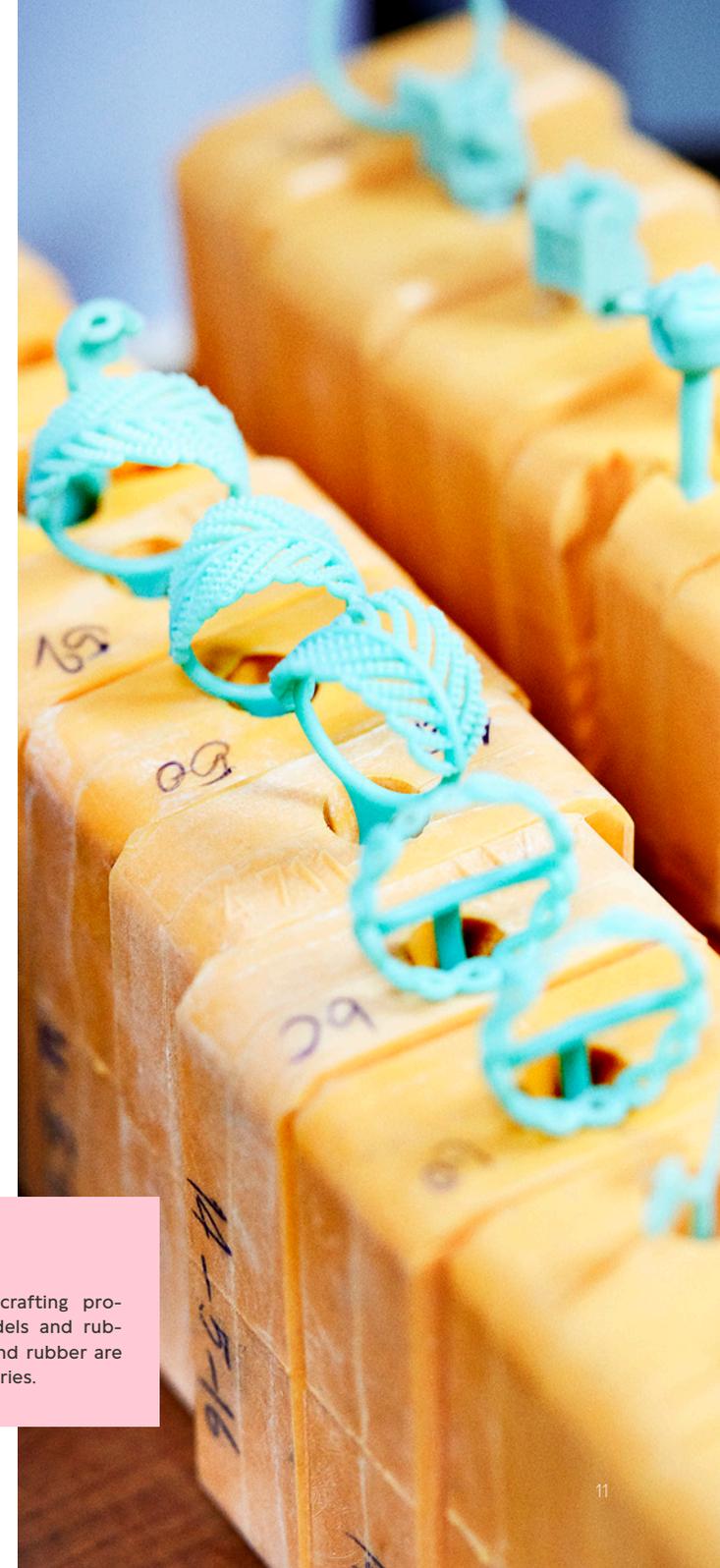
glass waste recycled into new glass products

wax waste reused for candle or mould manufacturing

rubber waste reused in plastics or as fuel

### Repurposing wax and rubber

During the jewellery crafting process, we use wax models and rubber moulds. The wax and rubber are recycled in other industries.



ENERGY CERTIFICATES

# Supporting renewables in Thailand

Pandora has committed to source 100% renewable electricity at our crafting facilities by the end of 2020.

To reach this goal, we will first increase our own production of green power by installing solar voltaic panels at our crafting facilities. In 2019, we produced over 1,300 MWh of renewable energy, covering 2.4% of our total consumption.

Our aim is to be able to increase this further, but our capacity is limited by roof space and other factors. Therefore, we are purchasing the remainder of electricity in the form of verified renewable energy certificates through the Siam Solar Energy 1 project.

## Siam Solar Energy 1

Siam Solar is a component in Thailand's clean energy transition. The project bundles ten solar photovoltaic (PV) power plants across the Kanchanaburi and Suphan Buri provinces in central Thailand. Each plant can deliver approximately 10 MW of electricity to the Thai grid.

Siam Solar and similar projects reduce Thailand's reliance on imported energy and drive both national and regional economic growth. Aside from meeting the energy demands of regional Thai communities, this project improves local infrastructure and generates new jobs.



### What is a Renewable Energy Certificate?

Once electricity is fed into the grid by a power generator, it blends in with all the other electricity. There is therefore no way to track renewable electricity through the system, just like a cup of water poured into a river cannot be tracked.

Since energy cannot be physically traced in the grid, Renewable Energy Certificates (RECs) were created to keep track of renewable energy production. When a generator – a solar power plant, for example – generates a megawatt-hour (MWh) of power, it creates electricity and receives one REC, a certificate saying that it has generated one MWh of electricity from clean sources.

The RECs from the project are certified under the International REC Standard with the additional GoldPower label. This guarantees that the project has been audited against the highest standards and that the renewable energy purchase provides actual additional reductions in carbon emissions and deliver significant, verified social and environmental benefits to the local community.

80

thousand tonnes annual CO<sub>2</sub>e reduction by Siam Solar

# 03 Circular and sustainable jewellery



# Towards circularity

Our jewellery has always been enduring. Each piece is often kept for many years or may have more than one life as it is passed on as a gift or through resale. We have always crafted our jewellery primarily from silver and gold which, like many other metals, that are infinitely recyclable.

Now, Pandora will continue to pursue the principles of circularity in how we design, craft, source and offer our jewellery, conscious that jewellery must be provided in a way that supports a better balance when it comes to use of natural materials, waste, greenhouse gases, and pollutants.

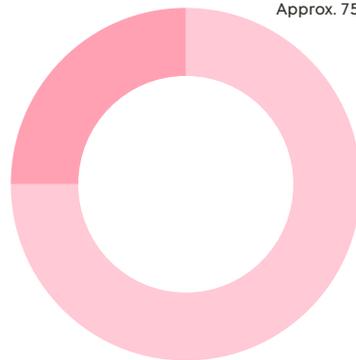
## Circular materials

Our goal is that all our materials should be renewable, recycled or otherwise sustainable. We will base our definition of 'sustainable materials' on generally accepted certifiable standards, life-cycle assessments and other scientific evidence.

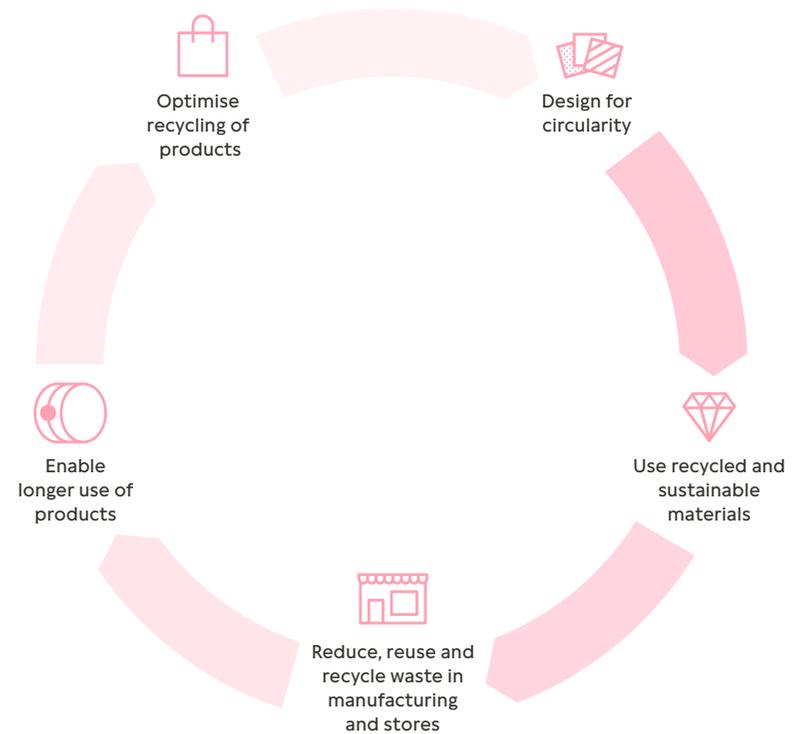
## METALS USED IN PANDORA JEWELLERY

Other metals (copper, palladium, steel, etc.)  
Approx. 25%

Silver and gold  
Approx. 75%



We predominately use gold, silver, palladium and copper; man-made stones such as nano crystals and cubic zirconia; and, in significantly smaller amounts, materials such as natural gemstones, leather, polyester and glass. Silver is the most used material in our jewellery, followed by copper. In 2019, silver accounted for over half of all purchased product materials, measured by weight.



**Towards 100% recycled silver and gold**  
In 2019, 71% of the silver and gold in Pandora's products came from recycled sources. Now, we have set a target that by 2025 all of it must come from recycled sources. This includes grains, semi-finished items such as chains, and other parts supplied by external vendors. While almost all the grains we use are recycled (in 2019, 98% of the silver and 100% of the gold), most of the silver and gold in semi-finished items and parts come from mined sources.

This represents a significant opportunity for Pandora to further reduce our environmental footprint. Recycled metals have a considerably lower impact than mined metals in terms of water, CO<sub>2</sub> and other air pollutants. Sourcing recycled raw materials will cut carbon emissions by two thirds for silver and by more than 99% for gold, according to life cycle assessments. While we are confident that our suppliers meet our social and environmental standards, we also recognise that the recycled silver supply



chain poses its own social and environmental challenges. We will engage with stakeholders in the industry to improve standards and to make the supply chain more transparent.

**Stones with less impact**

In line with previous years, Pandora purchased 1.1 billion stones in 2019, and more than 99.9% of these were man-made, primarily cubic zirconia and nano crystals.

Like metals, natural stones are finite resources that can cause environmental damage when mined. According to a study by environmental consultancy Trucost, the environmental cost of cubic zirconia is just 0.001% of that of a mined diamond, largely due to the vastly smaller quantity of energy required to produce cubic zirconia.

Natural stones are still used in smaller quantities and selected collections.

**Recycled silver and gold**

In 2019, 71% of the silver and gold in Pandora's jewellery came from recycled sources



**1/3**

carbon emissions from recycled silver compared to mined silver



**SUPPLY OF RECYCLED SILVER**

In 2019, Pandora commissioned a study by the consultancy firm Rambøll on the global silver market and supply chains. The study has shed light on some important characteristics of the global market for recycled silver.

- **Volume of recycled silver has remained steady in recent years:** Annual global silver supply has remained around 30,000 tonnes since 2009. In 2018, recycled silver amounted to 4,706 tonnes, around 15% of the total supply, a figure that has remained relatively stable in the last five years. In general, the amount of recycled silver on the market follows the movements in the price of silver.
- **Majority of recycled silver comes from industry:** 60% of recycled silver comes from industry, where silver is used as a catalyst to make ethylene oxide, an important raw material in chemical production, but also in electronics and for other purposes. Silverware, jewellery and coins account for a total of 28% and photography accounts for 12%.
- **More than half of recycled silver comes from North America, the EU and Japan:** Recycled silver supply originates mainly in North America, the EU and Japan accounting for a total of 53%. 19% and 28% originate in China and rest of the world respectively. The majority of scrap supply is traded in-country or in-region, suggesting that available recycled silver supply originates from local scrap resources.
- **Considerable part of the supply chain remains informal:** Scrap for recycled silver from electronic and electric sources (WEEE scrap) is traded in formal and informal supply chains. In Europe, the majority of recycled silver passes through formal supply chains, while informal supply chains likely make up a larger share in Asia. The informal scrap supply chain is traditionally made up of small and medium-sized enterprises, including scrap collectors, consolidators, separators, and, in some cases, refiners.
- **Informal supply chain has ESG gaps:** The social and environmental impacts throughout the informal WEEE scrap supply chain are significant and include health and safety hazards, waste disposal, emissions to the environment, use of vulnerable labour, and violations of human rights. In general, the formal recycled silver supply chain poses far fewer risks to workers, communities and the environment.

Pandora intends to explore opportunities for engaging with key stakeholders in the recycled silver supply chain to improve and formalise it. In addition, we intend to explore opportunities for increasing the availability of recycled silver as there appears to be untapped opportunities for increasing the rate of recycling of silver.

### Other jewellery materials

Pandora uses other raw materials, although in small volumes and mostly for specific collections. These raw materials include glass, leather, polyester, pearl and mother of pearl, some of which can be recycled. These materials make up less than 0.1% of our total product materials.

We make sure that these materials come from suppliers that respect our social and environmental standards and that they adhere to local material requirements such as REACH. Pandora will continue to develop circularity targets and standards for primary product raw materials in line with our commitment to only use renewable, recycled and sustainable materials in our jewellery.

### Packaging and store materials

We believe that a beautiful piece of jewellery should come in sustainable packaging. We have decided that all boxes and bags must be made using only FSC-certified paper. We are testing jewellery boxes and bags with reduced plastic content.



Pandora will continue to develop circularity targets and standards for primary product raw materials in line with our commitment to only use renewable, recycled and sustainable materials in our jewellery.

Similarly, we are making more sustainable choices of furniture and fixtures for our concept stores. We are testing a new design for the stores, which reduces energy consumption for lighting by at least 20%.

In 2021, we will further develop our approach for packaging, display materials and in-store furniture and fixtures.

### Recycling waste

As part of our approach to circularity, we continuously work to reduce, reuse or recycle our waste streams. The primary waste streams are generated at our crafting facilities. Secondary, smaller waste streams come from our stores.

➤ Read more about waste in the [Climate and environment section](#)

### CIRCULAR DESIGN

## Made from scrap

In 2019, Pandora crafted more than 200 thousand pieces of jewellery from Murano glass. Glass from the Venetian island of Murano is characterised by vivid colours, superior clarity and transparency.

Glass is a natural product that can be recycled many times. In 2019, we introduced a unique collection to show that recycling is not only good for the environment, it can also result in amazing jewellery.



The limited edition collection “Beautifully Different” used leftover glass fragments from the Murano workshops to create new jewellery. The glass fragments were collected and remelted into new glass rods with unique patterns and swirls that were then cut into the correct sizes and shapes.

This is an example of designing with circularity in mind.



**BEAUTIFULLY DIFFERENT**  
The six designs from the 'Beautifully Different' collection were made from leftover Murano glass.

LETTERBOX CONCEPT

# You've got mail

Pandora is shipping online orders in a smaller and more environmentally-friendly box. It gives our customers a better shopping experience, reduces packaging and saves costs.

Most online shoppers know the frustration of missing an at-home delivery. You have to wait for new pick-up details or queue at the post office to get your order. Not the ideal experience.

Pandora saw potential to make it easier for customers to receive their orders, while at the same time reducing the need for packaging materials and saving on shipping costs.

### Smaller is better

The idea was to secure next-day delivery by developing a package format that could fit in a standard letterbox. That way customers could get their orders even if they were not home to receive them.

The first trial took place in the UK. The new letterbox concept was well received by our customers and saved Pandora more than DKK 25 million in shipping costs in the UK. It also reduced the size of the box by 60%, saving packaging materials.

Following the successful trial in the UK, Pandora has introduced the new letterbox design to other online markets in Europe.

The design will not only reduce costs and make online shopping easier for our customers, it is also expected to save over 200 tonnes of CO<sub>2</sub> per year.



# 87%

of customers provided positive feedback on the packaging and the next-day delivery.





# 04 Responsible sourcing

# Impact through suppliers

We aim to work with suppliers that share our commitment to sustainability, and in 2019, Pandora took steps to better align our responsible sourcing programme with our sustainability ambitions.

We take a category-specific approach to responsible sourcing in keeping with our commitment to circularity. This means that we seek to define specific criteria for each of our product and material categories based on a common set of standards listed in our supplier code of conduct and our responsible sourcing policy.

Our approach seeks to continuously improve our performance around three objectives: responsibility, traceability and transparency.

## **Responsibility**

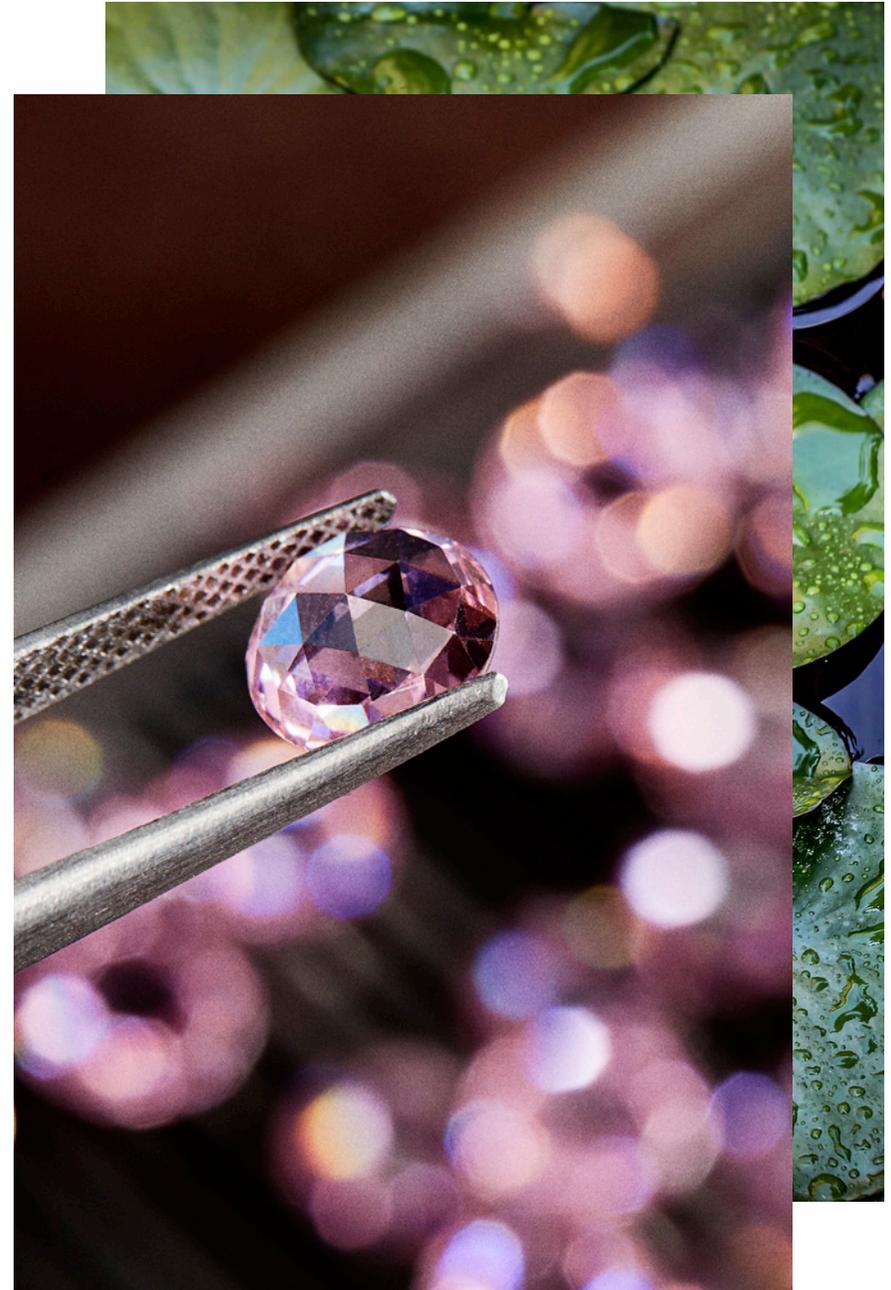
We will improve the social and environmental footprints of our supply chain, primarily by choosing suppliers that comply with category-specific internationally recognised standards. For instance, in 2019 all our metal refiners were certified according to either the LBMA or the RJC standards.

## **Traceability**

We will improve our ability to trace the origin of our raw materials, including by ensuring that raw materials are conflict-free. In doing so, we are informed by the OECD Guidelines for Due Diligence Guidance for Responsible Business Conduct.

## **Transparency**

We will improve our disclosure of key suppliers and the structure of our supply chains. Since 2018, we have been disclosing our suppliers of silver grains, gold grains and diamonds, and we will extend this to other primary raw materials with due respect for Pandora's and our business partners' need for confidentiality.



**NON-COMPLIANCE ISSUES IDENTIFIED AT AUDITED SUPPLIERS IN 2019**

Issues	Percentage
Health and safety	56%
Compensation and benefits	17%
Working hours	10%
Environment	8%
Insufficient child/forced labour procedures	4%
Freedom of association	3%
Disciplinary practices	1%
Ethics	1%



**Our performance**

In 2019, we aligned our supplier code of conduct with the Ethical Trading Initiative's ETI Base Code on labour practice, and our associated audit protocol with the internationally recognised Sedex Member Ethical Trade Audit's (SMETA) four pillars of labour, health and safety, environment, and business ethics. This change will take effect during 2020.

We maintained our commitment to ensuring that all new product suppliers are assessed by an independent third party or hold active certifications from internationally recognised certification standards. All existing product suppliers perform a biannual third-party assess-

ment or confirm their active certification to verify compliance with our standards. Suppliers are audited annually if they are required to comply with materials traceability requirements. In 2019, 99% of our total direct sourcing value was audited by third-party auditors. This is consistent with last year's figure. Pandora ordered a total of 16 independent third-party supplier audits. These identified a total of 262 non-compliance issues, of which only two were zero tolerance breaches that were immediately and satisfactorily resolved. The majority of non-compliance cases identified during the audits involved either health and safety standards or working conditions.

**RESPONSIBLE SOURCING PROGRAMME**

**Guiding policies & supplier code**  
Responsibility, traceability and transparency



**Compliance, verification & supplier screening**



**Material & supplier selection**  
Third-party verification



**Compliance monitoring**  
Frequent desktop and on-site audits conducted depending on nature of certification



# 05 Workplace and society



# An inclusive culture

Pandora is committed to fostering a culture of diversity and inclusion within and beyond our own operations. We respect human rights throughout our value chain and strive to create a safe, healthy and fulfilling working environment for all our employees.

## People and culture

Everything we do at Pandora is made possible by our 28,000 employees.

One aspect of creating a winning culture is to listen and act on employee feedback, which is why we conduct an employee satisfaction survey each year. In 2019, employee engagement remained high, with an index score of 81 out of 100, three points above peer group companies.

Pandora's new Cooperation Committee was introduced at our Global Office in 2018. The Committee includes employees from across the business units, and the purpose is to enable ideas, comments and input from the organisation to be communicated directly to Pandora's Executive Leadership Team.

## Respecting human rights

Pandora's Human Rights Policy outlines our commitment to the United Nations Guiding Principles on Business and Human Rights and the core conventions of the International Labour Organization (ILO).

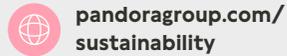
Our annual due diligence in line with the OECD Due Diligence Guidance for Responsible Business helps us identify potential risks. We mitigate such risks through our Responsible Sourcing Programme, which requires our suppliers and sub-suppliers to meet high ethical standards, including respect for human rights.



Since late 2019, we have introduced two limited-edition jewellery collections to support UNICEF. Read more on page 25.



For our statements on the UK Modern Slavery Act and The California Transparency in Supply Chains Act, read more at our website:



Our efforts to identify, assess and mitigate human rights risks in the jewellery supply chain are reviewed every three years by independent third party audits as part of our certification against the Responsible Jewellery Council's (RJC's) Code of Practices (COP). In 2019, more than 95% of our total direct spend was subject to independent third-party audits, including robust third-party certifications.

### Health and safety

To make sure our crafting facilities follow Pandora's safety, health and environmental standards, we have established a Safety, Health & Environment (SHE) Committee comprising senior management and elected employee representatives. Together with external experts, the elected internal representatives are responsible for checking and developing SHE conditions. For instance, the SHE team is involved in all new production setups to make safety a priority from the start. Our active RJC Code of Practices-certification further helps us to verify high health and safety standards and procedures throughout our operations globally.

In 2019, there were four work-related accidents with absence, compared with two accidents in 2018, among more than 11,000 employees at our crafting facilities. The lost time injury frequency rate (LTIFR) of 0.15 remains low, which is satisfactory, and mitigations have been put in place.

### Code of Conduct

The Pandora Code of Conduct explains what is required of all employees with respect to human rights, working conditions, environmental footprint and anti-corruption. The Code offers employees one common point of reference for ethical dilemmas, backed by training modules spanning hiring procedures, workplace ethics, anti-harassment, fraud, gift giving and the misuse of com-

### Addressing COVID-19

During the coronavirus outbreak, Pandora's top priority has been to keep our employees and customers safe. To support efforts to limit the spread of the virus, we temporarily closed many of our stores and offices. We have donated to UNICEF's COVID-19 response and are a core partner of their global campaign to prevent the pandemic from becoming a lasting crisis for children. We have also enabled our employees to volunteer their idle work hours to local community initiatives during store closures. We will continue to support the authorities' work to curb the virus and ensure that we offer employees and customers safe environments.

pany assets. Code of Conduct training also forms part of our onboarding process for new employees.

To support the Code, our employees are encouraged to raise ethical concerns with local management, HR, Legal or Compliance teams. If employees perceive that their concerns are not properly addressed, or if they are not comfortable with raising concerns through these channels, they can choose to use Pandora's externally managed whistleblowing function.

### Diversity and inclusion

We continuously work towards creating inclusive, attractive, effective and fun teamwork that benefits from a diverse group of high-performing employees. We do not tolerate any form of discrimination and will continue to advance our approach to diversity and inclusion in and beyond our own operations.

### Empowering young voices

In 2019, Pandora joined forces with UNICEF to educate and empower children and young people, with special focus on girls. Through the sale of jewellery and other initiatives, Pandora will raise funds to support UNICEF programmes on education, gender equality, rights awareness, personal empowerment and civic engagement. Part of the annual donation to UNICEF supports their overall work to improve the lives of millions of children worldwide.

### Organisational diversity

Pandora's Diversity Policy sets out our commitment and targets to foster an inclusive culture.

For our Board of Directors and senior management, our target is that the percentage of the underrepresented gender should be at least 40%.

At the end of 2019, women made up 50% of Board members (4 out of 8), compared with 43% in 2018 (3 out of 7), which is above average for large listed Danish companies.

At the end of 2019, 26% of senior management (Executive Leadership Team, General Managers and VPs) were women, down from 30% in 2018, but in line with Danish gender statistics for middle and senior managerial positions. Pandora will continue to strive for a better gender balance in senior management.

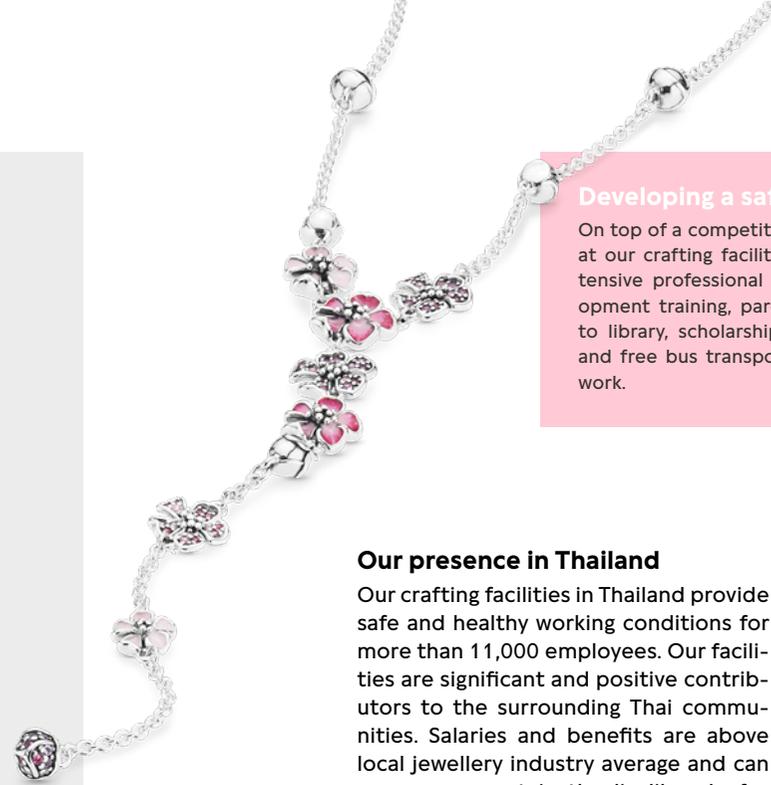
Globally, the gender split among Pandora's employees is 74% women and 26% male. The nature of Pandora's jewellery and primary target group attracts a very high proportion of female applicants, in particular to our stores (around 90%). We base all hiring, promoting and rewarding on merits, qualifications and behaviour only.

Guided in part by feedback from employees, we have introduced more transparent career bands to promote career development across all employee groups.

YOUTH FASHION SUMMIT

# Equality in the fashion industry

As part of Copenhagen Fashion Summit, the Youth Fashion Summit invites young industry talents from around the world to learn from established professionals and enact change in the fashion industry. In 2019, for the second consecutive year, Pandora was the corporate partner for the summit. Pandora challenged the students to find solutions for how to drive gender equality in the jewellery supply chain. The winning proposals were shared with the audience at Copenhagen Fashion Summit, which has become the largest sustainability event in fashion of the year.



## Developing a safe workplace

On top of a competitive salary, employees at our crafting facilities benefit from extensive professional and personal development training, parental classes, access to library, scholarships, on-site canteens and free bus transportation to and from work.

## Our presence in Thailand

Our crafting facilities in Thailand provide safe and healthy working conditions for more than 11,000 employees. Our facilities are significant and positive contributors to the surrounding Thai communities. Salaries and benefits are above local jewellery industry average and can on average sustain the livelihood of a three-person household. Each Pandora job creates an additional 1.7 jobs in Thailand due to the carry-over effect to Thai suppliers and the spending power of our employees.

We offer training and development programmes to employees that go beyond technical skills and work processes and cover safety, health, and life skills, such as motherhood and private economy. We respect and support our employees' right to freedom of association and to engage in collective bargaining. Pandora started to collaborate with the union as soon as it was established in 2018.

Since 2006, Pandora's charity project, the My School Project, has allowed our Thai employees to nominate their old primary schools for refurbishment or rebuilding. So far, 14 schools have benefited from this support.

## INTERACTIVE CONVERSATIONS

Students present their ideas to a panel of fashion and sustainability experts for constructive feedback.



PARTNERING WITH UNICEF

# Empowering young people



In September 2019, Pandora and UNICEF launched a global partnership to support the most vulnerable children, especially girls, around the world to lead healthier and safer lives and fulfil their potential. Through sale of jewellery and other initiatives, Pandora will raise funds for UNICEF's work.

The aim of the partnership is to raise funds for UNICEF to empower children and young people by supporting UNICEF programmes within education, gender equality, rights awareness, personal empowerment and civic engagement.

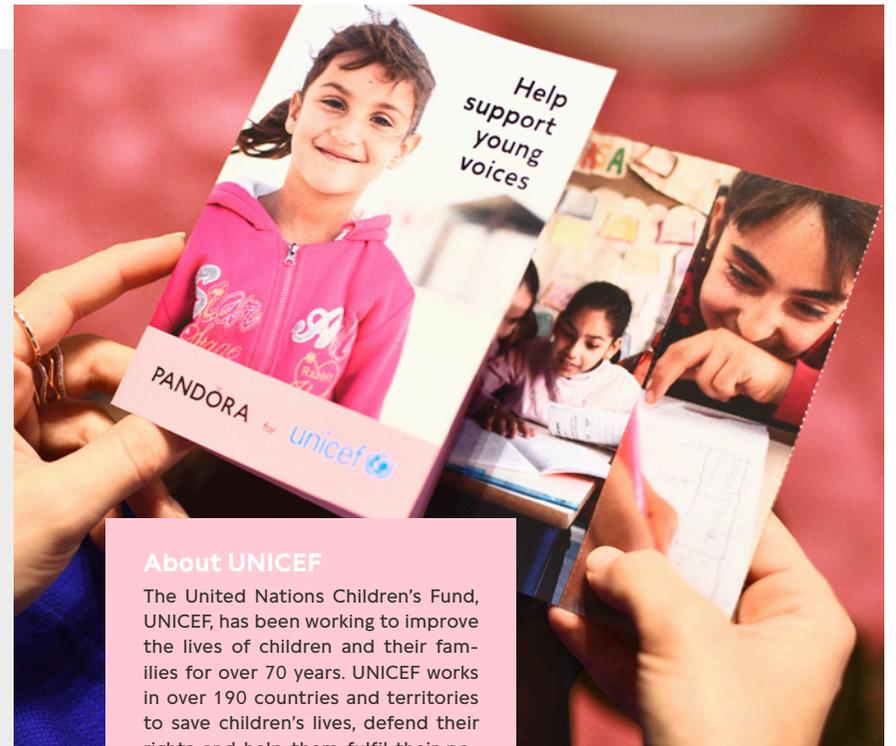
Every day, millions of girls around the world lose out on their right to education due to poverty, cultural practices and poor infrastructure. Violence and conflict also play a part. For these girls,

education is about much more than just going to school. It is about feeling safe and having the space to learn, developing the skills they need to find work, and making decisions about their own lives. With an education, these girls have a chance to fulfil their potential and to contribute to the communities where they live.

The partnership with UNICEF kicked off with a limited edition Pandora Me jewellery collection to celebrate World Children's Day on 20 November 2019. On International Women's Day on 8 March 2020, we launched our second limited edition charm. Future initiatives will include new jewellery, awareness campaigns and opportunities for Pandora customers and employees to engage directly by making donations to UNICEF.

# 1 in 6

of the world's 600 million adolescent girls are not in secondary school



### About UNICEF

The United Nations Children's Fund, UNICEF, has been working to improve the lives of children and their families for over 70 years. UNICEF works in over 190 countries and territories to save children's lives, defend their rights and help them fulfil their potential, from early childhood through adolescence. In 2018, UNICEF provided educational support to more than 12 million children around the world.

" I'm very proud of our partnership with UNICEF. We want to do our part in solving some of the big problems we face in our societies.

Alexander Lacik, President & CEO

# 06

# Managing sustainability



# Governance and key partners

Pandora's Sustainability Board provides direction for the company's sustainability work, oversees our targets, and guides our efforts to integrate and align sustainability efforts into Pandora's long-term business objectives and practices.

The Sustainability Board is chaired by our CFO and comprises four other members of Pandora's Executive Leadership Team.

The below table shows the main challenges to reach our objectives and the approach we take.

Objective	Challenge	Approach
Pandora is committed to become a low-carbon business	Metals refining and jewellery manufacturing is an inherently energy-intensive process	<ul style="list-style-type: none"> <li>Partner with suppliers to implement energy efficiency measures and increase their share of renewable energy</li> <li>Increase on-site renewable energy generation at Pandora crafting facilities</li> </ul>
Pandora is committed to become a circular business	Increasing the supply of responsibly sourced recycled silver	<ul style="list-style-type: none"> <li>Ensure an adequate supply of recycled silver that is certified according to robust standards such as LBMA and RJC</li> <li>Support development of these schemes to minimise environmental and social risks in recycling industry</li> </ul>
Pandora is committed to become an inclusive brand	Ensuring inclusive business practices are applied throughout the value chain	<ul style="list-style-type: none"> <li>Capacity building amongst suppliers and business partners</li> <li>Integrate inclusivity parameters in supplier contracts to guarantee requirements are met</li> </ul>



## Responsible Jewellery Council

Pandora has been a certified member of the Responsible Jewellery Council (RJC) since 2012. RJC is an international non-profit standards and certification organisation with more than 1,000 member companies spanning the jewellery supply chain from mine to retail.



## United Nations Global Compact

We are signatories to the United Nations Global Compact (UNGC) and acknowledge our responsibilities in the areas of human rights, labour, environment, and anti-corruption.



## BSR

Pandora is a member of BSR, a global non-profit organisation that works with its network of more than 250 member companies and other partners to build a just and sustainable world.

## Science Based Targets initiative

Pandora has committed to set a science-based target through the Science Based Targets initiative. The Science Based Targets initiative is the leading corporate collaboration for ambitious action on climate change. It is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).



## UNICEF

Pandora and UNICEF have partnered to support the world's most vulnerable children to lead healthier and safer lives and fulfil their potential. The aim of the partnership is to raise funds for UNICEF to empower children and young people by supporting UNICEF programmes with education, gender equality, rights awareness, personal empowerment, and civic engagement.

# Sustainability KPIs

CLIMATE AND ENVIRONMENT	2019	2018	2017
<b>Energy consumption at crafting facilities (MWh)</b>			
Total energy consumption	54,280	60,454	47,201
Solar energy generated	1,307	1,316	1,512
Renewable energy, %	2.4%	2.2%	3.2%
<b>Greenhouse Gas Emissions</b>			
Scope 1 (mtCO <sub>2</sub> e)*	276**	306	N.A.
Scope 2 (mtCO <sub>2</sub> e)*	71,394**	72,767	N.A.
<b>Water consumption</b>			
Water consumption at crafting facilities, m <sup>3</sup>	928,010	967,046	826,289
Water recycled at crafting facilities, %	23	22	N.A.
<b>Waste at crafting facilities</b>			
Recycled waste, tonnes	5,587	6,170	5,444
Total, tonnes (% recycled)	6,321 (88%)	6,897 (89%)	6,832 (80%)
Gypsum	100%	99%	86%
Glass	100%	100%	100%
Wax	100%	100%	100%
Rubber	100%	100%	100%

\* Within Ernst & Young's assurance scope (see the Independent Auditors' Limited Assurance Report on page 31)

\*\* Figure is restated from the Annual Report 2019, which was 71,394 tCO<sub>2</sub>e and only included Scope 2 emissions

\*\*\* 2019 figures include recycled grains refined from Pandora scrap. In 2019, Pandora did not purchase gold grains from external sources, while 96% of silver grains were from external recycled sources.

\*\*\*\* Recycled silver and gold are precious metals that have been previously refined. Our products may contain a fraction of silver or gold up to 5% coming from certified but non-recycled sources due to difficulties in separating sources in the refining process. Pandora continuously works with our suppliers to fully remove the fraction of non-recycled sources.

CIRCULAR AND SUSTAINABLE JEWELLERY	2019	2018	2017
Total direct spend audited by third party, %	>95%	>85%	>85%
Silver and gold grain suppliers certified by RJC/LBMA, %	100	100	100
Recycled gold grains, %	100***	100	74
Recycled silver grains, %	98***	88	97
Recycled silver and gold total, %****	71	N.A.	N.A.
<b>WORKPLACE AND SOCIETY</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Lost time injury frequency rate (LTIFR) at crafting facilities	0.15	N.A.	N.A.
<b>BOARD OF DIRECTORS AND SENIOR MANAGEMENT</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Gender split, Board of Directors, %	W50 / M50	W43 / M57	W33 / M67
Gender split, senior management, %	W26 / M74	W30 / M70	W39 / M61

#### Additional data sources

- Mined and recycled silver CO<sub>2</sub>/kg: GaBI database, 2019
- Mined gold CO<sub>2</sub>/kg: World Gold Council, 2018
- Recycled gold CO<sub>2</sub>/kg: C. Hafner, 2019

## Environmental data

KPI	Definition
Energy consumption at crafting facilities	Amount of energy or power used to support production facilities
Energy produced by solar cells	Energy originating from the facility solar panels
Water consumption	Amount of water used to support production facilities
Recycled water percentage of consumption	Amount of water that has been recycled (looped) as a percentage of total consumption
Recycled waste	Waste recycled from the categories general, industrial and hazardous
Gypsum, glass, wax and rubber waste	Recycled percentage of total gypsum, glass, wax and rubber waste

## CO<sub>2</sub> emissions

Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the Greenhouse Gas Protocol Corporate Standard.

KPI	Definition
Scope 1	Scope 1 emissions include on-site fuels used to craft our jewellery, refrigerants to cool our crafting facilities, and fuel used in our employee trams. Actual activity data is used for all calculations.
Scope 2	Scope 2 emissions include the purchase of electricity and heat for our offices, warehouses, crafting facilities, and owned and operated retail stores. We omit emissions from satellite offices with less than 30 people. Emissions for our crafting facilities, representing 52% of Scope 2, are calculated on the basis of actual electricity data. Our retail emissions, representing 46% of Scope 2, are estimated using electricity spend data and multiplying it by the cost of electricity and emission factors in each country in which we have a stor presence. This method uses the location-based method of reporting, which reflects emissions due to electricity consumption from a conventional power grid, using average emission factors of the country's energy mix.

## Circular and sustainable jewellery

KPI	Definition
Total direct spend audited by third party, %	Spending value of third party-audited product suppliers/total spending value of product suppliers
Silver and gold grain suppliers certified by RJC/LBMA, %	Percentage of active silver and gold grains suppliers who hold active certification/total active silver and gold grains suppliers
Recycled silver and gold grains, %	Recycled silver or gold grains purchased/total of silver or gold grains purchased, including refined Pandora scrap
Recycled silver and gold total, %	Percentage of total recycled purchased silver and gold includes grains, chains, bangles, ODM/OEM and other sources

## Workplace and society

KPI	Definition
Lost time injury frequency rate (LTIFR)	The number of lost-time injuries per million hours worked during an accounting period

# About this report

The Pandora Sustainability Report is based on our performance for Fiscal Year 2019 (1 January to December 31 2019).

We aim to provide a comprehensive overview of Pandora's sustainability impact. We are committed to transparent reporting on the progress we make towards achieving our sustainability strategy. Pandora reports in accordance with the United Nations Global Compact (UNGC). This report is our annual Communication on Progress to the UNGC. Pandora also supports the United Nations Sustainable Development Goals (SDGs). Together with the Annual Report 2019, the Sustainability Report 2019 fulfils the sustainability disclosure requirements outlined in sections 99(a) and (b) of the Danish Financial Statements Act. This is the statutory report on sustainability for Pandora Int. Aps and Pandora Jewellery Central Western Europe, see section 99(a) of the Danish Financial Statements Act.

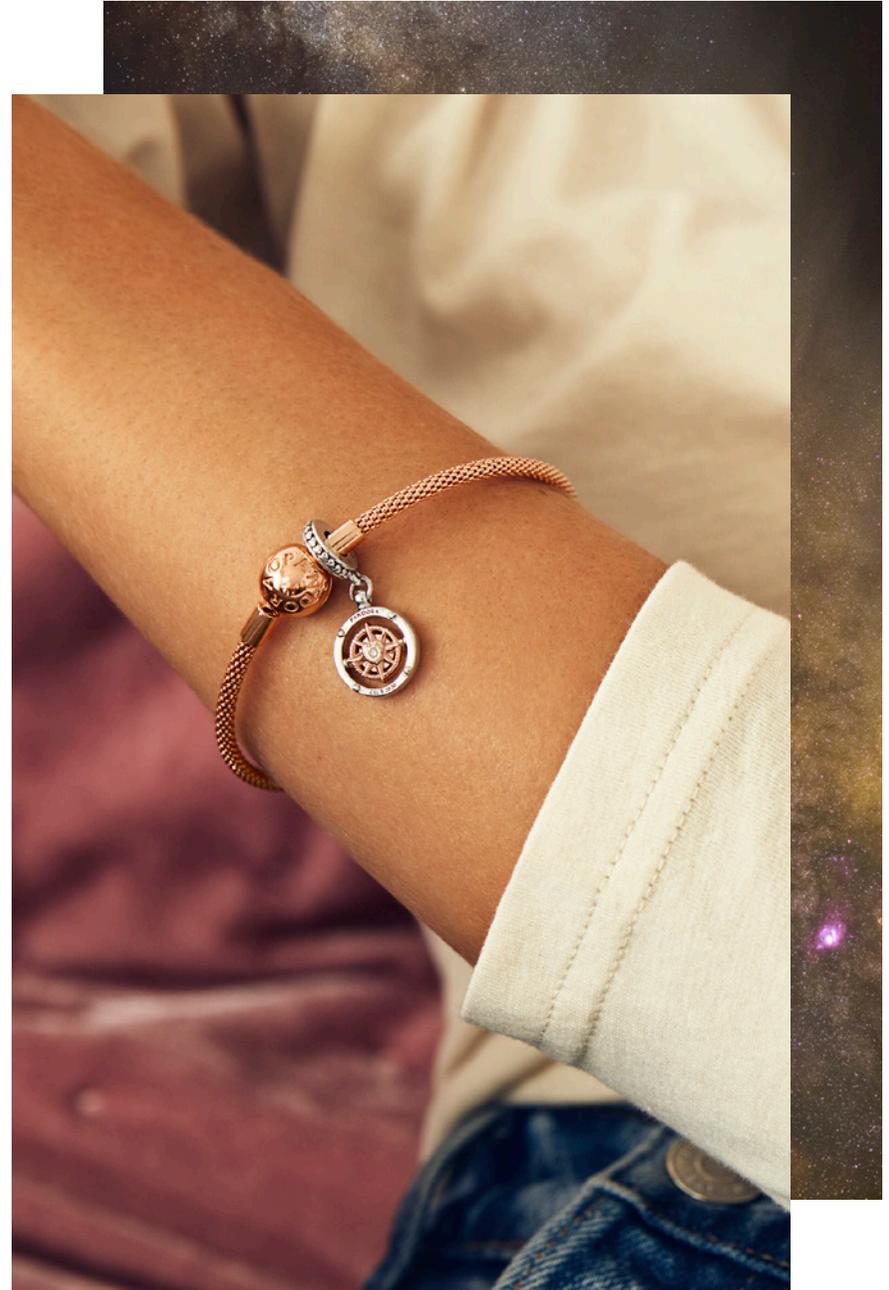


For further information about Pandora and sustainability, visit

 [pandoragroup.com/sustainability](https://pandoragroup.com/sustainability)

## Reporting principles

These reporting principles cover KPIs presented on page 29. We continuously seek to develop our ESG data set in order to support our business and to provide our stakeholders with relevant and transparent reporting on our ESG performance.



## INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT

### To the stakeholders of Pandora

We have undertaken a limited assurance engagement for selected environmental information in Pandora's sustainability report 2019.

We were asked to conclude whether the following information had been prepared in accordance with the reporting approach and criteria described on page 29:

'Scope 1' for the reporting period 1 January to 31 December 2019 with comparative information for the period 1 January to 31 December 2018, as stated in the section 'Greenhouse Gas Emissions' on page 28.

'Scope 2' for the reporting period 1 January to 31 December 2019 with comparative information for the period 1 January to 31 December 2018, as stated in the section 'Greenhouse Gas Emissions' on page 28.

### Management's responsibilities

Pandora's Management is responsible for the preparation of the 'Scope 1 and 2 greenhouse gas emissions' information in accordance with the reporting approach and criteria described on page 29. Pandora's Management is also responsible for such internal control as the Management considers necessary to enable the preparation of such information that is free from material misstatement, whether due to fraud or error.

### Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and additional requirements applicable in Denmark, which rely on general principles regarding integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

Ernst & Young Godkendt Revisionspartnerselskab is subject to the International Standard on Quality Control (ISQC) 1 and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards, applicable requirements in Danish law and other regulations.

### Our responsibility

Our responsibility is to express a limited assurance conclusion on selected environmental information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board, and additional requirements under Danish audit legislation.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the

circumstances of Pandora's use of the reporting approach and criteria described on page 29 as the basis for the preparation of the 'Scope 1 and 2 greenhouse gas emissions' information, assessing the risks of material misstatement of the 'Scope 1 and 2 greenhouse gas emissions' information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

As part of our examination, we performed the below procedures:

- Interviews of relevant company professional responsible for the selected information at Pandora's headquarters in Copenhagen.
- Assessment of whether data have been collected, assessed and quality-reviewed as prescribed in Pandora's manual for collection of greenhouse gas emissions data.

**Mikkel Sthyr**  
Partner, State Authorised  
Public Accountant  
mne26693

- Analytical reviews, including trend analyses, of data supplied by Pandora.
- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

### Limited assurance conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected environmental information regarding 'Scope 1 and 2 greenhouse gas emissions' for Pandora for the period 1 January to 31 December 2019, with comparative information for the period 1 January to 31 December 2018, has not been prepared, in all material respects, in accordance with the reporting approach and criteria described on page 29.

Copenhagen, 21 April 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR-nr. 30 70 02 28

**Carina Ohm**  
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