

Statutory report on corporate governance for the financial year 2013, cf. Section 107 b of the Danish Financial Statements Act

This statement forms part of the management's review in the PANDORA Annual Report covering the period 1 January – 31 December 2013 and is prepared pursuant to section 107 b of the Danish Financial Statements Act.

As required for a listed company on NASDAQ OMX Copenhagen under the rules for issuers of shares, PANDORA also issues the below statement of compliance with the Danish Committee on Corporate Governance's recommendations using the "comply or explain"-principle (Appendix 1). The recommendations have been published at www.corporategovernance.dk. Appendix 1 is not part of the auditor's statement in the Annual Report.

RECOMMENDATIONS AND PRACTICE

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

PANDORA intends to exercise good corporate governance at all times and to assess its practices according to the corporate governance recommendations of the Danish Committee on Corporate Governance. As a publicly listed company, PANDORA is subject to the disclosure requirements laid down by NASDAQ OMX Copenhagen, which has included the recommendations in its 'Rule Book for Issuers of Shares'. The Danish corporate governance recommendations were updated in May 2013. The number of recommendations was reduced from 79 to 47, but without major implications for PANDORA. In 2013, PANDORA chose to deviate partly from the recommendations in the following areas:

- three out of five members of the remuneration committee are not considered independent. Two members of the remuneration committee are not independent as they have been members of the Company's Executive Board within the last 5 years. The remuneration committee has no decisive power, and can only provide recommendations to the Board of Directors. Therefore, in the composition of the remuneration committee emphasis has been put on the right competencies, and previous in-depth knowledge of the Company, rather than on whether a committee member is independent or not (Clause 3.4.2).
- the Chairman of the nomination committee is not the Chairman of the Board. In PANDORA, the nomination committee elects a chairman, who must be either the Chairman or the Deputy Chairman of the Board. A new Chairman was appointed in 2013 and the Deputy Chairman was elected to be Chairman of the nomination committee. The Chairmanship is handled in cooperation between the Chairman of the Board and the Deputy Chairman and thus, in practice, the Deputy Chairman represents the Chairman in the nomination committee (Clause 3.4.6).
- the remuneration policy for the Executive Board contains no specific clause on the repayment of variable remuneration components on the basis of misstated information as PANDORA considers the rules in Danish law to be sufficient in such cases (Clause 4.1.2).

BOARD OF DIRECTORS AND EXECUTIVE BOARD

Powers are distributed between the Board of Directors and the Executive Board and independence exists between these two bodies as is normal practice in Denmark. The Board of Directors is elected at the General Meeting and all Board members are up for election every year. The Executive Management is appointed by the Board. The Executive Board handles day-to-day management, while the Board supervises the work of the Executive Board and is responsible for the general strategic direction. The primary tasks for the Board are to ensure that PANDORA has a strong management team, an adequate organisational structure, efficient business processes, optimal capital structure, transparent bookkeeping and practices, and responsible asset management.

The composition of the Board must be such that, at any time, the consolidated competencies of the Board enable it to supervise the Company's development and diligently address the specific opportunities and challenges faced by PANDORA. The Board, together with PANDORA's Executive Board develops the Company's overall strategies and oversees that the competencies and resources are in place to maximise the likelihood of PANDORA achieving its objectives. Furthermore, the Board oversees the financial development of PANDORA and the related planning and reporting systems.

BOARD ACTIVITIES IN 2013

During 2013, the Board held 12 ordinary board meetings. The total attendance rate was 95%. In 2013, the Board paid special attention to follow through the '18 Month Turnaround Plan' launched at the end of 2011, which was successfully completed during the year, and the expansion into South America as well as succession and contingency planning which also required Board supervision.

BOARD COMMITTEES

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The Board appoints Committee members and the Committee chairman. The Committees' terms of reference are disclosed via the Company's website.

The Audit committee

The current members of the Audit Committee are Anders Boyer-Søgaard (Chairman), Andrea Alvey and Nikolaj Vejlsgaard. The Audit Committee reviews and assesses the Company's financial reporting and audit process as well as the internal control systems and evaluates the adequacy of control procedures. More specifically, the duty of the Audit Committee is to supervise the following areas:

- the financial reporting process
- the internal control and risk management system
- external audit

In 2013, the Audit Committee met 7 times and had an attendance rate of 100%. The main activities in 2013 were:

- meetings with Executive Management and external auditors to review the audited annual report
- meetings with Management to review quarterly financial statements, the key accounting policies and significant accounting estimates
- review of the adequacy and effectiveness of the Company's internal controls and risk management systems
- review of the significant financial risks of the Company
- assessment of the need for an internal audit function
- recommendations for the selection of external auditors and approval of compensation of the external auditor
- the Audit Committee's annual self-assessment

The Remuneration Committee

The current members of the Remuneration Committee are Marcello V. Bottoli (Chairman), Bjørn Gulden, Andrea Alvey, Torben Ballegaard Sørensen and Christian Frigast. The main duties of the Remuneration Committee are:

- to prepare recommendations to the Board on the pay and remuneration policy applicable to the Board and the top 12 executives, including the Executive Board, with respect to fixed and variable pay components
- to submit proposals to the Board for the total individual pay and remuneration package of the Board members and the Company's executive managers
- to verify that the information about remuneration in the annual report is true, accurate and adequate

The Remuneration Committee met three times in 2013 and had an attendance rate of 93%. The main activity was the annual review of the remuneration policy and guidelines on incentive payments as well as approval of the Company's overall wage regulation. As part of the review, the Committee has prepared a proposal for the Annual General Meeting in 2014 to update the remuneration policy and incentive guidelines according to international standards.

The Nomination Committee

The current members of the Nomination Committee are Christian Frigast (Chairman), Anders Boyer-Søgaard and Ronica Wang. The Nomination Committee assists the Board in fulfilling its responsibilities with regard to the:

- description of the qualifications required for members of the Board and the Executive Board
- nomination of candidates for approval by the Board to fill vacancies on the Board and the Executive Board
- self-evaluation of the Board
- assessment of the performance of the Executive Board and the cooperation between the Board and the Executive Board
- succession planning for top executive positions

In 2013, the Nomination Committee met twice, with an attendance rate of 100%. The main activities in 2013 were the hiring of a new CEO and re-composition of the Board as well as development of tools for a more formalised evaluation of the Executive Board and global Management group. This work continues in 2014.

BOARD SELF-EVALUATION

The Board conducts an annual self-assessment to constantly improve the performance of the Board and its cooperation with the Executive Board. The Vice-chairman of the Board, who is also chairman of the Nomination Committee, directs the assessment process. The assessment is carried out by each Board member completing a questionnaire followed by individual interviews. After consolidation of the answers, the results are presented at a following board meeting and improvement areas are defined and agreed upon. Once a year, the CEO must perform an assessment of the individual members of the Executive Board.

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

The self-assessment conducted in 2013 identified the following strengths and development areas for the board. In general, the Board is well functioning, the board as a whole is professional fully equipped to contribute to PANDORA's business and there is a good 'chemistry' and respect among board members. The assessment has focused on further formalisation of the tools for evaluation of the Executive Board, and the succession planning process.

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

The purpose of PANDORA's internal controls and risk management systems in relation to the financial reporting process is to ensure that the internal and external financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, and to ensure that the financial statements give a true and fair view, free from material misstatement. While the internal control and risk management system aims to ensure that material errors or irregularities are identified and corrected, it provides no absolute assurance that all errors are detected and corrected. Internal control and risk management systems are under continuous development and comprise:

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

Control environment

The Board of Directors has set up an Audit Committee that assists the Board of Directors in supervising the financial reporting process and the efficiency of PANDORA's internal control and risk management systems.

The Executive Board is responsible for maintaining controls and an effective risk management system and it has taken necessary steps to address the risks

identified in relation to financial reporting.

The composition of the Board of Directors, the Audit Committee and the Executive Board ensures the availability of relevant competencies with respect to internal controls and risk management in relation to the financial reporting process.

Risk assessment

The Board of Directors and Executive Board assess risks on an on-going basis, including risks related to financial reporting. The Audit Committee reviews certain high-risk areas quarterly, including:

- significant accounting estimates
- material changes to the accounting policies

At least once a year, the Audit Committee oversees a review of the current internal controls to consider whether they are effective in relation to the risks identified in the financial reporting process.

Control activities

PANDORA operates with a global Finance Management Forum that meets on a quarterly basis. This forum sets the Finance Strategy for the Group. Controlling functions in the corporate finance function, reporting to the Chief Financial Officer, are responsible for controlling the financial reporting from the Parent Company and the subsidiaries. The skills of the corporate finance function are reviewed on an on-going basis in order to ensure an appropriate and satisfactory control environment.

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

Information and communication

PANDORA started the implementation of a common ERP system for all units in 2012. By year end 2013, most units were using the common ERP system, while the rest (USA, Brazil and Canada) are expected to join at a later date. This makes it possible to achieve transparency in finances and is the foundation for increasing data quality and the speed of reporting.

PANDORA Finance Manager conferences are held in order to discuss the latest developments within significant accounting matters and best practice regarding internal controls.

Monitoring

Financial reporting from subsidiaries is controlled on an ongoing basis and procedures are established for the control and testing of such reporting. Procedures are also set up to ensure that any errors are communicated to and corrected by the reporting companies.

The Audit Committee monitors the internal control systems to ensure that any weaknesses are eliminated and that any errors in the financial statements that are identified and reported by the auditors are corrected, including the controls or procedures implemented to prevent such errors.

Audit

PANDORA's external auditors are appointed for a term of one year at the Annual General Meeting upon recommendation by the Board. Prior to recommendation, the Board of Directors assesses, in consultation with the Executive Board, the independence and competencies and other matters pertaining to the auditors.

The framework for the auditors' duties, including their remuneration, audit and non-audit tasks, is agreed annually between the Board of Directors and the auditors upon recommendation by the Audit Committee.

Appendix 1: Schedule for statement of compliance with the Danish Committee on Corporate Governance's recommendations

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
<p>1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.</p>	X			<p>PANDORA has established an Investor Relations function. The Chairman, CEO, CFO and the VP Group Investor Relations are the main points of contact to the investors and shareholders. PANDORA communicates with its shareholders directly by personal meetings, conferences, telephone and email, via the annual general meeting, via tele- and webcasts and in writing through the company's website, annual and quarterly reports and company announcements when needed. A special investor relations report is prepared for the Board at every regular board meeting. Disclosures, including company announcements and financial reporting, are published in both Danish and English and provided on the company's website.</p>
<p>1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with</p>	X			<p>PANDORA has identified the company's key stakeholders, incl. customers, vendors, shareholders, employees and the societies in which the company operates. Specific policies have been established where deemed relevant and the company's approach towards individual stakeholder groups is</p>

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company policies.				available on PANDORA's website, including the company's mission, the investor relations policy, the CSR policy and the whistle blower guideline.
1.1.3. The Committee recommends that the company publish quarterly reports	X			PANDORA publishes quarterly reports.
<i>1.2. General meeting</i>				
1.2.1. The Committee recommends that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.	X			PANDORA engages actively with the shareholders at the company's Annual General Meetings. An invitation to attend the general meeting along with the agenda is sent to all registered shareholders. All documents related to the general meetings are available in a separate section on PANDORA's corporate website with optional use of physical or electronic registration form, proxy forms or postal vote. The Board has resolved that general meetings are conducted by physical attendance. PANDORA follows the technological advances on an on-going basis and each year in connection with the approval of the AGM notice, the Board evaluates whether to conduct the general meeting by physical attendance or as partly or entirely electronic general meeting.
1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	X			Shareholders may indicate on a proxy form how they wish to vote on each item on the agenda.

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<i>1.3. Takeover bids</i>				
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	X			PANDORA agrees in principle with the recommendation and formalized contingency procedures have been established. Actions will be determined on a case-by-case basis with due consideration to shareholders.
2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	X			The Board has established its responsibilities in its Rules of Procedure, including the financial and managerial control and supervision of the work of the Executive Board. The charter of the Audit Committee outlines in more detail the key tasks related to financial and managerial control. The Rules of Procedure are reviewed at least annually. The Board ordinarily meets a minimum of 6 times per year. All Board meeting dates and key Board tasks are addressed in the annual meeting plan, which is updated once a year. The meeting calendar includes a strategy meeting and a budget meeting. In

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				2013, the Board met 12 times. The number of Board meetings is disclosed in the annual report.
2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	X			The Board reviews the company's mission, vision, overall strategy and strategic objectives at least annually and such a process is included in the Board's standard annual meeting plan.
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and longterm value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.	X			The Board assesses at least once a year whether the capital and share structure are in the interest of the shareholders and the company. The Board's assessment is accounted for in the annual report.
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.	X			According to the formal Instructions to the Executive Board, for each ordinary Board meeting, the Executive Board shall give an account of the activities of the company during the past period, including the interim financial statements, major transactions, expectations for the remainder of the financial year, any material budget deviations, and any special risks. The Board's Rules of Procedure and annual meeting plan includes as fixed items an annual review of the instructions for the Executive Board.

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<p>2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.</p>	X			<p>According to the formal Instructions to the Executive Board, for each ordinary Board meeting, the Executive Board shall give an account of the activities of the company during the past period, including the interim financial statements, major transactions, expectations for the remainder of the financial year, any material budget deviations, and any special risks. The Board's Rules of Procedure and annual meeting plan includes as fixed items an annual review of the instructions for the Executive Board. Succession planning and composition of the Executive Board are addressed in the Nomination Committee's terms of reference and reviewed by the Board at least once a year.</p>

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<p>2.1.6. The Committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.</p>	X			<p>PANDORA's Board has set the following diversity objectives, which are reviewed once a year:</p> <ul style="list-style-type: none"> • By 2015, at least 35% (3 of 8) of the Board members elected by the General Meeting should be women. <ul style="list-style-type: none"> ○ Following PANDORA's Annual General Meeting in March 2013, 25% of Board members are women. • At least 50% of the Board members elected by the General Meeting should have substantial international experience from management in and of large corporations or institutions. <ul style="list-style-type: none"> ○ Following the annual general meeting in March 2013, more than 50 % of the Board members have international experience as defined. • By no later than 2020, the gender split in senior management positions (Executive Board, General Managers and Vice Presidents) should be 40%-60%. <ul style="list-style-type: none"> ○ By the end of 2013, 31% of senior management were women, up from 26% in 2012. Progress is accounted for on the Company's website.

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				<ul style="list-style-type: none"> • The number of participants in the Company's leadership programmes for the years 2012-2015 (on aggregate) should mirror the gender composition in Vice president and Director positions, who are target group for the programmes. <ul style="list-style-type: none"> ○ On 1 January 2013, women accounted for 50% in this management group, and made up of 57% of the same groups' enrolment in PANDORA's Leadership Programmes 2013.
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	X			PANDORA'S CSR policy is available on the company's website alongside information about the company's approach and specific CSR activities.
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective	X			The Board has a chairman and a vice-chairman who constitute the chairmanship. The vice-chairman is able to act in the chairman's absence and as an effective sounding board for the chairman.

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sparring partner for the chairman.				A list of tasks, duties and responsibilities of the chairmanship is part of the Board's Rules of Procedure.
2.3.2. The Committee recommends ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.	X			PANDORA agrees with the recommendation in principle and will disclose details on a case-by-case basis.
3. Composition and organization of the board of directors				
<i>3.1. Composition</i>				
3.1.1. The Committee recommends that the board of directors annually accounts for <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 	X			A competency profile of the Board has been established and disclosed on the company's website. The competency profile is reviewed annually. The nomination committee evaluates the skills and expertise of existing Board members and nominate new board members in light of the competency profile. A profile of each board member and each Board member's special competences are included in

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				the annual report, on the company's website and in the notice for the Annual General Meeting.
3.1.2. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.	X			It is the responsibility of the nomination committee to ensure a formal, thorough and transparent process for selection and nomination of candidates to the Board, and such criteria is part of the terms of reference for the committee. The principles for nomination of board candidates, e.g. regarding diversity, are also laid down in the terms of reference for the nomination committee, available on the company's website.
3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates' <ul style="list-style-type: none"> • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda. • demanding organizational tasks, and information • about whether candidates to the board of directors are considered independent. 	X			The recommended information is provided in the notice convening the Annual General Meeting, in the annual report and on the company's website.
3.1.4. The Committee recommends that the company's	X			According to the Rules of Procedure the retirement age of members of the Board is 70 years. The age of

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articles of association stipulate a retirement age for members of the board of directors.				Board members are printed in the annual report.
3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	X			All Board members stand for election every year.
<i>3.2. Independence of the board of directors</i>				
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate, • within the past five years, have received larger emoluments from the company/group, • a subsidiary undertaking or an associate in another capacity than as member of the • board of directors, • represent the interests of a controlling shareholder, • within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or 	X			The Board consists of 8 members of which 4 members are considered independent based on the criteria listed in recommendation 3.2.1.

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<p>member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</p> <ul style="list-style-type: none"> • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or • have been close relatives with persons who are not considered independent. 				
<i>3.3. Members of the board of directors and the number of other executive functions</i>				
<p>3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	X			<p>Each Board member's executive functions in other Danish and foreign businesses as well as board memberships are disclosed in the annual report and on PANDORA's website. Expected time commitment is clarified individually in the nomination process.</p>
<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, 	X			<p>Disclosure on independence is included in the notice for the Annual General Meeting, in the annual report and on the company's website. The annual report contains the recommended information regarding share holdings.</p>

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<ul style="list-style-type: none"> • whether the member is considered independent, • the date of appointment to the board of directors of the member, • expiry of the current election period, • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and • demanding organizational tasks, and • the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year. 				
<i>3.4. Board committees</i>				
<p>3.4.1. The Committee recommends that the company publish the following on the company's website:</p> <p>The terms of reference of the board committees,</p> <ul style="list-style-type: none"> • the most important activities of the committees during the year, and the number of meetings held by each committee, and • the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent 	X			<p>Terms of reference have been established for all three committees and is published on the company's website. The annual report and the company website include information with respect to important activities during the year, number of meetings held and individual members qualifications.</p>

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members and which members have special qualifications.				
3.4.2. The Committee recommends that a majority of the members of a board committee be independent.		X		PANDORA has established audit, remuneration and nomination committees. In the audit and nomination committees, a majority (2 of 3) are independent. In the remuneration committee, three out of five members are not considered independent. Two members are not independent as they have been members of the company's Executive Board within the last 5 years. In the composition of the remuneration committee emphasis has been put on the right competencies, and previous in-depth knowledge of the company, rather than on whether a committee member is independent or not.
<p>3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> • the chairman of the board of directors is not chairman of the audit committee, and • between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market. 	X			An audit committee has been established. The chairman of the board is not a member of the audit committee. Between them, the members of the audit committee hold significant expertise and experience in financial management and control in large and publicly listed companies.

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<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	X			<p>The rules of procedure of the audit committee sets out the committee’s responsibilities and key tasks including the monitoring and reporting of accounting policies and estimates, related party transactions as well as uncertainties and risks.</p>
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and • monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function. 	X			<p>The rules of procedure of the audit committee includes the tasks described in the recommendation. Currently, PANDORA has no internal audit function.</p>
<p>3.4.6. The Committee recommends that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p>		X		<p>A nomination committee has been established and the terms of reference document for the committee includes the tasks listed in the recommendation.</p> <p>The Chairman of the nomination committee is not</p>

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<ul style="list-style-type: none"> describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined, annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors, annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect, consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 				<p>the Chairman of the Board. In PANDORA, the nomination committee elects a chairman, who must be either the Chairman or the Deputy Chairman of the Board. In 2013, the company got a new Chairman and the Deputy Chairman was selected to be Chairman of the nomination committee. In Pandora, the Chairmanship is handled in cooperation between the Chairman of the Board and the Deputy Chairman and thus, in practice, the Deputy Chairman is representing the Chairman in the nomination committee.</p>
<p>3.4.7. The Committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> to recommend the remuneration policy (including 	X			<p>A remuneration committee has been established and the terms of reference document for the committee includes the tasks listed in the recommendation.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,</p> <ul style="list-style-type: none"> • make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and • recommend a remuneration policy applicable for the company in general. 				
3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.	X			With regards to remuneration, the remuneration committee does not consult with the same external advisers as the Executive Board. The committee and the Executive Board inform the other part if and when external advisers will be used.
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the	X			The Board has established an annual procedure for evaluation of the composition and performance of the Board and of the individual members of the Board. The evaluation is done by the nomination

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.				committee in close cooperation with the chairman and consists of a combination of anonymous questionnaires, individual interviews with each of the Board members and discussion in the Board as a group. An outline of the process and outcome of the evaluation is disclosed in the annual report. Evaluation of the members' skills and expertise is part of the annual Board self-assessment.
3.5.2. The Committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.	X			The Board currently has 8 members, which is considered adequate to ensure constructive debate and efficient decision-making. According to the company's Articles of Association, the Board should consist of 3 to 8 directors. The nomination committee reviews annually the size of the board.
3.5.3. The Committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.	X			Based on the formal 'Instructions to the Executive Board', which includes guidelines for the division of duties between the company's Board and the Executive Board, the Board continuously assesses, formally once a year in connection with the Board evaluation, the performance of each member of the Executive Board and the cooperation between the Board and the Executive Board.
3.5.4. The Committee recommends that the executive	X			Evaluation of the cooperation between the board and the executive board is part of the formal annual

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

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms, • there be clarity about performance criteria and measurability for award of variable components, • there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and • an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated. 		X		<p>The variable components of the remuneration are based on defined performance criteria and in total the variable components ensure a balanced and reasonable link between performance and remuneration due to a combination of short-term cash bonuses and long-term share-based incentive programs. The remuneration policy and guidelines on incentive payments describe the variable components in detail.</p> <p>According to Danish law, the company can reclaim, remuneration in case of fraud or similar behaviour. PANDORA considers that it is only reasonable to reclaim variable components of remuneration in cases where the company has a claim to repayment in accordance with the general Danish legal basis of repayment requirements. The remuneration policy for the Executive Board, therefore, contains no specific clause on the repayment of variable remuneration components on the basis of misstated information.</p>
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.</p>	X			<p>Due to PANDORA's wish to encourage common and persistent long-term goals for the board and shareholders, PANDORA has chosen to establish a board member share plan according to which the chairman and the other members of the Board each are obliged to own a minimum number of shares</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				corresponding to the amount of their respective initial gross annual compensation. This is not part of their board remuneration.
4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	X			The share-based remuneration of the Executive Board is structured according to the recommendation.
4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	X			Termination payments amount to a maximum of two years' annual remuneration.
<i>4.2. Disclosure of the remuneration policy</i>				
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	X			The remuneration policy and guidelines on incentive payments are treated as a separate agenda item on the Annual General Meeting and is explained in the chairman's statement.
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	X			The remuneration of board members is presented for and approved by the Annual General Meeting.
4.2.3. The Committee recommends that the total	X			The total remuneration granted to each member of

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.				the supreme governing body and the executive board by the company and other consolidated companies is disclosed in the annual report. As recommended, the most important aspects of retention and severance programmes are disclosed in the company's annual report.
5. Financial reporting, risk management and audits				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	X			The annual report contains all information deemed necessary and relevant to understand the business of PANDORA, including information on financial results, operational progress, corporate governance, risk management, shareholder information and corporate social responsibility. Risk management at Board level is taken care of by the audit committee, who at least annually reviews the adequacy and effectiveness of the company's internal controls and risk management systems as well as the significant risks that the company faces.
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower	X			The Board has established a whistle-blower function vested with the Group Legal function.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
scheme for expedient and confidential notification of possible or suspected wrongdoing.				
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	X			The board maintain a regular dialogue and exchange of information with the auditor as this is part of the duties of the audit committee and included in the committee terms of reference. The complete Board meets once a year with the external auditor in connection with the approval of the annual report.
5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	X			The auditor agreement and the auditor's fee are approved by the Board on the basis of a recommendation from the audit committee.