

2018

REMUNERATION REPORT



PANDORA

Our Approach to Remuneration

It is Pandora's vision to be the branded manufacturer that delivers the most personal jewellery experience in the world.

To support this vision, we strive to attract and retain a highly qualified, diverse and innovative workforce with the ability to run a growing global organisation.

Pandora seeks to reward employees on similar job grades equally, regardless of gender or ethnic origin. We want to offer our employees an attractive and fair remuneration package that takes the individual's experience and contribution into account in the context of external market practices.

In general, we strive to pay people at the local market median, combined with local benefits that reflect our values and strong focus on corporate social responsibility.

Labour standards

We seek to comply with the highest standards in the jewellery industry.

We exceed the Thai labour laws and conventions by the International Labour Organisation (ILO) as well as international standards on health and safety (OHSAS 18001).

At our crafting facilities, employee benefits include affordable and healthy meals, parental classes, professional and personal development training, annual outings, scholarships, employee operated radio and free bus transportation to and from work.

> Read more in our Sustainability Report available at our website: <https://pandoragroup.com/CSR/Publications>

Executive remuneration

Our Executive remuneration aims to be competitive and aligned with our shareholders interests.

We monitor the pay structure and pay levels in the international market where we recruit our talent. We benchmark the remuneration package through both Danish C25 companies as well as European peers within branded retail.

Target compensation structure for Executive Management

LTIP
MAX 100%
OF BASE PAY

STIP
MAX 100%
OF BASE PAY

BASE PAY
100%



The desired pay structure for Executive Management is based on 1/3 base pay, 1/3 short-term incentive maximum opportunity and 1/3 long-term incentive maximum face value. We believe this structure is competitive among peers in both Danish and European companies.

Remuneration Structure for the Executive Management



Base pay

Base pay is reviewed annually by the Board of Directors, taking local market pay development as well as individual and company performance into account.

Pension and retirement benefits

As the Executive Management is not provided with pension, they are offered to be enrolled in the company's employee pension and insurance scheme with an amount defined individually and funded from their base pay.

Other benefits

Company car and insurance benefits are provided in line with the market practice.

Short-Term Incentive Plan (STIP)

The objective of STIP is to drive and reward the annual business objectives and can pay up to 100% of the base pay. The KPIs for 2018 were Revenue, EBITDA and like-for-like growth. All incentive plan payments are subject to claw back, in case of misstatement of our financials.

Long-Term Incentive Plan (LTIP)

The objective of LTIP is to reward the delivery of long-term results and align with shareholder interest. In 2018 we awarded performance shares with a 5-year vesting schedule that offers a face value equal to up to 100% of the base pay at time of announcement. The performance shares are for tax reasons, delivered as a stock option at a price of 1% of the market value at the time of vesting. All payments are subject to claw back and adjustment by the Board of Directors. All payments are subject to income tax at time of exercise. LTIP KPIs are currently being reviewed for changes in 2019.

Severance payments

Severance payments are following Danish market practice for executive pay and are usually defined as a notice period in the work contract. It will entail a maximum of 24 months pay, with the cost including incentives and benefits. In addition, it is paired with a condition of up to 12 months notice to the company on behalf of the executive.

Remuneration Committee

Activities and objectives 2019

Remuneration committee

During 2018, the committee had 3 regular meetings. The main activities of the Remuneration Committee were:

- Considering shareholder feedback to remuneration for current and future years regarding remuneration of the Board and Executive Management
- Evaluating and approving short- and long-term incentive plans
- Benchmark the pay level for the Executive Management
- Approving incentive programme payout for 2018
- Review of compensation policy documents and remuneration report

As a result of the evaluation, the remuneration level of the Board was recommended to be unchanged in 2018.

In addition, the base pay for the Executive Management was recommended to be unchanged. In 2018 we made adjustments to short- and long-term incentive programmes.

Performance in our concept stores and eSTOREs is a key retail KPI, reflecting the health of our sales network. We therefore introduced a like-for-like store performance KPI in the Short-Term Incentive Plan (STIP) for the Executive Management and other leaders in the organisation. In 2018, like-for-like was set at a level of 20% of the total incentive opportunity, while 80% of the STIP remained on controlled revenue growth at a minimum defined EBITDA criteria.

The KPIs for the Long-Term Incentive Plan (LTIP) were adapted to reflect the guided growth targets of revenue and EBITDA.

Objectives 2019

Given the feedback from investors and the change of network expansion strategy communicated in November 2018, we will review and implement changes in our incentives globally.

Short-Term Incentive Plans

The Short-Term Incentive Plan is cash based and designed to support our business objectives for 2019 with focus on profitability and like-for-like, instead of total revenue growth. EBIT margin is assessed to be more suitable for measuring performance than EBITDA in the future, as it better reflects performance following implementation of IFRS 16 accounting regulations and drives more focus towards capital expenditure.

Performance related to implementation of strategic initiatives (Programme NOW) might be included by the Board and be a basis for final determination of STIP for 2019.

Long-Term Incentive Plans

Based on feedback from investors, we will continue with performance shares with a 5 year vesting for the long-term incentive plan for Executive Management. We plan to introduce changes to the KPI structure to closer align with long-term value creation and shareholder interest, while maintaining an internal line of sight through financial KPIs. The KPIs decided for LTIP will, as in previous years be announced in a company announcement following the Annual General meeting in March 2019 and will be included in details in the 2019 Remuneration Report.



Incentives

Incentive plans announced

SHORT-TERM INCENTIVE PLAN

For those who are eligible for performance pay, including our Executive Management, it is based on targets linked to our business performance.

Local plans may include other KPIs linked to their line of sight in, for example, our production in Thailand.

STIP 2018 for Executive Management included a new like-for-like element in 2018 to focus and reward good store performance.

LONG-TERM INCENTIVE PLAN

LTIP 2018 was awarded as performance shares with the condition in the table to the right, measured in 2018-2020 where the final number of shares will be allocated. Executive Management is subject to an additional holding period of two years, making the plan potentially vest and pay in 2023.

Incentives performance

SHORT-TERM INCENTIVE PLAN

As we did not meet the global EBITDA criteria of minimum 34%, no payouts will be made for the STIP 2018.

LONG-TERM INCENTIVE PLAN 2016-2018

The 2016 plan for executives in the company, including Executive Management, was based on a minimum EBITDA attainment of 35% in 2018. As the minimum criteria was not met, the grant has been cancelled by the Board.

In case the plan was met, there would have been an additional two-year holding period for Executive Management.

LONG-TERM INCENTIVE PLAN 2017 and 2018

Based on the assessment that we will not meet the minimum EBITDA performance criteria of 35% in 2019 for the 2017 LTIP and not meet min. 7% CAGR and 34% accumulated EBITDA in 2020 for the 2018 Plan, we recognise the Plans at zero value."

STIP HISTORICAL PERFORMANCE

Paid in Q1 in the following year

	% of maximum
STIP 2016	100%
STIP 2017	83%
STIP 2018	0%

LTIP ACTUAL PERFORMANCE

Performance shares vesting with additional 2 years holding period for Executive Management:

LTIP 2014 measured 2016	100%
LTIP 2015 measured 2017	100%
LTIP 2016 measured 2018	0%
LTIP 2017 measured 2019	0% *)
LTIP 2018 measured 2020	0% *)

*) Assessment of not meeting the minimum performance criteria.

Incentive programmes announced in 2018

STIP 2018 Criteria	Weight	Floor for 0% incentive	Ceiling for 100% incentive	Objective
Revenue Revenue growth in local currency	80%	0% growth	10% growth (LC)	Drive revenue growth
Like-for-Like growth	20%	Below 4% Lfl	= or above 4% Lfl	Drive quarterly Lfl execution
EBITDA % Protect guidance	Trigger	34% is minimum threshold for any pay out to protect our external guidance.		

LTIP 2018 Criteria	Weight	Minimum condition for 25% of performance shares	Maximum for 100% of performance shares
Revenue 2020 (CAGR)	50%	7% annual growth local currency	10% annual growth local currency
Accumulated EBITDA 2018-2020	50%	Accumulated EBITDA equal to a 34% margin and 7% annual growth	Accumulated EBITDA equal to a 34% margin and 10% annual growth

Board of Directors and Executive Management

Board fee structure

Chairman	DKK 1,500,000
Deputy Chairman	DKK 750,000
Board Member	DKK 500,000
Audit Committee	DKK 200,000 for the Chair and DKK 150,000 for members
Other Committees	DKK 150,000 for the Chair and DKK 100,000 for members

Travel fees are paid for board meetings that require intercontinental travel (DKK 45,000 / EUR 6,000) and for continental travel (DKK 18,750 / EUR 2,500).

The Chairman is not eligible to committee fees.

Board members are paid one committee fee only and travel fees are only paid in case of physical participation in Board meetings that require travel.

The travel fee does not apply to committee meetings.

In 2018 total travel fees amounted to DKK 0,9 million vs. DKK 1,2 million in 2017

Remuneration to the Board (DKK million)	2018	2017	2016
Peder Tuborgh, Chairman	1,5	1,5	1,5
Christian Frigast, Deputy Chairman	0,9	0,9	0,9
Allan Leighton, Deputy Chairman ¹⁾	0,2	0,9	0,9
Anders Boyer ¹⁾	0,2	0,7	0,6
Andrea Alvey	0,9	1,0	0,7
Birgitta Stymne Göransson	0,8	0,8	0,6
Bjørn Gulden	0,7	0,7	0,6
Per Bank	0,7	0,6	0,6
Ronica Wang	0,9	0,9	0,7
Michael Hauge Sørensen ¹⁾	-	0,4	0,7
Total compensation of the Board	6,8	8,4	7,8

¹⁾ Allan Leighton and Anders Boyer retired from the Board in March 2018. Michael Hauge Sørensen retired from the Board in March 2017.

Remuneration to the Executive Management (DKK million)						2018	2017	2016
	Base pay	Bonus	Share-based pay	Benefits	Other	Total	Total	Total
Jeremy Schwartz ¹⁾	2,3	2,3	-	-	2,3	6,9	-	-
Anders Boyer ²⁾	2,1	2,1	0,2	0,1	3,3	7,8	-	-
Anders Colding Friis ³⁾	24,0	11,6	6,3	0,9	-	42,8	21,7	24,7
Peter Vekslund ³⁾	8,5	5,6	1,1	0,4	-	15,6	9,7	11,1
Total	36,9	21,6	7,6	1,4	5,6	73,1	31,4	35,8

¹⁾ The COO was hired in September 2018 with an annual base salary of DKK 7,0 million and with a payout of a fixed cash amount of DKK 7,0 million after 12 months service. Interim 2018 STIP at DKK 2,3 million was agreed as a fixed amount based on meeting the new EBITDA guidance for 2018.

²⁾ The CFO was hired from August 2018 with an annual base salary of DKK 5,0 million. A replacement award of DKK 6,0 million was agreed to compensate for loss of incentives from past employer, payable in April 2019. Interim 2018 STIP at DKK 2,1 million was agreed as a fixed amount based on meeting the new EBITDA guidance for 2018. In addition 7865 restricted shares with a year end face value of DKK 2,1 million was awarded as 2018 LTIP.

³⁾ Base pay, bonus, benefits and share based pay includes 24 months severance with an accrual for target potential payment under 2019 and 2020 STIP. There is no pay out under the STIP 2018. Share based payments includes accruals for potential payout under LTIP plans 2019 to 2020 pro rata participation. Performance conditions will determine actual number of shares. Accruals for 2017 and 2018 LTIP have been recognized at zero as the Programmes are assessed as not meeting the minimum performance conditions.

ACCOUNTING AND REPORTING POLICIES

Salaries, social security contributions, bonus and benefits are recognised in the financial year in which services are rendered by the employee. Pandora does not offer long-term employee benefits or defined benefits to the Executive Management. Termination payments are recognised at the time an agreement is made and no further service is provided.

LTIP ACCOUNTING PRINCIPLES

The calculated Black-Scholes value of each programme is recognised over the vesting period, based on the likelihood that the KPI targets will be met and the performance shares will vest.

LTIP Grant Overview



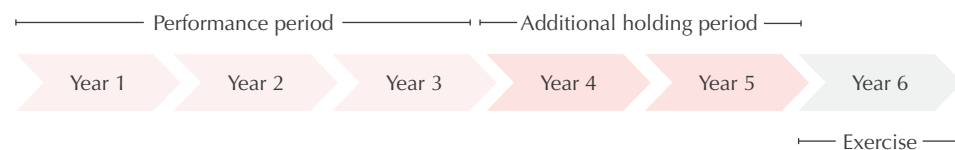
Performance shares

The decision to grant performance shares is made by the Board in accordance with the general guidelines on the company's incentive pay and with performance criteria attached to the grant.

Performance shares have been granted to members of the Executive Management and other employees in Pandora. In 2018 two programmes

were launched, targeting either the Executive Management (5 years total vesting) or other employees (3 years vesting).

LTIP programmes are granted annually and measured for performance after a period of 3 years. The accounting principles and total share outstanding can be found in our Annual Report.



	Role	Scheme announced	Vesting date	Initial grant maximum #Shares	Current vesting potential #Shares
Allan Leighton	CEO	LTIP 2016	1Q 2021	3141	-
Anders Colding Friis	CEO	LTIP 2016	1Q 2021	10012	-
Peter Vekslund	CFO	LTIP 2016	1Q 2021	4711	-
Anders Colding Friis	CEO	LTIP 2017	1Q 2022	9605	-
Peter Vekslund	CFO	LTIP 2017	1Q 2022	4501	-
Anders Colding Friis	CEO	LTIP 2018	1Q 2023	11594	11594
Peter Vekslund	CFO	LTIP 2018	1Q 2023	4263	4263
Anders Boyer	CFO	LTIP 2018 *)	1Q 2023	7865	7865

*) Restricted shares as interim LTIP for 2018.

Shareholding Overview

Share ownership policy

Pandora has established a share plan for the members of the Board whereby the Chairman and the other Board members are each required to own a minimum number of shares corresponding to the amount of their respective initial gross annual compensation. The Board members must hold the shares for as long as they are members of the Board of Pandora.

Share ownership requirements also apply to Executive Management as per contractual agreement, corresponding to one years gross base pay built up over a period of 2 years from appointment.

	2017	Changes during the year	Purchase of shares	Selling of shares	2018	Market value DKK million ^{*)}
Executive Management						
Jeremy Schwartz	-	-	-	-	-	-
Anders Boyer	-	11,121 ¹⁾	12,950	-	24,071	8,2
Anders Colding Friis	18,845	-20,695 ²⁾	1,850	-	-	-
Peter Vekslund	9,937	-9,937 ²⁾	-	-	-	-
Total numbers of shares	28,799	-19,511	14,800	-	24,071	8,2
Board						
Peder Tuborgh, Chairman	5,614	-	-	-	5,614	1,9
Christian Frigast, Deputy Chairman	48,500	-	-	-	48,500	12,5
Allan Leighton, Deputy Chairman	-	-16,008 ³⁾	16,008	-	-	-
Anders Boyer	11,121	-11,121 ¹⁾	-	-	-	-
Andrea Alvey	6,107	-	-	-	6,107	1,6
Birgitta Stymne Göransson	1,000	-	-	-	1,000	0,3
Bjørn Gulden	28,407	-	7,114	-	35,521	9,4
Per Bank	1,923	-	-	-	1,923	0,5
Ronica Wang	5,999	-	-	-	5,999	1,6
Total numbers of shares	108,671	-27,129	23,122	-	104,664	27,8

^{*)} Based on year end share price of DKK 265,30

¹⁾ Resigned from the BoD in March 2018 and joined as CFO in August.

²⁾ Have left the Company.

³⁾ Resigned from the BoD in March 2018.

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