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Remuneration Policy for Pandora A/S

1. Objectives of the Remuneration Policy

This Remuneration Policy ("Policy") describes the principles of, and framework for, the total remuneration paid to members of the Board of Directors ("Board") and the registered management ("Executive Management") of Pandora A/S ("Pandora" or the "Company").

The purpose of the Policy is to:

- Support the long-term interests of the Company, including the sustainability of the Company and its business;
- Support the attraction, retention and motivation of the Company's Executive Management and members of the Board;
- Ensure that the members of the Company's Executive Management are offered appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- Support the alignment of interest between the Company's Executive Management and the long-term interests of the shareholders, including the sustainability of the Company and its business; and
- Provide a transparent framework through which the shareholders can easily assess how Executive Management and the Board are remunerated.

When laying out the principles set out in this Policy, due care has been applied to ensure that the remuneration of the Board and Executive Management reflects the responsibilities and skills required of each role relative to international peers, as well as to other senior leadership positions in the Company. The Board also takes account of a variety of risks, including talent and operational risks, when making decisions on remuneration as well as environmental, social and governance matters, and the UN sustainability goals with focus on gender equality and decent working conditions and economic growth. These are the same principles that are applied when making remuneration decisions for all employees across the Company, although, for roles below the most senior levels, different labour market dynamics may lead to that local rather than international pay comparisons are more appropriate.

2. The decision making process leading to the determination of the Policy and handling of conflicts of interest

A key task of the Remuneration Committee, and ultimately the Board, is to ensure that this Policy at all times provides an appropriate framework for the remuneration of the Board and Executive Management that reflects the circumstances as well as domestic and international trends in society and the business environment as well as applicable legislation. For these purposes, external advice may be relied upon. Whenever it is deemed necessary or appropriate, the Remuneration Committee shall propose revisions and articulate suggestions to the framework within which, the Board and Executive Management are remunerated.

The Policy is reviewed annually by the Remuneration Committee to make sure that there is a reasonable consistency between the remuneration for Executive Management and Board, the Company's short and long-term goals and shareholder interests on an overall level. Furthermore, the annual review is in place in order to ensure that Pandora remains able to attract and retain the best possible leadership talent.

When reviewing the Policy, the Remuneration Committee may consult with Executive Management, but Executive Management has no decision-making power in that regard

The Remuneration Committee submits its proposal for any amendments to the Board for its approval. Any material changes to the Policy is subject to approval by the general meeting. The Policy in force at any given time must be presented for a binding vote at the Company's annual general meeting every four years.

It is the Board's assessment that conflicts of interest in connection with the determination of the Policy are minimised and managed. This assessment is based on the fact that (i) the Policy primarily concerns the remuneration of Executive Management, (ii) the Remuneration Committee is a sub-committee of the Board and relies on national and international market precedent and practice on board remuneration, (iii) the Board's total remuneration is subject to vote by the Company's shareholders at a general meeting, and (iv) that any material changes to the Policy are subject to vote by the shareholders at a general meeting.

3. Remuneration of the Board

Each member of the Board is eligible for an annual fixed base fee.

The annual fixed base fee is the same for all members except for the Chair who receives 3 times the base fee, and the Deputy Chair who receives 1.5 times the base fee.

Members and Chairs of the Audit Committee, the Remuneration Committee and the Nomination Committee and any additional committees receive an additional annual fixed committee fee as a multiple of the annual fixed base fee, subject to the following limitations:

(i) Members of the Audit Committee may receive a committee fee up to 0.3 times the annual fixed base fee. The Chair of the Audit Committee may receive a committee fee up to 0.4 times the annual fixed base fee.

(ii) Members of the Remuneration Committee may receive a committee fee up to 0.2 times the annual fixed base fee. The Chair of the Remuneration Committee may receive a committee fee up to 0.3 times the annual fixed base fee.

(iii) Members of the Nomination Committee may receive a committee fee up to 0.2 times the annual fixed base fee. The Chair of the Nomination Committee may receive a committee fee up to 0.3 times the annual fixed base fee.

The Audit Committee fee is higher than the other committee fees due to increased time commitment and larger workload.

In case of a disproportionate workload or ad hoc tasks undertaken by members of the Board at the request of the Board outside the scope of the ordinary duties, a fixed ad hoc fee for the work carried out in that respect may be awarded by the Board. Such ad hoc fee cannot at the time of payment exceed an amount corresponding to 1.0 time the annual fixed base fee. Any ad hoc fees and the reasoning behind the payment of such are subject to disclosure in the Remuneration Report.

Members of the Board do not receive and are not eligible for any incentive pay and do not participate in any retirement benefit arrangements provided by the Company.

Within 24 months from the day of appointment to the Board any member, elected at a general meeting, shall buy and continuously hold a number of shares corresponding to the value of the gross annual fixed base fee.

Remuneration for the Board for each financial year shall be approved at the annual general meeting under a separate item on the agenda.

Members of the Board are paid a fixed travel allowance in addition to the fees when attending any Company-related meetings outside their country of residence to reflect the additional time commitment required. This is paid in addition to the reimbursement of reasonable travel expenses. The travel allowance is disclosed in the Remuneration Report.

Members of the Board are elected at the annual general meeting for a period until the next annual general meeting.

4. Remuneration of Executive Management

4.1 Total pay mix

Members of Executive Management receive the following remuneration components:

1. a fixed annual base salary;
2. a short-term cash-based incentive plan (“STIP”);
3. a long-term share-based incentive plan (“LTIP”);
4. other customary staff benefits/personal benefits;
5. in exceptional circumstances, the Board may grant an extraordinary one-off payment or share-based award.

The combination of fixed and incentive-based remuneration has been chosen to support the objectives of the Policy. The relative proportion of the different remuneration elements is usually designed such that the fixed annual base salary, STIP and LTIP each represent approximately one-third of the total pay mix. The relative proportion between the STIP and LTIP may differ, however, with a cap whereby the total variable pay in the form of STIP and LTIP may not exceed approximately two-thirds of the total pay mix.

To ensure that the Board has flexibility regarding the STIP and the LTIP, the Board may adjust allocations as well as the specific terms of any such programs, including but not limited to decisions regarding early vesting in situations, such as solvent liquidation, merger, demerger, share split, de-listing, change of control, public offer, resignations or changes to the Company's capital structure or other events, which would otherwise materially influence the value or effect of the programs. These adjustment mechanisms are designed to ensure that members of Executive Management are treated fairly and in accordance with shareholder interests.

Members of Executive Management are not eligible for any company-paid pension contribution as retirement contributions are included in the total size of the remuneration package and taken into account when benchmarking to market practice.

4.2 Fixed annual base salary

The fixed annual base salary is based on external market comparisons and is reviewed by the Remuneration Committee against comparable positions in both domestically and internationally domiciled companies comparable to Pandora.

4.3 Short-term cash-based incentive plan (“STIP”)

The purpose of the STIP is to provide Executive Management with an annual variable remuneration depending on performance against specific annual short-term financial objectives for the Company, which may be supplemented by non-financial objectives, as proposed by the Remuneration Committee and ultimately defined and resolved by the Board.

The financial objectives may be related to one or more profit metrics and/or one or more growth metrics or other metrics as defined by the Board. The metrics are weighted according to importance for the Company’s current short-term strategic objectives.

The maximum cash bonus for each member of Executive Management is determined in accordance with the levels for the total pay mix as set out in section 4.1. The actual payment each year depends on the degree to which the specific and measurable targets have been met by each member of Executive Management.

4.4 Long-term share-based incentive plan (“LTIP”)

The purpose of the LTIP is to reward Executive Management for dedicated and focused results intended to achieve and support the long-term interests of the Company, including the sustainability of the Company and its business.

The LTIP therefore supports the alignment with shareholder interests by linking directly to the share price performance of the Company.

Each allocation is made in accordance with the levels for the total pay mix as set out in section 4.1 and is calculated in accordance with an internationally recognised valuation method.

4.4.1 Performance Share Units

The Board may conclude agreements with the Executive Management for the granting of PSUs. The terms and conditions are detailed in individual agreements.

4.4.1.1 Allocation

Subject to the discretion of the Board, each member of Executive Management may receive a yearly allocation of PSU's free of charge.

4.4.1.2 Granting

The PSU's are granted following the publication of the Company's financial statement for the third financial year after allocation, subject to fulfilment of the granting conditions.

4.4.1.3 Vesting

The PSU's vest immediately following the granting but are subject to a further 24 months' holding period after which period they become exercisable. Upon exercise, one PSU entitles the eligible recipient to receive one share in Pandora free of charge.

4.4.1.4 Conditions for grant

The number of PSUs granted is conditional on the Company's performance on financial targets set by the Board. Supplementary non-financial and/or strategic targets may also be applied.

The Board defines when the conditions and performance targets are to be met. The targets are selected to incentivise Executive Management to focus on value creation for the Company's shareholders, and on strategic priorities, which are an essential part of the long-term interests of the Company, it's sustainability and its business. PSUs can only be exercised if at the date of vesting the recipient is employed by Pandora A/S or has resigned as a so-called "good leaver".

A relative portion of the PSUs will be granted if minimum performance is met, and 100% of the PSUs will be granted if target performance is met. There is no additional compensation for performance above target. The Board is responsible for analyzing the performance and determine the final number of PSUs being granted.

4.5 Extraordinary incentive awards

The Board may under exceptional circumstances award or grant to a member of Executive Management, a one-off payment or other extraordinary remuneration, e.g. retention bonus, severance payment, sign-on bonus or other schemes in connection with retention, appointment or departure.

Such extraordinary awards or grants may be incentive-based and may consist of cash and/or share-based remuneration or a mix thereof, in which case they will be granted or awarded in line with sections 4.3 and/or 4.4 above. Depending on the circumstances, the Board may decide whether a share-based grant and/or vesting is subject to the attainment of certain performance targets.

The value of any extraordinary payments, grants or awards cannot at the time of award exceed an amount corresponding to 2.0 times the fixed annual base salary.

5. Other terms of employment for Executive Management

5.1 Shareholding requirement

In order to further align the interests of Executive Management with those of the Company's shareholders, each member of Executive Management shall buy and hold a number of shares in the Company with a market value corresponding to the member's gross fixed annual base salary from time to time. The purchase of the required number of shares must take place within a period of time decided by the Board, which cannot exceed 48 months from commencement of employment. In the calculation of the value of the shareholding, the value of vested LTIP instruments allocated to each member under any applicable LTIP program, as well as any personal share portfolio, are included.

In extraordinary circumstances, the Board may resolve to wholly or partly exempt a member of Executive Management from the obligation to acquire additional shares.

5.2 Notice of termination

The Company may terminate the executive service agreement relating to any member of Executive Management with a notice of up to 24 months. Each member of Executive Management may terminate the employment by giving the Company a notice of up to 12 months. When assessed to be in the overall interests of the Company, e.g. for purposes of recruitment, retention or the like, the Board may decide to enter into other structures of employment in respect of notices of termination, including but not limited to fixed-term non-terminable agreements subject to such level of further detail as deemed appropriate by the Board from time to time.

5.3 Malus and claw back

All STIP and LTIP payments, grants and awards are subject to claw back without compensation if earned on the basis of data or other grounds subsequently proven to be manifestly misstated.

6. Common provisions

6.1 Tax and social charges

Any and all personal taxes and duties, whether income related or not, in respect of fees, payments, grants and awards made pursuant to this Policy are for the account and expense of the individual recipient in question. Any and all social charges levied upon the Company by any Danish or foreign authority in respect of fees, payments, grants and awards made pursuant to this Policy are paid by the Company.

6.2 Derogation

The Board may in exceptional circumstances derogate from this Policy where the it assesses that a derogation is necessary to support the long-term interests of the Company, including the sustainability of the Company and its business.

The elements of the Policy that may be derogated from concern only Executive Management and include (i) the relative proportion between the different remuneration components in section 4.1, (ii) the shareholding requirement in section 5.1, and (iii) the notice of termination period in section 5.2.

Any proposal to derogate from the Policy shall be decided by the Board upon a recommendation from the Remuneration Committee.

Any derogation is subject to disclosure in the Remuneration Report.

6.3 Publication and entry into force

This Policy has been approved at the annual general meeting of Pandora A/S on 11 March 2020 upon which date it enters into force with respect to subject matters occurring after this date. For the avoidance of doubt, the terms set out in this Policy do not apply to, overrule or supplement any terms of any executive service agreements entered into prior to, or any effective STIP and LTIP programs at the time of, the Policy entering into force.

The Policy is subject to vote by the general meeting every fourth year and upon any material changes thereto.

The Policy is published on the Company's website – https://pandoragroup.com/.