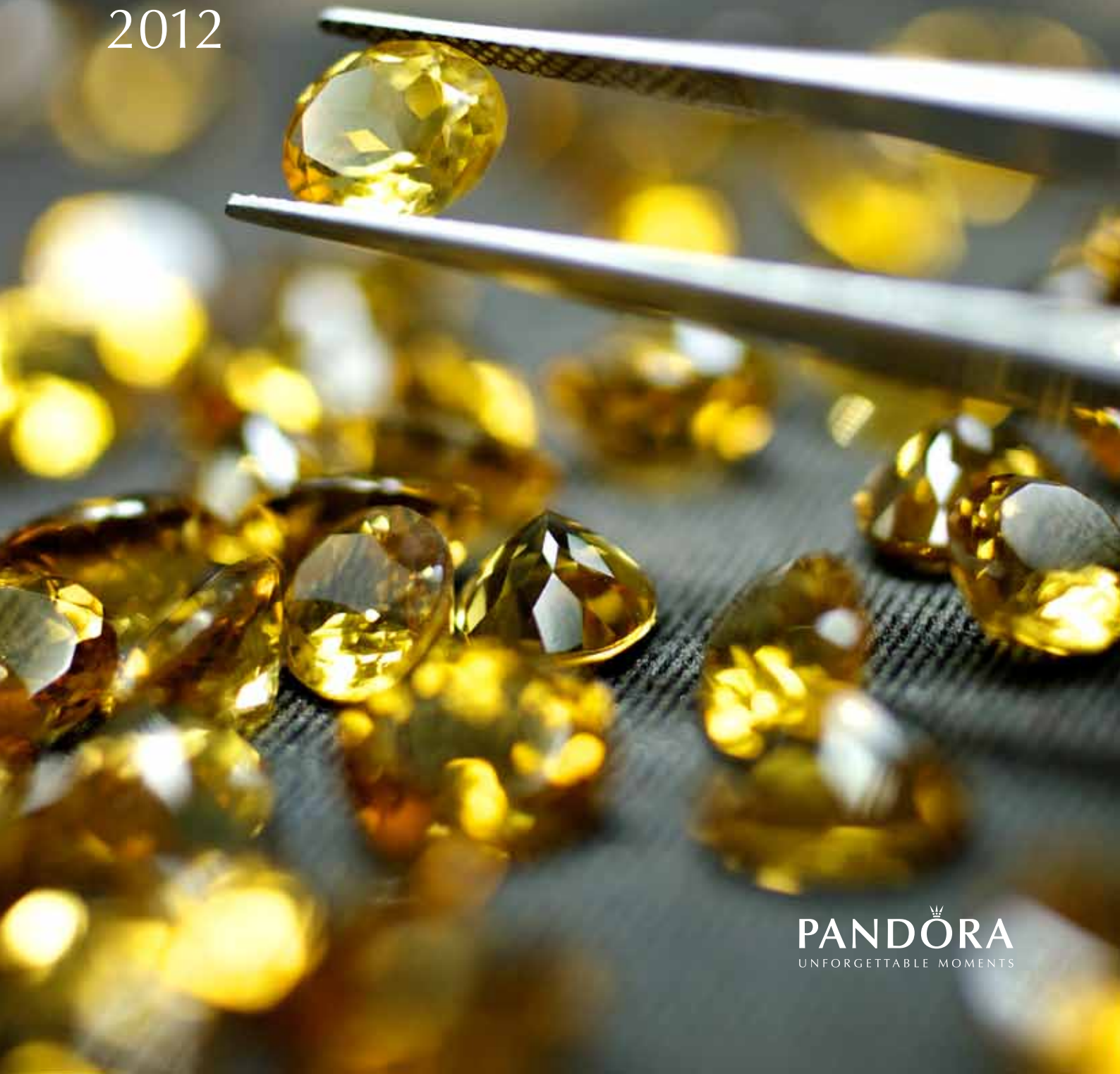

PANDORA CSR REPORT

2012



PANDORA
UNFORGETTABLE MOMENTS

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CEO STATEMENT

“It is PANDORA’s vision to become the world’s most recognised jewellery brand”.

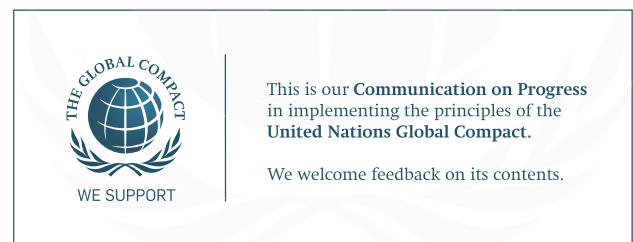
At PANDORA, we firmly believe that this recognition is only achievable if we navigate our approach to responsible business practices in harmony with the interests of our costumers and other key stakeholders. We constantly strive to remain faithful to our heritage of being responsible in everything we do and by actively engage in dialogue with our surroundings to learn and share experiences in advancing responsible business practices.

Having worked systematically with Corporate Social Responsibility for years, 2012 became the year when PANDORA became certified on a number of CSR standards. We are proud to receive such recognitions – and we actively use the lessons we have learnt when engaging in joint efforts to advance sustainability in the entire jewellery industry.

On top of documenting compliance with CSR commitments, this year’s report seeks to provide an insight into how we have ensured group wide implementation of our CSR policies, tools and guidelines. We call this “PANDORA Ethics“. We do this by disclosing PANDORA’s overall approach to CSR as well as the challenges we face, the efforts we initiate and the results we achieve in the three parts of our value chain; sourcing, crafting and trading.

This year’s report pays special attention to our employment relationship with the 4,124 people engaged in the actual crafting of our genuine, hand-finished jewellery. By doing this, we hope to provide a valuable insight into the management philosophy that has enabled PANDORA to craft and market millions of pieces of jewellery in 2012.

Bjørn Gulden
President and Chief Executive Officer



A pair of metal dividers and a scriber are positioned vertically on a dark, textured wooden surface. The dividers are centered, with their two legs pointing downwards. A scriber with a knurled handle and a sharp point lies horizontally across the middle of the dividers. The text "CSR APPROACH" is overlaid in white, serif font, centered over the tools.

CSR APPROACH

CSR APPROACH

ETHICAL ASPIRATIONS

During the past decade, PANDORA has developed to become one of the world's leading jewellery brands. We take great pride in this achievement and acknowledge that with this position follows an expectation from our stakeholders that PANDORA will ensure high ethical standards in all our dealings. Our Group CSR policy helps us navigate in our endeavor to reach our ethical aspirations:

"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".

GOVERNANCE

At PANDORA, the aim of good Corporate Governance is to maximise long-term value creation and ensure transparency and accountability in the way we fulfill our obligations towards shareholders, consumers, customers, employees, authorities and other key stakeholders. A natural part of this exercise is to assess our practices according to corporate governance recommendations issued by the



Danish Committee on Corporate Governance. Exactly how we do this is further elaborated on our governance site on www.pandoragroup.com.

Focusing in on CSR governance, we have now gained three years of experience in operating our CSR Steering Committee, commissioned to define, coordinate and monitor ethical performance throughout the group. The Committee is headed by our Vice President Group CSR and further consists of the heads of Production, Procurement, HR, Investor Relations and Communications and with our Chief Financial Officer and Chief Merchant representing

Executive Management. In 2012, the CSR committee has mainly worked to:

- ⊗ Scope, develop and implement our comprehensive CSR programme, PANDORA Ethics
- ⊗ Monitor the progress of PANDORA's Responsible Supplier Programme
- ⊗ Ensure coordinated decision making on ongoing CSR issues and risk management

CSR and compliance issues have traditionally been tabled at PANDORA board meetings on an ad hoc basis. Going forward, CSR will be on the Audit committee's agenda twice a year.

DIVERSITY

Employment at PANDORA is based on merit and is offered without any distinction, exclusion, or preference on the basis of race, ethnicity, national or social origin, gender, religion, age, political opinion, sexual orientation and family responsibilities.

Following PANDORA's Annual General Meeting in March 2012, 25% of the members of PANDORA's Board of Directors are women. In 2011, the corresponding percentage for all Danish listed companies was less than 7%. PANDORA is committed to remaining among the leading Danish companies with regard to balancing gender representation on the boards, and the PANDORA Board of Directors has set the target that by 2015 each gender should be represented by at least 37%.


In 2012, women accounted for 19 out of 73 higher management positions throughout the PANDORA Group, from the level of Vice President to Executive Management (26%). Women in management positions, from store managers to director level, accounted for 66%. In total, women made up 61% of the 6,360 people who work at PANDORA, and women held 60% of all management positions.

In 2012, PANDORA initiated its global leadership development programme, Life Leadership, for Vice Presidents and VP potentials. The importance of the programme can be illustrated by the fact that in 2012 two out of four vacant top management positions were recruited from Life Leadership participants. Leadership development programmes are also initiated for directors and managers at local level. PANDORA expects that the high number of female managers in the leadership pipeline will in itself balance the gender representation in senior management. In order to monitor how this balance evolves – and to react if required – PANDORA has decided

that participants in each of these leadership programmes for the years 2012 to 2015 (on aggregate) shall mirror the gender composition on the relevant management levels.

PANDORA has presented the above targets to our key partners among search and selection companies and given them a general instruction to ensure presentation of qualified female candidates for senior management positions in the company.

PANDORA ETHICS

 Our single most important CSR initiative in 2012 has been the roll-out of PANDORA Ethics, our comprehensive CSR and compliance programme covering the entire PANDORA Group. PANDORA Ethics contains four core CSR policies on human rights, health & safety, environment and business ethics. A fifth vital policy guides us on how to engage in dialogue with our suppliers on above issues. The five policies can be found on our CSR site on www.pandoragroup.com/csr. The above policies are supported by tools and guidelines as well as monitoring and compliance systems to enable the organisation to honour our commitments.

Our PANDORA Ethics policies and guidelines cover the 10 principles defined by the United Nations Global Compact and they are fully aligned with the Responsible Jewellery Council's Code of Practices defining honest and responsible business practices within the jewellery value chain. Finally, our human rights policy, its underlying guidelines and our due diligence efforts are sought aligned with the guidance provided by the United Nations' Guiding Principles on Business and Human Rights.

1 February 2012 marked the kick-off of a group-wide implementation and awareness campaign on PANDORA Ethics. The campaign aimed to reach all PANDORA employees around the world, raise internal awareness about PANDORA's commitment to responsible business practices as well as the rights and obligations they enjoy as PANDORA employees. So far, the campaign has been carried out through:

- ⊗ A generic face-to-face training module through which we train all staff at our headquarters, our regional offices around the world and managers at PANDORA Production Thailand
- ⊗ Tailored CSR training modules for our global management team, selected business units and markets
- ⊗ The integration of PANDORA Ethics into existing induction programmes for new employees
- ⊗ CEO announcements, specific PANDORA Ethics section on our intranet and group website, PANDORA



Ethics videos as well as group-wide distribution of our 2011 CSR Report and PANDORA Ethics leaflets, posters and a range of minor gimmicks

- ⊗ At PANDORA Production Thailand, the majority of our 4,124 colleagues are directly involved in the jewellery crafting processes. To ensure that essential PANDORA Ethics information reach all staff at our production facilities, we use our in-house radio and TV stations designed to deliver entertainment as well as company news

To ensure group-wide compliance with PANDORA Ethics, we have assigned responsibilities to management at our production facilities and in our markets:

- ⊗ Our bespoke PANDORA Compliance Tool requires markets to regularly report their level of compliance with our PANDORA Ethics policies and more than

100 key performance indicators defined in the Responsible Jewellery Council's Code of Practices

- ⊗ All markets must confirm compliance with PANDORA's Business Ethics Policy twice a year

The PANDORA Ethics campaign reached a vital milestone in August 2012, when the full PANDORA Group was certified by the Responsible Jewellery Council (RJC), the most ambitious CSR initiative within the jewellery industry. The certification was granted following a range of announced as well as unannounced audits carried out by independent RJC accredited consultants visiting our head office, our jewellery crafting facilities as well as selected regional offices and PANDORA stores around the world. Recognising that our company and our ethical aspirations constantly evolve we will continue the campaign in 2013 through above channels and by developing e-learning modules to ensure group wide awareness and compliance.

RESPONSIBLE JEWELLERY COUNCIL



In 2012, we continued our active participation in the Responsible Jewellery Council (RJC). As elected 2011/2012 representative of jewellery manufacturers in RJC's Standards Committee, PANDORA has been involved in two important RJC milestones that both were reached in 2012.

Firstly, the development of RJC's Chain-of-Custody certification standard for gold that ensures the identification of responsibly sourced, produced, processed and traded gold through the jewellery supply chain. Secondly, in 2012 RJC was accepted as a full member of the ISEAL Alliance, the global association for social and environmental standards.

PANDORA welcomes RJC's membership of the ISEAL alliance. By joining ISEAL, RJC takes a first step from being an industry initiative towards becoming a multi-stakeholder initiative. Thus, RJC has extended the number of seats in its Standards Committee which now also includes civil society organisations such as the Alliance for Responsible Mining, WWF, Fairtrade, Human Rights Watch, Social Accountability International and Solidaridad. The first major task facing the extended Standards Committee is to revise the existing Code of Practices. PANDORA will engage in this process with the firm determination to be part of the solution by pushing the code towards still more sustainable standards. Having worked systematically with CSR for years, it is PANDORA's experience that in order to succeed, CSR

standards must appear reasonable and achievable to the staff we expect to implement and live by the rules. Therefore, it is also paramount to PANDORA that the revised RJC standards and procedures remain ambitious – and ahead of the curve - while at the same time appear flexible and achievable to both existing and potential new members.

ISEAL Alliance

ISEAL members including the Fairtrade Labelling Organizations International (FLO), Forest Stewardship Council (FSC), and Marine Stewardship Council (MSC), Rainforest Alliance Social Accountability International and the Responsible Jewellery Council are all leaders within their fields, committed to creating solid and now credible standard systems that give business, governments and consumers the ability to choose products that have been responsibly produced.

SOURCING, CRAFTING AND TRADING

The implications of the PANDORA Ethics programme and its underlying policies, tools and guidelines will vary across the three main parts of our value chain; Sourcing, crafting and trading. Thus, the remainder of this communication on PANDORA's progress in advancing responsible business practices is divided into three parts explaining the ethical dilemmas we face, the actions we initiate and the results we have achieved in 2012 within the three parts of our value chain: Sourcing, crafting and trading.



SOURCING

SOURCING

During 2012, we have further developed our Responsible Supplier Programme through which we screen and categorise our suppliers, organise supplier trainings and self-assessments, initiate CSR audits carried out by independent consultants and finally ensure an ongoing dialogue with our suppliers to ensure that they operate in compliance with PANDORA's Supplier's Code of Conduct. The programme is described in detail in CSR Report 2011 and on www.pandoragroup.com/csr.

SUPPLIER ENGAGEMENT

In 2012, we have gained valuable experience in implementing the programme in cooperation with existing as well as potential new PANDORA suppliers. This has led us to revisit our procedures for screening and categorising our suppliers. On top of existing screening criteria such as business importance, product related risks, country of production, documented CSR capacity and the responsible purchaser's personal assessment, we have added additional criteria such as our leverage and opportunity to influence the supplier and which jewellery materials are especially important to our key stakeholders. The introduction of more indicators has led to more complexity in decision making. Therefore, in 2012 we have seen that the screening process evolving from being the sole responsibility of the responsible purchaser towards a dialogue between our purchasers and group CSR.

Beside the third party CSR audits mentioned above, our suppliers of jewellery materials are also visited by our own staff that monitors the capacity of our suppliers to deliver at the right price, the right time and in the right quality. These supplier audits also cover health and safety and other CSR related issues. In 2012, PANDORA Production Thailand has initiated a project to integrate these audits into one common system. This project is headed by our CSR team in Bangkok.



JEWELLERY MATERIALS

Mining and processing of jewellery materials are often debated within the industry, by civil society, by media and by authorities. At PANDORA we fully recognise that while mining and processing are valuable sources of income for millions of people around the world, they can be associated with severe adverse social and environmental impact.

PANDORA is operating with a vertically integrated value chain, directly handling the vast majority of our jewellery crafting operations at our own facilities in Bangkok, Thailand. In 2012, PANDORA has intensified our dialogue with



suppliers of silver, gold and diamonds in order to establish procedures that will further guarantee that these materials do not originate from sources that might be connected with human rights infringements.

SILVER AND GOLD

All silver and gold that enters our crafting processes at PANDORA Production Thailand are sourced from international refining companies, which, like PANDORA, are active members of the Responsible Jewellery Council. In 2012, PANDORA decided to implement procedures ensuring that any silver or gold entering PANDORA's value chain must be supplied by responsible refiners accepted on the London Bullion Market Association's (LBMA) list of Good Delivery refiners.

A limited number of specialised manufacturers – crafting highly sophisticated silver and gold products – deliver semi-finished parts to PANDORA Production Thailand. In 2012, all such specialised partners have certified to PANDORA that the gold used in their products is sourced from LBMA “good listed” suppliers. We are currently implementing due diligence procedures to verify these guarantees regarding gold and we will in 2013 investigate the feasibility of developing a similar system for highly specialised silver products.

LBMA

The London Bullion Market Association requires that all accredited Good Delivery listed refiners must initiate adequate human rights due diligence procedures in their supply chain. LBMA also requires that such procedures are verified by independent auditors and in the case of gold the procedures must also be in line with the OECD Guidance for Responsible Gold Sourcing which again is aligned with the United Nations Guiding Principles on Business and Human Rights, the authoritative point of reference for PANDORA's human rights policy.

The United Nations Environment Programme (UNEP) estimates that 90 to 100% of all silver and gold used in jewellery is being recycled. No other metals or industries can muster such high recycling rates, and we truly believe that this fact should be taken into consideration when estimating the actual environmental impact of the genuine jewellery industry.



DIAMONDS

Since 2003, the international trade of rough diamonds has been regulated through the Kimberley Process Certification Scheme (KPCS), a joint government, industry and civil society initiative that seeks to prevent the flow of conflict diamonds into a range of industrial sectors, including the jewellery industry.

KIMBERLEY PROCESS

The Kimberley Process was established to prevent rebel movements or their allies to finance conflict against legitimate governments through trading of rough diamonds. States participating in the Kimberley Process must put in place national legislation and institutions, export, import and internal controls and commit to transparency. Participants can only legally trade with other participants who have also met the minimum requirements of the scheme, and international shipments of rough diamonds must be accompanied by the certificate guaranteeing that they are conflict-free.

PANDORA recognises the achievements of the Kimberley Process such as creating awareness, increasing shared knowledge of trade flows and reducing the number of conflict diamonds entering the market. PANDORA also liaises with suppliers, peers, the Responsible Jewellery Council and relevant government institutions on how to further advance responsible diamond sourcing within the industry. On top of requiring KPCS compliance, PANDORA has implemented the World Diamond Council's Warranty Statement, and we have temporarily prohibited the sourcing of diamonds originating from the Marange region in Zimbabwe. PANDORA provides diamond guarantees on all invoices to our business partners disclosing the guarantees that we require from our own diamond suppliers:

"The diamonds herein invoiced have been purchased from legitimate sources not involved in the funding of conflict and in conformance with United Nations resolutions. PANDORA hereby guarantees that these diamonds are conflict free, based on written guarantees provided by the supplier of these diamonds. PANDORA also requires written guarantees from its suppliers that the diamonds invoiced do not originate from the Marange region in Zimbabwe".

A hand-crafted wooden tool, possibly a turner's tool, is centered against a dark, textured background. The tool features a rounded wooden handle, a tapered wooden neck, and a metal shaft with a sharp, pointed tip. The word "CRAFTING" is overlaid in white, serif capital letters across the middle of the tool.

CRAFTING

CRAFTING



PANDORA's Jewellery is crafted by our 4,124 colleagues at PANDORA Production Thailand located in Bangkok. Here we operate a state-of-the-art jewellery crafting facility at Gemopolis, a modern industrial estate designed to cater for the special requirements of jewellery manufacturers.

STANDARDS AND CERTIFICATIONS

Although having been ISO 9001 certified on our quality standards for several years, PANDORA Production Thailand has traditionally not benchmarked its performance up against peers or external standards. In 2012, this changed

when we certified on a number of CSR-related standards. As already mentioned the entire PANDORA group was in 2012 certified up against the Responsible Jewellery Council's Code of Practices. On this occasion, our crafting facility in Thailand was the PANDORA entity subject to the strictest scrutiny by the independent audit teams. As it was the case at the other audited PANDORA sites around the world, only minor non-compliances were found and rectified. Also in 2012, our integrated management system at PANDORA Production Thailand acquired the ISO 14001 certification on environmental management as well as the OHSAS 18001 certification regarding health and safety.

TOTAL REWARD

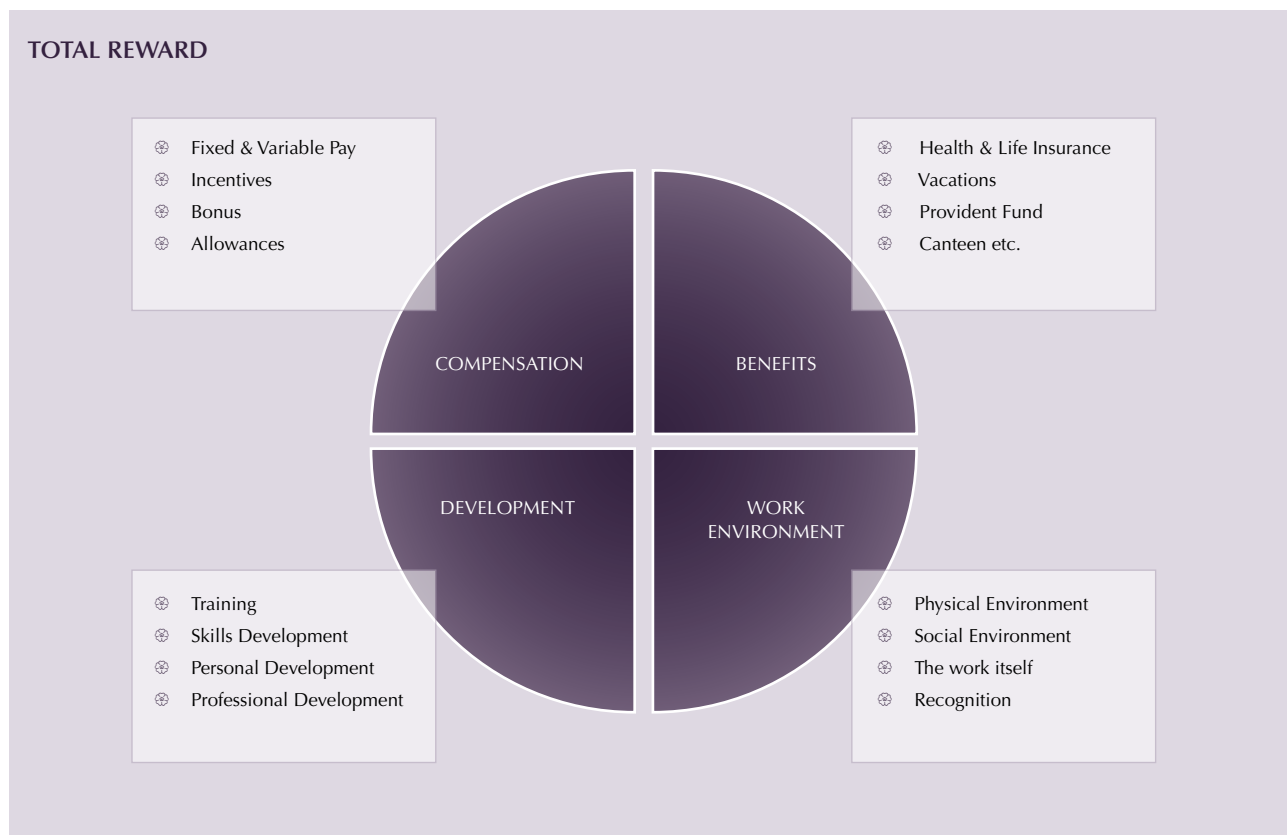
Since the earliest days of PANDORA's crafting operations in Thailand, our approach to the employment relationship has exceeded simple compliance with labour legislation or minimal conformance with international regulations. We have always recognised these as important basic requirements, but have consistently sought to develop the relationship beyond those dictated by mere compliance. In this year's CSR Report, we find it important to share how that initial approach to our crafting operations has been adapted and developed to support the expansion of our crafting team.

PANDORA's global mission "To provide women across the world with a universe of high quality, hand finished, modern, genuine jewellery at affordable prices" has at its foundation the skills care, attention and professionalism of our craftspeople.

The framework within which we measure performance and identify areas of opportunity to further strengthen the employment relationship with these craftspeople is commonly referred to as Total Reward. This is a proactive approach to maintaining and enhancing the employment relationship, building our organisation's capabilities to craft high quality jewellery which delights our customers

and doing so in an environment that is professional, positive, respectful and not least a fun place to be. The total reward framework provides a means of answering the ques-

tion “What is the total value for our staff of working with PANDORA Production Thailand?” and comprises of four fundamental elements:



Using this framework does not imply that, for example, deficiencies in pay or benefits can be compensated by great opportunities to develop. Similarly, it does not mean that a work environment which is unsafe, or features harassment or intimidation, can be counter-balanced by high pay.

4 Cs OF JEWELLERY CRAFTING

A diamond’s value is based on a combination of value factors: Cut, Clarity, Colour and Carat weight. In summary the industry refers to these value factors as the four Cs. In order to describe the human resource perspective on those aspects of the working environment which have critical impact on individual and team performance – and job satisfaction – PANDORA Production Thailand has developed its own four Cs:

CLARITY We find it important that everyone in our team have a clear idea of our vision, mission and values - Clarity. They should have a clear idea of their roles and responsibilities and how their role contributes to meeting the needs of our customers. Equally important is that everyone are clear on what is expected of them and that they receive regular, supportive feedback on how they are performing against those expectations.

In addition to a comprehensive programme of formal and informal communication relating to individual roles and responsibilities, we also focus on providing up-to-date and relevant company information to our colleagues so that everyone can fully understand the context of their work, the feedback from customers and gain a clear picture of PANDORA’s global operating and financial performance.



Likewise, on a more local scale, through our in-house PANDORA Radio and PANDORA Production TV, both broadcasting daily, we share news updates, monthly departmental news and customer feedback.

COMPETENCE The second of the four Cs is Competence. It is our obligation to ensure that our colleagues have the skills required to fulfill their responsibilities. We want everyone to have the skills, finely honed, necessary to craft high quality, hand finished jewellery and to have the knowledge and understanding of their craft. The various crafting steps in transforming a design idea to a finished piece of jewellery require much more than manual dexterity. Our colleagues draw on their skills, their knowledge and their experience in making hundreds of decisions each day that impact the quality of each piece they work on.

Therefore, we invest significantly in skills and leadership training and development. In 2012, we initiated a Professional Craft Skills Development Programme with certification and continued our Leadership Development Programme. Following our 2011 succession plan for 268 leadership positions, we were pleased to see that in 2012 the number of high potential leaders increased from 5 to 13% and 38% of these are women. Throughout 2012, the range of training activities spanning safety, health, the environ-

ment, business continuity, craftsmanship skills and quality was extensive. All training activities aim to further advance a safe and rewarding environment for our colleagues and to demonstrate our socially responsible practices as an employer and important member of the local community. As previously mentioned, however, our development activities go well beyond technical training. Our craftspeople also participated in programmes aimed at developing their life skills. Some examples of these from 2012 include:

2012 Employee Development at PANDORA Production Thailand (non-Craft Skills Training)			
Learning Programme	# of Times Delivered	# of Participants	Satisfaction Score
PANDORA is Proactive (PIP)	82	3704	87%
PANDORA Orientation Programme (POP)	14	621	91%
People Ensure PANDORA Life (PEP)	14	611	88%
Learning Club Plus	23	402	87%
Intro to PANDORA Performance Management	6	182	87%
TOTAL	139	5520	88%

Our PIP programme provided theory and practical tools for identifying individual career and life goals, taking personal responsibility for those goals and adopting a proactive approach to achieving them. A follow-up initiative, which encouraged employees to share with their colleagues what they had learnt and applied in their work or personal life from attending PIP, resulted in 1,450 individual employee testimonials submitted to our Employee Development team.

CONFIDENCE We fundamentally believe that every one of our crafting team members should have the confidence to speak out – to raise issues, concerns and opportunities. At the same time, we want everyone to be confident that when they do speak out, they will be listened to and get a response. From a management perspective, we want all of our leaders to have the confidence to listen, sometimes to opinions they do not agree with, and to provide feedback in a constructive and professional manner. And, undoubtedly, we want everyone in our crafting team to feel confident that they will be recognised and fairly rewarded for their contributions towards satisfying our customers' needs.

PANDORA Production Thailand also provides all staff with extensive and innovative training on life skills, on being proactive and on speaking out. Once trained, of course we need to provide forums that support and encourage participation and engagement. In 2012, we rolled out a unique 360-degree appraisal tool in which all leaders, from the Managing Director through to Assistant Supervisors, received structured feedback from their manager, peers and direct reports on their leadership style, strengths and weaknesses. This involved a completely confidential questionnaire. The assessment was made twice with an interval of six months, and more than 4,000 individual assessments were made. The aggregate scores for Directors, Managers, Supervisors and Assistant Supervisors all increased from the first assessment to the second, measuring improved leadership performance from a 360-degree perspective with the largest 'voice' being that of our employees.

Another example is Radar meetings – monthly meetings facilitated by the HR department with representatives from all departments. The purpose of Radar is to see which issues, concerns and opportunities surround us and to gain input on how best to address them. The meetings are in the form of workshops and each meeting has a minimum of five subjects that the group discusses and shares comments and suggestions. Employees can apply to participate in the meetings and suggest topics for discussion.

The results of each meeting are communicated across PANDORA Production Thailand by the local HR department and the participants themselves through bulletin

boards, radio and TV with follow-up actions included. The first Radar meetings were launched in Q4 2012, with four meetings held in total, and will continue throughout 2013. Finally, we greatly value the contribution of our Employee Welfare Committee to which our staff in 2012 elected new representatives. Acknowledging the importance and value of a strong, proactive Welfare Committee, PANDORA Production Thailand provided opportunities for all those who sought election to canvass for votes, supported publicity activities to encourage voting and opened the PANDORA Radio airwaves to each candidate for short personal introductions and a summary of their 'manifesto'. The participation rate for the election reached 89% (3,562 employees) and returned 15 members to the Employee Welfare Committee. Following the election and in conjunction with the new Committee Members, we developed a detailed training programme for them, spanning computer skills (word processing, spreadsheets etc.), presentation skills, time management and externally delivered training in labour law, HR policies and benefits, which would help them in professionally presenting and representing the views and opinions of their colleagues.





COMMITMENT Lastly, we believe that providing Clarity, building and enhancing Competence, and creating an environment of Confidence, leads to Commitment. This commitment, bringing the unique individual skills and talents of our team, and applying them to the collective goal of providing outstanding products and services to our customers, is what has helped create the PANDORA of today and what will serve as our foundation for the future.

At PANDORA Production Thailand, we are fortunate to see evidence of our colleagues' commitment every day in many and varied ways; from their willingness and eagerness to improve the efficiency and effectiveness of the way they work, their pride in sharing what they do with the hundreds of visitors who tour the factory each year, to their desire to continuously improve themselves.

For example, in October 2012 we opened our library and e-learning centre, with state-of-the-art IT systems, in a comfortable and attractive building. By the end of the year, the library had had 8,578 unique visits and 1,869 books had been borrowed and brought home in that period, of which 698 were business related books.

Whether it be our one-year or our four-year internal development programmes, Educational Scholarships

for Employees, educational support for the children of employees, opportunities to participate and share ideas and opinions, or much more besides, we strive to provide practical demonstration of our commitment to our colleagues, and to our company, every day. In return, every day we see, and take great pride in, the commitment of our crafting colleagues to helping PANDORA become the world's most recognised jewellery brand.

HEALTH & SAFETY

PANDORA recognises our specific responsibility to provide safe and healthy working conditions for our employees engaged in the crafting of our jewellery. Besides having its management system certified according to the OHSAS 18001 standard, PANDORA Production Thailand has worked systematically in 2012 to reach the goal of eliminating accidents at our crafting facilities. At PANDORA, we define accidents as any incident that leads to more than eight hours of absence.

On top of our constant efforts to improve physical safety at our facilities, we train staff in potential dangers



associated with their daily work and seek to build a general safety awareness, identification and reporting culture and have established systems and procedures to support such a culture. All accidents and near-misses – incidents that could potentially evolve into an accident – are carefully recorded and analysed on a range of parameters in order to identify specific dangerous “hot spots” in the crafting process.

In 2012, PANDORA Production Thailand managed to reduce the numbers of accidents among our 4,124 employees from five in 2011 to three, resulting in a total absence of 32 days compared with 37 days lost in 2011. While any accident is one too many, this is a remarkably low number compared with any industrial sector in any country around the world.

ENVIRONMENTAL IMPACT

PANDORA's group environment policy instructs us to “... work to minimise the environmental footprint of our own operations by seeking new ways to reduce our consumption of resources, our emissions and our waste”.

In 2012, total CO₂ emissions at our ISO 14001 certified crafting facilities in Thailand amounted to 13,913 tonnes CO₂ equivalents. More than 92% of these emissions are the result of electricity consumption from our modern jewellery casting equipment and the fact that 85% of our buildings are air conditioned for the benefit of our staff. 6% of total CO₂ emissions originate from our own bus services that provide safe and energy efficient transportation to and from our production facilities for 2,000 staff members residing in the greater Bangkok area. The last stop on the longest of altogether 46 routes is located some 28 kilometers from PANDORA Production Thailand.

While air conditioning and bus services are responsible for a substantial part of our CO₂ emissions, they are staff benefits that we are not prepared to abolish. Therefore, our efforts to minimise our carbon footprint rely on our ability to raise the effectiveness of our consumption. The most significant technical improvement in 2012 has been the introduction of a new industrial cooling pad system that has optimised our air conditioning and allowed us to reduce our 2012 CO₂ emissions with 570 tonnes or 4% of total CO₂ emissions. Further, a range of minor initiatives has been launched during 2012 with the dual purpose of reducing



energy consumption and raising awareness. These include the installation of solar panels, a miniature windmill and a refinery allowing us to recycle the cooking oil from the canteen into 850 liters of biodiesel which are now used as fuel by our forklift trucks.

From 2011 to 2012, water consumption at PANDORA Production Thailand increased by 40,000 M3 to reach a total of 206,000 M3. The reason for this increase is primarily more items produced and changes towards more complex jewellery designs. During spring 2012, we implemented new facilities for recycling water. During the first eight months of operation, we managed to recycle 12.5% of the total water input for 2012. 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.

All waste at PANDORA Production Thailand is sorted into four categories: general waste, recyclable waste, industrial waste, and hazardous waste. All industrial and hazardous waste is sorted and stored in safe and locked areas, where only authorised personnel have access. When disposing of hazardous and industrial waste, we engage with certified vendors, who treat the waste in accordance with Thai law.

Waste	Tonnes
General waste	1,813
Recycled waste	284
Industrial waste	1,418
Hazardous waste	43



TRADING

TRADING

PANDORA jewellery is sold in more than 70 countries on six continents through approximately 10,000 points of sale, including more than 900 concept stores.

STAFF DEVELOPMENT

As already indicated in the sourcing and crafting chapters, we acknowledge our responsibility to train and develop the skills of staff and partners who are part of PANDORA's value chain. We also believe that learning opportunities are essential in attracting, developing and retaining excellent sales staff and thereby secure the best possible experience and purchase for our consumers. This is important for us as a company, since the main contact between PANDORA and our consumers is established and nurtured by the more than 30,000 people passionately engaged in selling our genuine jewellery. Ultimately, each sale comes down to a conversation between a consumer and a PANDORA sales person and we want this interaction to be as perfect as possible. Therefore, we work dedicatedly to upgrade the skills and competencies of the sales staff in PANDORA's own stores as well as in the more than 10,000 points of sale operated by our partners. PANDORA provide extensive trainings programmes that introduce store staff to PANDORA and to our brand, builds product expertise, and teaches professional selling skills and psychology.

PANDORA's Group Training department at the Copenhagen headquarters is overall responsible for developing our training programme which is being implemented by our 45 in-house trainers operating in more than 65 markets. Face-to-face training is supported by our comprehensive e-learning programme available in 19 languages, which has more than 16,000 active users. In 2012 alone, the number of online training sessions completed amounted to more than 105,000. Finally, in 2012 PANDORA started the development of formal learning paths for store staff to follow over the course of typically three to six months.

MANAGEMENT DEVELOPMENT

Recognising the key role management plays in shaping a responsible, wholehearted and profitable company, PANDORA has established internal management programmes based on our three core values, pride, passion and performance. On www.pandoragroup.com/csr you can read more about these values that also make up the platform on which we have built our CSR strategy.

In 2012, we launched PANDORA Life Leadership, a group-wide leadership programme primarily targeting vice presidents. The programme aims to develop the participants mastery of various leadership levels and styles, increase retail understanding and support group-wide coherence and networks. One way of achieving this is by having groups of participants solve real business cases of strategic importance to the company. In 2012, two out of four vacant top management positions were recruited among Life Leadership participants. Also in 2012, a similar leadership programme, Passion in Leadership, was launched mainly for directors and managers across the group. A vital part of both programmes are 360-degree evaluations of the participants by their own management, peers, partners and employees.

CONSUMER PROTECTION

As a global brand, PANDORA is facing the challenge of counterfeiters attempting to violate our brand, our products and our identity. Fake and illegal products do not follow the same standards and laws that we do within human and labour rights, environmental footprint and needless to say; fair and honest business practices. Counterfeiters undermine responsible business practices, consumer confidence in the jewellery industry and jeopardise the health of consumers by dishonestly marketing questionable metal alloys as genuine silver and gold jewellery. Therefore, we safeguard our intellectual property rights by all available means, including comprehensive global



surveillance, registration and control programmes, so that our consumers can remain confident that their PANDORA products are authentic and live up to our high quality standards.

As part of our commitment to advancing responsible business practices, we want to make sure that our customers and consumers have access to information about the special features, stamps and markings as well as care and maintenance instructions allowing them to distinguish genuine PANDORA jewellery from counterfeits. Our store staff is trained in these jewellery characteristics and their ability to provide accurate jewellery information was tested and approved by third party mystery shoppers as part of PANDORA'S RJC certification. Since autumn 2012, we have provided this information on our commercial websites as well as on www.pandoragroup.com/products. On these sites our consumers also have the opportunity to report any perceived PANDORA brand or product violation for our further investigation as well as access our Store Locator, making it possible to always identify the nearest authorised PANDORA retailer.



BUSINESS ETHICS

PANDORA'S Business Ethics Policy provides our staff with common directions on what is considered acceptable business practices throughout the Group. Topics include a zero tolerance approach to bribery and facilitation payments, rules for fair competition, gifts and entertainment, conflicts of interest, cash payments and measures to prevent PANDORA becoming the target of people engaged in money laundering and other illegal activities. Just like it is the case for the other PANDORA Ethics policies, hotlines are provided to help interpret the policy, staff is encouraged to speak out if they perceive that rules are being breached and finally clear grievance procedures – including a whistleblower function – is available to all staff.

Finally, in 2012 PANDORA became certified under the US Customs – Trade Partnership against Terrorism" (C-TPAT). This initiative addresses a broad range of security topics in order to prevent illegal activities such as money laundering and terrorism. The goal of C-TPAT is a system whereby all participants in an international trade transaction are approved by US Custom Authorities as observing specified standards in the secure handling of goods and relevant information throughout their supply chain.

CSR DATA 2012

Staff as of 31 December 2012	2011			2012		
	M	F	Total	M	F	Total
< 18	3	17	20	1	8	9
18-25	547	988	1,535	616	1,320	1,936
26-35	1,519	1,809	3,328	1,546	1,910	3,456
36-45	171	357	528	195	389	584
46+	89	246	335	104	271	375
Total	2,329	3,417	5,746	2,462	3,898	6,360

Management	2011			2012		
	M	F	Total	M	F	Total
Global Management Team	11	1	12	12	0	12
Vice Presidents	27	11	38	42	19	61
Directors/Managers	93	121	214	132	153	285
Store Manager	6	68	74	19	136	155

Staff Turnover	2011			2012		
	M	F	Total	M	F	Total
New staff	99	420	519	488	1,188	1,676
Resignations/dismissals/retirements*	114	280	394	305	680	985

*Including temporary store staff during peak seasons.

Accidents	2011		2012	
	Hours worked	11,590,187	13,575,933	
No. of accidents	12	7		
Number of lost days	105	37		
Total working hours lost	840	312		

Environmental Footprint at Thai Crafting facilities			
Emissions CO ₂	Tonnes	Waste	Tonnes
Electrical consumption	12,873	General waste	1,813
Liquid Petroleum gas	159	Recycled waste	284
Transportation (bus and tram)	880	Industrial waste	1,418
Total	13,912	Hazardous waste	43
Water	M³		
Total water tapped	206,393		
Total water recycled	25,927		

PANDORA A/S
Hovedvejen 2
DK-2600 Glostrup
Denmark

Phone: +45 3672 0044
Fax: +45 3672 0800
CVR nr.: 28505116

www.pandoragroup.com

