

**PANDORA MEDIA, INC.**  
A Delaware corporation  
(the “Company”)

**Audit Committee Charter**  
Adopted as of June 15<sup>th</sup>, 2011

**Purpose**

The Audit Committee (the “Committee”) is created by the Board of Directors of the Company (the “Board”) to:

- assist the Board in its oversight of
  - the integrity of the financial statements of the Company;
  - the qualifications, independence and performance of the Company’s independent auditor;
  - the performance of the Company’s internal audit function; and
  - compliance by the Company with legal and regulatory requirements; and
- prepare the Audit Committee report that the Securities and Exchange Commission rules require to be included in the Company’s annual proxy statement.

**Membership**

The Committee shall consist of at least three members. Subject to such exceptions as permitted by the phase-in provisions for issuers listing securities pursuant to an initial public offering under applicable stock exchange rules and the Exchange Act of 1934, as amended, the Committee shall be comprised solely of directors deemed by the Board to be independent and meet the independence and experience requirements of the applicable stock exchange. The Nominating and Corporate Governance Committee shall recommend nominees for appointment to the Committee annually and as vacancies or newly created positions occur. Committee members shall be appointed by the Board and may be removed by the Board at any time. The Nominating and Corporate Governance Committee shall recommend to the Board, and the Board shall designate, the Chairman of the Committee.

**Responsibilities**

In addition to any other responsibilities which may be assigned from time to time by the Board, the Committee is responsible for the following matters.

*Independent Auditor*

- The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any accounting firm engaged for the purpose of preparing or

issuing an audit report or performing other audit, review or attest services for the Company (subject, if applicable, to shareholder ratification). Each such accounting firm shall report directly to the Committee.

- The Committee shall pre-approve the audit services and non-audit services to be provided by the Company's independent auditor pursuant to pre-approval policies and procedures established by the Committee. The Committee may delegate its authority to pre-approve services to one or more Committee members, provided that such designees present any such approvals to the full Committee at the next Committee meeting.
- The Committee shall discuss with the independent auditor its responsibilities under generally accepted auditing standards, review and approve the planned scope and timing of the independent auditor's annual audit plan(s) and discuss significant findings from the audit, including any problems or difficulties encountered.
- The Committee shall evaluate the independent auditor's qualifications, performance and independence, and shall present its conclusions with respect to the independent auditor to the full Board on at least an annual basis. As part of such evaluation, at least annually, the Committee shall:
  - obtain and review a report or reports from the Company's independent auditor:
    - describing the independent auditor's internal quality-control procedures;
    - describing any material issues raised by (i) the most recent internal quality-control review, or peer review, of the auditing firm, or (ii) any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the auditing firm; and any steps taken to deal with any such issues;
    - describing all relationships between the independent auditor and the Company consistent with applicable requirements of the PCAOB regarding the independent auditor's communications with the Committee concerning independence; and
    - assuring that Section 10A of the Securities Exchange Act of 1934 has not been implicated
  - review and evaluate the lead audit partner of the independent auditor team(s);
  - confirm and evaluate the rotation of the audit partners on the audit engagement team partners as required by law;
  - consider whether the independent auditor should be rotated, so as to assure continuing auditor independence; and

- obtain the opinion of management and the internal auditors of the independent auditor's performance.
- The Committee shall establish policies for the Company's hiring of current or former employees of the independent auditor.

#### *Internal Auditors*

- At least annually, the Committee shall evaluate the performance, responsibilities, budget and staffing of the Company's internal audit function and review and approve the internal audit plan. Such evaluation shall include a review of the responsibilities, budget and staffing of the Company's internal audit function with the independent auditor.
- At least annually, the Committee shall evaluate the performance of the senior officer or officers responsible for the internal audit function of the Company, and make recommendations to the Board and management regarding the responsibilities, retention or termination of such officer or officers.

#### *Financial Statements; Disclosure and Other Risk Management and Compliance Matters*

- The Committee shall meet to review and discuss with management and the independent auditor:
  - the annual audited financial statements, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to the filing of the Company's Form 10-K; and
  - the quarterly financial statements, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to the filing of the Company's Form 10-Q.
- The Committee shall review with management, the internal auditors and the independent auditor, in separate meetings whenever the Committee deems appropriate:
  - any analyses or other written communications prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - the critical accounting policies and practices of the Company;
  - the effect of off-balance sheet transactions and structures;
  - any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; and

- the effect of regulatory and accounting initiatives.
- The Committee, or the Chairman, shall review the Company's earnings press releases prior to public dissemination, the type and presentation of information included in the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, paying particular attention to the use of non-GAAP financial information.
- The Committee, or the Chairman, may review any of the Company's financial information and earnings guidance provided to analysts and ratings agencies and any of the Company's other financial disclosures, such as earnings press releases, as the Chairman deems appropriate.
- The Committee shall, in conjunction with the chief executive officer and chief financial officer of the Company, review the Company's disclosure controls and procedures and internal control over financial reporting. The review of internal control over financial reporting shall include whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Company's ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting. The Committee shall also review any special audit steps adopted in light of material control deficiencies.
- The Committee shall review and discuss with the independent auditor any audit problems or difficulties and management's response thereto, including those matters required to be discussed with the Committee by the auditor pursuant to established auditing standards, as amended, such as:
  - any restrictions on the scope of the independent auditor's activities or on access to requested information;
  - any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise);
  - any communications between the audit team and the audit firm's national office regarding auditing or accounting issues presented by the engagement;
  - any management or internal control letter issued, or proposed to be issued, by the auditor; and
  - any significant disagreements between management and the independent auditor.
- In connection with its oversight responsibilities, the Committee shall be directly responsible for the resolution of disagreements between management and the auditor regarding the Company's financial reporting.
- The Committee shall review the Company's policies and practices with respect to risk

assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.

- The Committee shall review the Company's Related Person Transaction Policy, and recommend changes to the Board as appropriate. Further, the Committee shall review, on an ongoing basis, all related person transactions, as defined in applicable SEC rules, in accordance with the Company's Related Person Transaction policy and, all such transactions shall be approved or ratified by the Committee.
- The Committee shall establish, oversee and review procedures for:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
  - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Committee shall oversee compliance with the Company's Code of Conduct and Business Ethics.
- The Committee shall review the Company's compliance with laws and regulations, including the Company's corporate securities trading policy and FCPA compliance policy, and any legal matter that may have a material impact on the Company's financial statements, such as major litigations or investigations against the Company. The Committee shall meet and discuss these matters with management and others as appropriate, including the general counsel.
- The Committee shall prepare the Audit Committee report that the Securities and Exchange Commission rules require to be included in the Company's annual proxy statement.

#### *Qualified Legal Compliance Committee*

- The Committee shall serve as the Company's Qualified Legal Compliance Committee ("QLCC") whose purpose shall be to review any report made directly, or otherwise made known, to the Committee by an attorney representing the Company or its subsidiaries of a material violation of U.S. federal or state securities law, a material breach of fiduciary duty arising under U.S. federal or state law or a similar material violation of any U.S. federal or state law (a "material violation"), all in accordance with the provisions of 17 CFR Part 205, as amended from time to time ("Part 205").
- The Committee, in its role as the QLCC, has the authority and the responsibility for the following matters:
  - The Committee shall adopt written procedures for the confidential receipt, retention and consideration of any report of evidence of a material violation under

Part 205 (a “report”).

- Upon receipt, the Committee shall:
  - inform the Company’s general counsel and chief executive officer unless such notification would be deemed by the Committee to be inappropriate; and
  - determine whether an investigation is necessary regarding any report of evidence of a material violation by the Company, its officers, directors, employees or agents.
- If the Committee determines an investigation is necessary or appropriate, the Committee shall initiate an investigation, which may be conducted either by the general counsel or by outside attorneys, or both.
- At the conclusion of any such investigation, the Committee shall, unless it determines that no material violation has occurred, is ongoing or is about to occur and informs the Company as to such determination:
  - recommend that the Company implement an appropriate response to the evidence of a material violation, which appropriate response may include:
    - the adoption of appropriate remedial measures, including appropriate steps or sanctions to stop any material violations that are ongoing, to prevent any material violation that has yet to occur, and to remedy or otherwise appropriately address any material violation that has already occurred and to minimize the likelihood of its recurrence; or
    - retaining or directing an attorney to review the reported evidence of a material violation and either (i) implement any remedial recommendations made by such attorney after a reasonable investigation and evaluation of the reported evidence or (ii) consistent with advice from such attorney, assert a colorable defense on behalf of the Company or its officers, directors, employees or agents, in any investigation or judicial or administrative proceeding relating to the reported evidence of a material violation; and
  - inform the general counsel, the chief executive officer and the Board of the results of any such investigation initiated by the Committee and the appropriate remedial measures to be adopted.
- The Committee may take all other appropriate action, including the authority to notify the Securities and Exchange Commission, if the Company fails, in any material respect to implement and take an appropriate that the Committee has recommended the Company take.

### *Reporting to the Board*

- The Committee shall report to the Board periodically. This report shall include a review of any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the independence and performance of the Company's independent auditor, the performance of the internal audit function and any other matters that the Committee deems appropriate or is requested to include by the Board.
- At least annually, the Committee shall evaluate its own performance and report to the Board on such evaluation.
- The Committee shall periodically review and assess the adequacy of this charter and recommend any proposed changes to the Board.

### **Authority and Delegations**

The Committee is authorized (without seeking Board approval) to retain special legal, accounting or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the Committee.

The Committee shall have available appropriate funding from the Company as determined by the Committee for payment of:

- compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- compensation to any advisers employed by the Committee; and
- ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may delegate its authority to subcommittees or the Chairman of the Committee when it deems appropriate and in the best interests of the Company.

### **Procedures**

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this charter, but not less frequently than quarterly. The Chairman of the Committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this charter.

The Committee shall meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with the independent auditor.

### **Limitations Inherent in the Committee's Role**

It is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with GAAP and applicable rules and regulations. This is the responsibility of management and the independent auditor. Furthermore, while the Committee is responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the CEO and senior management to determine the appropriate level of the Company's exposure to risk.