

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE SET UP BY THE BOARD OF DIRECTORS OF PANDORA A/S, CENTRAL BUSINESS REGISTER (CVR) NO. 28 50 51 16

These terms of reference specify the powers of the remuneration committee and lay down the guidelines governing the remuneration committee's work.

1. **OBJECTIVE**

- 1.1 The remuneration committee is a committee of directors which has as its objective to improve the quality of the work of the Board of Directors by contributing to the preparation of the basis for the Board's resolutions in connection with establishing, implementing and executing the remuneration policy for members of the Board of Directors and the top 15 executives, incl. the Executive Board.
- 1.2 The remuneration committee's function is preparatory only to the transaction of business by the Board of Directors. Accordingly, the work of the committee does not limit or render superfluous any consideration by the Board of Directors, and important information required by all members of the Board of Directors must therefore be provided to all board members and not only to the remuneration committee.
- 1.3 The Board of Directors has full responsibility for all resolutions that have been prepared by the remuneration committee.
- 1.4 The remuneration committee reviews these terms of reference on a yearly basis. Changes must be approved by Board of Directors.

2. **MEMBERS AND COMPOSITION**

- 2.1 The remuneration committee consists of at least three members who are appointed by the Board of Directors from among its members.
- 2.2 Appointments to the committee are for one-year terms. Members may be removed by the Board of Directors at any time. Any member of the committee who resigns from the Board of Directors must also resign from the committee.
- 2.3 The remuneration committee elects a chairman. However, the chairman of the Board of Directors may not be the chairman of the remuneration committee when a new chairman of the Board is to be nominated.

- 2.4 More than half of the remuneration committee members must be independent members of the Board of Directors.
- 2.5 Members of the remuneration committee must be sufficiently qualified.
- 2.6 At least one member must have remuneration policy knowledge and experience.
- 2.7 The Board of Directors will determine whether any member of the committee can be deemed independent or not.

3. **DUTIES**

3.1 **The pay and remuneration policy**

- 3.1.1 The remuneration committee submits recommendations to the Board of Directors on the pay and remuneration policy applicable to the Board of Directors and the top 15 executives, incl. the Executive Board. This includes general guidelines on incentive pay to be approved by the Board of Directors before adoption at the company's general meeting.
- 3.1.2 In determining such policy the remuneration committee must review the competitiveness of the company's executives' compensation programmes to ensure:
 - The attraction and retention of the company's executives
 - That the company's executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for the individual contributions to the success of the company
 - The alignment of the interest of the company's executives with the long-term interest of the company's shareholders
- 3.1.3 The pay and remuneration policy must be clear and comprehensible.
- 3.1.4 The pay and remuneration policy must include a detailed description of the components that are included in the remuneration to the Board of Directors and the company's executives;
- 3.1.5 The remuneration committee must review the ongoing appropriateness and relevance of the pay and remuneration policy and adjust accordingly if necessary.
- 3.1.6 The remuneration committee must review trends in the company's executives' compensation, and annually benchmark the total remuneration of the company's executives versus a comparative national and international set and adjust accordingly if necessary.
- 3.1.7 The pay and remuneration policy must be drawn up in accordance with the following guidelines:
 - 3.1.7.1 Variable pay components

- 3.1.7.1.1 The remuneration committee must set the targets, monitor progress and agree payments for the company's short term incentive programme and long term incentive programme
- 3.1.7.1.2 The remuneration committee must sign off the target annual pay award percent for the whole company
- 3.1.7.1.3 The pay and remuneration policy must
 - determine the limits of the variable component(s) of the total remuneration;
 - ensure a reasonable balance between management's remuneration, foreseeable risks and the creation of long and short-term value for the shareholders;
 - specify the performance criteria and performance measurement in relation to variable components; and
- 3.1.7.1.4 The non-variable part of the remuneration must be sufficient at any time to allow the company to withhold the variable part(s) if the performance criteria are not satisfied.
- 3.1.7.2 Severance pay
- 3.1.7.2.1 The remuneration policy must in relation to severance pay specify that
 - the maximum amount of severance pay is two years' salary; and
 - no person will be eligible for severance pay in case of termination for willful misconduct or gross negligence.
- 3.2 **Proposals for remuneration**
- 3.2.1.1 The remuneration committee must submit proposals to the Board of Directors for the total individual pay and remuneration package of the board members and the company's executives
- 3.2.1.2 The remuneration committee must ensure that the remuneration of board members and the company's executives is in accordance with the company's pay and remuneration policy and the evaluation of the board members' performance.
- 3.2.1.3 The remuneration committee must be informed about the aggregate remuneration received by the board members from other consolidated enterprises.
- 3.3 **Verify the information in the annual report about remuneration**
- 3.3.1 The remuneration committee must ensure that the information in the company's annual report about remuneration for the Board of Directors and the Executive Board is true, accurate and adequate.
- 3.4 **Other duties**

3.4.1 The remuneration committee must also monitor any other matters relating to the duties referred to in clauses 3.1 to 3.3 that it deems necessary, in its discretion, and perform any other duties that the Board of Directors delegates to it.

3.4.2 The remuneration committee must annually, based on recommendation by the Executive Board, review and propose to the Board the annual headline wage regulation for the company.

4. **POWERS**

4.1 The Board of Directors authorises the remuneration committee to:

- i. Examine, investigate and assess all matters that fall within the guidelines set out in these terms of reference for the remuneration committee.
- ii. Obtain all necessary information from the company's Executive Board and employees who are under an obligation to cooperate with the remuneration committee and to answer questions of relevance to the committee's work.
- iii. Obtain information from the company's auditor elected by the general meeting and from the company's internal auditors.
- iv. Obtain the advice, guidance and assistance from external advisers that the remuneration committee deems to be necessary or appropriate for performing its duties. The Company will provide the funds required for such purpose.

5. **RESOURCES**

5.1 The company must make available to the remuneration committee the resources required for the performance of the committee's duties, including outside legal and other professional advice and assistance.

5.2 The remuneration committee must avoid using the same external advisers as the company's Executive Board.

5.3 The company must make meeting facilities and secretarial assistance available to the remuneration committee.

5.4 The chairman of the remuneration committee must prepare an annual budget for the committee, which must be approved by the Board of Directors. The chairman must control the committee's budget on an ongoing basis.

6. **NOTICE OF MEETINGS**

6.1 The remuneration committee must meet as and when it deems appropriate, but not less than two times a year.

- 6.2 The chairman of the remuneration committee must convene the committee's meetings. In the chairman's absence, meetings must be convened by an independent member of the committee.
- 6.3 The chairman must convene meetings on request from a member of the remuneration committee.
- 6.4 Before the beginning of every financial year, the remuneration committee must prepare a meeting schedule for the next financial year. The remuneration committee's meeting schedule must be adapted to the Board of Directors' annual meeting schedule so as to allow the board members reasonable time to prepare for the consideration of the recommendations for resolutions that the remuneration committee has submitted to the Board following committee meetings.
- 6.5 Notice of committee meetings must be given no later than one week (five business days) before the date of the meeting. The notice must specify the meeting place, date and time as well as the agenda for the meeting with related documents.
- 6.6 All proposals made by members of the remuneration committee must be considered by the committee. Proposals must be submitted in writing to the chairman of the committee.
- 6.7 Copies of all meeting agendas must be sent to the company's Board of Directors for information.

7. **MEETINGS**

- 7.1 The chairman of the remuneration committee presides over the committee's meetings.
- 7.2 The remuneration committee constitutes a quorum when two members are present.
- 7.3 The remuneration committee only passes resolutions where recommendations are to be made to the Board of Directors. The remuneration committee has no independent decision-making power. All resolutions by the remuneration committee must be passed by a simple majority of votes.
- 7.4 The remuneration committee must keep a minute book.

8. **PARTICIPATION IN MEETINGS**

- 8.1 Only members of the remuneration committee are entitled and required to attend the remuneration committee's meetings.
- 8.2 To ensure the remuneration committee's independence and autonomy, members of the Executive Board, other members of the Board of Directors and the external auditor may only attend the committee's meetings on request from the committee.

- 8.3 The remuneration committee may invite or summon managers, employees and/or experts to attend its meetings.

9. **REPORTING TO THE BOARD OF DIRECTORS**

- 9.1 Minutes of all meetings of the remuneration committee must be prepared as soon as possible and not later than two weeks after the meeting.
- 9.2 The remuneration committee's recommendations to the Board of Directors must be set out clearly in the minutes, including reasons.
- 9.3 Minutes of meetings must be approved by the chairman first and then forwarded to the other committee members for their approval. When all members of the remuneration committee have approved the minutes, the minutes, with any appendices, etc. examined at the meeting and any other documents used for the committee's work, must be forwarded to all members of the Board of Directors no later than three weeks after the date of the meeting.
- 9.4 At least every six months, the remuneration committee must report its activities, etc. to the Board of Directors, including in connection with the committee's duties under clause 3 of these terms of reference on recommendations for the company's pay and remuneration policy, among other things.
- 9.5 Meetings of the Board of Directors to consider the remuneration committee's recommendations must be organised so as to enable the chairman of the committee or an independent member of the committee appointed by the chairman to attend the meeting.

10. **PUBLICATION OF INFORMATION ABOUT THE REMUNERATION COMMITTEE**

- 10.1 The company must publish the following information in either its annual report or on its website:
- v. that the Company has established a remuneration committee;
 - vi. the names of the members of the remuneration committee;
 - vii. the name of the chairman of the remuneration committee;
 - viii. which members of the remuneration committee are independent members;
 - ix. which members have knowledge about and experience in pay policy matters;
 - x. significant provisions in the remuneration committee's terms of reference;
 - xi. the remuneration committee's main activities during the past year; and
 - xii. the number of meetings held by the remuneration committee and the attendance rate.

- 10.2 The remuneration committee must ensure that the information about the committee as set out in the company's annual report or on the company's website is true and accurate.
- 10.3 The remuneration committee's terms of reference must be published in the company's annual report or on the company's website.
- 10.4 The contents of the company's pay and remuneration policy must be described in the management's review, which forms part of the annual report.
- 10.5 The company's pay and remuneration policy must be announced on the company's website.

11. **GENERAL MEETINGS**

- 11.1 Being members of the Board of Directors, all members of the remuneration committee will attend the company's general meetings.
- 11.2 The company's remuneration policy must be explained and justified in the chairman's statement at the company's general meeting.
- 11.3 At the company's general meetings, the chairman of the remuneration committee must be available for answering questions about the committee's terms of reference and activities.

12. **REMUNERATION**

- 12.1 The Board of Directors will determine the remuneration to be paid to the members of the remuneration committee. The chairman of the Board of Directors receives no remuneration for his duties on the remuneration committee. The remuneration will reflect the time spent by the members on work in the remuneration committee and their professional qualifications.

13. **DUTY OF CONFIDENTIALITY**

- 13.1 The remuneration committee is subject to the same duty of confidentiality and confidentiality undertakings as the Board of Directors.

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As adopted at the board meeting held on 11-12 December 2014.

The Board of Directors:

..... Peder Tuborgh Chairman Christian Frigast Deputy chairman
..... Bjørn Gulden Andrea Alvey
..... Torben Ballegaard Sørensen Nikolaj Vejlsgaard
..... Ronica Wang Anders Boyer-Søgaard
..... Per Bank Michael Hauge Sørensen

The remuneration committee:

..... Peder Tuborgh Christian Frigast
..... Bjørn Gulden Andrea Alvey
..... Torben Ballegaard Sørensen	