

# PANDÖRA

Remuneration Report 2019

# Our approach to remuneration

Pandora wants to ensure its employees receive remuneration plus benefits which are global or local market competitive, fairly and consistently applied and aligned with the interests of our shareholders. We reward employees based on individual experience, capabilities and performance only.

## Focus in 2019

The Board of Director's (the "Board") Remuneration Committee met five times in 2019 and dealt with the following matters:

- Considered shareholder feedback on the remuneration practices and LTIP
- Carried out a full remuneration review for the Board and Executive Management
- Drafted a new Remuneration Policy to support Pandora's long-term interests and ensure that members of Executive Management are incentivised for business performance. The new policy will be submitted for a shareholder vote at the Annual General Meeting in March 2020
- Approved STIP and LTIP programmes for the financial year 2019
- Agreed remuneration terms for Alexander Lacik on his recruitment as President and Chief Executive Officer

- Agreed the terms for Jeremy Schwartz following his departure as Chief Operating Officer



The Remuneration Policy can be found at [pandoragroup.com/investor](http://pandoragroup.com/investor)

## Components of executive remuneration

As part of the executive remuneration review, the Remuneration Committee benchmarked remuneration levels and structure for both the Board and Executive Management. The incentive structure of both the STIP and LTIP programmes was redesigned to support the execution of Programme NOW and the transformation of the company.

Members of Executive Management receive the following compensation and benefits:

1. Fixed annual base salary
2. Short-term cash incentive plan ("STIP")
3. Long-term share-based incentive plan ("LTIP")
4. Customary benefits e.g. phone, company car etc.
5. In exceptional circumstances, the Board may grant an extraordinary one-off payment or share-based award

The fixed annual base salary is based on market level compensation and is reviewed by the Remuneration Committee against comparable positions in companies comparable to Pandora headquartered in Denmark and other countries in Europe.

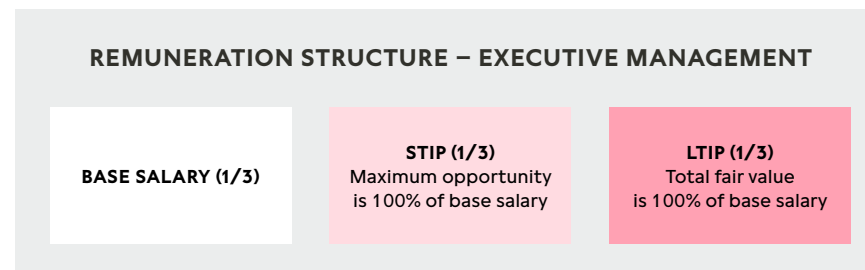
The combination of fixed and incentive-based remuneration has been chosen to ensure that Pandora has the flexibility to recruit and retain key talent in a highly competitive, international talent market. The Board believes that incentive plans can be key drivers behind exceptional company performance and that it is appropriate to strongly align the interests of the members of Executive Management with those of our

shareholders. The relative proportion of the different remuneration elements at target level is usually designed such that the fixed annual base salary, STIP and LTIP each represent broadly a third of the total pay mix, as illustrated below.

The purpose of the STIP is to provide Executive Management with annual variable remuneration that is dependent on performance against specific annual short-term financial objectives for Pandora, which may be supplemented by non-financial objectives, as proposed by the Remuneration Committee and ultimately defined and agreed by the Board. The maximum STIP is 100% of base salary.

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.

Members of Executive Management are not eligible for any company-paid pension contribution as it is included in the total quantum of the remuneration package and taken into account when bench-marking to market practice.



# Executive Management remuneration

The table below summarises the total remuneration to the members of the Executive Management in 2016-2019.

REMUNERATION TO THE EXECUTIVE MANAGEMENT						TOTAL			
DKK Million	Base salary	STIP	LTIP	Benefits	Other	2019	2018	2017	2016
Alexander Lacik <sup>1</sup>	6.2	3.9	1.5	0.3	18.0	29.9	-	-	-
Anders Boyer <sup>2</sup>	5.5	3.4	2.3	0.3	2.7	14.2	7.8	-	-
Jeremy Schwartz <sup>3</sup>	4.7	2.9	-	-	4.7	12.3	6.9	-	-
Anders Colding Friis <sup>4</sup>	-	-1.5	-0.3	-	-	-1.8	42.8	21.7	24.7
Peter Vekslund <sup>4</sup>	-	-0.7	-0.1	-	-	-0.8	15.6	9.7	11.1
<b>Total remuneration</b>	<b>16.4</b>	<b>8.0</b>	<b>3.4</b>	<b>0.6</b>	<b>25.3</b>	<b>53.7</b>	<b>73.1</b>	<b>31.4</b>	<b>35.8</b>

<sup>1</sup> Alexander Lacik joined Pandora in April 2019 with an annual base salary of DKK 9.0 million. A sign-on award of DKK 18.0 million was agreed and paid to compensate for loss of incentives from past employer. Interim 2019 STIP equal to annual salary on a pro rata participation was agreed based on meeting the targets for 2019. Performance Shares under the 2019 LTIP are recognised over a period of the 3 performance years.

<sup>2</sup> Anders Boyer joined Pandora in August 2018. A replacement award of DKK 6.0 million was agreed to compensate for loss of incentives from past employer, payable in April 2019. Performance Shares under the 2019 LTIP are recognised over a period of the 3 performance years.

<sup>3</sup> Jeremy Schwartz joined Pandora in September 2018 and left in April 2019. Annual base salary was DKK 7.0 million and a fixed cash amount of DKK 7.0 million was paid upon ending his service. STIP is paid on a pro rata participation for the period employed.

<sup>4</sup> 2018 base salary, bonus, benefits and share based salary included 24 months' severance with an accrual for target potential payment under 2019 and 2020 STIP. Share based payments include accruals for potential payout under LTIP plans 2019 to 2020 pro rata participation. Performance conditions will determine actual number of shares. Accruals for 2018 LTIP have been recognized at zero as the programme is assessed as not meeting the minimum performance conditions.

## Remuneration on recruitments and terminations

Alexander Lacik joined as President and Chief Executive Officer in April 2019 with an annual base salary of DKK 9.0 million. At the time of joining, he received a sign-on bonus of DKK 18.0 million replacing unvested awards that would have been forfeited from his previous employer. The Remuneration Committee took into account his previous compensation and benefits, the market for CEOs in the largest Danish companies, the market in the UK where he was most recently based, and CEO salaries for comparable roles in the European luxury goods sector. Alexander Lacik's remuneration is based on a fixed salary, which is at the upper quartile of Danish large cap companies, but well below remuneration for CEOs of luxury goods companies internationally. There is a contractual shareholding requirement of minimum one year's gross salary to be build up over a period of two years. This requirement has been met during 2019.



Jeremy Schwartz was hired as COO in August 2018. Together with CFO Anders Boyer he was instrumental in driving the diagnosis phase of Programme NOW. He stepped down in April 2019 when Alexander Lacik took office.

## Short-Term Incentive Plan 2019

Performance against the STIP measures, as detailed below, resulted in a bonus for the members of Executive Management of 63% of base salary.

### SHORT-TERM INCENTIVE PLAN 2019

	Results	Weight	Performance	Pay-out %
Financial KPIs				
EBIT margin*	26.8%	70%	78%	55%
Like-for-like revenue growth	- 8.0%	30%	25%	8%
<b>Total</b>	-	-	-	<b>63%</b>

\*Excluding restructuring costs

### Long-Term Incentive Plan vesting in the year

Performance for the 2017 LTIP was measured in 2019 and the minimum performance threshold of 35% EBITDA

margin was not met. All the performance shares awarded under the 2017 LTIP lapsed. 2019 LTIP awards are based on the KPIs in the table below.

LONG-TERM INCENTIVE PLAN 2019			
	Weight	Threshold - 25% release of shares	Target - 100% release of shares
Relative total shareholder return	50%	Median of peer group	75%ile of peer group
<b>Performance achievement</b>			
Financial targets 2019	50%	63%	

2019 LTIP TOTAL SHAREHOLDER RETURN PEER GROUP	
Adidas AG (Ge)	Inditex (Spa)
Burberry Group PLC (UK)	EssilorLuxottica Group SpA (Fra)
Capri Holding (US)	Nike Inc (US)
C. F. Richemont SA (Swz)	PVH Corp (US)
Chow Tai Fook (HK)	Signet Jewelers Ltd (US)
HanesBrands Inc (US)	The Swatch Group AG (Swz)
H & M AB (Swe)	Tapestry Inc (US)
Hugo Boss AG (Ger)	

### Long-Term Incentive Plan awarded in the year

In 2019, the Remuneration Committee granted LTIP awards to members of Executive Management in the form of Performance Share Units (PSUs). A portion of these awards is subject to three-year Total Shareholder Return performance relative to a group of peer companies. The other portion is subject to perfor-

mance in the year as measured under the STIP, in order to reinforce the importance of 2019 as a key year for the company's transition and Programme NOW.

In addition to the three-year performance measures, there is a two year holding period before vesting, resulting in a total of five years before the awards are vested.



# Board of Directors remuneration

The table summarises the total fees received by the members of the Board between 2016 to 2019.

In case of a disproportionate workload or ad hoc tasks undertaken by members of the Board, a fixed ad hoc fee may be awarded by the Board, not exceeding an amount corresponding to 1.0 time the annual base fee. No such ad hoc fees were paid in 2019.

## Board fee structure

Chair	DKK 1,500,000
Deputy Chair	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



## 2016-2019 BOARD OF DIRECTORS REMUNERATION (DKK Million)

	2019	2018	2017	2016
Peter A. Ruzicka, Chair <sup>1)</sup>	0.1	-	-	-
Christian Frigast, Deputy Chair	0.9	0.9	0.9	0.9
Andrea Dawn Alvey	0.8	0.9	1.0	0.7
Birgitta Stymne Göransson	0.8	0.8	0.8	0.6
Isabelle Parize	0.8	-	-	-
John Peace	0.6	-	-	-
Per Bank	0.6	0.7	0.6	0.6
Ronica Wang	0.9	0.9	0.9	0.7
Peder Tuborgh, Chair <sup>2)</sup>	1.5	1.5	1.5	1.5
Allan Leighton, Deputy Chair <sup>2)</sup>	-	0.2	0.9	0.9
Anders Boyer <sup>2)</sup>	-	0.2	0.7	0.6
Bjørn Gulden <sup>2)</sup>	0.2	0.7	0.7	0.6
Michael Hauge Sørensen <sup>2)</sup>	-	-	0.4	0.7
<b>Total remuneration</b>	<b>7.4</b>	<b>6.8</b>	<b>8.4</b>	<b>7.8</b>

1) Peter A. Ruzicka became Chair of the Board of Directors on 1 January 2020

2) Peder Tuborgh left the the Board on 31 December 2019. Bjørn Gulden left the Board in March 2019. Allan Leighton and Anders Boyer left the Board in March 2018. Michael Hauge Sørensen left the Board in March 2017.

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 Chair is not eligible to committee fees. Board members are paid one committee fee only. The travel fee does not apply to committee meetings.

In 2019 total travel fees amounted to DKK 0.9 million equal to the 2018 level.



# Board of Directors and Executive Management interests in Pandora shares

In order to further align the interests of Executive Management with those of the shareholders, each member of Executive Management shall buy and hold a number of shares in the company with a market value equal to the individual's annual base salary. The purchase of the required number of shares must take place within a period of time decided by the Board.

The share interests of the members of the Board of Directors and Executive Management at the end of 2019 are shown in the table.

## Long-term Incentive Awards

In addition to wholly owned shares the members of Executive Management have unvested awards under the LTIP. The awards are summarised in the table.



## SHAREHOLDING IN PANDORA A/S

	2018	Purchased	Sold	2019	Market value DKK million <sup>1)</sup>
<b>Executive Management</b>					
Alexander Lacik	-	60,068	-	60,068	17
Anders Boyer	24,071	24,400	-	48,471	14
<b>Total numbers of shares</b>	<b>24,071</b>	<b>84,468</b>	<b>-</b>	<b>108,539</b>	<b>31</b>
<b>Board</b>					
Peter A. Ruzicka	-	20,000	-	20,000	6
Peder Tuborgh	5,614 <sup>2)</sup>	-	-	5,614	2
Christian Frigast	48,500	-	-	48,500	14
Andrea Dawn Alvey	6,107	-	-	6,107	2
Birgitta Stymne Göransson	1,000	1,000	-	2,000	1
Isabelle Parize	-	1,500	-	1,500	1
John Peace	-	-	-	-	-
Per Bank	1,923	-	-	1,923	1
Ronica Wang	5,999	-	-	5,999	2
<b>Total numbers of shares</b>	<b>69,143</b>	<b>22,500</b>	<b>-</b>	<b>91,643</b>	<b>27</b>

<sup>1)</sup> Based on year end share price of DKK 289.80.

<sup>2)</sup> Left the Board of Directors in December 2019.

## LONG-TERM INCENTIVE AWARDS FOR EXECUTIVE MANAGEMENT

	Award	Type of award	Vesting date	Initial grant maximum # shares
Alexander Lacik	2019 LTIP	Performance share units	1Q 2024	40,813
Anders Boyer	2018 LTIP	Restricted share units	1Q 2023	7,865
	2019 LTIP	Performance share units	1Q 2024	36,157

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