2019-2020

Universal Registration Document

including the annual financial report

Pernod Ricard

Créateurs de convivialité

Contents

Items in the annual financial report (AFR) are identified in the contents by the pictogram ✹

Pernod Ricard
Créateurs de convivialité

Universal Registration Document

2019/2020

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document has been filed on 23 September 2020 with the AMF, as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of the said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

Pernod Ricard At a glance

FY20 Sales and Results reflecting strong resilience and agility, despite Covid-19 impact

WORLD
N°1
FOR PREMIUM AND PRESTIGE SPIRITS[a]

>160
COUNTRIES
WHERE OUR BRANDS ARE DISTRIBUTED

400,000
STUDENTS SENSITIZED ON RESPONSIBLE DRINKING

94
PRODUCTION **SITES**[b]

23%
REDUCTION IN WATER CONSUMPTION[c]

33%
REDUCTION IN CO_2 EMISSIONS[c]

ALEXANDRE RICARD, CHAIRMAN & CEO, DECLARED:

The Group has proven very resilient through FY20 and demonstrated its agility and ability to keep its supply chains operational, control costs and manage cash. I would like to take this opportunity to praise the exceptional commitment of our teams during this difficult time.

For FY21, Pernod Ricard expects continued uncertainty and volatility, in particular relating to sanitary conditions and their impact on social gatherings, as well as challenging economic conditions. We anticipate a prolonged downturn in Travel Retail but resilience of the Off-trade in the USA and Europe and sequential improvement in China, India and the On-trade globally. We will stay the strategic course and accelerate our digital transformation while maintaining strict discipline, with clear, purpose-based investment decisions. We will harness our agility to adjust fast to capture new opportunities. Thanks to our solid fundamentals, our teams and our brand portfolio, I am confident that Pernod Ricard will emerge from this crisis stronger.

KEY FIGURES

€ million	Net sales	Profit from Recurring Operations		Group Net Profit from Recurring Operations[1]	Group Net Profit	Proposed dividend
FY20	8,448	2,260	26.8%[2]	1,439	329	€2.66 per share[3]
Organic growth[1]	-9.5%	-13.7%				
Reported growth	-8.0%	-12.4%				
FY19	9,182	2,581	28.1%[2]	1,654	1,455	€3.12 per share

(1) Alternative performance indicators are defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators of the Management Report (2) Operating margin. (3) Dividend proposed for approval by the Shareholders' Meeting of 27 November 2020.

An international and decentralised group

AMERICA	EUROPE	ASIA/REST OF THE WORLD
€2,449M	€2,532M	€3,467M
€718M	€605M	€938M
3,802(d)	9,516(d)	5,458(d)

The decentralised model which characterises Pernod Ricard is a major strategic advantage that enables the Group to seize every opportunity for growth. This highly flexible organisation, based on proximity to consumers and customers, has proven its effectiveness.

The Group is present in the three major regions of the world, both in mature and emerging markets. This is a real competitive advantage, making it well positioned to benefit from future growth drivers.

(a) *Source: "The Pernod Ricard Market View", based on IWSR volume data at end 2019.*
(b) *Number of sites operating as of 30 June 2020.*
(c) *Reduction per unit of production between FY10 and FY20.*
(d) *Headcount at 30 June 2020.*
(e) *Source: Impact Databank 2017, published in March 2019.*
(f) *Source: "iSay" survey 2019.*

€8,448M
IN NET SALES

€2,260M
PROFIT FROM RECURRING OPERATIONS

18,776
EMPLOYEES(d)

WORLD N°2
FOR WINES AND SPIRITS

16 BRANDS
AMONGST THE WORLD'S TOP 100(e)

94%
OF EMPLOYEES ARE PROUD TO WORK FOR THE GROUP(f)

A unique portfolio of premium brands

Pernod Ricard has built a unique portfolio of Premium brands on an international scale that is one of the most comprehensive on the market. This portfolio is managed thanks to the "House of Brands", a dynamic tool that allows our affiliates to more efficiently prioritise their marketing investments.

1.

Extracts from the Integrated Annual Report

Section

Message from Alexandre Ricard

"The crisis has above all revealed our three strengths: the resilience of our economic model, the relevance of our strategy and the exceptional commitment of our employees."

ALEXANDRE RICARD
Chairman & CEO
of Pernod Ricard

Over the past several years, the Group has been in a dynamic of far-reaching transformation to increase our agility and operational efficiency, with the sole objective of building the Pernod Ricard of the future, today. 'Building for the long term' is the course we set 45 years ago, when Paul Ricard and Jean Hémard, followed by Patrick Ricard, established the founding principle of creating long-term value for all our stakeholders. This requires our being the first to seize and capitalise on every growth opportunity, wherever it presents itself. At a time when many companies have been compelled to hastily adapt their organisation to face the new context imposed by the Covid-19 crisis, we were already two years into our major business transformation strategy, 'Transform & Accelerate', with its 21 concrete actions to accelerate growth – a process we have been undertaking relentlessly as illustrated by the creation this year of Pernod Ricard France.

This strategy is a crucial asset. In this uncertain period, it has helped us to both gain precious time and to concentrate on the essentials: building a smarter, sharper organisation based on solid fundamentals, underpinned by our culture and our ethos of sharing and conviviality. In 2015, we embraced a new resolutely consumer-centric approach, and in 2017 we reorganised our segmentation by product category to adopt a strategy structured around moments of consumption, or 'conviviality experiences'. These strategies have allowed us to successfully adapt to the constantly changing consumer landscape, a reality that the pandemic has only accelerated. Our latest annual results demonstrated the resilience of our business model and our agility in adapting quickly, confirming the merit of our approach even in the midst of the storm. Digital acceleration, marketing transformation, acquisition of "gem" brands, pooling of expertise: we will continue pursuing these strategies and more in the months and years to come.

Yet these results are equally due to two other key factors: the first is the outstanding dedication of our teams. Over the past months, they have played a decisive role, driven by their commitment to our values and their strong attachment to the company and to their craft. I was truly touched by the exceptional level of their engagement – it is thanks to them that Pernod Ricard was able to react to unprecedented disruption, by reinventing new ways of working and collaborating effectively together. This same involvement also spurred our employees around the world to put their energy into supporting the severely affected café, hotel and restaurant sector and our local communities: for example, by supplying millions of litres of pure alcohol and producing hand sanitiser.

The second crucial factor is the support of our investors. Their belief in the success of our strategy to create long-term value is what allows us to build for the future and work with confidence, staying true to the course we have set, strengthened by the unity of purpose demonstrated by our Board of Directors, whom I wholeheartedly salute for their work during the crisis.

From our employees to our directors, backed by our investors, we have an unbeatable team to face the challenges of the post-Covid world.

In fact, this crisis brought the focus back to what is essential, showing the relevance of our vision 'Créateurs de convivialité'. More than ever, the pandemic has proved our vital need to be together, to share meaningful moments with our loved ones. Physical distancing (and not social distancing, an expression I utterly reject) is contrary to human nature. Yet we must comply. For the time being at least, we must wear masks and respect safe physical distancing in order to protect our communities. Our goal is to work every day to create the conditions that allow the moments of conviviality so vital to humanity to once again be possible in the most optimal way, beginning with the responsible consumption of our products. Equally, this crisis can be seen as a tremendous opportunity to invent innovative ways of interacting and it's been good to see new moments of conviviality appear in the shape of virtual happy hours or live stream events. Nonetheless, we will never lose sight of the fact that one day we will certainly be meeting again in our favourite bars and restaurants to celebrate our reconnection in person. It's what we do. It's our purpose. It's our nature.

Our history

"IN ORDER TO KNOW WHERE YOU'RE GOING, YOU NEED TO KNOW WHERE YOU COME FROM."

PATRICK RICARD

1975

1 Creation of Pernod Ricard from the merger of two French anise-based spirits companies: Pernod, founded in 1805, and Ricard, created in 1932 by Paul Ricard.

1988

2 Acquisition of leading Irish whiskey producer Irish Distillers – owner of Jameson.

1993

3 Creation of joint venture between Pernod Ricard and the Cuban rum company, Cuba Ron to market and sell Havana Club.

2001

4 Acquisition of Seagram, securing key positions in whisky (Chivas Regal, The Glenlivet, Royal Salute) and cognac (Martell) categories.

2003

Signing of the United Nations Global Compact.

2005

5 Acquisition of Allied Domecq, doubling the Group's size to become the world's #2 wine & spirits company, with brands including Mumm and Perrier-Jouët champagnes, Ballantine's whisky, Kahlùa and Malibu liqueurs and Beefeater gin.

Membership of the International Alliance for Responsible Drinking (formerly ICAP[1]).

2008

6 Acquisition of Vin & Sprit – owner of Absolut Vodka.

2010

Adhesion to the United Nations CEO Water Mandate.

2011

Upgrade of Group's credit rating to investment grade.

7 Launch of Responsib'ALL Day, Pernod Ricard's annual social engagement volunteer event involving the Group's entire workforce.

2012

Signing of the Wine & Spirits Producers' five commitments to promote responsible drinking

2015

Appointment of Alexandre Ricard as Chairman & CEO.

2016

8 Acquisition of majority stake in Black Forest Distillers GmbH – owner of the super-premium gin, Monkey 47.

Signing of the United Nations Sustainable Development Goals.[2]

The Institut Océanographique Paul Ricard celebrates its 50th anniversary.

2017

9 Acquisition of majority stake in high-end bourbon producer Smooth Ambler and in Del Maguey Single Village, the #1 mezcal in the United States.

2018

Nomination of Pernod Ricard as a member company of Global Compact Lead[2].

Adhesion to the New Plastics Economy led by the Ellen MacArthur Foundation.

2019

Launch of new 2030 Sustainability & Responsibility roadmap 'Good Times from a Good Place'.

Acquisition of the super-premium gin, Malfy.

10 Acquisition of a majority stake in super-premium bourbon Rabbit Hole Whiskey.

Acquisition of Castle Brands (Jefferson's), expanding our bourbon and whiskey portfolio.

Acquisition of Firestone & Robertson Distilling Co., owner of the super-premium Texan whiskey TX.

Breaking ground for the first single malt distillery in continental China at Emeishan (Sichuan).

2020

Announcement of our commitment to ban all single-use plastic at the point of sale, by 2021.

11 Inauguration of The Island, the Group's new flagship in Paris , which brings together all its Parisian offices and 900 employees.

(1) International Center for Alcohol Policies.
(2) https://www.unglobalcompact.org/take-action/leadership/gc-lead


1

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Our decentralised organisation

Decentralisation is a founding principle of our organisation. From the outset, Pernod Ricard has harnessed the potential of decentralisation to encourage consumer-centric decision-making and address customer needs in a timely manner. Decentralisation confers a competitive advantage in an uncertain environment, as we know it today with the Covid-19 pandemic, rendering company operations more flexible, efficient and effective. With an organisation based on respect for each affiliate's operational autonomy and the overall strategic principles defined at Group level, we can confidently rely on the constant interaction between Headquarters, Brand Companies and Market Companies.

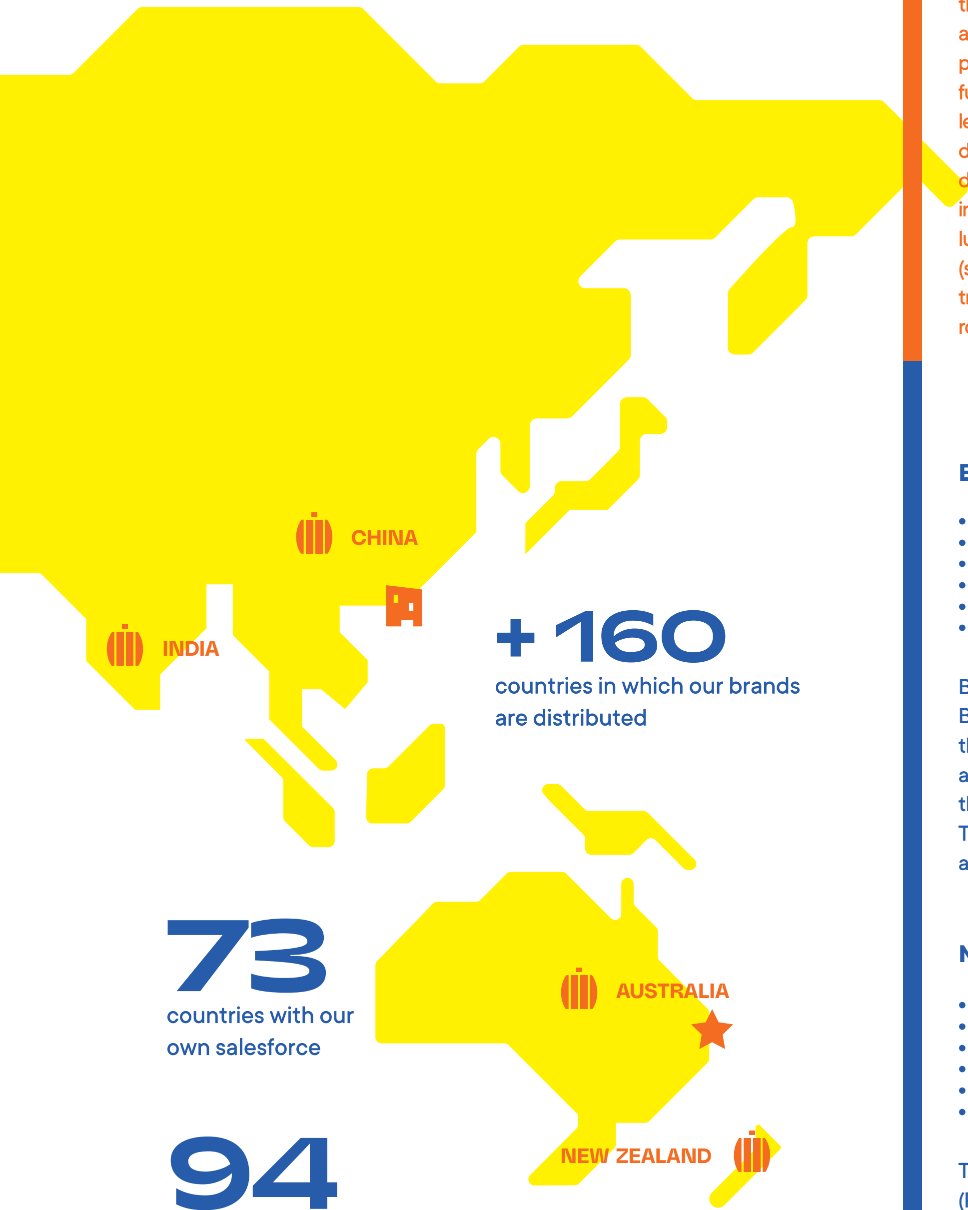
18,776*

employees across the world: 65% are based in Latin America, Africa & Europe of which 12% are in France, 10% are in North America and 25% are in Asia and the Pacific.

* As at 30 June 2020.

4

must-win markets:
United States, China, India
& Global Travel Retail



+ 160

countries in which our brands are distributed

73

countries with our own salesforce

94

production sites in 24 countries*

* Operating sites as at 30 June 2020.

Production site

Brand Company head office

Market Company head office

PERNOD RICARD HEADQUARTERS

Headquarters defines, coordinates and oversees the implementation of the overall company strategy and ensures that affiliates comply with corporate policies. Its main responsibilities are: governance functions (strategy, mergers & acquisitions, finance, legal affairs, corporate communications, talent development, sustainability and responsibility, etc.), dissemination of best practices and cross-functional initiatives with high added value (digital marketing, luxury, innovation, etc.), and support functions (supply chain, IT, etc.). It oversees the Group's major transformation projects and ensures effective rollout across the organisation.

BRAND COMPANIES

- THE ABSOLUT COMPANY
- CHIVAS BROTHERS
- MARTELL MUMM PERRIER-JOUËT
- IRISH DISTILLERS
- PERNOD RICARD WINEMAKERS
- HAVANA CLUB INTERNATIONAL

Based in the home country of each brand, the Brand Companies are responsible for developing the overall strategy for their respective brands, as well as activations that can be implemented at the local level by the Market Companies. They are also responsible for production and management of their industrial facilities.

MARKET COMPANIES

- PERNOD RICARD NORTH AMERICA
- PERNOD RICARD ASIA
- PERNOD RICARD EMEA & LATAM(1)
- PERNOD RICARD GLOBAL TRAVEL RETAIL
- PERNOD SAS(2)
- RICARD SAS(2)

The Market Companies are each linked to a region (Pernod Ricard North America, Pernod Ricard Asia or Pernod Ricard EMEA & LATAM(1)), with the exception of the Group's two founding Market Companies in France, Pernod SAS and Ricard SAS(2). The Market Companies' role is to activate the Group's international brand strategies at the local level and manage the local and regional brands in their portfolio. They are also tasked with implementing the Group's strategy and key policies, such as the implementation of transformation projects launched in recent years.

(1) Europe, Middle East, Africa and Latin America.
(2) 1 July 2020, Pernod SAS and Ricard SAS merged into one single entity, Pernod Ricard France.

Our Mindset, our purpose

At the heart of our organisation, our employees share the same "Pernod Ricard Mindset for Growth", resulting from a successful blend of a decentralised economic model that places our consumers at its heart, and a culture built on our three cardinal values: an entrepreneurial spirit, mutual trust and a strong sense of ethics.

1 Men & women of Pernod Ricard: pride and commitment

18,776 employees engaged in fulfilling the Group's vision of 'Créateurs de convivialité' and realising its leadership ambition. At Pernod Ricard, we are:

- **Proud to belong**
- **Empowered to perform**
- **Committed to care**

Pernod Ricard achieves record engagement rates as shown once again in the 2019 independent opinion survey *I Say*[1]. Since this survey was launched 10 years ago, the figures related to our employees' commitment, pride and support for the Group's values have been high. And this year's exceptional mobilisation in the face of the Covid-19 crisis confirms these results.

- 94% of our employees are proud to be associated with Pernod Ricard
- 88% are engaged or highly engaged in the company
- 74% say they have a good understanding of our 'Transform & Accelerate' strategy

A purpose-driven business that is externally recognised as one of the world's most admired companies[2] and a 'best employer' in France[3].

2 An economic model: decentralisation

By respecting the autonomy of our affiliates, we combine the power of a large Group and the agility of a start-up. The Group manages large cross-functional projects and pools certain expertise so that local subsidiaries can focus on the essential: growing their activity in their market by placing the consumer at the centre.

- **Placing decision-making closer to markets**
- **Fast response to consumer needs**

When lockdown measures were gradually put in place from early 2020, our decentralised model enabled us to quickly respond to local needs. Our manufacturing sites produced 1 million litres of hand sanitiser and provided a total of 4 million litres of pure alcohol, while also supporting the local community and hospitality sector.

3 Our cardinal values

Our three cardinal values make up our culture and connect everyone who works at Pernod Ricard throughout the world and across our brand portfolio: 95% of our employees say they support the Group's values [(1)].

ENTREPRENEURIAL SPIRIT

- **Autonomy**
- **Initiative-taking**
- **Audacity**
- **Appetite for risk**

We embrace our entrepreneurial spirit by promoting creative thinking and empowering our teams to innovate. Part of our 'TransfoHRm' strategy is about defining and implementing a model of leadership which managers are evaluated on every year and which is founded on boldness, a conquering spirit, the ability to adapt and collaborate, as well as the desire to make the most of diversity,

MUTUAL TRUST

- **Freedom to act**
- **Open dialogue**
- **Right to make mistakes**

We work in a spirit of collaboration and mutual trust. There can be no entrepreneurial spirit without trust. Likewise, trust is a prerequisite in all our relations with our partners. As part of our S&R roadmap we are working hand in hand with our stakeholders – farmers, suppliers and local communities – to identify and map the social and environmental risks in our supply chains. Today, close to 92% of Martell's 1,200 partner winegrowers take an active part in working to improve environmental practices.

SENSE OF ETHICS

- **Respect**
- **Transparency**
- **Good stakeholder relations**

Beyond the very nature of our business – the sale of alcohol which requires a great sense of responsibility – ethics is a central element of our culture. Indeed, in the same way as there is no entrepreneurial spirit without trust, there can be no trust without respect for others and transparency in relationships. Doing business with the same requirement of integrity is crucial for us wherever we are in the world. In September 2019, we successfully launched a mandatory MOOC[(4)] for all employees (92% completion rate so far) to ensure proper ownership of our new Code of Business Conduct which defines our responsibilities in ten key areas, from the fight against corruption and money laundering to the protection of personal data and our brands.

4 An attitude: conviviality, which defines our purpose

Last but not least, conviviality is probably the most important element of our Mindset. First of all, because it gives a meaning to our three cardinal values: there can be no mutual trust or initiative without conviviality, that is to say without simple, informal, non-hierarchical, direct and transparent relationships. Secondly, because conviviality is our purpose and our *métier*. Our corporate signature 'Créateurs de convivialité' is about turning every social interaction into a genuine, friendly and responsible experience of sharing. Finally, in these uncertain times in which we need to act faster and be ever more agile, conviviality is a performance accelerator because it encourages more collaborative working. 83% of our employees believe that conviviality is what makes Pernod Ricard unique [(1)].

(1) *I say* survey, July 2019, Willis Towers Watson.
(2) 680 World's Most Admired Companies, *Fortune* magazine, 2020.
(3) 500 Meilleurs Employeurs en France, *Capital* magazine, 2020.
(4) Massive Open Online Course.

Our brand portfolio

Pernod Ricard has a unique portfolio of premium brands encompassing every major category of wine and spirits. As one of the most comprehensive portfolios in the market, it provides the Group with a unique competitive advantage. Constantly evolving thanks to a dynamic management policy driven by brand acquisitions or disposals, Pernod Ricard's portfolio allows it to always be in line with new trends while investing in the most promising segments and brands.

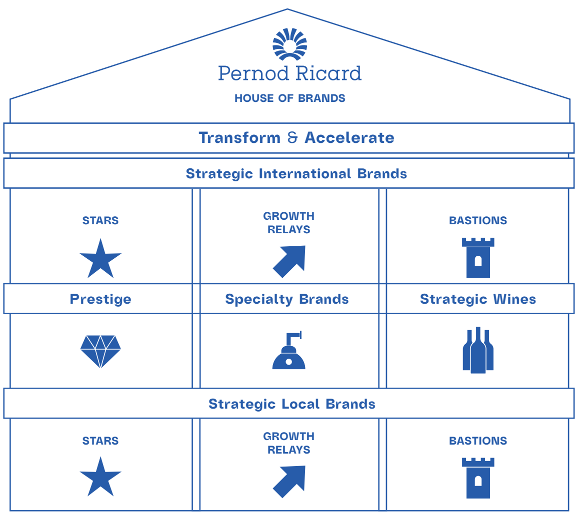
OUR HOUSE OF BRANDS

To ensure an optimal allocation of resources for key brands across all our markets, the Group uses its brand planning tool – the House of Brands – which encompasses five categories of brands:

Strategic International Brands are the heavy weights of our portfolio, as they account for the highest share of global business and potential. They are our worldwide top priorities and the reference brands in each category;

Prestige Brands, our portfolio of highly desirable global luxury brands, target our most affluent consumers in leading and iconic outlets all over the world. It is the industry's most comprehensive portfolio, spanning all major luxury categories and moments of conviviality;

Strategic Wines cover a wide range of origins and tastes. Shared over a meal or on other occasions, wine is more and more appreciated around the world by a growing variety of consumers;



Specialty Brands meet a growing demand for smaller-scale 'craft' products. Authentic, these brands offer a unique and comprehensive value proposition that responds to new consumer trends and expectations;

Strategic Local Brands are strongly rooted brands in a limited number of specific markets. They benefit from very strong local consumer value and loyalty, irreplaceable for some local occasions. This part of our portfolio is often a booster of our route-to-market.

PRIORITISING OUR INVESTMENTS

Using the House of Brands and in-depth consumer insight, our local Market Companies identify the potential of each brand in each market and determine their strategy based on three types of investment priorities:

Stars – our leading brands sold internationally or locally – benefit from significant investment to enable them to continue leading the way in different categories and actively contribute to the Group's growth;

Growth Relays also benefit from increased resources as they serve to capture different moments of conviviality in highly attractive categories and, at the same time, offer a promising growth outlook in the medium and long term;

Bastions, which are brands that are mature or in very competitive sales categories, receive enough investment to ensure that we protect their market share, sales and profits;

The House of Brands affords us the agility to make investment choices that strike the right balance between short-, medium- and long-term goals, while continuing to build brands that win throughout our must-win geographies.

House of Brands

Strategic International Brands

Prestige

Specialty Brands*

Strategic Wines

Strategic Local Brands

* non-exhaustive list

Our strategy ‘Transform & Accelerate’

OUR CONSUMERS ARE AT THE HEART OF OUR STRATEGY

Today’s consumer landscape is constantly changing, shaped by a number of forces. A new ‘connected’ consumer is emerging, who is thirsty for a sense of purpose and new experiences. There is greater awareness of what’s happening around us leading to a focus on all things local and environmental concerns.

In newer markets, rapid economic development is dramatically expanding the base of middle-class and affluent consumers, changing consumption patterns. All over the world, technology is transforming consumer behaviour, which is disrupting traditional relationships between businesses and customers, and requires the invention of new types of engagement.

These changes, which have accelerated with the Covid-19 crisis, have a direct impact on our business: our proximity to consumers is essential to ensure our decisions reflect their aspirations. Equally, the rapid pace of change requires speed and agility in our decision-making.

4 ESSENTIALS

OPERATIONAL EXCELLENCE
Reduce complexity & foster efficiency

TALENT DEVELOPMENT
Recruit, retain & develop diverse teams

SUSTAINABILITY & RESPONSIBILITY (S&R)
Lead the industry in Sustainability & Responsibility

ROUTE-TO-MARKET / CONSUMER
Capitalise on our many different distribution channels in order to reach all of our customers and consumers

In 2018, we launched a new strategic roadmap, 'Transform & Accelerate' with a clear objective: to transform our organisation and ways of working together in order to accelerate our growth. Mutualising, prioritising, simplifying, are some of the guiding principles which have already helped the Group to gain in agility and operational efficiency, qualities which have proved to be essential not only during the most acute moment of the pandemic but even more so in preparing for our future.

'TRANSFORM & ACCELERATE' TO WIN IN OUR BATTLEGROUNDS

In order to meet our consumers' expectations, we've identified four battlegrounds: winning in our key markets: US, China, India and Global Travel Retail; building 'passion brands'; funding our journey by pursuing sustainable and diversified growth; and valuing people, making our employees and communities the drivers and beneficiaries of this acceleration.

Consisting of 21 concrete actions, this plan aims to transform our company in order to 'Prepare the Future' and accelerate our growth by getting 'More from the Core'.

The success of this strategic plan is based on an economic model which places the consumer at its centre and which is built around four Essentials based on our historical strengths and four Accelerators aimed at responding to changing trends in our markets.

4 ACCELERATORS

PORTFOLIO MANAGEMENT

Position one of our brands at each and every shared moment of celebration, rooted in local specificities

INNOVATION

Create brand experiences through new products and services

PREMIUMISATION & LUXURY

Premiumise the portfolio & strengthen our position as the leader in luxury spirits

DIGITAL ACCELERATION

Accelerate the integration of digital into everything we do

Our S&R roadmap

One year into its 2030 Sustainability and Responsibility (S&R) roadmap - 'Good Times from a Good Place', Pernod Ricard is progressing strongly. A strategy that is proving an important lever to accelerate transformation and highly relevant to our consumer concerns in the new context of Covid-19 as we move towards a greener and more inclusive economy.

Pernod Ricard's S&R roadmap connects the Group's history as a sustainable and responsible company with its goal to create long-term value for all stakeholders: shareholders, employees, consumers, clients, suppliers, international organisations, citizens... Integrated into all Pernod Ricard activities and addressing the business from grain to glass, it's a key business driver and central to the 'Transform & Accelerate' strategic plan.

Responding to major environmental and social shifts, the S&R strategy allows the Group to focus corporate priorities on what matters most to consumers. By boosting responsible innovation and building purposeful brands, Pernod Ricard is bringing to life its vision of a more convivial world without excess.

A collaborative strategy. Developed through extensive consultation and collaboration between internal teams, external partners and experts, the S&R roadmap was launched in 2019 with a focus on four key pillars: Nurturing *Terroir*, Valuing People, Circular Making, Responsible Hosting. Each pillar has defined commitments, actions and measurable targets to monitor progress. Projects are driven by multidisciplinary teams involving people across our value chain, from employees to farmers, partners and suppliers.

Commitments and progress. S&R commitments address consumer needs and material risks facing the world and the Group today, such as climate change, human rights and waste. By directly supporting the United Nations Sustainable Development Goals (SDGs), Pernod Ricard is aligning itself with the collective effort to build sustainable prosperity by 2030. Already the Group has made strong progress in several areas, for example all sites in France are now powered by 100% renewable electricity and single-use plastic point-of-sale items will be eliminated by 2021 – four years ahead of schedule.

> **"SHAPING A MORE SUSTAINABLE AND RESPONSIBLE STYLE OF CONVIVIALITY"**

Guiding short and long-term priorities. A structured roadmap gives clear future direction as well as strengthening business resilience in the face of immediate challenges. It has empowered the Group to navigate through the Covid-19 crisis, which significantly impacted the drinks and hospitality sectors, while continuing to support employees and business partners.

'Good Times from a Good Place' is a long-term strategy that is right, relevant and ready for the future: to shape a more sustainable and responsible style of conviviality.

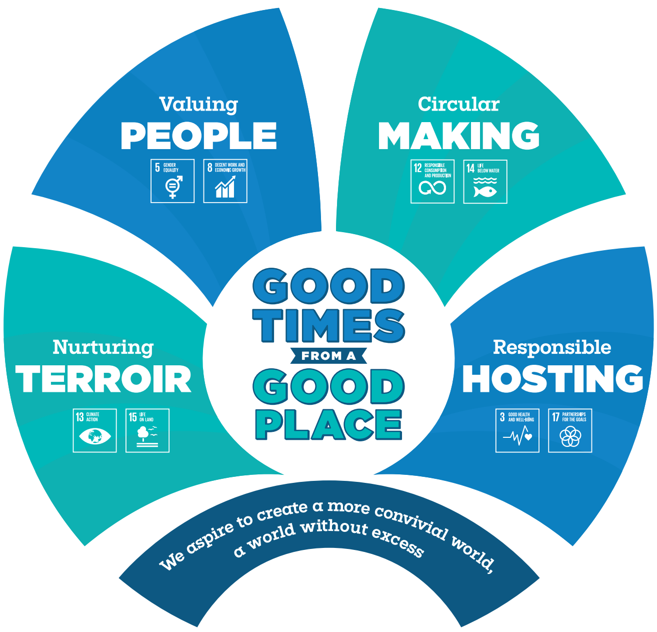
OUR FOUR PILLARS

_ VALUING PEOPLE

As 'Creators of conviviality', our purpose is about sharing, warmth, care and respect for people everywhere. We strive to provide 'Decent Work & Economic Growth' (SDG 8) and to champion 'Gender Equality' (SDG 5) throughout our business. To create shared value for all our stakeholders, we are continuously reinforcing our commitments to human rights, diversity and inclusion across our leadership, health and safety, responsible procurement, training and sustainable bartending.

_ CIRCULAR MAKING

The world is made of finite resources that are under huge pressure. By contributing to 'Responsible Consumption & Production' (SDG 12) and protecting 'Life Below Water' (SDG 14) our goal is to help preserve natural resources. In moving towards a more circular business model – from the packaging we use to the promotional items we produce to the way we distribute our products and how they are ultimately recycled – we are actively striving to minimise our carbon footprint and protect our natural resources.



_ NURTURING *TERROIR*

As each and every Pernod Ricard product takes its character from the land where it was grown, we have made it a priority to combat 'Climate Change' (SDG 13) and protect 'Life on Land' (SDG 15). To ensure we maintain healthy and resilient ecosystems that allow us to continue producing quality products for the generations to come, we are committed to nurturing every *terroir* and its biodiversity. To address our agricultural footprint across the 250,000 hectares from which we source our ingredients, we are developing sustainable and regenerative agricultural practices to be implemented across our business.

_ RESPONSIBLE HOSTING

We believe that we have an important part to play in combating alcohol misuse and supporting 'Health and Well-being' (SDG 3), through our responsible drinking programmes and campaigns, and our commitment to responsible marketing and consumer information. To that end, we will continue building 'Partnerships for Goals' (SDG 17) at a local and global level.

Progress so far

One year on from the launch of our 2030 S&R roadmap, four employees representing our four S&R pillars and eight leading commitments tell us what we have achieved so far.

JEAN-FRANÇOIS ROUCOU
Group Director of Sustainable Performance

NURTURING TERROIR

OUR LEADING COMMITMENTS

- 100% of our affiliates will be engaged in a strategic biodiversity project (2030)
- Deploy pilot programmes in our 8 wine regions (2025)[1] in regenerative agriculture and share this knowledge further with 5,000 farmers (2030)

“

At Pernod Ricard, all our products come from nature. Our goal to move towards regenerative agriculture, which protects the land and the living, represents an ambitious transformation. Working with procurement teams in all our affiliates, we've launched a full mapping of supply chains for core ingredients from grain, grapes to agave and sugar cane. It's a vital starting point for identifying pressing sustainability issues and potential biodiversity projects that we are defining with farmers and local partners.

A key strength is being able to share knowledge across our different *terroirs*. Initiatives like the relaunch of our Wine Hub network on viticulture and wine making ensure that we can replicate regenerative practices elsewhere: like planting a variety of nutrient-rich crops between vines in Cognac which is optimising the nitrogen cycle, improving soil quality, sequestering carbon and creating an important ecosystem within the vineyard.

VALUING PEOPLE

OUR LEADING COMMITMENTS

- Ensure equal pay (2022), a gender balanced top management (2030) and future-fit training for our employees at least every 3 years so that they can acquire new skills (2030)
- Train 10,000 bartenders on techniques for a more sustainable bar world (2030)

“

As part of creating the best work environment for our employees, we've rolled out an updated Group Health and Safety policy, 'Taking care of each other', based on the key priorities of culture, leadership and performance.

Already underway, digital transformation has been accelerated during the Covid-19 crisis as we adopted new tools and ways of working. Pernod Ricard University created a library of online training resources enabling employees to build up their skills. For our bartending community, we developed in partnership with Trash Tiki 'an anti-waste bartending duo', and the Sustainable Restaurant Association, a free sustainability and responsibility hospitality e-learning module, which was uploaded on the United Nations' Educate All platform to promote the Bar World of Tomorrow.

Diversity and inclusion actions have helped us close the gap (currently 2.3%) towards equal pay across our business, by 2022. Leveraging the awareness created by the global Better Balance initiative over the last 3 years, we are now moving on to the next stage to create an ever more inclusive organisation so that diversity becomes a real mindset, fully aligned with our value of conviviality.

LANI MONTOYA
Director Global Talent Management, Diversity & Inclusion

CARINE CHRISTOPHE
Group Environmental Manager

CIRCULAR MAKING

OUR LEADING COMMITMENTS

- Ban all single-use plastic POS by 2021, and have 100% recyclable, reusable, compostable or biobased packaging (2025); develop 5 pilot projects based on the circular economy model for the distribution of our products (2030)
- 100% water balanced in high-risk countries and 50% reduction in carbon intensity (2030) aligned with the Science Based Targets initiative to limit global warming to 1.5°C

“

A circularity mindset is the key principle at the heart of our strategy on water, carbon and packaging to avoid waste during the life of our products.

To reach our goals, we've set out to ensure all our teams have a clear understanding of what's involved, where we need to focus and analyse the technologies and tools that will help us reach our circularity vision. It's also important to collaborate across our supply chain, with local communities as well as with other industrial partners so together we embrace circular thinking from product design, manufacturing, and to the end of life of products. Our new sustainable packaging and point-of-sale guidelines have spurred us to phase out all single use plastic point-of-sale by 2021 – four years ahead of schedule – as announced in June 2020.

RESPONSIBLE HOSTING

OUR LEADING COMMITMENTS

- 100% of our affiliates will have at least one programme in partnership and at scale fighting alcohol misuse (2030)
- Expand the Responsible Party programme to reach at least 1 million young adults (2030)

“

Translating our commitment to responsible drinking into concrete actions has been an important focus in a year where confinement has heightened societal concerns about alcohol abuse.

We launched a MOOC on alcohol and responsible drinking that embeds our new Global Responsible Drinking Policy so all our employees understand the key facts about alcohol and our expectations of them as ambassadors. This has been adapted and shared on the United Nations' Educate All learning platform.

With the support of IARD[2], we have announced a new set of actions aimed at accelerating efforts toward eliminating underage drinking, including the introduction of an age-restriction symbol on all our brand products, including alcohol-free extensions, as well as developing new self-regulatory models to ensure only adults are able to purchase our brands on e-commerce platforms.

Over 150 global and local programmes all involve close collaboration with industry, governmental and local partners. Our flagship programme Responsible Party had come to a provisional halt during the lockdown as all student parties were cancelled, but we were quick to launch a digital campaign #SharingGoodVibes to promote healthy lifestyle and responsible drinking.

CAMILLE DE POTTER
Head of Strategy & Prevention

(1) Argentina, Australia, California (USA), Champagne (France), China, Cognac (France), Spain, New Zealand.
(2) International Alliance for Responsible Drinking.

Our Board of Directors

The Board of Directors oversees the governance in an ethical and transparent manner while ensuring that the business is managed in the best interests of its stakeholders. The Board members, who bring together complementary skills and experience, ensure that the Group pursues its business strategy with the primary goal of increasing the value of the Group.

ORGANISATION

In accordance with the AFEP-MEDEF Code of Corporate Governance for listed companies, Pernod Ricard respects the independence criteria established in the Code. The Board is comprised of 14 members, eight of whom are independent and two of whom represent Group employees. Following the recommendation of the Nominations, Governance and CSR Committee, as of 23 January 2019, the Board appointed a Lead Independent Director.

The Internal Regulations stipulate that the Board members must meet at least six times per year for meetings that are presided by the Chairman of the Board, who is also Pernod Ricard's Chief Executive Officer. The Chairman reports on the Board's progress at the Annual Shareholders' Meeting. The Chairman is tasked with ensuring that the Group's bodies run smoothly, which includes providing the Directors with the information and the resources they need to fulfil their duties. The role of the Lead Independent Director is notably to convene and chair the meetings of the Board of Directors in the absence of the Chairman and CEO, conduct the annual assessment of the functioning of the Board of Directors on the basis of individual interviews with each Director, prevent the occurrence of conflict of interest situations, ensure compliance with the rules of the AFEP-MEDEF Code and the Board's Internal Rules and Regulations, convene and chair the Executive Session, review shareholders' requests for corporate governance and ensure that they are answered and meet with the Company's investors.

In order to further root its work in the Group's daily business operations, the Board holds one meeting per year in an operating affiliate.

FY20 ACTIVITY

Over the course of FY20, the Board met nine times, with an attendance rate of 100%. An exceptional Board meeting and several follow-up meetings were held this year in the context of the sanitary crisis. The average length of the meetings was approximately four hours. Their main activities were to:

- approve the half-year and annual financial statements;
- review the budget;
- oversee the preparations for the Annual Shareholders' Meeting;
- review and approve the work of the four specialised committees;
- review presentations of the activities of the functional departments and affiliates;
- review its own functioning and that of its committees;
- manage the sanitary crisis.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors is assisted in its work by four specialised committees which provide advice and recommendations for the Board's discussions. The Strategic Committee – created and presided by Alexandre Ricard since 2015 – reviews key subjects for the Group, issues recommendations on acquisitions, divestitures and partnership projects and studies all strategic matters of interest to the Group. The Audit Committee notably reviews the half-year and annual draft financial statements, monitors the Group's cash flow and debt situation and assesses the Group's risk management and internal control systems.

The Nominations, Governance & CSR Committee notably proposes new Directors and reviews the composition and operation of the Board, CSR issues and the Group's performance and talent-management policy. Lastly, the Compensation Committee notably defines the remuneration policy for the Group's Executive Directors, proposes a general long-term remuneration policy and implements an annual plan for the allocation of options and performance shares.

66.7%
Independent Directors

42.8%
Non-French Directors

41.6%
Female Directors

100%
Attendance rate

Alexandre Ricard

Chairman & Chief Executive Officer, Strategic Committee Chairman

Philippe Petitcolin

Independent Director
Audit Committee Member, Compensation Committee Member

Patricia Barbizet

Lead Independent Director
Nominations, Governance & CSR Committee Chairwoman
Compensation Committee Member

Ian Gallienne

Independent Director
Strategic Committee Member, Compensation Committee Member

Maria Jesus Carrasco Lopez

Employee Director

Wolfgang Colberg

Independent Director
Audit Committee Chairman, Strategic Committee Member, Nominations, Governance & CSR Committee Member

Stéphane Emery

Employee Director
Compensation Committee Member

César Giron

Director
Strategic Committee Member, Nominations, Governance & CSR Committee Member

Esther Berrozpe Galindo

Independent Director

Anne Lange

Independent Director
Strategic Committee Member

Paul-Charles Ricard

Director
Permanent Representative of Société Paul Ricard

Gilles Samyn[1]

Independent Director
Audit Committee Member

Kory Sorenson

Independent Director
Audit Committee Member, Compensation Committee Chairwoman

Veronica Vargas

Director

(1) Mr. Gilles Samyn has informed the Board of Directors of his decision to resign from his position as Independent Director as of the Shareholders' Meeting on 27 November 2020.

Our Executive Board & Executive Committee

Executive Board & Executive Commitee

(as of 30 June 2020)

Alexandre Ricard
Chairman & Chief Executive Officer, Executive Director

Hélène de Tissot
EVP, Finance, IT & Operations

Christian Porta
Managing Director, Business Development and Digital Transformation

Cédric Ramat
EVP, Human Resources, Sustainability & Responsibility

Amanda Hamilton-Stanley
Group General Counsel & Chief Compliance Officer

The Group's general management is led by the Chairman & CEO, who is assisted by the Executive Committee. Under his authority, the Executive Committee implements the Group's main policies. The Executive Board is the permanent body responsible for coordinating and leading the Group, in cooperation with the Chairman & CEO, whom it assists with his responsibilities. The Executive Board reviews all decisions related to Group affairs and submits various matters to the Board of Directors when approval is required. It steers and coordinates the major transformation projects launched recently, organises the work of the Executive Committee and defines objectives for its members, in particular by signing off the strategic plan, the budget and regular business reviews. The Executive Committee, the Group's managing body, has 15 members – the five members of the Executive Board as well as the Managing Directors of the main Group affiliates. They meet once per month, either at Headquarters or at an affiliate site. Under the direction of the Chairman & CEO, the Committee helps to define the Group's strategy and plays an essential coordinating role between Headquarters and the affiliates, and amongst the affiliates themselves (Brand Companies and Market Companies). The Committee is responsible for overseeing the Group's business activities and ensuring that its main policies are applied. More specifically, the Committee analyses the performance of the Group's business in relation to its market plan (budget and strategic plan); actively participates in setting financial and operational objectives (financial results, debt and qualitative objectives); periodically reviews the brand and market strategies; analyses performance and evaluates changes in the organisation as needed; and approves and ensures compliance with the Group's main policies.

Executive Committee members

(as of 30 June 2020)

Christian Porta

Managing Director,
Business Development and
Digital Transformation

Hélène de Tissot

EVP, Finance,
IT & Operations

Amanda Hamilton-Stanley

Group General
Counsel & Chief
Compliance Officer

Alexandre Ricard

Chairman & Chief
Executive Officer,
Executive Director

Ann Mukherjee

Chairwoman & CEO
of Pernod Ricard
North America

Gilles Bogaert

Chairman & CEO
of Pernod Ricard
Europe, Middle East,
Africa and Latin America

Philippe Guettat

Chairman & CEO
of Pernod Ricard Asia

Cédric Ramat

EVP, Human Resources,
Sustainability & Responsibility

Jean-Christophe Coutures

Chairman & CEO
of Chivas Brothers

César Giron

Chairman & CEO
of Martell Mumm
Perrier-Jouët

Mohit Lal

Chairman & CEO
of Pernod Ricard
Global Travel Retail

Anna Malmhake

Chairwoman & CEO
of The Absolut
Company[2]

Bryan Fry

Chairman & CEO
of Pernod Ricard
Winemakers

Conor McQuaid

Chairman & CEO
of Irish Distillers
Group

Philippe Coutin

Chairman of Ricard SAS
and Pernod SAS[1]

(1) Pernod Ricard France as of 1 July 2020.
(2) Following her departure from the Group on 4 September 2020, Anna Malmhake was replaced by Stéphanie Durroux, previously CEO of Pernod Ricard Sweden/Northern Europe.

Our value creation model

Our resources

HUMAN CAPITAL

Our employees around the world are at the heart of everything we do. Their mindset and the diversity of their expertise and profiles gives the Group greater agility and adaptability in an increasingly volatile context.

- **18,776 employees** across close to 80 affiliates
- **88%** outside of France
- **Women make up 37% of global workforce** [a] and 44% of newly recruited employees [d]
- **1.7% of Group payroll** invested in training [d]

INTELLECTUAL CAPITAL

Innovation is part of our DNA. Our Brand Companies and Market Companies continuously work to ensure that we respond to our customers' and consumers' desires and expectations.

- **38 strategic** brands in our global portfolio, the House of Brands
- **16 Brands** in the Impact Top 100
- **4 Marketing Centres** of Excellence to sharpen consumer insight (Cultural Foresight, Equity, Consumer Understanding & Targeting, Shoppers, E-Shoppers & Travellers, Mix Optimisation)
- **Implementation of global digital tools** that allow us to adapt our marketing strategies in real-time

FINANCIAL CAPITAL

Our investors and shareholders provide the financial resources and stability needed for the Group to undertake its activities.

- **Share Capital allocation:** Société Paul Ricard & Others (16.4%), GBL (7.5%), Board/Management/Employees/Treasury/Shares (2.5%), Institutional Investors (69.5%), Individual Shareholders (4.1%) [i]
- **Net debt/EBITDA:** 3.2x [a]
- **Market capitalisation:** EUR 41 billion [a]

INDUSTRIAL CAPITAL

We continuously strive to improve our manufacturing and distribution processes in terms of safety, quality and efficiency, capitalising on the many innovations brought about by Industry 4.0.

- **94 production sites** in 24 countries [a]
- Natural resources from **+275,000 hectares** of land including 5,602 hectares of vineyards operated by the Group
- **EUR 5.1 billion** [a] in maturing inventory
- **EUR 364 million** of CAPEX
- Distribution network in **+160 countries**

SOCIAL CAPITAL

Due to the diversity of our brands, Pernod Ricard is deeply rooted in local communities. We are committed to building long-standing and ethical relationships with all our partners – farmers, suppliers, academics & bartenders.

- **Code for Commercial Communications** ensures that our commercial communications do not encourage or condone irresponsible consumption or misuse of any kind.
- **Targeted action** on the ground to tackle alcohol-related harm. Often working with industry peers and external partners.

ENVIRONMENTAL CAPITAL

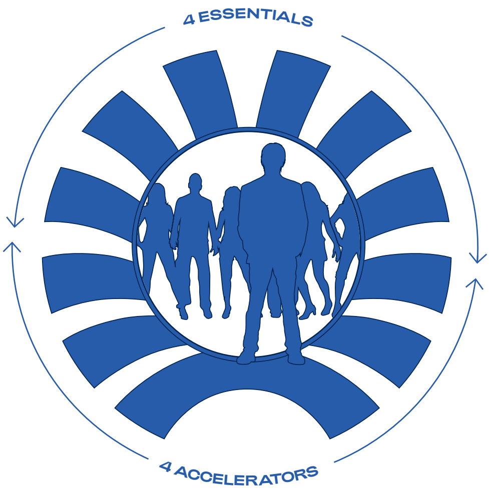
Natural resources and raw materials are used at every stage of production up until the final packaging. We are committed to nurturing our *terroir* and producing our products in a circular way, in order to ensure the resilience of our business.

- Energy consumption per unit produced: **6.19 kWh** per litre of distilled pure alcohol [a]
- **6.5 million m^3** of water consumption [f]
- The primary materials used for packaging are **glass (875 kt)** and **cardboard (59.7 kt).** [a]

Our consumer-centric strategy

5 consumer trends impacting our strategy

- A quest for meaning and new experiences
- A new geopolitical context
- The emergence of new middle classes
- Digitalisation of usages and work
- The need for agility and responsiveness



4 ESSENTIALS

- Operational excellence
- Talent development
- Sustainability & Responsibility (S&R)
- Route-to-market / consumer

4 ACCELERATORS

- Portfolio management
- Innovation
- Premiumisation & luxury
- Digital acceleration

(a) As at 30 June, 2020.
(b) According to the 2019 *I Say* survey.
(c) Per unit of production between fiscal years FY10 and FY20.
(d) In FY20.
(e) *Impact Databank* 2020, based on 2019 data.
(f) 22.8 million m^3 of water was taken from the Group's industrial sites. Only 6.5 m^3 constitute water consumption, the rest being exclusively used by cooling installations and restored without any impact on the environment.
(g) Internal definition of top management: Job band C and above.
(h) Since 2010.
(i) As at 31 March 2020.

At Pernod Ricard, we believe that real value can only be created over time if it is beneficial for all of our stakeholders – starting with our consumers who are at the heart of our strategy. Our goal is to continue accelerating our Group's transformation; we aspire to not only being 'Créateurs de convivialité', but creators of economic, social and environmental value.

Our impacts

Make our employees grow

- **94% of employees** are proud to work for Pernod Ricard[b]
- Record subscription rate for 2019 first-ever Group employee **shareholding plan: 41.5%**

Create new products and services

- Prestige, LeCercle Portfolio: **12% of our sales**[d]
- **Innovation represents 7% of our sales**[d]
- **+1,000 employees** from 6 Brand Companies and 6 Market Companies monitor their brands and our competitors as well as campaigns and activations via **one single monitoring tool**

Create long-term value

- The Group has **gained** or maintained value share in **its top 10 markets**
- Acceleration of its **digital transformation** in FY20
- Dividend proposed of EUR **2.66**[a].

Producing high-quality products and enhancing our production capacity

- **93.3% of our sites are ISO 14001-certified**[a]
- **99% of our vineyards are certified according to environmental standards**
- **Provide employment in local economies, especially in agriculture through the production and purchase of raw and processed agricultural products (2.5 million tonnes per year)**

Promote responsible drinking and engage with our partners and communities

- **More than 300 commercial** communications have been submitted to the Responsible Marketing Panel, of which **93%** were compliant
- **More than 150 responsible** drinking initiatives worldwide, including our flagship program Responsible Party which has reached more than **400,000 students** across 32 countries[h]

Minimise our impact on the environment by limiting waste, consumption and use of natural resources

- **-33% of CO_2 emissions (scope 1+2)**[c]
- **-23% of water consumption**[c]
- **-80% of non-recycled waste** (landfilled or incinerated) per litre of finished product[c]

Our medium- and long-term ambitions

PEOPLE

Capitalise on our diverse teams
By 2030, our top management[g] team will be gender-balanced.

Share knowledge and learning
By 2030, 100% of employees will have received future-fit training at least every 3 years.

By 2030, we will train 10,000 bartenders on the bar world of tomorrow.

By 2030, we will partner with 5,000 farmers to share our acquired knowledge on regenerative agriculture.

Fight alcohol misuse
By 2030, all affiliates will have at least one partnership programme implemented at scale and evaluated.

By 2030, Pernod Ricard will expand its 'Responsible Party' programme globally to reach at least 1 million young adults.

Develop strong and inclusive brands
By 2023, we will align all commercial communications with ethical advertising rules.

PROFIT

Embed dynamic growth and deliver operating leverage
Our FY19-21 plan projects top line growth of +4 to +7% underpinned by leveraging our unique premium portfolio and winning in our four key markets.

Delivering operating leverage
Our FY19-21 plan projects a strong financial performance, with an expansion of operating margins by approximately 50 to 60 BPS per year.

PLANET

Preserve biodiversity and regenerative agriculture
By 2030, all affiliates will have implemented a strategic biodiversity project addressing the most pressing local biodiversity issues.

By 2025, we will develop regenerative agriculture pilot schemes within our vineyards across 8 wine regions.

Deploy circular models
By 2021, we will ban all POS promotional items made from single-use plastic and, by 2025, 100% of our packaging will be recyclable, compostable, reusable or bio-based.

By 2030, we will pilot 5 new circular ways of distributing wine & spirits and help increase recycling rates in the top 10 largest markets with low recycling levels.

By 2030, we aim to be water balanced in all high-risk watersheds, replenishing 100% of water consumption from production sites.

By 2030, we commit to reducing the overall intensity of our carbon footprint by 50% aligned with Science Based Targets (SBT).

Our key financial figures

LEADERSHIP POSITIONS

No. 1

WORLD NO. 1 FOR PREMIUM AND PRESTIGE SPIRITS [1]

16

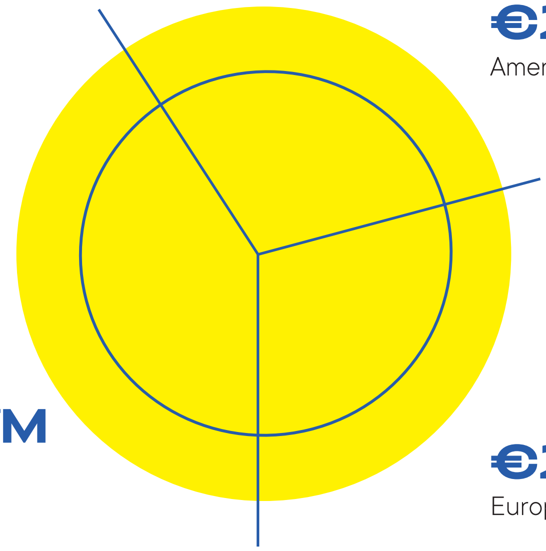
BRANDS AMONGST THE WORLD'S TOP 100 [2]

No. 2

WORLD NO. 2 IN WINE & SPIRITS INDUSTRY [1]

FINANCIAL METRICS FY20

SALES PER REGION



€2,449M
Americas

€3,467M
Asia/Rest of World

€2,532M
Europe

€1,439M
Net Profit from Recurring Operations (Group share)

€2,260M
Profit from Recurring Operations

€8,448M
Net sales

(1) Source: *The Pernod Ricard Market View*, based on IWSR volume data ending 2019.
(2) Source: *Impact Databank 2020*, based on 2019 data.

Our key non-financial figures

PROTECTING THE PLANET

33%

REDUCTION IN CO_2 EMISSIONS(3)

23%

REDUCTION IN WATER CONSUMPTION(3)

EMPLOYEE ENGAGEMENT

94%

of employees are proud to work for the Group

92%

of our employees believe that their company is socially responsible in the community (4)

86%

declare that people within their department are encouraged to act responsibly and to conduct their activities in line with our sustainability & responsibility engagements.

83%

Feel that the concept of conviviality is what makes Pernod Ricard unique.

86%

Believe conviviality (approachable, straightforward, and friendly) is a reality at Pernod Ricard.

90%

Believe strongly in the goals and objectives of Pernod Ricard.

(3) Per unit of production between FY10 and FY20.
(4) Source: Results of the July 2019, Willis Towers Watson, *I Say* survey.

2.

Corporate Governance

Section

This section presents the report of the Board of Directors on corporate governance as required by article L. 225-37 of the French Commercial Code.

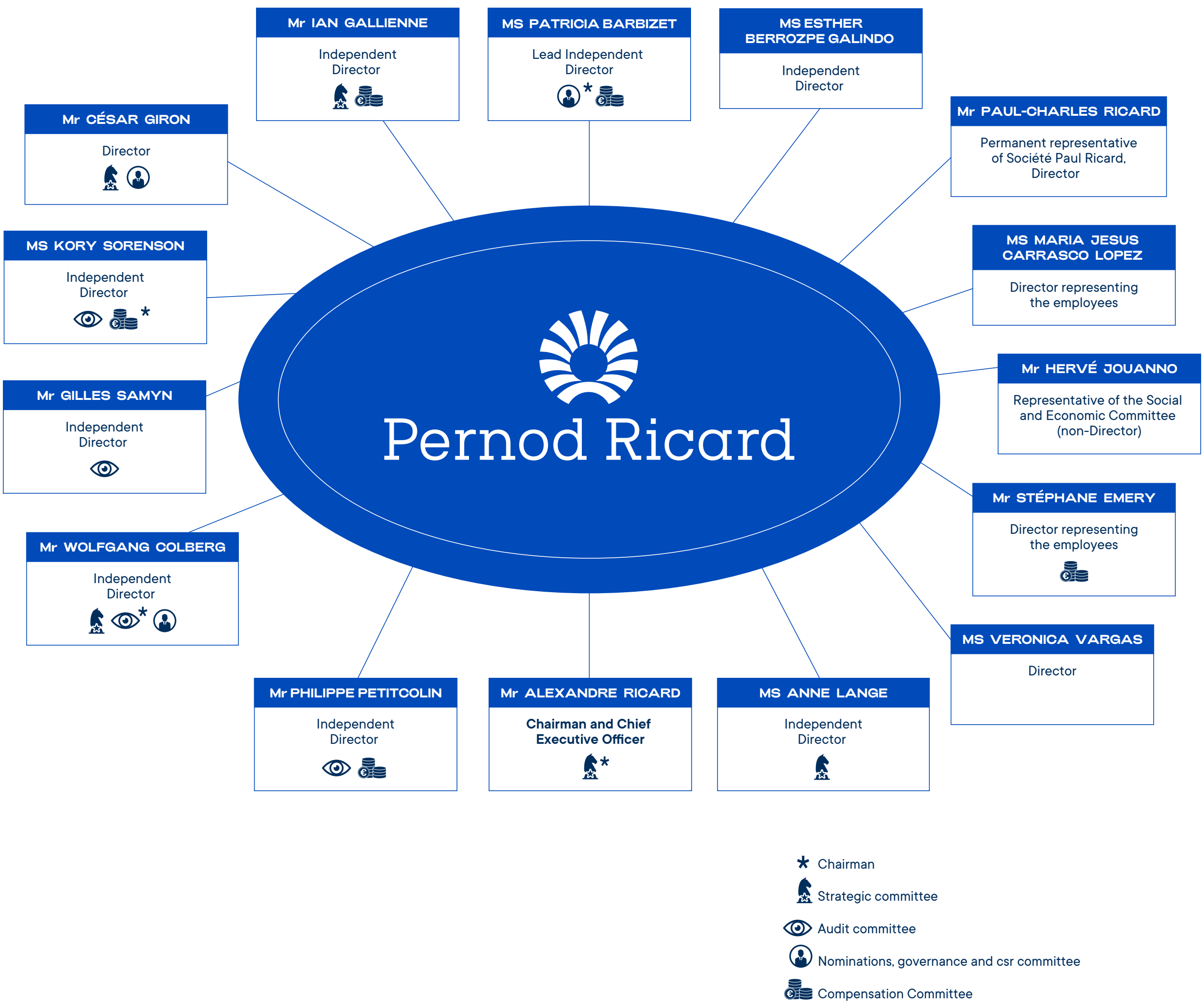
It describes, in the context of the preparation of the financial statements for FY20, the conditions governing the preparation and organisation of the work performed by the Board of Directors and its Committees, the powers entrusted to the Chairman and CEO, the principles and rules used to determine compensation and other benefits granted to the corporate officers, the compensation policies applicable to the Chairman and CEO and to the corporate officers, in accordance with articles L. 225-37-2 and L. 225-37-3 of the French Commercial Code, as well as other information pursuant to articles L. 225-37 *et seq.* of the French Commercial Code.

This report was prepared on the basis of the work carried out by several different departments of the Company, in particular the Legal Department, the Group's Internal Audit Department and the Human Resources Department.

This report was approved by the Board of Directors on 1 September 2020, following the examination by the Board's Committees of each section relating to their area of competence and was shared with the Statutory Auditors.

Report of the Board of Directors on corporate governance

2.1 Composition of the Board of Directors on 30 June 2020



2.2 Overview of the composition of the Board of Directors and its Committees

Name	Age	Gender	Date of first appointment	Date of expiry of term of office	Number of years on the Board	Audit Committee	Compensation Committee	Nominations, Governance and CSR Committee	Strategic Committee
Executive Director									
Alexandre Ricard Chairman and CEO *French Citizen*	48	M	29.08.2012	2020 AGM	8				(Chairman) ✓
Directors considered as independent by the Board									
Patricia Barbizet Lead Independent Director *French Citizen*	65	F	21.11.2018	2022 AGM	2		✓	(Chairwoman) ✓	
Esther Berrozpe Galindo *Spanish and Italian Citizen*	50	F	08.11.2019	2023 AGM	1				
Wolfgang Colberg *German Citizen*	60	M	05.11.2008	2020 AGM	12*	(Chairman) ✓		✓	✓
Ian Gallienne *French Citizen*	49	M	09.11.2012	2022 AGM	8		✓		✓
Anne Lange *French Citizen*	52	F	20.07.2016	2021 AGM	4				✓
Philippe Petitcolin *French Citizen*	68	M	08.11.2019	2023 AGM	1	✓	✓		
Gilles Samyn *Belgian and French Citizen*	70	M	06.11.2014	2022 AGM	6	✓			
Kory Sorenson *British Citizen*	51	F	06.11.2015	2023 AGM	5	✓	(Chairwoman) ✓		
Directors									
César Giron *French Citizen*	58	M	05.11.2008	2020 AGM	12			✓	✓
Société Paul Ricard (Represented by Paul-Charles Ricard) *French Citizen*	38	M	09.06.1983	2021 AGM	37				
Veronica Vargas *Spanish Citizen*	39	F	11.02.2015	2021 AGM	5				
Directors representing the employees									
Maria Jesus Carrasco Lopez *Spanish Citizen*	49	F	05.12.2018	05.12.2022	2				
Stéphane Emery *French Citizen*	49	M	13.12.2017	13.12.2021	3		✓		
NUMBER OF MEETINGS FY20					**9**	**4**	**5**	**5**	**2**
AVERAGE ATTENDANCE RATE					**100%**	**100%**	**100%**	**100%**	**100%**

* *The 12-year term of office will expire on 5 November 2020, 12 years after his first appointment to the Board of Directors.*

2.3 Duties performed by the Directors

Age: **48 years old**

French
Citizen

Business address:
Pernod Ricard
5 Cours Paul Ricard
75008 Paris (France)

Number of shares held on 30 June 2020:
120,698

MR ALEXANDRE RICARD

Chairman and CEO

Strategic Committee (Chairman)

Mr Alexandre Ricard is a graduate of ESCP Europe, the Wharton School of Business (MBA majoring in finance and entrepreneurship) and the University of Pennsylvania (MA in International Studies). After working for seven years outside the Group, for Accenture (Strategy and Consulting) and Morgan Stanley (Mergers and Acquisitions Consulting), he joined the Pernod Ricard Group in 2003 in the Audit and Development Department at the Headquarters. At the end of 2004 he became the Chief Financial and Administration Officer of Irish Distillers Group, and then Chief Executive Officer of Pernod Ricard Asia Duty Free in September 2006. In July 2008, he was appointed as Chairman and CEO of Irish Distillers Group and became a member of Pernod Ricard's Executive Committee. In September 2011, he joined the Group General Management as Managing Director, Distribution Network and became a member of the Executive Board. Mr Alexandre Ricard was the permanent representative of Société Paul Ricard (Director of Pernod Ricard) from 2 November 2009 until 29 August 2012, date on which he was co-opted as Director of Pernod Ricard and appointed Deputy Chief Executive Officer & Chief Operating Officer. On 11 February 2015, he was then appointed Chairman and CEO of the Group by the Board of Directors.

Mr Alexandre Ricard is the grandson of Mr Paul Ricard, the founder of Société Ricard.

OFFICES AND MAIN FUNCTIONS HELD ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

Within the Group

French companies

- Permanent representative of Pernod Ricard, Director of Pernod SAS et Ricard SAS
- Permanent representative of Pernod Ricard, Member of the Supervisory Committee of Pernod Ricard Europe, Middle East and Africa
- Director of Martell & Co SA

Non-French companies

- Chairman of Suntory Allied Limited (Japan)
- Director of Geo G. Sandeman Sons & Co. Ltd (United Kingdom)
- Member of the Board of Directors "Junta de Directores" of Havana Club International SA (Cuba)

Outside the Group

- Member of the Management Board of Société Paul Ricard
- Director of Le Delos Invest I
- Director of Le Delos Invest II
- Director of Bendor SA (Luxembourg)

OFFICES THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

Within the Group

- Manager of Havana Club Know-How SARL (Luxembourg)
- Director of Havana Club Holding SA (Luxembourg)
- Director of Perrier-Jouët

Outside the Group

- Chairman and CEO of Le Delos Invest II
- Chairman and CEO of Lirix

MS PATRICIA BARBIZET

Lead Independent Director

Nominations, Governance and CSR Committee (Chairwoman)

Compensation Committee

Age: **65 years old**

French Citizen

Business address:
Témaris & Associés
40, rue François Ier
75008 Paris (France)

Number of shares held on 30 June 2020:
3,000

Ms Patricia Barbizet is a graduate of ESCP Europe and began her career in 1976 with the Renault Véhicules Group in Treasury before becoming Financial Director of Renault Crédit International.

In 1989, she joined the Pinault Group as Chief Financial Officer and became, from 1992 to 2018, Chief Executive Officer of Artémis, the Pinault family's investment company. From 2014 to 2016, she was also CEO & Chairwoman of Christie's International and chaired the Strategic Investment Fund (SIF) Investment Committee from 2008 to 2013. She is currently Chairwoman of the Cité de la Musique – Philharmonie de Paris and Chairwoman of Zoé SAS.

Ms Patricia Barbizet was appointed Chairwoman of the Investissements d'Avenir Supervisory Committee in April 2018 and has been Chairwoman of the Haut Comité de Gouvernement d'Entreprise since 1 November 2018.

Ms Patricia Barbizet has been a Director of Pernod Ricard since 2018 and was appointed Lead Independent Director on 23 January 2019.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of AXA (1)
- Director of Total (1)
- Director of Colombus
- Chairwoman of Cité de la Musique – Philharmonie de Paris
- Chairwoman of Témaris et Associés
- Chairwoman of Zoé SAS

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Director of Fnac-Darty (1)
- Vice-Chairwoman of the Board of Directors of Kering (1)
- Director of Peugeot SA (1)
- CEO of Artémis
- CEO of Christie's International Plc (United Kingdom)
- Director of Yves Saint Laurent

(1) Listed company.

MS ESTHER BERROZPE GALINDO

Independent Director

Age: **50 years old**

Spanish and Italian Citizen

Business address:
Pernod Ricard
5 Cours Paul Ricard
75008 Paris (France)

Number of shares held on 30 June 2020:
50

Ms Esther Berrozpe Galindo has a wealth of international experience, having spent more than 25 years in the consumer goods sector, specifically in the development and transformation of businesses, holding marketing, sales and management roles at Whirlpool in both Europe and North America. Between 2013 and 2019, she was CEO of the EMEA region and a member of the Executive Committee of Whirlpool Group, responsible for a business worth over $5 billion and for 24,000 employees across 35 countries, 15 production sites and a retail network covering more than 140 countries.

During her long career with Whirlpool, Ms Esther Berrozpe Galindo headed several entities in North America, Europe, the Middle East and Africa, and gained in-depth experience in brand and product development, portfolio consolidation, optimisation of industrial and supply chain processes, as well as engineering systems and processes.

Ms Esther Berrozpe Galindo also has extensive M&A experience, as demonstrated during the acquisition of Indesit Company by Whirlpool in 2014, successfully leading its integration and transformation.

Ms Esther Berrozpe Galindo has been a Director of Pernod Ricard since 2019.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of Ontex Group NV (1) (Belgium)
- Director of Fluidra (1) (Spain)
- Director of Roca Corporación Empresarial SA (Spain)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Vice-Chairwoman of Whirlpool Corporation (1) (USA)
- Chairwoman of Whirlpool EMEA (Italy)
- Chairwoman & CEO of Whirlpool EMEA SpA (Italy)
- Chairwoman & CEO of Whirlpool Europe SrL (Italy)
- Chairwoman & CEO of Indesit Company SpA (Italy)
- CEO of Bauknecht Hausgeraete GmbH (Germany)

(1) Listed company.

MR WOLFGANG COLBERG

Independent Director

Audit Committee (Chairman) | Nominations, Governance and CSR Committee | Strategic Committee

Age: **60 years old**

German Citizen

Business address: **Deutsche Invest Capital Partners, Prinzregentenstrasse 56, D-80538 Munich (Germany)**

Number of shares held on 30 June 2020: **1,076**

Mr Wolfgang Colberg holds a PhD in Political Science (in addition to qualifications in Business Administration and Business Informatics). He has spent his entire career with the Robert Bosch Group and the BSH Group. After joining the Robert Bosch group in 1988, he became Business Analyst (Headquarters), and then went on to become Head of Business Administration at the Göttingen production site (1990/93), then Head of the Business Analyst Team and Economic Planning (Headquarters) (1993/94), before being appointed as General Manager for the Group's Turkey and Central Asia affiliate. In 1996, he was appointed Senior Vice Chairman – Central Purchasing and Logistics (Headquarters).

Between 2001 and 2009, Mr Wolfgang Colberg was Chief Financial Officer at BSH Bosch und Siemens Hausgeräte GmbH and a member of the Executive Committee. He was then Chief Financial Officer of Evonik Industries AG as well as a member of the Executive Committee between 2009 and 2013. From 2013 to 2019 he was Industrial Partner of CVC Capital Partners, and since 2020 he has been Industrial Partner of Deutsche Invest Capital Partners.

Mr Wolfgang Colberg has been a Director of Pernod Ricard since 2008.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of Thyssenkrupp AG (1) (Germany)
- Director of Burelle SA (1)
- Industrial Partner, Deutsche Invest Capital Partners (Germany)
- Chairman of the Supervisory Board of ChemicalnvestHolding BV, Sittard (Netherlands)
- Chairman of the Board of AMSilk GmbH, Munich (Germany)
- Chairman of the Board of Efficient Energy GmbH, Munich (Germany)
- Member of the Regional Board of Deutsche Bank AG (Germany)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Industrial Partner, CVC Capital Partners (Germany)

(1) Listed company.

MR IAN GALLIENNE

Independent Director

Compensation Committee | Strategic Committee

Age: **49 years old**

French Citizen

Business address: **Groupe Bruxelles Lambert 24, avenue Marnix BE1000 Bruxelles (Belgium)**

Number of shares held on 30 June 2020: **1,000**

Mr Ian Gallienne has been CEO of Groupe Bruxelles Lambert since January 2012.

He holds an MBA from INSEAD in Fontainebleau. From 1998 to 2005, he was Manager of the Rhône Capital LLC private equity fund in New York and London. In 2005, he founded the private equity fund Ergon Capital Partners, of which he was Managing Director until 2012.

Mr Ian Gallienne has been a Director of Groupe Bruxelles Lambert since 2009, of Imerys since 2010, of SGS since 2013, of Adidas since 2016 and of Webhelp since 2019.

Mr Ian Gallienne has been a Director of Pernod Ricard since 2012.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- CEO of Groupe Bruxelles Lambert (1) (Belgium)
- Director of Imerys (1)
- Director of SGS SA (1) (Switzerland)
- Director of Adidas AG (1) (Germany)
- Director of Frère-Bourgeois SA (Belgium)
- Chairman of the Board of Directors of Sienna Capital (Luxembourg)
- Manager of Serena 2017 SC
- Director of Société Civile Château Cheval Blanc
- Director of Compagnie Nationale de Portefeuille SA (Belgium)
- Director of Marnix French ParentCo (Webhelp Group)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Director of Lafarge SA (1)
- Director of Umicore (1) (Belgium)
- Director of Erbe SA (Belgium)
- Manager of Ergon Capital II SARL (Luxembourg)
- Director of Ergon Capital SA (Belgium)

(1) Listed company.

Age: **58 years old**

French
Citizen

Business address:
Martell Mumm Perrier-Jouët
5 Cours Paul Ricard
75008 Paris (France)

Number of shares held on 30 June 2020:
2,150

MR CÉSAR GIRON

Director

Nominations, Governance and CSR Committee

Strategic Committee

After graduating from the École Supérieure de Commerce de Lyon, Mr César Giron joined the Pernod Ricard Group in 1987, where he has spent his entire career. In 2000, he was appointed Chief Executive Officer of Pernod Ricard Swiss SA before becoming Chairman and CEO of Wyborowa SA in Poland in December 2003.

From July 2009, Mr César Giron acted as Chairman and CEO of Pernod until his appointment, on 1 July 2015, as Chairman and CEO of Martell Mumm Perrier-Jouët.

Mr César Giron is Chairman of the Management Board of Société Paul Ricard.

Mr César Giron is a grandson of Mr Paul Ricard, the founder of Société Ricard.

Mr César Giron has been a Director of Pernod Ricard since 2008.

OFFICES AND MAIN FUNCTIONS HELD ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

Within the Group

- Chairman and CEO of Martell Mumm Perrier-Jouët
- Chairman and CEO of Martell & Co SA
- Chairman and CEO of Champagne Perrier-Jouët
- Chairman and CEO of GH Mumm & Cie SVCS
- Chairman of Domaines Jean Martell
- Chairman of Augier Robin Briand & Cie
- Chairman of Le Maine au Bois
- Chairman of Financière Moulins de Champagne
- Chairman of Spirits Partners SAS
- Director of Société des Produits d'Armagnac SA
- Director of Mumm Perrier-Jouët Vignobles et Recherches

Outside the Group

- Chairman of the Management Board of Société Paul Ricard
- Director of Le Delos Invest I
- Director of Le Delos Invest II
- Director of Bendor SA (Luxembourg)
- Chairman of FEVS

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Director of Lirix

MS ANNE LANGE

Independent Director

Strategic Committee

Age: **52 years old**

French Citizen

Business address:
Pernod Ricard
5 Cours Paul Ricard
75008 Paris (France)

Number of shares held on 30 June 2020:
1,000

A French citizen and graduate of the Institut d'Études Politiques of Paris and of the École Nationale d'Administration (ENA), Ms Anne Lange began her career within the office of the Prime Minister as Director of the State-Controlled Broadcasting Office. In 1998, she joined Thomson as Manager of Strategic Planning before being appointed Head of the eBusiness Europe Department in 2000. In 2003, Ms Anne Lange took up the function of General Secretary of the Rights on the Internet Forum, a public body reporting to the office of the Prime Minister. From 2004 to 2014, she went on to successively, hold the positions of Director of Public Sector Europe, Executive Director Global Media and Public Sector Operations (in the USA) and then Innovation Executive Director within the Internet Business Solution Group division at the Cisco group.

She later founded Mentis, from which she sold her shares at the end of 2017. As a start-up specialised in the technology of application platforms and connected objects, Mentis collaborates with major groups on mobility solutions and management of urban space, placing it at the centre of the connected territories' revolution.

Anne Lange meanwhile created ADARA, a consulting and investment company. She is a Senior Advisor working for major high-tech groups, strategy consulting firms and more traditional businesses seeking to find their own path to transformation. She is a member of the Boards of Directors of listed companies (Pernod Ricard, Orange, Inditex, FFP [financial company, Peugeot family holding company]).

Ms Anne Lange has expertise in innovation and digital technology, which she has developed for 20 years in both private and public sectors, in a global perspective.

Ms Anne Lange has been a Director of Pernod Ricard since 2016.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of Orange (1)
- Director of FFP (1)
- Director of Inditex (1) (Spain)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Director of Econocom Group (1) (Belgium)
- Director of IN Group
- Founder and Manager of Mentis

(1) Listed company.

MR PHILIPPE PETITCOLIN

Independent Director

Audit Committee
Compensation Committee

Age: **68 years old**

French Citizen

Business address:
Safran
2, boulevard du Général Martial-Valin
75015 Paris (France)

Number of shares held on 30 June 2020:
310

Having held various positions within Europrim, Filotex (a subsidiary of Alcatel-Alstom) and Labinal (now Safran Electrical & Power), since 2006 Mr Philippe Petitcolin has been Chairman and CEO of Snecma (now Safran Aircraft Engines). From 2011 to 2013, he served as CEO for Safran's defence and security operations as well as Chairman and CEO of Safran Electronics & Defense. Between July 2013 and December 2014, Mr Philippe Petitcolin was Chairman and CEO of Safran Identity & Security and Chairman of the Board of Directors of Safran Electronics & Defense. From December 2014 to July 2015, he was Chairman of Safran Identity & Security.

On 23 April 2015, Mr Philippe Petitcolin was appointed Director of Safran by the Annual General Meeting and CEO by the Board of Directors. On the same date, he became a member of the Board of The Aerospace and Defence Industries Association of Europe (ASD). In July 2015, he became Vice Chairman of Gifas (Group of French Aeronautical and Spatial Industries). In 2015, he was also appointed to the Board of Belcan Corporation, an engineering services provider. He has been a Director of EDF since May 2019.

Mr Philippe Petitcolin has been a Director of Pernod Ricard since 2019.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Chief Executive Officer and Director of Safran (1)
- Director of EDF (1)
- Vice Chairman of Gifas
- Director of Belcan Corporation (USA)
- Board Member of The Aerospace and Defence Industries Association of Europe (ASD) (Belgium)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Chairman of Safran Identity & Security
- Chairman and CEO of Safran Identity & Security
- Chairman of the Board of Directors of Safran Identity & Security North America (formerly Morpho Track, LLC) (USA)
- Chairman of the Board of Directors of Morpho Detection International, LLC (USA)
- Chairman of the Board of Directors of Safran Electronics & Defense, Chairman and President of Morpho USA, Inc.
- Director of Safran Identity & Security USA (formerly Morpho Detection, LLC) (USA)
- Member of the Supervisory Board of Safran Identity & Security GmbH (formerly Morpho Cards GmbH) (Germany)
- Member of the Supervisory Board of Institut Aspen France

(1) Listed company.

Age: **38 years old**

French
Citizen

Business address:
Martell Mumm Perrier-Jouët
5, Cours Paul Ricard
75008 Paris (France)

Number of shares held by Mr Paul-Charles Ricard on 30 June 2020:
182,226

Number of shares held by Société Paul Ricard on 30 June 2020:
28,196,482

MR PAUL-CHARLES RICARD

Permanent Representative of Société Paul Ricard (1), Director

Mr Paul-Charles Ricard graduated from Euromed Marseille Business School with a Master's in Management Science, and from Panthéon-Assas Paris 2 University with a Master 2 in Communications (media law) and a Master's in business law. He joined Pernod Ricard in 2008 as an internal auditor in the Audit and Business Development Department at the Headquarters. In 2010, Mr Paul-Charles Ricard was appointed GH Mumm International Brand Manager at Martell Mumm Perrier-Jouët before being appointed Group Innovation Manager.

Mr Paul-Charles Ricard is a grandson of Mr Paul Ricard, the founder of Société Ricard.

He has been the permanent representative of Société Paul Ricard (Director of Pernod Ricard) since 29 August 2012.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Chairman of Le Delos Invest III (Société Paul Ricard)
- Vice Chairman of the Supervisory Board of Société Paul Ricard (Mr Paul-Charles Ricard)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- None

(1) Unlisted company, shareholder of Pernod Ricard.

Age: **70 years old**

Belgian and French
Citizen

Business address:
CNP
Rue de la Blanche Borne
12, B-6280 Loverval
(Belgium)

Number of shares held on 30 June 2020:
1,000

MR GILLES SAMYN

Independent Director

Audit Committee

Mr Gilles Samyn holds a Commercial Engineering degree from the Université Libre de Bruxelles (ULB) – Solvay Business School, in which he held academic and scientific roles from 1969 to 2016. He began his professional career as a consultant at the Mouvement Coopératif Belge before joining Groupe Bruxelles Lambert in 1974. In 1983, after one year as an independent advisor, he joined Groupe Frère-Bourgeois, where he held the position of Managing Director until February 2019.

Mr Gilles Samyn has been Director of Pernod Ricard since 2014.

Mr Gilles Samyn has informed the Board of Directors of his decision to resign from his position as Director at the close of the Shareholders' Meeting of 27 November 2020.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Manager of Astra Oil Company LLC (AOC) (USA)
- Director of Astra Transcor Energy NV (ATE) (The Netherlands)
- Director of Filux SA (Luxembourg)
- Manager of Gosa SSI (Belgium)
- Director of Grand Hôpital de Charleroi ASBL (Belgium)
- Managing Director of Société des Quatre Chemins SA (Belgium)
- Chairman of the Board of Directors of TAGAM AG (Switzerland)
- Chairman of the Board of Directors of Transcor Astra Group SA (Belgium)
- Chairman of the Board of Directors of Worldwide Energy Ltd AG (Switzerland)
- Director of Investor SA (Belgium)
- President of Kaleidi ASBL (formerly Maison des Maths et du Numérique) (Belgium)
- Chairman of the Board of Directors of COHABS SRL (Belgium)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Vice Chairman of APG/SGA SA (1) (Switzerland)
- Chairman of Groupe Flo SA (1)
- Director of Groupe Bruxelles Lambert SA (1) (GBL) (Belgium)
- Member of the Supervisory Board of Métropole Télévision (M6) SA (1)
- Director of Pargesa Holding SA (1) (Switzerland)
- Director of AOT Holding Ltd (Switzerland)
- Chairman of the Board of Directors of Filux SA (Luxembourg)
- Managing Director of Investor SA (Belgium)
- Chairman and Representative of Société des Quatre Chemins SA, Director of ACP SA (Belgium)
- Permanent Representative of Société des Quatre Chemins SA, Director and Chairman of ACP SA
- Representative of ACP SA, Director of Antwerp Gas Terminal NV (Belgium)
- Director of Banca Leonardo SpA (Italy)
- Chairman of Belgian Sky Shops SA (Belgium)
- Managing Director of Carpar SA (Belgium)
- Chairman of Cheval Blanc Finance SAS
- Permanent Representative of Société des Quatre Chemins SA, Managing Director of Compagnie Nationale à Portefeuille SA, ex-Newcor SA (Belgium)

- Vice Chairman of Compagnie Nationale à Portefeuille SA (Belgium)
- Managing Director of Erbe SA (Belgium)
- Managing Director of Fibelpar SA (Belgium)
- Director of Fidentia Real Estate Investments SA (Belgium)
- Chairman of Financière Flo SAS
- Managing Director of Frère-Bourgeois SA (Belgium)
- Chairman of International Duty Free SA ex-Distripar SA (Belgium)
- Managing Director of Loverval Finance SA, ex-Compagnie Nationale à Portefeuille SA (Belgium)
- Director of Société Civile Château Cheval Blanc
- Manager of Sodisco SARL
- Chairman of the Board of Directors of Swilux SA (Luxembourg)
- Chairman of Unifem SAS
- Permanent Representative of Compagnie Immobilière de Roumont SA, Director of BSS Investments (Belgium)
- Permanent Representative of Société Quatre Chemins SA, Managing Director of Carpar SA (Belgium)
- Alternate Director of Cheval des Andes SA (ex-Opéra Vineyards SA) (Argentina)
- Chairman of the Board of Directors of Compagnie Immobilière de Roumont SA (Belgium)
- Chairman of the Board of Directors of Compagnie Nationale à Portefeuille SA (Belgium)
- Managing Director of Domaines Frère-Bourgeois SA (Belgium)
- Chairman of the Board of Directors of Europart SA (Belgium)
- Permanent Representative of Société des Quatre Chemins SA, Chairman of the Board of Fibelpar SA (Belgium)
- Director of Financière de la Sambre SA (Belgium)
- Chairman of the Board of Directors of Finer SA, ex-Erbe Finance SA (Luxembourg)
- Director of Frère-Bourgeois SA (Belgium)
- Permanent Representative of Frère-Bourgeois SA, Manager of GBL Energy SARL (Luxembourg)
- Representative of Frère-Bourgeois SA, Director of GBL Verwaltung SA (Luxembourg)
- Chairman of the Board of Directors of Helio Charleroi Finance SA (Luxembourg)
- Chairman of the Board of Directors of Kermadec SA (Luxembourg)
- Commissaris of Parjointco NV (The Netherlands)
- Manager of Sienna Capital SARL (Luxembourg)
- Member of the Raad van Bestuur of Stichting Administratiekantoor Frère-Bourgeois (The Netherlands)

(1) Listed company.

MS KORY SORENSON

Independent Director

Audit Committee

Compensation Committee (Chairwoman)

Age: **51 years old**

British Citizen

Business address:
**Pernod Ricard
5, Cours Paul Ricard
75008 Paris (France)**

Number of shares held on 30 June 2020:
1,000

Ms Kory Sorenson is a British citizen born in the United States. She made her career in finance, with a focus on capital and risk management. She holds a Master's degree from the Institut d'Études Politiques de Paris, a Master's degree in Applied Economics from the University of Paris Dauphine and a Bachelor of Arts degree with honours in Political Science and Econometrics from the American University of Washington, DC. In 2013, she completed the Harvard Business School's executive education programme, "Making Corporate Boards More Effective", and in 2016 she completed another executive programme at INSEAD, "Leading from the Chair". Ms Kory Sorenson held the position of Managing Director, Head of Insurance Capital Markets at Barclays Capital in London, where her team conducted innovative transactions in capital management, mergers and acquisitions, as well as equity transactions, hybrid capital and risk management for major insurance companies. She previously led the team in charge of the financial markets, specialising in insurance, at Credit Suisse, and the team in charge of debt markets for financial institutions in Germany, Austria and the Netherlands at Lehman Brothers. She began her career in investment banking at Morgan Stanley and in finance at Total.

Ms Kory Sorenson is currently Director and Chairwoman of the Audit Committee of SCOR SE (listed on the Paris stock exchange), Director and Chairwoman of the Compensation Committee of Phoenix Group Holdings (listed in the United Kingdom), Director of SGS SA (listed in the United Kingdom), and member of the Supervisory Board of Bank Gutmann, a private bank in Austria.

Ms Kory Sorenson has been a Director of Pernod Ricard since 2015.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of SGS SA [1] (Switzerland)
- Director of Phoenix Group Holdings [1] (United Kingdom)
- Director of SCOR SE [1]
- Member of the Supervisory Board of Bank Gutmann (Austria)

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Director of Prometic [1] (Canada)
- Member of the Supervisory Board of UNIQA Insurance Group AG [1] (Austria)
- Director of Institut Pasteur (non-profit fondation)
- Director of Aviva Insurance Limited (United Kingdom)
- Director of SCOR Global Life Americas Reinsurance Company (USA)
- Director of SCOR Global Life USA Reinsurance Company (USA)
- Member of the Supervisory Board of Château Troplong Mondot

(1) *Listed company.*

MS VERONICA VARGAS

Director

Age: **39 years old**

Spanish Citizen

Business address:
**Pernod Ricard
5, Cours Paul Ricard
75008 Paris (France)**

Number of shares held on 30 June 2020:
9,820

Ms Veronica Vargas received an Engineering degree from the University of Seville (*Escuela Técnica Superior de Ingenieros*) (Spain) and continued her training in industrial engineering in management at the École Centrale Paris (ECP).

Ms Veronica Vargas started her professional career at the beginning of 2007 at Société Générale Corporate & Investment Banking in Paris as part of the "Strategic and Acquisition Finance" team. She was part of the London team from 2009 to 2019, where she was involved in advising key clients on all aspects related to the optimisation of their capital structure, as well as participating in the completion of their strategic financing, including acquisitions, spin-offs, share buybacks, and other strategic transactions.

Ms Veronica Vargas is a great-granddaughter of Mr Paul Ricard, the founder of Société Ricard.

Ms Veronica Vargas has been a Director of Pernod Ricard since 2015.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Permanent Representative of Rigivar, member of the Supervisory Board of Société Paul Ricard

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- None

Age: **49 years old**

Spanish
Citizen

Business address:
Pernod Ricard España – C/* Arequipa, 1 – 28043 Madrid (Spain)

MS MARIA JESUS CARRASCO LOPEZ

Director representing the employees

Ms Maria Jesús Carrasco Lopez graduated from both ESIC Business and Marketing School (Master *in Dirección de comercio international*) and CENP (Diplomatura en comercio exterior) located in Spain.

She joined Pernod Ricard España in 1999, where she successively held the positions of Marketing Executive Assistant (from 1999 to 2010) and Trade Marketing Executive On Trade (from 2010 to 2019). She is currently holding the position of Regional Trade Marketing Manager and supervises all regional action plans in accordance with the Group's strategy.

In addition to her position, she was appointed Director representing the employees on the Board of Directors of Pernod Ricard SA in December 2018.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- None

OFFICES HELD OUTSIDE THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- None

Age: **49 years old**

French
Citizen

Business address:
Pernod Ricard France, 5, Cours Paul Ricard, 75008 Paris (France)

MR STÉPHANE EMERY

Director representing the employees

Compensation Committee

Mr Stéphane Emery graduated from the ESCO Paris/Wesford (Business and Management School).

He started his career in July 1994 within the Pernod Ricard Group and joined the Ricard teams in Paris as On Trade Area Manager, followed by On Trade Sales Manager in Bourgogne (from 2000 to 2005) and Off Trade Sales Manager in Paris (from 2005 to 2017). He currently holds the position of Public Relations Manager at Pernod Ricard France in Paris.

In December 2017, following his election by the Group Committee (France), he was appointed Director representing the employees within the Board of Directors of Pernod Ricard SA.

Highly involved in the Group, Stéphane Emery has also been an employee representative at Ricard (SIPGR trade union representative, then member of the employee Committee/works' council and works' council secretary prior to becoming a delegated representative for France on the European Committee).

Mr Stéphane Emery was also a Director representing the employees of the Ricard Corporate Foundation from 2010 to 2020.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2020 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- None

OFFICES HELD WITHIN THE GROUP THAT HAVE EXPIRED OVER THE LAST FIVE YEARS

- Director representing the employees of the Ricard Corporate Foundation

The Directors hold no other employee positions in the Group, with the exceptions of: Mr César Giron, Chairman and CEO of Martell Mumm Perrier-Jouët; Mr Paul-Charles Ricard (Permanent Representative of Société Paul Ricard, Director), Group Innovation Manager at Martell Mumm Perrier-Jouët; Ms Maria Jesus Carrasco Lopez, Director representing the employees who is Regional Trade Marketing Manager at Pernod Ricard España, and Mr Stéphane Emery, Director representing the employees, who is Public Relations Manager at Pernod Ricard France in Paris.

2.4 Governance Structure

2.4.1 Reunification of the functions of Chairman of the Board of Directors and CEO

Since Mr Pierre Pringuet's term of office as Chief Executive Officer expired on 11 February 2015, and since the Chairwoman of the Board of Directors at the time (Ms Danièle Ricard) wished to step down from the Board, at its meeting of 11 February 2015 the Board resolved, in accordance with the French Commercial Code and the AFEP-MEDEF Code adopted by the Company, to combine the positions of Chairman and CEO and appointed Mr Alexandre Ricard as Chairman and CEO.

The Company has appointed a Lead Independent Director since 23 January 2019. In addition, in order to provide the checks and balances necessary in the exercise of such powers, as well as good governance, the Company sought to establish guarantees, notably:

- as part of the Group's General Management, the Chairman and CEO relies on two management bodies: the Executive Board, which endorses all major decisions relating to the Group's strategy, and the Executive Committee, which ensures coordination between the Headquarters and its affiliates, in accordance with the Group's decentralised model;
- limitations on the powers of the Chairman and CEO by the Board of Directors: prior authorisation by the Board of Directors is necessary in particular for external growth transactions or disinvestments for amounts greater than €100 million and for loans exceeding €200 million (see the subsection "Limitation on the powers of the Chairman and CEO" hereinafter); and
- four specialised Committees, responsible for preparing the work of the Board of Directors relating to the following topics: compensation; audit; nominations, governance and CSR; and strategy. The majority of the members of these Committees are Independent Directors [(1)], and the Company exceeds the recommendations of the AFEP-MEDEF Code with respect to the percentage of Independent Directors (Audit Committee: 100% vs. the recommended 67%; Compensation Committee: 100% vs. the recommended 50%; Nominations, Governance & CSR Committee: 67% vs. the recommended 50% and Strategic Committee: 60% vs. no recommendation).

2.4.2 Powers of the Chairman and CEO

As Chairman of the Board of Directors, the Chairman and CEO organises and leads the Board's work, on which he reports to the Shareholders' Meeting. He oversees the proper operation of the Company's managing bodies and ensures, in particular, that the Directors are in a position to fulfil their duties. He can also request any document or information which can be used to help the Board in preparing its meetings.

As Chief Executive Officer, the Chairman and CEO is granted full powers to act in the name of the Company under any circumstances. He exercises these powers within the limits of the corporate purpose and subject to the powers expressly granted by law to the Shareholders' Meetings and to the Board, and within the internal limits as defined by the Board of Directors and its Internal Regulations [(2)].

2.4.3 Limitation on the powers of the Chairman and CEO

For internal purposes, following the decision made by the Board of Directors on 11 February 2015 and in accordance with article 2 of the Board's Internal Regulations [(2)], prior to making a commitment on behalf of the Company, the Chairman and CEO must obtain prior authorisation from the Board of Directors for any significant transactions that fall outside the strategy announced by the Company, as well as the following transactions:

- carrying out acquisitions, transfers of ownership or disposals of assets and property rights and making investments for an amount exceeding €100 million per transaction;
- signing any agreements to make investments in, or participate in joint ventures with, any other French or non-French companies, except with an affiliate of Pernod Ricard (as defined in article L. 233-1 of the French Commercial Code);
- making any investments or taking any shareholding in any company, partnership or investment vehicle, whether established or yet to be established, through subscription or contribution in cash or in kind, through the purchase of shares, ownership rights or other securities, and more generally in any form whatsoever, for an amount above €100 million per transaction;
- granting loans, credits and advances in excess of €100 million per borrower, except when the borrower is an affiliate of Pernod Ricard (as defined in article L. 233-1 of the French Commercial Code) and with the exception of loans granted for less than one year;
- borrowing, with or without granting a guarantee on corporate assets, in excess of €200 million in the same financial year, except from affiliates of Pernod Ricard (as defined in article L. 233-1 of the French Commercial Code), for which there is no limit;
- granting pledges, sureties or guarantees, except with express delegation of authority from the Board of Directors, within the limits provided for by articles L. 225-35 and R. 225-28 of the French Commercial Code; and
- selling shareholdings with an enterprise value in excess of €100 million.

On 8 November 2019, the Board of Directors authorised the Chairman and CEO, for a period of one year, to grant pledges, sureties or guarantees in the name of the Company up to an overall limit of €100 million, and for an unlimited amount to tax and customs authorities.

(1) In accordance with the AFEP-MEDEF Code, Directors representing the employees are not taken into account when determining the percentage of Independent Directors or the proportion of women on the Board of Directors.
(2) The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be reviewed at any time by the Board of Directors.

2.4.4 Role, missions and activity report of the Lead Independent Director

The Board of Directors' meeting of 23 January 2019, on the proposition of the Nominations, Governance and CSR Committee, created a position of Lead Independent Director and entrusted it to Ms Patricia Barbizet.

In accordance with the Internal Regulations of the Board of Directors, the Lead Independent Director performs the following tasks:

- convenes the Board of Directors at her own initiative or in the absence of the Chairman and CEO;
- is consulted on the agenda of any Board meetings and may propose any additional items on said agenda;
- chairs meetings of the Board of Directors in the absence of the Chairman and CEO;
- leads the process of assessing the functioning of the Board of Directors and reports on this evaluation to the Board;
- prevents any occurrence of conflict of interest situations;
- ensures compliance with the rules of the AFEP-MEDEF Code and the Board's Internal Regulations;
- convenes and chairs Executive Sessions;
- ensures that the Directors have the necessary resources to carry out their duties under the best possible conditions, and that they are provided, in a reasonable manner, with the level of information appropriate to the performance of their duties;
- reviews Shareholders' requests relating to corporate governance and ensures that they are answered; and
- meets with the Company's investors and shareholders.

Since taking up her duties, the Lead Independent Director has participated, with the Executive Management and Investor Relations Department, in several meetings dedicated to the governance of the Company (roadshows). She has also met a large part of the teams of Pernod Ricard and some of its affiliates. Furthermore, she conducted the annual assessment of the functioning of the Board of Directors on the basis of individual interviews with each Director as described in paragraph 2.6.4 below.

The Lead Independent Director reports to the Board of Directors once a year on the performance of her duties. At Shareholders' Meetings, she may be invited by the Chairman and CEO to report on her activities. It is specified that the loss of independent status would immediately terminate the functions of the Lead Independent Director.

2.4.5 Reference Corporate Governance Code: AFEP-MEDEF Code

On 12 February 2009, the Board of Directors of Pernod Ricard confirmed that the AFEP-MEDEF Corporate Governance Code of listed corporations published in December 2008 and last revised in June 2020 (the "AFEP-MEDEF Code"), available on the AFEP and MEDEF websites, was the Code to which Pernod Ricard refers in order notably to prepare the report required by article L. 225-37 of the French Commercial Code.

In accordance with the "Comply or Explain" rule set forth in article L. 225-37-4 of the French Commercial Code and referred to in article 27.1 of the AFEP-MEDEF Code, the Company considers that its practices comply with the recommendations of the AFEP-MEDEF Code.

2.5 Composition of the Board of Directors

2.5.1 General rules concerning the composition of the Board of Directors and the appointment of Directors

The members of the Board of Directors are listed above.

The legal and statutory rules set out in articles 16 *et seq.* of the Company's bylaws govern the appointment and dismissal of members of the Board of Directors and are described below. The Board of Directors of the Company comprises no fewer than three and no more than 18 members, unless otherwise authorised by law. In accordance with the Company's bylaws, each Director must own at least 50 Company shares in registered form. However, the Board's Internal Regulations recommend that, during their term of office and no later than two years following their appointment, Directors acquire a minimum number of Company shares equivalent to one year's worth of compensation (fixed and variable portions) payable to a Director who has attended all meetings of the Board of Directors (excluding compensation related to participation in Committees)[1].

The members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting and are proposed by the Board of Directors following the recommendations of the Nominations, Governance and CSR Committee. They can be dismissed at any time by decision of the Shareholders' Meeting.

In accordance with the law of 22 May 2019 on business growth and transformation (PACTE law) and the Company's bylaws, the number of Directors representing the employees who are members of the Board depends on the number of Directors of the Board. Following the General Meeting of 9 November 2017, one Director representing employees was appointed by the Group Committee (France) on 13 December 2017 to sit on the Board of Directors for four years. As the Company's Board of Directors comprises 12 members, a second Director representing the employees was appointed by the European Group Committee on 5 December 2018.

A representative of the Company's Economic and Social Committee attends the meetings of the Board of Directors in an advisory role.

The Board of Directors may, upon a proposal from its Chairman, appoint one or more censors, who may be either individuals or legal entities and who may or may not be shareholders.

The term of office of each Director is four years. However, on an exceptional basis, the Shareholders' Meeting may, following the Board of Directors' proposal, appoint Directors or renew their term of office for a period of two years so as to enable a staggered renewal of the Board of Directors.

(1) This requirement and recommendation are not applicable to Directors representing the employees.

The Board of Directors and the Nominations, Governance and CSR Committee regularly evaluate the composition of the Board and its Committees as well as the different skills and experience brought by each Director. They also identify the guidelines to be issued in order to ensure the best balance possible by seeking complementary characteristics from both an international and diversity perspective, in terms of nationality, gender, and experience. In accordance with article L. 225-37-4 of the French Commercial Code, the table below describes the Board of Directors' diversity policy, indicating the criteria taken into consideration, the targets set by the Board, the way it has been implemented and the results achieved over FY20.

Criteria	Objectives	Implementation and results achieved in FY20
Composition of the Board of Directors	Balanced representation of women and men within the Board of Directors	**Representation of women:** Gradual evolution: • 28.6% at the Shareholders' Meeting of 9 November 2012; • 25% at the Shareholders' Meeting of 6 November 2015; • 42% at the Shareholders' Meeting of 17 November 2016; • 46.1% at the Shareholders' Meeting of 21 November 2018; and • 42% at the Shareholders' Meeting of 8 November 2019. At the end of Shareholders' Meeting of 27 November 2020, the Board will comprise 45% female Directors.
	Guidelines to be issued in order to ensure the best balance possible by seeking complementary characteristics from both international and diversity perspectives, in terms of nationality, gender and experience	**Directors with foreign nationality:** Gradual evolution: • 28.6% at the Shareholders' Meeting of 6 November 2013; • 31.2% at the Shareholders' Meeting of 6 November 2014; • 42.8% at the Shareholders' Meeting of 6 November 2015; • 38.5% at the Shareholders' Meeting of 21 November 2018; and • 42.8% at the Shareholders' Meeting of 8 November 2019. At the end of Shareholders' Meeting of 27 November 2020, 38.4% of the Directors will be of foreign nationality.
		Experience: • Sector Experience: appointment of Mr Paul-Charles Ricard in 2012; • Strategy: appointment of Ms Veronica Vargas in 2015 and Ms Esther Berrozpe Galindo in 2019; • Marketing/Consumer Behaviour: appointment of Ms Esther Berrozpe Galindo in 2019; • Finance: appointment of Ms Kory Sorenson in 2015; • Innovation and Digital: appointment of Ms Anne Lange in 2016 and Mr Philippe Petitcolin in 2019; • Sustainability & Responsibility: appointment of Ms Patricia Barbizet in 2018; and • General Management and corporate governance: appointment of Ms Patricia Barbizet in 2018 and Mr Philippe Petitcolin in 2019.
	Appointment of one or two Directors representing the employees (see article 16 of the bylaws)	Two Directors representing the employees since the Shareholders' Meeting of 2018: • appointment on 13 December 2017 by the Group Committee (France) of the first Director representing the employees (term of office ends on 13 December 2021); and • appointment on 5 December 2018 by the European Group Committee of the second Director representing the employees (term of office ends on 5 December 2022).
Independence of Directors	50% Independent Directors (see article 9.3, AFEP-MEDEF Code) + significant representation of Independent Directors (see article 3, Internal Regulations)	• 66.6% Independent Directors. At the close of the Shareholders' Meeting of 27 November 2020, 54.5% of Directors will be considered independent.
Age of Directors	No more than one-third of Directors older than 70 years (see article 18, paragraph 4 of the bylaws)	Target achieved, given that the average age on the Board is 53.2 and the median is 50.5.

2.5.2 Changes in the composition of the Board of Directors

During FY20

The Shareholders' Meeting of 8 November 2019 renewed the appointment of Kory Sorenson as a Director for a term of four years expiring at the end of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the previous financial year. In addition, at the same Shareholders' Meeting, Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin were appointed as Directors for a term of four years.

During FY21

As the terms of office of Messrs Alexandre Ricard, César Giron and Wolfgang Colberg will expire at the close of the Shareholders' Meeting held on 27 November 2020, it will be proposed that the Shareholders' Meeting (6th, 7th and 8th resolutions), in accordance with the recommendations of the Nominations, Governance and CSR Committee, renew their directorships for a four-year period expiring at the close of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the previous financial year.

Mr César Giron provides the Board with the benefit of his experience and unique knowledge of the sector. Furthermore, Mr Wolfgang Colberg will no longer be classified as an Independent Director on 5 November 2020, *i.e.* 12 years after his first appointment to the Board, in accordance with the recommendations of the AFEP-MEDEF Code. However, the Nominations, Governance and CSR Committee and the Board of Directors wish to propose the renewal of his directorship as a non-Independent Director, so that Mr Wolfgang Colberg can continue to contribute his expertise, and financial expertise in particular, and in-depth knowledge of the Pernod Ricard Group to the Board.

In addition, Mr Gilles Samyn has informed the Board of Directors of his decision to resign from his position as Director at the close of the Shareholders' Meeting of 27 November 2020.

Thus, at the close of the Shareholders' Meeting of 27 November 2020, the Board of Directors would comprise 13 members (including two Directors representing the employees), of which six Independent Directors (54.5%) and five women (45%), in accordance with the recommendations of the AFEP-MEDEF Code and the law on balanced representation of women and men within Boards of Directors and professional equality. Additionally, five Directors would be of foreign nationality.

2.5.3 Independence of Directors

The Company applies criteria of independence as expressed in the AFEP-MEDEF Code (see table hereunder). A member of the Board of Directors is considered "independent" when they have no relationships of any kind with the Company, its Group or its Management, which could impair the free exercise of his/her judgement (article 3 of the Internal Regulations of the Board of Directors).

Therefore, the Board of Directors and the Nominations, Governance and CSR Committee use the following criteria to assess the independence of Directors in their annual review as well as in the event of a co-option, an appointment or a renewal.

The AFEP-MEDEF independence criteria are the following:

Criterion 1	Not to be, or not to have been during the past five years, an employee or Executive Director of the Company, nor an employee, Executive Director or a Director of a company consolidated within the Company or of its Parent Company or a company consolidated within this Parent Company.
Criterion 2	Not to be an Executive Director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an Executive Director of the Company (currently in office or having held such office during the last five years) is a Director.
Criterion 3	Not to be, or not to be directly or indirectly related to, a customer, supplier, commercial banker, investment banker or consultant that is material to the Company or its Group, or for which the Company or the Group represent a significant part of their business.
Criterion 4	Not to be related by close family ties to a corporate officer.
Criterion 5	Not to have been a Statutory Auditor of the Company within the previous five years.
Criterion 6	Not to have been a Director of the Company for more than 12 years.
Criterion 7	For Non-Executive Directors: not to receive variable compensation in cash or securities or any compensation linked to the performance of the Company or the Group.
Criterion 8	Directors representing major shareholders (+10%) of the Company or its Parent Company may be considered as being independent, provided that these shareholders do not take part in the control of the Company.

Name	Criterion 1	2	3	4	5	6	7	8	Qualification selected by the Board
Executive Director									
Alexandre Ricard *Chairman and CEO*			X		X	X	N/A		Non-independent
Directors considered as independent by the Board									
Patricia Barbizet	X	X	X	X	X	X	N/A	X	Independent
Esther Berrozpe Galindo	X	X	X	X	X	X	N/A	X	Independent
Wolfgang Colberg	X	X	X	X	X	X	N/A	X	Independent
Ian Gallienne	X	X	X	X	X	X	N/A	X	Independent*
Anne Lange	X	X	X	X	X	X	N/A	X	Independent
Philippe Petitcolin	X	X	X	X	X	X	N/A	X	Independent
Gilles Samyn	X	X	X	X	X	X	N/A	X	Independent
Kory Sorenson	X	X	X	X	X	X	N/A	X	Independent
Directors									
César Giron			X		X	X	N/A		Non-independent
Société Paul Ricard *(Represented by Paul-Charles Ricard)*		X	X		X		N/A		Non-independent
Veronica Vargas	X	X			X	X	N/A		Non-independent
Directors representing the employees**									
Maria Jesus Carrasco Lopez				N/A					Representing the employees
Stéphane Emery				N/A					Representing the employees

X means the Director fulfils the independence criterion concerned.

* *Given the passive crossing of the 10% voting rights threshold by GBL in February 2017 by virtue of automatic acquisition of double voting rights, the Nominations, Governance and CSR Committee and the Board of Directors have examined this specific independence criterion and, in order to qualify Mr Ian Gallienne as an Independent Director, they have established that GBL does not participate in the control of Pernod Ricard and does not intend to do so, that GBL has no relation with any other shareholder or the Ricard family, the Group's reference shareholder, and that there is no potential conflict of interest situation that could compromise his freedom of judgement.*

** *In accordance with the AFEP-MEDEF Code, the Directors representing the employees are not taken into account when determining the independence percentage of the Board of Directors.*

During the annual Directors' independence review, and as in the previous financial year, the Nominations, Governance and CSR Committee and the Board of Directors raised the question of the independence of Mr Ian Gallienne, a Director with ties to GBL, given the passive crossing of the 10% voting rights threshold by GBL in February 2017 by virtue of the automatic acquisition of double voting rights, it being specified that, at the date of this Report, Mr Gilles Samyn no longer occupies a position in the GBL Group. Please note that Mr Ian Gallienne's experience in finance as well as his in-depth knowledge of the Group are an asset to the Board of Directors of Pernod Ricard.

According to the AFEP-MEDEF Code, Directors representing major shareholders of the Company may be considered as being independent, provided that these shareholders do not take part in the control of the Company (criterion 8). At each crossing of a threshold of 10% of share capital or voting rights, the Board of Directors, on the recommendation of the Nominations, Governance and CSR Committee, is required to systematically review a Director's independence in the light of the composition of the Company's share capital and the existence of a potential conflict of interest.

Accordingly, it has been established that GBL does not participate in the control of Pernod Ricard and does not intend to do so as stated in the notification of threshold crossing published by the AMF on 23 February 2017:

- GBL has no relation with any other shareholder or the Ricard family, the Group's reference shareholder; and
- Mr Ian Gallienne does not chair any of the Board Committees and is not a member of the Nominations, Governance and CSR Committee.

The Nominations, Governance and CSR Committee and the Board of Directors also noted the absence of conflicts of interest, since:

- there is no significant business relationship between GBL and Pernod Ricard or its Group that could create a situation of conflict of interest and which could compromise Mr Ian Gallienne's freedom of judgement;
- GBL's capital entry was made independently of any agreement with Pernod Ricard or the Ricard family;
- given the composition of Pernod Ricard's share capital, which includes shareholders with a larger equity stake, GBL is not the dominant shareholder;
- there is no agreement between GBL and Pernod Ricard or the Ricard family relating to the presence of Mr Ian Gallienne or one or more GBL representatives on the Board of Directors. The presence of Mr Ian Gallienne is justified by his experience and his judgement, which are beneficial to the Board of Directors; and
- Mr Ian Gallienne is not in a position to impose his view on the Board of Directors, which has 14 members (including the Directors representing the employees).

Thus, these elements demonstrate freedom of judgement and an absence of an actual or potential conflict of interest. In addition, it should be noted that there is no new element likely to call into question the qualification of independent retained in the past.

Given these facts, the Nominations, Governance and CSR Committee and the Board of Directors considered that Mr Ian Gallienne fully met the "specific" independence criteria linked to the crossing of the threshold of 10% in share capital or voting rights.

After consideration and review of the AFEP-MEDEF Code criteria recalled above, the Board of Directors' meeting held on 22 July 2020, following the recommendation of the Nominations, Governance and CSR Committee, confirmed that eight out of 12 Board members (excluding the Directors representing the employees) are deemed to be independent: Ms Patricia Barbizet, Ms Esther Berrozpe Galindo, Ms Anne Lange and Ms Kory Sorenson and Messrs Wolfgang Colberg, Ian Gallienne, Gilles Samyn and Philippe Petitcolin, representing more than half of the Board of Directors (66.66%), as required by the AFEP-MEDEF Code.

2.5.4 Succession plan

The Nominations, Governance and CSR Committee, at the initiative of its Chairwoman, Lead Independent Director of the Board, periodically reviews the Group's succession plan. This allows her to establish and update a succession plan covering several time horizons:

- short term: unexpected succession (resignation, incapacity, death);
- medium term: accelerated succession (poor performance, lack of management); and
- long term: planned succession (retirement, end of the term of office).

The Nominations, Governance and CSR Committee favours close collaboration with General Management in order to ensure overall consistency of the succession plan and to ensure a continuity in the key positions. In order to ensure the optimal development of the succession plan for the governing bodies and to meet the Company's strategic ambitions, a regular assessment of potential candidates, their careers and developments is carried out with the assistance of an independent firm.

In addition, the Nominations, Governance and CSR Committee works closely with the Board of Directors on this subject, and is particularly vigilant in maintaining the confidentiality of this information.

2.5.5 Directors' Code of Conduct

Article 5 of the Internal Regulations, adopted by the Board of Directors on 17 December 2002, most recently amended on 8 August 2019, and article 16 of the bylaws stipulate the rules of conduct that apply to Directors and their permanent representatives. Each Director acknowledges that he/she has read and understood these undertakings prior to accepting the office. The Internal Regulations also outline the various rules in force with regard to the conditions for trading in the Company's shares on the stock market and the notification and publication requirements relating thereto.

Moreover, the Board of Directors' meeting of 16 February 2011 adopted a Code of Conduct to prevent insider trading and misconduct in compliance with new legal undertakings. This Code was updated on 3 January 2019 to comply with European regulations on market abuse.

As the Directors have sensitive information on a regular basis, they must refrain from using this information to buy or sell shares of the Company and from carrying out transactions involving Pernod Ricard's shares or any related financial instruments in the forty-five days prior to the publication of the full-year results, the thirty days prior to the publication of the half-year results and the fifteen days prior to the publication of quarterly net sales. This period is extended to the day after the announcement when it is made after the close of the markets (5.30pm, Paris time) and to the day of the announcement when it is made before the opening of the markets (9.00am, Paris time). In addition, the Code of Conduct states that they must seek the advice of the Ethics Committee before making any transactions involving the Company's shares or any related financial instrument.

2.5.6 Directors' Statement

Conflicts of interest

To the Company's knowledge and at the date hereof, there are no potential conflicts of interest between the duties of any of the members of the Company's Board of Directors or General Management with regard to the Company in their capacity as corporate officers and their private interests or other duties.

To the Company's knowledge and at the date hereof, there are no arrangements or agreements established with the main shareholders, clients, suppliers, bankers or consultants, relating to the appointment of one of the members of the Board of Directors or General Management.

To the Company's knowledge and at the date hereof, except as described in "Shareholders' agreements" below, the members of the Board of Directors and General Management have not agreed to any restrictions concerning the disposal of their stake in the share capital of the Company, other than those included in the Internal Regulations and the Code of Conduct.

In accordance with the Board's Internal Regulations and in order to prevent any risk of conflict of interest, each member of the Board of Directors is required to declare to the Board of Directors, as soon as he/she becomes aware of such fact, any situation in which a conflict of interest arises or could arise between the Company's corporate interest and his/her direct or indirect personal interest, or the interests of a shareholder or group of shareholders which he/she represents.

Procedure to identify regulated agreements

In accordance with article L. 225-39 of the French Commercial Code, the Board of Directors' meeting of 28 August 2019 approved an Internal Charter relating to the identification of regulated agreements (the "Charter"). The Charter is available on the Company's website. It is specified that this Charter formalises the process implemented to identify the regulated agreements and that such process is followed prior to concluding, amending, renewing or terminating any agreements which would potentially be qualified as regulated, it being specified that the process applies to agreements considered as "free" at the time of conclusion.

Shareholders' agreements

On 8 February 2006, Pernod Ricard was notified that a shareholders' agreement had been signed between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard. Pursuant to this agreement, Mr Rafaël Gonzalez-Gallarza undertakes to consult Société Paul Ricard prior to any Pernod Ricard Shareholders' Meeting in order for them to vote the same way. Furthermore, Mr Rafaël Gonzalez-Gallarza undertook to notify Société Paul Ricard of any additional purchase of Pernod Ricard shares and/or voting rights, and also undertook not to purchase any Pernod Ricard shares if such a transaction would force Société Paul Ricard and the parties acting in concert to launch a public offer for Pernod Ricard. Finally, Société Paul Ricard has a pre-emption right with regard to any Pernod Ricard shares of which Mr Rafaël Gonzalez-Gallarza may wish to dispose.

Absence of conviction for fraud, association with bankruptcy or any offence and/or official public sanction

To Pernod Ricard's knowledge and at the date hereof:

- no conviction for fraud has been issued against any members of the Company's Board of Directors or General Management over the last five years;
- none of the members of the Board of Directors or General Management has been associated, over the last five years, with any bankruptcy, compulsory administration or liquidation as a member of a Board of Directors, Management Board or Supervisory Board or as a Chief Executive Officer;
- no conviction and/or official public sanction has been issued over the last five years against any members of the Company's Board of Directors or General Management by statutory or regulatory authorities (including designated professional organisations); and
- no Director or member of the General Management has, over the last five years, been prohibited by a court of law from serving as a member of a Board of Directors, a Management Board or Supervisory Board or from being involved in the management or the running of an issuer's business affairs.

Services agreements

No member of the Board of Directors or member of the General Management has any service agreement with Pernod Ricard or any of its affiliates.

Employee representatives

The appointment of Directors representing the employees to the Board of Directors was introduced in late 2013. As a result, the employees of Pernod Ricard SA are now represented on the Board of Directors by a single person, currently Mr Hervé Jouanno.

2.6 Structure and operation of the Board of Directors

The operation of the Board of Directors is set forth in the legal and regulatory provisions, the bylaws and the Board's Internal Regulations adopted in 2002 and last amended by the Board of Directors during its meeting on 8 November 2019. The Internal Regulations of the Board of Directors specify the rules and operations of the Board, and supplement the relevant laws, regulations and bylaws. In particular, they remind the Directors of the rules on diligence, confidentiality and disclosure of possible conflicts of interest.

2.6.1 Meetings of the Board of Directors

It is the responsibility of the Chairman to call meetings of the Board of Directors regularly, or at times that he or she considers appropriate. In order to enable the Board to review and discuss in detail the matters falling within their area of responsibility, the Internal Regulations provide that Board meetings must be held at least six times a year. In particular, the Chairman of the Board of Directors ensures that Board meetings are held to close the interim and annual financial statements and to convene the Shareholders' Meeting in charge of approving said statements.

Board meetings are called by the Chairman. The notice of the Board meeting, sent to the Directors at least eight days before the date of the meeting except in the event of a duly substantiated emergency, must set the agenda and state where the meeting will take place, which will be, in principle, the Company's registered office. Board meetings may also be held by video conference or teleconference, under the conditions provided for in the applicable regulations and the Internal Regulations.

Since FY17, the Directors hold a session at least once a year without the Directors from the Group Top Management (Executive Sessions). The purpose of these Executive Sessions is to assess the operation of the Board of Directors. One Executive Session was held in FY20.

2.6.2 Information provided to the Directors

The Directors receive the information they require to fulfil their duty. In accordance with the Internal Regulations, the supporting documents pertaining to matters on the agenda are provided far enough in advance, generally, eight days before the meetings of the Board, to enable them to prepare effectively for each meeting.

A Director may ask for explanations or for additional information and, more generally, submit to the Chairman or the Lead Independent Director any request for information or access to information which he or she deems appropriate.

2.6.3 Directors' attendance at Board and Committee meetings during FY20

During FY20, the Board of Directors met nine times with an attendance rate of 100%. The average duration of the meetings of the Board of Directors was approximately four hours.

	Board of Directors	Audit Committee	Nominations, Governance and CSR Committee	Compensation Committee	Strategic Committee
Alexandre Ricard	9/9				2/2
Patricia Barbizet (1)	9/9		5/5	1/1	
Nicole Bouton (1) (2) (3)	4/4		3/3	4/4	
Esther Berrozpe Galindo (4)	5/5				
Wolfgang Colberg	9/9	4/4	5/5		2/2
Ian Gallienne	9/9			5/5	2/2
César Giron	9/9		5/5		2/2
Martina Gonzalez-Gallarza (2)	4/4				
Anne Lange	9/9				2/2
Philippe Petitcolin (1) (4) (5)	5/5	1/1		1/1	
Pierre Pringuet (1) (2)	4/4			4/4	2/2
Gilles Samyn	9/9	4/4			
Société Paul Ricard (represented by Paul-Charles Ricard)	9/9				
Kory Sorenson	9/9	4/4		5/5	
Veronica Vargas	9/9				
Director representing the employees					
Maria Jesus Carrasco Lopez	9/9				
Stéphane Emery	9/9			5/5	

(1) One meeting of the Compensation Committee has been held since the appointment on 8 November 2019 of Ms Patricia Barbizet and Mr Philippe Petitcolin as members of the Compensation Committee. As a reminder, four meetings of the Compensation Committee were held prior to 8 November 2019, when the terms of Ms Nicole Bouton and Mr Pierre Pringuet ended.

(2) Four meetings of the Board of Directors were held prior to 8 November 2019, when the terms of Ms Nicole Bouton, Ms Martina Gonzalez-Gallarza and Mr Pierre Pringuet ended.

(3) Three meetings of the Nominations, Governance and CSR Committee were held prior to 8 November 2019, when the term of Ms Nicole Bouton ended.

(4) During FY20, and since the appointments of Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin as Directors, five meetings of the Board of Directors were held.

(5) One meeting of the Audit Committee has been held since 22 April 2020, when Mr Philippe Petitcolin was appointed by the Board of Directors as a member of the Audit Committee on the proposal of the Nominations, Governance and CSR Committee.

2.6.4 Board of Directors' review

The Board of Directors includes on its agenda a regular discussion on its operation at least once a year and focuses in particular on the following areas:

- a review of its composition, operation and structure; and
- a check that significant issues are adequately prepared and discussed.

In accordance with the AFEP-MEDEF Code and with its Internal Regulations, the Nominations, Governance and CSR Committee and the Board have carried out an annual assessment of their operations.

The last triennial external and formalised review of the functioning of the Board of Directors and its Committees was performed during FY18 with the help of an external consulting firm specialised in corporate governance issues, which conducted individual interviews with each Director using a formalised interview guide.

This year, Ms Patricia Barbizet, Lead Independent Director, conducted the internal review of the Board's operations through individual interviews with each Director. She reported on the results to both the Nominations, Governance and CSR Committee and the Board of Directors.

This review highlights that, as previously mentioned, the members of the Board of Directors are satisfied with the Board operations and mention notably the continuation this year of the premiumisation, with the addition of new profiles at the last Shareholders' Meeting.

As part of an ongoing drive for improvement, the Directors called for a more intense focus on areas such as talent management, the impact of the geopolitical context on the spirits industry, and the impact of innovation and technology on products and business lines.

Furthermore, they emphasised the increasing importance of CSR issues for the Group and the corresponding place that these subjects have taken in the debates of the Board and the Nominations, Governance and CSR Committee.

2.6.5 Roles and activities of the Board of Directors

Main roles	**In exercising its legal prerogatives, the Board of Directors, notably:** • rules on all decisions relating to the major strategic, economic, social and financial directions of the Company and oversees their implementation by General Management; • deals with any issue relating to the smooth operation of the Company and monitors and controls these issues. In order to do this, it carries out the controls and checks it considers appropriate, including the review of Company management; • approves investment projects and any transactions, especially any acquisitions or disposal transactions, that are likely to have a significant effect on the Group's profits, the structure of its balance sheet or its risk profile; • draws up the annual and half-yearly financial statements and prepares the Shareholders' Meeting; • defines the Company's financial communication policy; • checks the quality of the information provided to the shareholders and to the markets; • appoints the corporate officers responsible for managing the Company based on the proposition of the Nominations, Governance and CSR Committee; • defines the compensation policy for the General Management based on the recommendations of the Compensation Committee; • conducts an annual review of every individual Director prior to publishing the annual report and reports the outcome of this review to the shareholders in order to identify the Independent Directors; and • approves the Report of the Board on corporate governance and the balanced representation of women and men; on the conditions governing the organisation of the Board's work; and on the internal control and risk management procedures implemented by the Company.
Main activities in FY20	• During FY20, the Directors were regularly informed of developments in the competitive environment, and the operational Senior Management of the main affiliates reported on their organisation, businesses and outlook; in the context of the Covid-19 crisis, the Directors also closely monitored its impact, both from a health point of view and on the Group's activity, by holding regular discussions with Top Management, in particular using digital tools, during the lockdown period; • The Board of Directors discussed the current state of the business at each of these meetings (operations, results and cash flow) and noted the progress of the Company's shares and the main ratios for market capitalisation; • The Board of Directors approved the annual and half-yearly financial statements and the terms of financial communications, reviewed the budget, prepared the Combined Shareholders' Meeting and, in particular, approved the draft resolutions; • The Board of Directors devotes a significant part of its agenda to the minutes and discussions related to the work entrusted to the different Committees and their recommendations; • The Strategic Committee was in charge of analysing the main possible strategic orientations for the development of the Group and reporting to the Board on its reflections on the subjects related to its duties; • On the proposal of the Compensation Committee and in accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors' meeting held on 1 September 2020 established the FY21 compensation policy for the Chairman and CEO to be submitted to the approval of the Shareholders' Meeting (12^{th} resolution) and evaluated his variable compensation for FY20 without him being present; • In accordance with the recommendations of the AFEP-MEDEF Code, Directors held an Executive Session without the Directors from the Group Top Management in attendance. Specific topics discussed during this meeting mainly related to the operations of the Board and its Committees, with Directors offering some suggestions for improvement, as well as a review of the succession plan; • The Board of Directors also examined governance issues, including the composition of the Board of Directors with respect to the recommendations of the AFEP-MEDEF Code notably with regards to the diversity of the Directors' profiles; and • The Board of Directors reviewed the annual assessment of its operations at its meeting of 22 July 2020, the conclusions of which are set out above.

2.7 Structure and operation of the Committees

2.7.1 Committees of the Board of Directors

The Board of Directors delegates responsibility to its specialised Committees for the preparation of specific topics submitted for its approval.

Four Committees handle subjects in the area for which they have been given responsibility and submit their opinions and recommendations to the Board: the Audit Committee; the Nominations, Governance and CSR Committee; the Compensation Committee; and the Strategic Committee.

2.7.2 Audit Committee

Composition	**On 1 September 2020, the Audit Committee comprised:** **Chairman:** Mr Wolfgang Colberg (Independent Director) **Members:** Mr Gilles Samyn (Independent Director) Ms Kory Sorenson (Independent Director) Mr Philippe Petitcolin (Independent Director) The four Directors who are members of the Audit Committee are Independent Directors (100%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 67%. The members of the Audit Committee were specifically chosen for their expertise in accounting and finance, based on their academic and professional experience. The Internal Regulations of the Audit Committee were reviewed and adopted at the Board of Directors' meeting of 8 February 2017. **During FY20, the Audit Committee met four times, with an attendance rate of 100%.**
Main roles	**The main roles of this Committee are the following:** • reviewing the Group's draft annual and half-year Parent Company and consolidated financial statements before they are submitted to the Board of Directors; • ensuring the appropriateness and consistency of the accounting methods and principles in force, preventing any breach of these rules and ensuring the quality of the information supplied to shareholders; • making recommendations, if necessary, to ensure the integrity of the financial reporting process; • ensuring the appropriate accounting treatment of complex or unusual transactions at Group level; • examining the scope of consolidation and, where appropriate, the reasons why some companies may not be included; • assessing the Group's internal control systems and reviewing internal audit plans and actions; • examining the material risks and off-balance sheet commitments and assessing how these are managed by the Company; • examining any matter of a financial or accounting nature submitted by the Board of Directors; • giving the Board of Directors its opinion or recommendation on the renewal or appointment of the Statutory Auditors, the quality of their work in relation to the statutory audit of the Parent Company and consolidated financial statements and the amounts of their fees, while ensuring compliance with the rules that guarantee the Statutory Auditors' independence and objectivity (in particular by the approval of non-audit missions); • reviewing conclusions and action plans resulting from the controls carried out by the Haut Conseil du Commissariat aux Comptes; and • supervising the procedure for selecting Statutory Auditors.
Main activities in FY20	In accordance with its Internal Regulations and in conjunction with the Statutory Auditors and the Consolidation, Treasury and Internal Audit Departments of the Company, the work of the Audit Committee centred primarily on the following issues: • review of the main provisions of French and foreign legislation or regulations, reports and commentaries with regard to corporate governance, risk management, internal control and audit matters; • review of the interim financial statements at 31 December 2019 during the meeting held on 11 February 2020; • review of the consolidated financial statements at 30 June 2020 (reviewed at the meeting held on 31 August 2020): the Audit Committee met with Management and the Statutory Auditors in order to discuss the financial statements and accounts and their reliability for the whole Group. In particular, it examined the conclusions of the Statutory Auditorsand the draft financial reporting presentation; At the meetings of 9 June and 31 August 2020, the subject of impairment tests came under discussion; • monitoring of the Group's cash flow and debt; • risk management: the Group's main risks are regularly presented in detail to the Audit Committee (the meetings held on 11 December 2019 and 9 June 2020 were devoted mainly to risk management). At the meeting of 9 June 2020, the risk environment was analysed in the specific context of the Covid-19 crisis (impacts, measures, scenarios). Various initiatives were the subject of cross-functional reviews: personal safety, review of strategy consulting purchasing processes, security of payments and control of free products, with the aim of improving operating methods within the Group's various subsidiaries;

Main activities in FY20 (continued)	• review of internal control: the Group sent its affiliates a self-assessment questionnaire to evaluate whether their internal control system was adequate and effective. Based on the Group's internal control principles and in compliance with the French Financial Markets Authority (AMF) reference framework for risk management and internal control ("Cadre de référence de l'Autorité des marchés financiers (AMF) sur le dispositif de gestion des risques et de contrôle interne") and the AMF's application guide published in 2007 and updated in July 2010, this questionnaire covers corporate governance practices, operational matters and IT support. Responses to the questionnaire were documented and reviewed by the Regions and the Group's Internal Audit Department. An analysis of the questionnaires returned was presented to the Audit Committee at the meeting held on 31 August 2020; • examination of the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 24 internal audits were performed in FY20 by the internal audit teams (including IT audits). A full report was drawn up for each audit covering the types of risks identified – operational, financial, legal or strategic – and how they are managed. Recommendations were issued when deemed necessary. The Audit Committee approved the recommendations of the audit reports issued and performs regular checks on the progress made in implementing the recommendations from previous audits; and • approval of the Group internal audit plan for FY21 at the meeting held on 9 June 2020. The audit plan was prepared and approved, taking into account the Group's main risks.
Outlook FY21	In FY21, the Committee will continue with the tasks it is carrying out for the Board of Directors in line with current regulations. In addition to the issues associated with preparing financial information, FY21 will be devoted to reviewing the management of the Group's major risks, as well as analysing reports on internal audits and the cross-disciplinary themes set out in the FY21 audit plan. In particular, an update of the Group's risk mapping is planned.

2.7.3 Nominations, Governance and CSR Committee

Composition	**On 1 September 2020, the Nominations, Governance and CSR Committee comprised:** **Chairwoman:** Ms Patricia Barbizet (Lead Independent Director) **Members:** Mr Wolfgang Colberg (Independent Director) Mr César Giron (Director) Two out of the three Directors who are members of the Nominations, Governance and CSR Committee are Independent Directors (67%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%. Mr Alexandre Ricard, Chairman and CEO, is associated with the work of the Committee in matters relating to the appointment of Directors, in accordance with the AFEP-MEDEF Code. **In FY20, this Committee met five times, with an attendance rate of 100%.**
Main roles	The roles of this Committee, formalised in its Internal Regulations, are the following: • drawing up proposals concerning the selection of new Directors and proposing headhunting and renewal procedures; • periodically, and at least annually, discussing whether Directors and candidates for the position of Director or for membership of a Committee of the Board of Directors qualify as independent in light of the AFEP-MEDEF Code independence criteria; • ensuring the continuity of Management bodies by defining a succession plan for Executive Directors and Directors in order to propose options for replacement in the event of an unplanned vacancy; • being informed of the succession plan for key Group positions; • regularly reviewing the composition of the Board of Directors to monitor the quality (number of members, diversity of profiles, gender balance) and attendance of its members; • carrying out regular assessments of the operation of the Board of Directors; • evaluating the suitability of the commitments of the Company with regard to Corporate Social Responsibility (S&R); • monitoring the implementation of the S&R commitments at Group level.
Main activities in FY20	In FY20, the main activities of the Nominations, Governance and CSR Committee included: • a review and recommendations to the Board of Directors on its composition and its Committees; • annual review of the Board members' independence (questionnaires sent to each Director, study of the significance of disclosed business relationships, specific criteria related to the passive crossing of the 10% voting rights threshold); • review of the Group's S&R issues; • annual review of the Group's Talent Management policy and presentation of the succession plan for the Group Top Management; • annual review of Pernod Ricard SA diversity policy and professional and salary equity; • annual review of the Board of Directors and its Committees' operations; and • proposals to improve the operations of the Board of Directors and its Committees.
Outlook for FY21	In FY21, the Committee will continue with the tasks it is carrying out for the Board of Directors. It will not only review any issues relating to the composition of the Board and its Committees and the Directors' independence, but will pursue, led by its chairwoman, the Company's Lead Independent Director, the diversity objectives in terms of skills on the Board of Directors and the robustness of the succession plan at all key levels in the Group.

2.7.4 Compensation Committee

Composition	**On 1 September 2020, the Compensation Committee comprised:** **Chairwoman:** Ms Kory Sorenson (Independent Director) **Members:** Mr Ian Gallienne (Independent Director) Ms Patricia Barbizet (Lead Independent Director) Mr Philippe Petitcolin (Independent Director) Mr Stéphane Emery (Director representing the employees) All of the Directors who are members of the Compensation Committee (excluding the Director representing the employees [(1)]) are Independent Directors (100%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%. **In FY20, Compensation Committee met five times, with an attendance rate of 100%.**

Main roles	The roles of this Committee, as confirmed by the Board of Directors on 12 February 2014, are the following:
	• reviewing and proposing to the Board of Directors the compensation to be paid to the Executive Directors as well as provisions relating to their retirement schemes and any other benefits granted to them;
	• proposing rules to this effect and reviewing these on an annual basis to determine the variable portion of the compensation of the Executive Directors and ensure that the criteria applied are in line with the Company's short-,medium- and long-term strategic orientations;
	• recommending to the Board of Directors the total amount of Directors' fees to be submitted for approval to the Shareholders' Meeting, as well as how they should be distributed:
	  • for duties performed as Board Members,
	  • for duties carried out on Committees of the Board Directors;
	• being informed of the compensation policy of the Senior Non-Executive Managers of the Group companies;
	• ensuring that the compensation policy for Senior Non-Executive Managers is consistent with the policy for Executive Directors;
	• proposing the general policy for allocation of stock options and performance-based shares, in particular the terms applicable to the Company's Executive Directors; and
	• approving the information provided to the shareholders on the compensation of the Executive Directors (in particular, the compensation policy and the components of the compensation submitted to the approval of the shareholders under the "Say on Pay" resolutions) and the policy for the allocation of stock options and performance-based shares.

Main activities in FY20	Further details of the work of the Compensation Committee are provided in subsection 2.8 – "Compensation policy". During FY20, the members of the Compensation Committee were in particular asked to study the rules of governance and market practices concerning the compensation of Executive Directors in connection with the application of the French PACTE law and Order 2019-1234 of 27 November 2019 relating to the compensation of executives of listed companies and to conduct a specific analysis of the impact of the Covid-19 pandemic on the compensation of Executive Directors and Pernod Ricard's long-term incentive plans.
Outlook for FY21	During FY21, the Committee will continue to perform the tasks entrusted to it by the Board of Directors and, in particular, continue to ensure that the compensation policy for corporate officers, and more specifically the Executive Director, is aligned with the corporate interest and contributes to the Company's business strategy and sustainability, while at the same time providing incentives in line with market practices and the interests of shareholders.

(1) In accordance with the AFEP-MEDEF Code, Directors representing the employees are not taken into account when determining the percentage of Independent Directors on the Board of Directors or its Committees.

2.7.5 Strategic Committee

Composition	**On 1 September 2020, the Strategic Committee comprised:** **Chairman:** Mr Alexandre Ricard (Chairman and CEO) **Members:** Mr Wolfgang Colberg (Independent Director) Mr Ian Gallienne (Independent Director) Mr César Giron (Director) Ms Anne Lange (Independent Director) Three out of the five Directors who are members of the Strategic Committee are Independent Directors (60%), it being noted that the AFEP-MEDEF Code does not make any recommendation regarding the Strategic Committee's independence. **In FY20, the Strategic Committee met twice, with an attendance rate of 100%.** All the Directors may, upon request, and even if they are not members of the Committee, participate in the meetings of the Strategic Committee.
Main roles	The roles of the Strategic Committee, as confirmed by the Board on 11 February 2015, are the following: • reviewing the key strategic issues of the Pernod Ricard company or of the Group; • drawing up and giving its prior opinion on significant partnership transactions, sales or acquisitions; and • generally, dealing with any strategic issues affecting the Company or the Group.
Main activities in FY20	During FY20, the members of the Strategic Committee reviewed the strategic issues of the Group, in particular relating to its digital transformation and its growth trajectory and operational excellence roadmap in the context of the three-year "Transform & Accelerate" strategic plan.
Outlook for FY21	In FY21, the Committee will continue with the tasks it is carrying out for the Board of Directors. It will notably conduct a review and analysis of the key strategic orientations foreseen for the Group's development, as well as the study of any strategic issues affecting the Company or the Group, in particular the changes in consumption trends linked to the health crisis.

2.8 Compensation policy

This section was prepared with the assistance of the Compensation Committee in accordance with the regulations in force, in particular the provisions of Order No. 2019-1234 of 27 November 2019 (hereinafter the "Order") supplemented by Decree no. 2019-1235 of the same date. This information also takes into account the provisions of the AFEP-MEDEF Code of Corporate Governance for listed companies.

Accordingly, the compensation of the corporate officers is presented as follows:

- a first subsection (2.8.1) presenting the compensation policy for corporate officers, which, pursuant to article L. 225-37-2 of the French Commercial Code, will be submitted for shareholder approval (*ex-ante* vote) at the Combined Shareholders' Meeting of 27 November 2020 in the 13th resolution concerning the members of the Board of Directors (paragraph 2.8.1.2, excluding the Chairman and Chief Executive Officer) and the 12h resolution concerning the Chairman and Chief Executive Officer (paragraph 2.8.1.3);
- a second subsection (2.8.2) containing the information referred to in article L. 225-37-3 (I.) of the French Commercial Code relating to all compensation paid during, or awarded for, FY20 to the corporate officers (other than the Chairman and Chief Executive Officer) for their duties, which, pursuant to article L. 225-100 (II.) of the French Commercial Code, will be submitted for shareholder approval (global ex-post vote) at the Combined Shareholders' Meeting of 27 November 2020 in the 11th resolution; and
- a third subsection (2.8.3) setting forth the fixed, variable and exceptional items making up the total compensation and other benefits paid during, or awarded for, FY20 to Mr Alexandre Ricard, Chairman and Chief Executive Officer, which, pursuant to article L. 225-100 (III.), will be submitted to the shareholders for approval (specific ex-post vote) at the Combined Shareholders' Meeting of 27 November 2020 in the 10th resolution;
- a fourth subsection (2.8.4) presents the overall and additional components of the compensation policy but is not subject to a shareholder vote.

2.8.1 Compensation policy for corporate officers

The compensation policy for corporate officers is reviewed each year to take into account changes in regulations, market practices and codes of corporate governance, as well as shareholder votes and, where applicable, the opinions expressed at Shareholders' Meetings.

The current compensation policy was defined by the Board of Directors on 1 September 2020 on the proposal of the Compensation Committee. Pursuant to article L. 225-37-2 of the French Commercial Code, this policy is subject to the approval of the Shareholders' Meeting each year and upon each major change. In the absence of approval, the previously approved policy continues to apply.

2.8.1.1 General principles for the determination, review and implementation of the compensation policy for corporate officers

The Board of Directors follows the general guidelines, drawn up within the framework of the recommendations of the AFEP-MEDEF Code, for the determination, review and implementation of its compensation policy.

It thus ensures that this compensation policy is consistent with the principles of compliance, comparability, competitiveness, comprehensiveness, motivation, performance, intelligibility of the rules and measurement.

Compliance

In its analysis and proposals to the Board of Directors, the Compensation Committee is particularly careful to follow the recommendations of the AFEP-MEDEF Code, which the Company uses as reference.

Comparability and competitiveness

Compensation is based on the assumed responsibilities, the performed tasks and the obtained results. Market practice is also a reference that is taken into account. Studies are regularly conducted with the assistance of consulting firms to measure compensation levels and structures in relation to panels of comparable companies (in terms of both size and scope).

Comprehensiveness and balance

All components of the compensation and other benefits are analysed exhaustively each year using an element-by-element approach and then an analysis of overall consistency to achieve the best balance between fixed and variable, individual and collective and short- and long-term compensation.

Coherence

The Compensation Committee is informed annually of the terms and conditions of compensation and employment of the Group's employees. It is therefore able to propose to the Board of Directors a coherent compensation policy for the Executive Director, in particular in relation to that of the Group's Senior Managers.

Motivation and performance

In its recommendations to the Board of Directors, the Compensation Committee seeks to propose a compensation policy commensurate with the responsibilities of the recipients and in line with the practices of comparable large international corporations and seeks to maintain a good balance between fixed compensation, variable annual compensation and long-term compensation. Lastly, with regard to the Executive Director specifically, the variable compensation policy (in particular the criteria for the annual variable portion and the performance conditions for stock options and performance-based shares) is kept under regular review, based on the Group's strategic priorities and in a way that is aligned with shareholders' interests.

Intelligibility of the rules

The Group ensures that the compensation policy is simple and that each of the rules set out in this document is clear enough for everyone to understand.

Measurement

The Group endeavours to strike the right balance when setting the compensation policy, taking into account the interests of the Company, market practices, management performance and stakeholders.

Review

The Group's compensation policy is reviewed at least once a year by the Board of Directors on the proposal of the Compensation Committee to take into account changes in laws and regulations, best practices and recommendations, codes of corporate governance and shareholder votes and, where applicable, the opinions expressed at Shareholders' Meetings.

Implementation

On the recommendation of the Compensation Committee, the Board of Directors ensures that the policy is applied in accordance with the rules approved by the Shareholders' Meeting.

The Group works to ensure that the compensation system is coherent and that payment of employees is fair.

Governance

The determination, review and implementation of compensation policies for corporate officers are established by the Board of Directors, on the recommendation of the Compensation Committee, and then submitted to the Shareholders' Meeting. The Compensation Committee ensures the strict application of all of those policies in accordance with the above-mentioned principles.

Conflicts of interest

The Board of Directors and the Compensation Committee ensure the prevention and management of any conflicts of interest that may arise in this decision-making process. As a result, the Chairman & CEO refrains from taking part in deliberations and voting on policies that concern him. In accordance with the provisions of the AFEP-MEDEF Code, an independent Director is a non-executive corporate officer of the Company or its Group and has no special ties with them.

Compliance with the corporate interest and relationship to strategy

The compensation policy adopted by the Board of Directors includes incentives that reflect the Group's strategy of long-term profitable growth through responsible actions and compliance with the interests of the Company and its shareholders, both in terms of the correlation of compensation with the Company's short- and long-term performance and in terms of the policy of giving the executive a share of the capital and the associated share of risk.

This compensation policy, which reflects the interests of the Company, helps to secure the Group's long-term future and is part of its business strategy. The performance conditions of the compensation policy for corporate officers are directly linked to the Group's performance metrics.

Thus, the compensation policy of corporate cfficers:

- reinforces the alignment of the interests of the Executive Director with the Company's corporate interest insofar as it is in line with and supports the Company's strategy; and
- contributes to the Company's sustainability thanks in particular to its long-term compensation policy and its loyalty-building effects as well as its incentives for sustainable performance.

Potential change of governance

Where a new Chairman and CEO, a new Chief Executive Officer or new Deputy Chief Executive Officer(s) is appointed, the components of the compensation and the policy and criteria set out in the Compensation policy for the Chairman and CEO shall also apply to them on a pro-rata basis. The Board of Directors, on the recommendation of the Compensation Committee, shall then, by means of adaptation to the situations of the interested parties, determine the objectives, performance levels, parameters, structure and maximum percentages compared to their annual fixed compensation, which may not be higher than those of the Chairman & CEO.

Where a new Director is appointed, the components of the compensation and the policy and criteria set out in the Compensation Policy for Corporate Officers shall also apply to that Director on a pro-rata basis. The Board of Directors, on the recommendation of the Compensation Committee, shall then, by adapting them to the situation of the interested party, determine the targets, performance levels, parameters, structure and maximum percentages compared to their annual fixed compensation, which may not be higher than those of the other Corporate Officers.

Furthermore, as regards the annual variable compensation policy, in the event of the arrival of a new Executive Director during the second half of a financial year, the Board of Directors will conduct a performance assessment at its discretion based on a proposal from the Compensation Committee, and in that case, the new Director will receive as variable compensation the prorated amount of the variable portion approved by the shareholders.

2.8.1.2 Compensation policy for members of the Board of Directors (13th resolution)

The conditions governing Directors' compensation within the total annual amount of Corporate Officer compensation authorised by the Shareholders' Meeting are determined by the Board of Directors on the basis of a recommendation from the Compensation Committee.

ARRANGEMENTS FOR ALLOCATING DIRECTORS' COMPENSATION FOR FY20

Directors' annual compensation comprises a fixed portion set at €20,000, with an additional €6,000 for members of the Audit Committee and €5,000 for members of the Strategic Committee, the Compensation Committee, and the Nominations, Governance and CSR Committee. The Chairman of the Audit Committee receives an additional sum of €14,000, while the Chairwomen of the Compensation Committee and the Nominations, Governance and CSR Committee each receive an additional €8,500.

The Lead Independent Director receives additional annual compensation of €40,000.

Directors are also eligible for a variable portion, calculated on the basis of their attendance at Board and Committee meetings. The variable portion is €4,000 per meeting.

Furthermore, in order to take account of distance constraints, an additional premium of €1,500 is paid to Directors who are not French tax residents, when they attend Board and/or Committee meetings. Directors who take part in Board meetings by video conference or conference call are not eligible for this additional amount.

As compensation, the Directors representing the employees receive a fixed annual payment of €15,000 in respect of Directors' fees for their attendance at meetings of the Board of Directors and, as appropriate, those of the Board of Directors' Committee(s) of which they are members.

The Chairman and CEO does not receive compensation in respect of his office as a Director.

Of the €1,250,000 allocated by the Shareholders' Meeting of 8 November 2019, total compensation of €1,118,083 was paid to Directors in FY20, in accordance with the rules set out above.

For FY21, no change will be made to the amount and allocation of the budget applied for FY20.

2.8.1.3 Compensation policy for the Chairman & CEO (12th resolution)

Presented below, in accordance with article L. 225-37-2 of the French Commercial Code, is the report of the Board of Directors on the compensation policy for the Chairman and CEO (hereinafter the "Executive Director"), which will be submitted to shareholders for their approval.

Accordingly, the Shareholders' Meeting of 27 November 2020 (in its 12th resolution appearing in Section 8 "Combined Shareholders' Meeting" of this universal registration document) will be asked to approve the following elements of the compensation policy of the Executive Director.

This report was prepared under the supervision of the Compensation Committee and makes no substantial changes to the compensation policy previously approved by 94.63% of the shareholders at the Shareholders' Meeting of 8 November 2019.

Compensation structure

The structure of the Executive Director's compensation consists mainly of:

- cash compensation comprising a fixed portion and an annual variable portion directly related to his or her individual performance and contribution to the Group's performance; and
- capital compensation in the form of an allocation of shares whose vesting is subject to the achievement of performance conditions in line with shareholders' interests.

This compensation structure is consistent with that offered to the Group's senior executives. Each of the compensation component is complementary and meets different objectives.

The components of the compensation structure are balanced and are allocated as follows:

- 60/40 between cash compensation and share-based compensation;
- 60/40 between fixed compensation and annual variable and long-term compensation;
- 75/25 between performance-based compensation and non-performance-based compensation.

Fixed annual compensation

The fixed portion of the compensation of the Executive Director is determined based on:

- the level and complexity of their responsibilities;
- their experience and their career history, particularly within the Group;
- his/her individual performance; and
- market analyses for comparable functions.

A study is carried out annually with the help of specialised firms on the positioning of compensation for the Executive Director in relation to the practices of international companies in the beverage sector and also of CAC 40-listed companies for similar positions.

The Board of Directors has decided that changes to the fixed compensation of the Executive Director may only be subject to review over a relatively long time frame, in accordance with the AFEP-MEDEF Code. However, an early review might occur in the event of significant changes to their scope of responsibilities or a major deviation compared to the market positioning. In these specific situations, the adjustment of the fixed compensation and the reasons for it will be made public.

Finally, the Board of Directors has decided that, in the event of the appointment of a new Chairman and CEO, a new Chief Executive Officer or new Deputy Chief Executive Officer(s), these same principles will apply.

On 28 August 2018, on a proposal from the Compensation Committee, the Board of Directors decided to increase the fixed annual compensation of Mr Alexandre Ricard to €1,100,000 until the end of his term of office. In light of the exceptional circumstances, on the recommendation of the Compensation Committee, the Board of Directors decided, on 1 September 2020, to postpone the review of Mr Alexandre Ricard's compensation to next year, despite the exceedingly high quality of his performance and the renewal of his term of office. The gross annual fixed compensation of Mr Alexandre Ricard will be maintained at €1,100,000 for FY21.

Compensation as Chairman of the Board

The Executive Director does not receive compensation for offices he or she holds in the Company or in Group companies.

Variable annual portion

The purpose of variable annual compensation is to compensate the performance achieved during the financial year by the Executive Director in terms of the annual performance objectives set by the Board of Directors in accordance with the corporate strategy. Pursuant to the provisions of article L. 225-37-2 of the French Commercial Code, the payment of variable annual compensation is conditional upon its prior approval by the Ordinary Shareholders' Meeting (voting "ex post").

More specifically, this variable portion is based on performance levels applying to financial and non-financial parameters, representative of expected overall performance.

This variable portion is expressed as a percentage of the annual fixed portion. It may vary between 0% and 110% if the quantitative and qualitative objectives are achieved (target level) and may rise to a maximum of 180% if the Group records exceptional financial and non-financial performance in relation to the objectives.

PERFORMANCE CRITERIA

The criteria are reviewed regularly to ensure they are in line with the Company long-term strategy and may be modified on an occasional basis. For FY21, the Board of Directors, on the recommendation of the Compensation Committee, proposes the application of the following criteria:

- **achievement of the target for profit from recurring operations,** restated for foreign exchange and scope effects: target 20% and maximum 37.5% if significantly exceeded. This criterion, intended to provide an incentive to exceed the target for Profit from recurring operations, is one of the key elements of the Group's decentralised structure. This concept of commitment to the budgeted Profit from recurring operations helps to bring together all of the structures, which are rewarded according to the extent to which they meet their own targets for Profit from recurring operations. This criterion rewards the management performance of the Executive Director;
- **achievement of the target for Group net profit from recurring operations,** restated for foreign exchange and scope effects: target 20% and maximum 37.5% if significantly exceeded. This criterion takes into account all of the Group's financial data that fall under the Executive Director's responsibility for the financial year and thus makes it possible for his compensation to be aligned as closely as possible with that of the shareholders;
- **achievement of the target for recurring free cash flow,** restated for foreign exchange and scope effects: target 20% and maximum 37.5% if significantly exceeded. This criterion measures the Group's financial performance and value creation;
- **cash conversion,** restated for foreign exchange and scope effects: target 20% and maximum 37.5% if significantly exceeded. The inclusion of this criterion in the calculation of the variable portion of the Executive Director's compensation is in line with the Group's strategy in that it rewards good cash management, regardless of the level of achievement of profit from recurring operations; and
- **non-financial criteria:** these criteria vary between 0% and 30% of fixed annual compensation if the objectives are achieved and up to 45% for an exceptional performance. The individual performance of the Executive Director is assessed annually by the Board of Directors on the recommendation of the Compensation Committee. The qualitative criteria assessed are reviewed annually, based on the Group's strategic priorities, knowing that the Board of Directors will strive to always include a CSR criterion. For confidentiality reasons regarding the Group's strategy, details of qualitative objectives may only be made public after the event and after assessment by the Compensation Committee and the Board of Directors.

In any event, variable compensation (quantitative and qualitative criteria) may not exceed 180% of the annual fixed compensation.

PERFORMANCE LEVELS

The performance achievement level shall be communicated, criterion by criterion, once the performance assessment has been prepared.

TERMINATION OF OFFICE

If the Executive Director leaves during the financial year, the amount of the variable portion of their compensation for the current year will be determined prorata to attendance time for the year in question, depending on the performance level observed and assessed by the Board of Directors for each of the criteria initially adopted. However, it should be noted that no compensation shall be paid if the Executive Director is dismissed for gross negligence or with good cause.

PAYMENT METHOD

In accordance with the law, the payment of variable annual compensation will be conditional upon prior approval by the Ordinary Shareholders' Meeting.

Multi-year compensation

The Board of Directors has decided not to use this type of long-term cash compensation mechanism, preferring to favour a share-based instrument more closely aligned with shareholders' interests.

However, such a mechanism might be envisaged if regulatory changes or any other circumstance were to make the use of a share-based instrument restrictive or impossible. In this event, the principles and criteria for the determination, distribution and maximum allocation of shares stipulated in the policy relating to share plans will be used in the structuring of such variable multi-year compensation using the most similar appropriate procedures possible.

Special bonus

In accordance with the AFEP-MEDEF Code (article 24.3.4), the Board of Directors has adopted the principle by which the Executive Director may receive a special bonus in certain circumstances (particularly in the case of transformational operations), which must be explicitly disclosed and justified.

Moreover, in accordance with the AFEP-MEDEF Code (article 24.4), in the case of external recruitment of a new Executive Director, the Board of Directors may also decide to pay an amount (in cash or in shares) to compensate the new Executive Director for loss of all of part of his or her compensation (excluding retirement benefits) related to leaving his or her previous position. This compensation may not exceed the amount lost by the person in question.

In all cases, the payment of such compensation may only be made subject to the prior approval of the Ordinary Shareholders' Meeting pursuant to article L. 225-37-2 of the French Commercial Code.

Stock option and performance-based share allocation policy

The Board of Directors considers that share-based compensation mechanisms, which also benefit other key functions of the Company, are particularly appropriate for the Executive Director, given the level of responsibility of this function and his or her ability to contribute directly to long-term corporate performance in a way that is aligned with shareholders' interests.

During FY20, the Board of Directors reaffirmed its desire to give key personnel an interest in the performance of Pernod Ricard shares, and during its meeting of 8 November 2019, it decided to introduce a combined allocation plan made up of stock options and performance shares.

The Board's aim is therefore to continue to align the interests of Pernod Ricard employees with those of the shareholders, by encouraging them to hold shares of the Company. Just over 800 employees were rewarded, making it possible to target not only executives in management positions, but also to retain young high-potential Managers (Talents) in all of the Group's subsidiaries around the world.

Under the authorisations granted by the Shareholders' Meeting of 8 November 2019 (resolutions 20 and 21), the Shareholders' Meeting authorised the following external and internal performance conditions:

ALLOCATION OF STOCK OPTIONS

All stock options under the plan are subject to an external performance condition and may be exercised depending on the positioning of the overall performance of the Pernod Ricard share (Total Shareholder Return) compared to the overall performance of a Panel of 12 comparable companies (see below). This condition will be assessed over a period of three years following allocation of the plan, and this three-year minimum performance assessment period will be maintained for all options allocated to the Executive Director during the term of his or her current mandate.

The number of options that may be exercised will be determined by the positioning of the overall performance of the Pernod Ricard share compared to that of the Panel over a period of three years, as follows:

- below the median (8th to 13th position), no options will be exercisable;
- at the median (7th position), 66% of the options will be exercisable;
- if in 6th, 5th or 4th position, 83% of the stock options can be exercised; and
- if in 3rd, 2nd or 1st position, 100% of the stock options can be exercised.

The Board of Directors has decided that, in addition to Pernod Ricard, the Panel shall comprise the following 12 companies: AB InBev, Brown Forman, Campari, Carlsberg, Coca-Cola, Constellation Brands, Danone, Diageo, Heineken, LVMH, PepsiCo and Rémy Cointreau.

The composition of the Panel may be modified depending on changes in the companies, particularly in the event of acquisition, absorption, dissolution, spin-off, merger or change of activity, subject to maintaining the overall consistency of the sample and enabling application of the external performance condition in accordance with the performance objective set on allocation.

Provided that the conditions are fulfilled, stock options may be exercised four years after their allocation and for a period of four years.

ALLOCATION OF PERFORMANCE-BASED SHARES

Performance-based shares allocated have a vesting period of four years and are subject in their entirety and over a period of three financial years to:

- an internal performance condition representing, in value, 50% of the allocation of performance-based shares; and
- an external performance condition representing, in value, 50% of the allocation of performance-based shares.

As in the case of stock options, this three-year minimum performance assessment period will be maintained for all performance-based shares allocated to the Executive Director during his or her current term of office.

Internal condition

The number of performance-based shares finally vested will be determined according to the ratio of achieved Group profit from recurring operations, restated for currency effects and changes in the scope of consolidation, as compared to Group budgeted profit from recurring operations over three consecutive financial years.

The number of performance-based shares will be determined according to the following conditions:

- if the average level of achievement is 0.95 or below: no performance-based shares will vest;
- if the average level of achievement is between 0.95 and 1: the number of performance-based shares vesting will be determined on a straight-line basis according to the percentage achievement between 0% and 100%; and
- if the average level of achievement is 1 or more: 100% of performance-based shares will be vested.

Furthermore, the Board of Directors, on the recommendation of the Compensation Committee, decided to exclude the Executive Director from the benefit of the adjustment of the internal performance condition of the 2017, 2018 and 2019 performance share plans to take into account the exceptional impact of the Covid-19 pandemic on the Group's results for FY20 (this adjustment is described in the subsection "Allocation of performance-based shares with internal condition" in 2.8.4 below).

External condition

The number of performance-based shares vesting will be determined according to the external performance condition applicable to stock options, as described opposite "Allocation of stock options".

MAXIMUM ALLOCATION AMOUNT

Throughout the current term of office of the Executive Director, the maximum annual allocation, in value, of stock options and performance-based shares allocated to the Executive Director may not represent more than 150% of their gross fixed annual compensation. This maximum allocation has been determined by taking into account:

- the practices of beverage sector companies (external benchmarking panel) and the practices of CAC 40 companies; and
- the demanding nature of the performance conditions of plans.

Furthermore, the maximum amount of stock options and performance-based shares allocated to the Executive Director may not represent more than 5% of the plan's total economic value (the plan's total economic value comprises all distributed elements). Lastly, and as indicated in the context of resolutions submitted for approval by the Shareholders' Meeting of 8 November 2019, the maximum amount of stock options and performance-based shares allocated to the Executive Director may not represent more than:

- 0.21% of the share capital on the date of allocation of the stock options (in accordance with the 21st resolution);
- 0.06% of the share capital on the date of allocation of the performance-based shares (in accordance with the 20th resolution).

LOCK-IN PERIOD

The Board of Directors requires the Executive Director:

- to retain in registered form until the end of their term of office a quantity of shares corresponding to:
  - in respect of stock options: 30% of the capital gain since acquisition, net of social security contributions and taxes, resulting from the exercise of the stock options, and
  - in respect of performance-based shares: 20% of the volume of performance-based shares that will actually be vested;
- to undertake to buy a number of additional shares equal to 10% of the performance-based shares vested at the time that the performance-based shares actually vest; and
- once the Executive Director holds a number of registered Company shares that correspond to more than three times his gross fixed annual compensation at that time, the above-mentioned lock-in obligation will be reduced to 10% for both stock options and performance-based shares and the Executive Director concerned will no longer be required to acquire additional shares. If, in the future, their registered holdings fall below the three-times ratio, the lock-in and acquisition requirements cited above will again apply.

PRESENCE CONDITION AND TERMINATION OF OFFICE

The definitive allocation is subject to a presence condition (at the date on which the options are exercised or the shares vest) for all beneficiaries including the Executive Director, with the exceptions specified in the plan regulations (notably in cases of death or disability) or decided by the Board of Directors. In case of the Executive Director, the Board of Directors may decide to remove the presence condition *pro rata temporis* where appropriate, issuing a notification of and justification for any such decision. The stock options and performance-based shares held shall remain subject to all applicable plan regulations, particularly with regard to the calendar and performance conditions.

HEDGING

In accordance with the Code of Conduct, the latest version of which was adopted by the Board of Directors on 20 July 2017, and the AFEP-MEDEF Code, the Executive Director has formally agreed to refrain from using hedging mechanisms for any stock options and performance-based shares received from the Company.

Policy on deferred commitments

IMPOSED DEPARTURE CLAUSE

A maximum allowance of 12 months' compensation (last fixed and variable annual compensation determined by the Board of Directors) would be paid under performance conditions in the event of imposed departure as a result of a change in the Group's control or strategy. However, there would be no payment in the event of i) non-renewal of the term of office, ii) departure initiated by the Director, iii) a change of functions within the Group or iv) if he or she is able to benefit in the near future from their pension rights.

The imposed departure clause is subject to the following three performance criteria:

- 1st criterion: bonus rates achieved over the term(s) of office: criterion number 1 will be considered as met if the average bonus paid over the entire length of the term(s) of office is no less than 90% of the target variable compensation;
- 2nd criterion: growth rate of profit from recurring operations over the term(s) of office: criterion number 2 will be considered as met if the average growth rate of profit from recurring operations vs. budget of each year over the entire length of the term(s) of office is more than 95% (adjusted for foreign exchange and scope impacts); and
- 3rd criterion: average growth in net sales over the term(s) of office: criterion number 3 will be considered as met if the average growth in net sales over the entire length of the term(s) of office is greater than or equal to 3% (adjusted for foreign exchange and scope impacts).

The amount of compensation that may be received under the forced departure clause shall be calculated according to the following scale:

- if all three criteria are met, payment of 12 months' compensation [(1)];
- two of the three criteria are satisfied: eight months' compensation [(1)];
- if one of the three criteria is satisfied: four months' compensation [(1)]; and
- if no criterion is satisfied: no compensation will be paid.

NON-COMPETE CLAUSE

The signing of this non-compete clause for a period of one year is intended to protect the Group by preventing the Executive Director from performing duties for a competitor, in return for an allowance of 12 months' compensation (last fixed and variable annual compensation, determined by the Board of Directors).

In accordance with the AFEP-MEDEF Code:

- the indemnity will be paid monthly during its term;
- it is provided in this clause that the Board of Directors may waive the application of this clause when the Executive Director leaves;
- the indemnity will not be paid if the Executive Director leaves the Group to take retirement or if the Executive Director is over 65 years old; and
- the maximum amount of the indemnity under the non-compete clause and the imposed departure clause (sum of both) is capped at 24 months' compensation (last fixed and variable annual compensation approved by the Board of Directors).

(1) Most recent annual fixed and variable compensation decided by the Board of Directors.

Supplementary pension scheme

The supplementary pension scheme supplements the pensions provided under compulsory basic and supplementary schemes.

The Executive Director receives annual compensation equal to 10% of his fixed and variable annual compensation paid each year:

- half (*i.e.* 5%) in the form of the allocation of performance-based shares, the number of which will be determined based on the IFRS value of shares when the allocation occurs, and which must be approved by the Board of Directors each year. The conditions relating to performance, presence and holding that will apply to these allocations will be the same as those outlined under the general Group performance-based shares allocation plan in effect on the grant date; and
- half (*i.e.* 5%) in cash.

It is specified that the Executive Director will undertake to invest the cash component of this additional compensation he may receive, net of social security contributions and tax, in investment vehicles dedicated to financing his supplementary pension.

Other benefits

COMPANY CAR

For fulfilling his duties as a representative of the Company, the Executive Director has a company car. Insurance, maintenance and fuel costs are borne by the Company.

COLLECTIVE HEALTHCARE AND WELFARE SCHEMES

The Executive Director enjoys the benefit of the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable to the category of employees to which they belong for the determination of their welfare benefits and other additional components of their compensation.

Exception to the implementation of the compensation policy for the Chairman and Chief Executive Officer

In accordance with the second paragraph of III of Article L. 225-37-2 of the French Commercial Code, in the event of exceptional circumstances, the Board of Directors may depart from applying elements of the compensation policy, provided that such a departure is temporary, is in the Company's interest and is necessary to ensure the Company's continued existence or viability. Any departure will be decided by the Board of Directors, on the recommendation of the Compensation Committee and after obtaining the opinion, where necessary, of an independent consulting firm, it being understood that reasons must be given for this departure.

Such a departure may only be temporary and in exceptional circumstances, in particular a major event affecting markets in general or that of wines & spirits in particular.

The compensation elements that may be departed from, in either a positive or negative sense, are the annual or long-term variable compensation (but without the limits being modified).

EMPLOYMENT CONTRACT (TABLE 11 AMF NOMENCLATURE)

	Employment contract		Supplementary defined-benefit pension scheme		Indemnities or advantages due or liable to be due by virtue of the discontinuance of or change in their positions		Indemnities relating to a non-compete clause	
Executive Directors	Yes	No	Yes	No	Yes	No	Yes	No
Mr Alexandre Ricard, Chairman and CEO [(1)] Term of office start date: 17/11/2016 Term of office end date: 27/11/2020 [(2)]		X		X	X		X	

(1) Mr Alexandre Ricard terminated his employment contract on 11 February 2015, when he was appointed Chairman and CEO. Before this, his contract of employment with Pernod Ricard had been suspended since 29 August 2012.

(2) The conditions for revoking or terminating an appointment are set out in subsection 2.5.1.

2.8.2 Components of compensation paid or allocated during FY20 to the corporate officers (11th resolution)

2.8.2.1 Table of compensation received (in euros) by non-executive corporate officers (Table 3 AMF nomenclature)

Of the €1,250,000 allocated by the Shareholders' Meeting of 8 November 2019, a total of €1,118,083 in compensation was paid to Directors in FY20, in accordance with the rules set out in subsection 2.8.1 above. As a reminder, the Chairman and CEO does not receive compensation as a Director.

(€)	FY 19		FY20	
Members of the Board	**Amounts allocated**	**Amounts paid**	**Amounts allocated**	**Amounts paid**
Ms Patricia Barbizet	60,083	7,333	136,833	122,333
Ms Nicole Bouton (1)	115,458	99,250	60,750	108,708
Ms Esther Berrozpe Galindo (2)	N/A	N/A	37,833	8,833
Mr Wolfgang Colberg	133,000	118,500	142,000	146,500
Mr Ian Gallienne	102,000	91,750	104,500	111,500
Mr César Giron	82,000	71,750	94,000	94,000
Ms Martina Gonzalez-Gallarza (1)	62,500	58,250	30,333	56,833
Ms Anne Lange	64,000	64,750	69,000	69,000
Mr Philippe Petitcolin (2)	N/A	N/A	46,167	8,167
Mr Pierre Pringuet (1)	109,333	115,750	48,500	90,833
Société Paul Ricard represented by Mr Paul-Charles Ricard (3)	52,000	47,750	56,000	52,000
Mr Gilles Samyn	82,000	72,000	85,500	87,500
Ms Kory Sorenson	106,000	102,500	111,667	104,417
Ms Veronica Vargas	62,500	58,250	65,000	62,500
Ms Maria Jesus Carrasco Lopez	7,500	N/A	15,000	15,000
Mr Stéphane Emery	15,000	15,000	15,000	15,000
TOTAL	**1,053,375**	**922,833**	**1,118,083**	**1,153,124**

N/A: not applicable.

(1) Until 8 November 2019, the date of the end of his term as Director.
(2) Starting 8 November 2019, the date of his / her appointment by the Shareholders' Meeting.
(3) Permanent representative of Société Paul Ricard, Director.

2.8.2.2 Other components of the compensation of corporate officers performing management or executive roles within the Group

In addition to compensation received in respect of their office as Directors, Messrs César Giron and Paul-Charles Ricard received compensation in their respective capacities as Chairman and CEO of Martell Mumm Perrier-Jouët and Innovation Manager of Martell Mumm Perrier-Jouët.

A summary statement of the compensation and other benefits received by each of these Non-Executive Directors from the companies controlled by Pernod Ricard SA, under article L. 233-16 of the French Commercial Code, is drawn up pursuant to article L. 225-102-1, paragraph 2 of the same Code.

Mr César GIRON, member of the Board of Directors and Chairman and CEO of Martell Mumm Perrier-Jouët

FIXED COMPENSATION

Mr César Giron receives gross fixed compensation for his duties as Chairman and CEO of Martell Mumm Perrier-Jouët that amounted to €488,580 for FY20.

VARIABLE COMPENSATION

In his capacity as Chair of a direct affiliate and member of the Executive Committee, Mr César Giron receives gross variable compensation for which the quantitative criteria depend firstly on the financial performance of the entity he manages and secondly on the Group's results, with a view to strengthening solidarity and collegiality between the Chairs of the Executive Committee.

Mr César Giron is also assessed on the basis of individual qualitative criteria.

This variable portion is expressed as a percentage of the annual fixed portion. It may reach 70% of his gross fixed compensation if the quantitative and qualitative targets are achieved (target level) and can rise to a maximum of 105% if the Group records exceptional financial performance in relation to the targets. The criteria are reviewed regularly and may be modified on an occasional basis.

In this respect, during FY20, he received gross variable compensation in October 2019 of €438,299 relating to FY19, *i.e.* 92.40% of his fixed compensation for FY19.

SPECIAL BONUS

No special bonuses were awarded or paid in respect of FY20.

STOCK OPTION AND PERFORMANCE-BASED SHARE ALLOCATION

On 8 November 2019, the Board of Directors authorised a combined stock option and performance-based share allocation plan.

Under this plan, Mr César Giron received the following allocation:

- 6,286 stock options with an external performance condition (€153,347 at IFRS value); and
- 1,996 performance-based shares with an internal performance condition (€306,179 at IFRS value).

The details of the overall stock option and performance-based share allocation policy are shown below (pages 73-74 of this universal registration document).

SEVERANCE BENEFITS

Mr César Giron receives no compensation for termination of service.

SUPPLEMENTARY PENSION SCHEME

Mr César Giron has a conditional defined-benefit supplementary pension scheme (article 39) under article L. 137-11 of the French Employment Code, provided that recipients:

- have at least 10 years' seniority within the Group when they leave or retire;
- are at least 60 years of age on the date of leaving or retirement;
- have wound up the basic and complementary French social security pension schemes (ARRCO, AGIRC);
- permanently put an end to their professional career; and
- end their professional career within the Group. In accordance with regulations, employees aged over 55 whose contract is terminated and who do not take up another job are deemed to have retired. The aim of the scheme is to make it possible to supplement the pension provided by France's mandatory state-run pension scheme. It offers retired beneficiaries a life annuity that can be passed on to their spouse and/or ex-spouse in the event of death.

Pensions are proportionate to the beneficiary's length of service, with an upper limit of 20 years. Pensions are calculated on the basis of the beneficiary's average compensation (fixed and variable) over the three years preceding his or her retirement.

The amount of the supplementary annuity is calculated by applying the following coefficients to the basis of calculation:

- for the portion of the compensation between eight and 12 times France's annual social security ceiling, the coefficient is 2% multiplied by the number of years' service (capped at 20 years, *i.e.* 40%);
- between 12 and 16 times France's annual social security ceiling, the coefficient is 1.5% per year of service (capped at 20 years, *i.e.* 30%); and
- in excess of 16 times France's annual social security ceiling, the coefficient is 1% per year of service (capped at 20 years, *i.e.* 20%).

The supplementary pension equals the sum of the three amounts above.

In addition, the rights granted under this plan, added to those of other pensions, cannot exceed two-thirds of the amount of the beneficiary's most recent fixed annual compensation.

A provision is entered on the balance sheet during the build-up phase and, when the beneficiary claims his or her pension, the capital is transferred to an insurer and thus entirely outsourced.

Funding for this scheme is the responsibility of Pernod Ricard, which pays premiums to a third-party insurance agency to which it has entrusted management of this pension scheme.

Pursuant to the provisions of French Decree no. 2016-182 of 23 February 2016, at 30 June 2020, the estimated gross amount of the annuity potentially paid under the supplementary defined-benefit pension scheme for Mr César Giron would be €159,845 per year.

The relevant social security contributions falling due to Pernod Ricard stood at 24% of the contributions transferred to the insurer.

Furthermore, in accordance with the government decree of 3 July 2019:

- the scheme has been closed since 2016;
- no additional rights may vest in respect of periods of employment after 1 January 2020.

COLLECTIVE HEALTHCARE AND WELFARE SCHEMES

Mr César Giron qualifies for the collective healthcare and welfare schemes offered by Martell Mumm Perrier-Jouët under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional components of his compensation.

OTHER BENEFITS

For FY20, Mr César Giron was provided with a company car.

Mr Paul-Charles RICARD, Permanent Representative of Société Paul Ricard, member of the Board of Directors and Innovation Manager at Martell Mumm Perrier-Jouët

FIXED COMPENSATION

Mr Paul-Charles Ricard receives gross fixed compensation for his duties as Innovation Manager of Martell Mumm Perrier-Jouët that amounted to €61,584 for FY20.

VARIABLE COMPENSATION

This variable portion is expressed as a percentage of the annual fixed portion. It may reach 12% of his gross fixed compensation if the (individual) qualitative targets are achieved.

In this respect, during FY20, he received gross variable compensation of €5,980 relating to FY19.

AMOUNTS RECEIVED IN RESPECT OF EMPLOYEE INCENTIVE AGREEMENT AND PROFIT-SHARING PLANS

Under the employee profit-sharing plans in effect within Martell Mumm Perrier-Jouët, Mr Paul-Charles Ricard received €6,177 from incentive agreements and €10,237 from profit-sharing.

COLLECTIVE HEALTHCARE AND WELFARE SCHEMES

Mr Paul-Charles Ricard qualifies for the collective healthcare and welfare schemes offered by Martell Mumm Perrier-Jouët under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional components of his compensation.

OTHER COMPONENTS OF THE COMPENSATION

No special bonus/No allocation of stock options and/or performance-based shares/No compensation for termination of service/No supplementary pension scheme/No benefits in kind.

2.8.3 Components of the compensation paid or allocated during FY20 to Mr Alexandre RICARD, Chairman & CEO (10th resolution)

The compensation paid or allocated for FY20 to Mr Alexandre Ricard, Chairman and Chief Executive Officer, was approved by the Board of Directors at its meetings of 28 August 2019, 8 November 2019 and 1 September 2020 on the proposal of the Compensation Committee. The total compensation decided complies with the compensation policy as approved by the Shareholders' Meeting of 8 November 2019 (10th resolution), and in particular with the relationship between the amounts of variable compensation and the assessment of both the short- and long-term performance of the Company, to which the Chairman & CEO has made a significant contribution.

Components of compensation	Amounts paid during the past financial year	Amounts allocated during the past financial year	Remarks
Fixed compensation	€1,100,000	€1,100,000	• At its meeting held on 28 August 2019, the Board of Directors, on the recommendation of the Compensation Committee, decided to maintain Mr Alexandre Ricard's gross annual fixed compensation at €1,100,000 for FY20 and until the end of his term.

Annual variable compensation	€1,745,810	€297,000	• At its meeting held on 1 September 2020, the Board of Directors, on the recommendation of the Compensation Committee and after approval of the financial elements by the Audit Committee, assessed the amount of the variable portion of Mr Alexandre Ricard's compensation for FY20.
			• Considering the quantitative and qualitative criteria set by the Board meeting on 28 August 2019 and the achievements recognised as of 30 June 2020, the amount of the variable portion was assessed as follows:
			  • for the quantitative criteria, the variable portion amounted to 0% of Mr Alexandre Ricard's fixed annual compensation, versus a target of 80% and a maximum of 150%, breaking down as follows:
			    • achievement of the budgeted Profit from Recurring Operations (target 20%, maximum 37.5%): 0%,
			    • achievement of the budgeted Group net Profit from Recurring Operations (target 20%, maximum 37.5%): 0%,
			    • achievement of the budgeted Recurring Free Cash Flow (target 20%, maximum 37.5%): 0%;
			    • operating leverage (target 20%, maximum 37.5%): 0%
			  • As a result, as a preliminary step, the qualitative criteria were assessed on the basis of objectives defined at the beginning of the financial year, i.e. before the health crisis. Thus, they do not take into account the excellent performance of Mr Alexandre Ricard and in particular his very good management of the crisis, which the Board wishes to highlight. The variable portion approved amounted to 27% of Mr Alexandre Ricard's annual fixed compensation, versus a target of 30% and a maximum of 45%, breaking down as follows:
			    • **United States:** sales growth in value above the market for FY20 (6%/9%): 3%. Pernod Ricard is broadly in line with the market in both the On-trade and Off-trade channels but impacted in its overall market share by its higher exposure to the On-trade.
			    • **Robust growth for the drivers in Asia**, with India (continuation of strong double-digit growth and the aggressive value strategy) and China (delivering solid growth with Martell and the premium portfolio) (6%/9%): 6%. Very good performance relative to the market of the Asian growth engines, with continued market share gain in India and continued leadership in China.
			    • Improved performance of **Absolut** (6%/9%): 0%. Slight growth in pre-Covid-19 sales and continued international development with market share gains. Nevertheless, the brand has not yet stabilised in the United States.

Components of compensation	Amounts paid during the past financial year	Amounts allocated during the past financial year	Remarks
Annual variable compensation			• **Handling of structure costs and adapting the organisation** to new challenges and opportunities (6%/9%): 9%. Structure costs have shown a sharp decrease over the year, with Pernod Ricard also demonstrating strong adaptability in a crisis scenario. • **CSR:** operational implementation of the "Good Times from a Good Place" strategy at the Executive Committee level, as defined in the action plans established within the brands and subsidiaries (6%/9%): 9%. Successful operational implementation of the "Good Times from a Good Place" strategy: acceleration of strategic initiatives (e.g. ban of single-use plastic from point-of-sale materials from 2021 compared with an initial target of 2025) while in addition, providing active support of communities during the Covid-19 crisis. • Consequently, the total amount of Mr Alexandre Ricard's variable compensation for FY20 as Chairman and CEO was set at €297,000, *i.e.* 27% of his fixed annual compensation for FY20 (vs. a target of 110%). The variable compensation in respect of FY19 and FY18 respectively represented 158.71% and 161.49% of his annual fixed compensation.
Multi-year variable compensation	N/A	N/A	• Mr Alexandre Ricard does not qualify for any multi-year variable cash compensation.
Compensation as Chairman of the Board	N/A	N/A	• As an Executive Director, Mr Alexandre Ricard does not receive any compensation in his capacity as Chairman of the Board of Directors.
Special bonus	N/A	N/A	• Mr Alexandre Ricard does not qualify for any special bonus.
Allocation of stock options and/or performance-based shares		€549,985 (total IFRS value of stock options with an external performance condition) €549,973 (total IFRS value of performance-based shares with an internal performance condition) €549,909 (total IFRS value of performance-based shares with an external performance condition)	• During FY20, the Board of Directors' meeting held on 8 November 2019 decided, on the recommendation of the Compensation Committee, to grant Mr Alexandre Ricard: • **22,545 stock options** (*i.e.* approximately 0.008% of the Company's share capital) all subject to the external performance condition specified in the subsection "Allocation of stock options" in subsection 2.8.2 above, • **3,579 performance-based shares** (*i.e.* approximately 0.001% of the Company's share capital) all subject to the internal performance condition specified in the subsection "Allocation of performance-based shares" in subsection 2.8.2 above, • **5,780 performance-based shares** (*i.e.* approximately 0.002% of the Company's share capital) all subject to the external performance condition specified in the subsection "Allocation of stock options" in subsection 2.8.2 above; • the same presence condition applies to Mr Alexandre Ricard and the other beneficiaries of the allocation plan; • it is noted that Executive Directors are subject to lock-in obligations in respect of shares resulting from the exercise of stock options and the effective transfer of performance-based shares (see subsection "Stock option and performance-based share allocation policy" in subsection 2.8.2 above).
Welcome bonus or compensation for termination of office	No payment	No payment	• Mr Alexandre Ricard, as Chairman and CEO, benefits from: • a one-year non-compete clause as described in the subsection "Non-compete clause" in subsection 2.8.2 above, • an imposed departure clause (maximum of 12 months' compensation as described in the subsection "Imposed departure clause" in subsection 2.8.2 above). • In accordance with the AFEP-MEDEF Code, the overall amount of the non-compete clause and the imposed departure clause (sum of both clauses) will be capped at 24 months' compensation (fixed + variable). • Pursuant to the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting held on 17 November 2016 (5th resolution).

Components of compensation	Amounts paid during the past financial year	Amounts allocated during the past financial year	Remarks

Supplementary pension scheme		€142,312 (total IFRS value of performance-based shares with internal and external performance conditions)	• In exchange for the elimination of the supplementary defined-benefit retirement plan, on 31 August 2016, the Board of Directors' decided to grant Mr Alexandre Ricard an annual component equal to 10% of his fixed and variable annual compensation in the form of a grant of performance-based shares (5%) and cash (5%), starting in 2017. This decision was approved by the Shareholders' Meeting of 17 November 2016 (16th resolution).
			• Grant of:
			  • 463 performance-based shares, subject to an internal condition; and
			  • 748 performance shares subject to an external condition.

	€142,291 (payment in cash of 5% of the fixed and variable annual compensation)	€142,291 (payment in cash of 5% of the fixed and variable annual compensation)	The performance, presence and lock-in conditions applicable to these allocations are the same as those provided for in the Group's overall performance-based share allocation plan in force on the grant date (described in the subsections "Allocation of stock options" and "Allocation of performance-based shares" in subsection 2.8.2 above). On the same principle as for grants of performance-based shares, Mr Alexandre Ricard is subject to lock-in obligations (see the subsection "Stock option and performance-based share allocation policy" in subsection 2.8.2 above). • Mr Alexandre Ricard has undertaken to invest the cash payment, net of social security contributions and tax, in investment vehicles dedicated to financing his supplementary pension.
Collective healthcare and welfare schemes			• Mr Alexandre Ricard qualifies for the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable to the category of employees to which he belongs for the determination of his welfare benefits and other additional components of his compensation. • In accordance with the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting of 17 November 2016 (5th resolution).
Other benefits	€7,394	€7,394	• Mr Alexandre Ricard benefits from a company car.

N/A: not applicable.

Summary of components of the compensation due or granted to Mr Alexandre RICARD for the financial year

Summary table of compensation paid and options and shares granted to Mr Alexandre RICARD (Table 1 AMF nomenclature)

€	FY19	FY20
Compensation due for the financial year (1)	2,853,227	1,404,394 (2)
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	549,996	549,985
Value of performance-based shares allocated during the financial year	1,099,888	1,099,882
Value of performance-based shares allocated during the financial year in respect of the supplementary pension scheme (3)	131,658	142,312
Supplementary cash payment in respect of the supplementary pension scheme (3)	131,708	142,291
TOTAL	**4,766,477**	**3,338,865 (2)**

N/A: not applicable.

(1) This total includes the use of a company car.
(2) The amount of the bonus due for the year will be subject to the ex-post vote of the shareholders.
(3) Annual component equal to 5% of fixed and variable compensation.

Summary table of compensation paid to Alexandre RICARD (by the Company and the controlled companies as defined by article L. 233-16 of the French Commercial Code and the controlling company or companies) (Table 2 AMF nomenclature)

	FY19		FY20	
€	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	1,100,000	1,100,000	1,100,000	1,100,000
Variable annual compensation (1)	1,745,810	1,534,155	297,000 (3)	1,745,810
Multi-year variable compensation	N/A	N/A	N/A	N/A
Special bonus	N/A	N/A	N/A	N/A
Compensation as Chairman of the Board of Directors	N/A	N/A	N/A	N/A
Benefits in kind (2)	7,417	7,417	7,394	7,394
TOTAL	**2,853,227**	**2,641,572**	**1,404,394**	**2,853,204**

N/A: not applicable

(1) The variable compensation due in respect of the prior year is paid in the current year.
(2) Company car.
(3) The amount of the bonus due for the year will be subject to the ex-post vote of shareholders.

Stock options granted to Mr Alexandre RICARD by the Company and any Group companies during the financial year (Table 4 AMF nomenclature)

Date of plan	Type of options (purchase or subscription)	Value of shares according to the method used for the consolidated financial statements (IFRS)	Number of options granted during the financial year	Strike price	Performance conditions	Exercise period
08.11.2019	Purchase	€549,985	22,545	€162.79	Positioning of the total performance of the Pernod Ricard share compared with the total performance of a panel of 12 companies over three years	From 09.11.2023 to 08.11.2027

Stock options exercised by Mr Alexandre RICARD during the year (Table 5 AMF nomenclature)

Date of plan	Number of options exercised during the financial year	Strike price
06.11.2015	13,662 (1)	€102.80

(1) The initial allocation was 20,700 options (the external performance condition confirmed the availability of 66% of the options initially allocated).

Performance-based shares granted to Mr Alexandre RICARD by the Company and any Group companies during the financial year (Table 6 AMF nomenclature)

Date of plan	Number of shares awarded during the period	Value of shares according to the method used for the consolidated financial statements (IFRS)	Acquisition date	Vesting date	Performance conditions
08.11.2019	3,579	€549,973	09.11.2023	09.11.2023	Average achievement of the annual budget targets in respect of profit from recurring operations in the current and subsequent two years (three consecutive years).
08.11.2019	463 (1)	€71,148	09.11.2023	09.11.2023	Average achievement of the annual budget targets in respect of profit from recurring operations in the current and subsequent two years (three consecutive years).
08.11.2019	5,780	€549,909	09.11.2023	09.11.2023	Positioning of the total performance of the Pernod Ricard share compared with the total performance of a panel of 12 companies over three years.
08.11.2019	748 (1)	€71,165	09.11.2023	09.11.2023	Positioning of the total performance of the Pernod Ricard share compared with the total performance of a panel of 12 companies over three years.

(1) Allocation under the supplementary pension scheme.

Performance-based shares vested to Mr Alexandre RICARD during the financial year (Table 7 AMF nomenclature)

Date of plan	Number of shares vested during the period	Conditions of acquisition
06.11.2015	3,000 (1)	• Average achievement of the annual budget targets in respect of profit from recurring operations in the current and subsequent two years (three consecutive years).
06.11.2015	3,630 (2)	• Average achievement of the annual budget targets in respect of profit from recurring operations in the current and subsequent two years (three consecutive years). • Positioning of the total performance of the Pernod Ricard share compared with the total performance of a panel of 12 companies over three years.
17.11.2016	8,989 (3)	No performance conditions (presence condition for three years).

(1) The initial allocation was 3,000 shares (the internal performance condition was 100% met).
(2) The initial allocation was 5,500 shares (the internal performance condition was 100% met and the external performance condition confirmed the vesting of 66% of the shares initially allocated).
(3) First third of the Exceptional Bonus Share Plan granted to the Executive Director in exchange for the elimination of the supplementary defined-benefit pension scheme. This exceptional allocation was intended to compensate for vested rights and was not subject to any performance conditions. However, it spread the vesting of shares over a three-year period and includes a mandatory two-year lock-in period (see page 109 of the FY17 Registration Document).

Summary table of Mr Alexandre RICARD's multi-year variable compensation

Mr Alexandre Ricard did not receive any multi-year variable compensation during past financial years.

Equity ratio between the level of compensation of Mr Alexandre RICARD, Chairman and CEO, and the average and median compensation of the Company's employees

The information concerning the ratios between the compensation of the Chairman and CEO and the average and median compensation of the Company's employees is presented below pursuant to article L. 225-37-3 of the French Commercial Code, as amended by the implementing regulations of the PACTE law.

Calculation method

The average and median compensation was established on a full-time equivalent basis for the Company's employees other than the Chairman and CEO.

This compensation includes the following components: fixed compensation, annual variable compensation, additional payments under the supplementary defined-contribution pension scheme, employee savings schemes and long-term incentives valued at their fair value at the allocation date.

The ratios and annual changes in compensation were calculated on the basis of the gross compensation components paid in the current year (thus including the variable compensation and profit-sharing allocated in respect of the prior year).

The scope of this information covers Pernod Ricard SA.

	FY16	FY17	FY18	FY19	FY20
Ratio versus average compensation	22.39	48.09	33.76	40.17	39.12
Ratio versus median compensation	41.58	85.98	56.21	67.43	67.68

Elements explaining the variation of the ratio as regards the compensation of the Chairman and Chief Executive Officer taken into account:

- *FY16: First year with full compensation as Chairman and Chief Executive Officer.*
- *FY17: Exceptional payment of €2,668,000 in consideration for the abolition of the supplementary defined-benefit pension plan (past service compensation – see 2016/17 Registration Document, page 109).*
- *FY18: Payment of the FY17 bonus with an achievement rate of 131%, whereas the bonus paid in FY17 in respect of FY16 represented 96.2%.*
- *FY19: Increase in the fixed compensation and payment of the bonus for FY18, with an achievement rate of 161%.*

Annual changes in the Company's compensation and performance

	FY16	FY17	FY18	FY19	FY20
Compensation of the Chairman and CEO Change/N-1	57%	19% (1)	17% (1)	19%	5%
Average employee compensation Change/N-1	-1.9%	0.5%	-8.1%	-0.4%	7.8%
Median employee compensation Change/N-1	-4.6%	4.3%	-1.4%	-1.2%	4.5%
Profit from recurring operation Change/N-1 (2)	2%	3.3%	6.3%	8.7%	-13.7%

(1) To allow a comparison between periods, the one-off payment of €2,668,000 for past service costs under the supplementary pension scheme has been isolated.
(2) In internal growth, restated for foreign exchange and scope effects.

Taking into account the last vote of the Shareholders' Meeting of 8 November 2019

The Board of Directors, on the recommendation of the Compensation Committee, took into account the vote of the Shareholders' Meeting of 8 November 2019, which saw strong shareholder support (93.88% for the "ex post" vote and 94.63% for the "ex ante" vote) for the compensation policy put in place within the Group, and therefore decided to continue this policy according to the same principles and arrangements for FY21.

2.8.4 Other aspects of the compensation policy (not subject to shareholder vote)

Overall stock option and performance-based share allocation policy

During FY20, the Board of Directors reaffirmed its desire to give key personnel an interest in the performance of Pernod Ricard shares, and during its meeting of 8 November 2019, it decided to introduce a combined allocation plan made up of stock options and performance-based shares.

The Board's aim is therefore to continue to align the interests of Pernod Ricard employees with those of the shareholders, by encouraging them to hold shares of the Company. Just over 800 employees were rewarded, making it possible to target not only executives in management positions, but also to retain young high-potential Managers (Talents) in all of the Group's subsidiaries around the world.

The 8 November 2019 allocation plan consists of stock options with performance conditions and performance-based shares.

The Board of Directors confirmed the following plan features on the recommendation of the Compensation Committee:

- subject all allocations (stock options and performance-based shares) to performance criteria;
- retain the external performance criterion applicable to stock options and a portion of the performance-based shares allocated to the Executive Director: positioning of the overall performance of Pernod Ricard shares compared with the overall performance of a panel of 12 comparable companies over three years, only considering positioning on the median or higher;
- maintain the internal performance criterion applicable to performance shares, *i.e.* the average achievement of annual targets for profit from recurring operations, assessed over three consecutive financial years;
- maintain a balanced allocation between stock options and performance-based shares for the members of the Executive Committee, including the Executive Director, thus allowing fair compensation based on the achievement of internal and external criteria; and
- maintain allocations of performance-based shares for all beneficiaries, with the volume varying according to the classification of their position within the Group.

Allocation of stock options with external performance conditions

The volume of performance-based stock options allocated by the Board of Directors' meeting of 8 November 2019 stood at 131,864 stock options.

All of the stock options under the plan are subject to an external performance condition and will become exercisable from November 2023 depending on the positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a panel of 12 comparable companies. This condition will be evaluated over a three-year period following the plan allocation.

The number of shares that will ultimately be granted will be determined by comparing the overall performance of the Pernod Ricard share and the overall performance of a Panel from 8 November 2019 to 8 November 2022 inclusive (three years). Accordingly, if the total performance of the Pernod Ricard shares (TSR) is:

- below the median (8th to 13th position), no options will be exercisable;
- at the median (7th position), 66% of the options will be exercisable;
- if in 6th, 5th or 4th position, 83% of the stock options can be exercised; and
- if in 3rd, 2nd or 1st position, 100% of the stock options can be exercised.

At the grant date, the Board of Directors decided that the Panel shall comprise, in addition to Pernod Ricard, the following 12 companies: AB InBev, Brown Forman, Campari, Carlsberg, Coca-Cola, Constellation Brands, Danone, Diageo, Heineken, LVMH, PepsiCo and Rémy Cointreau.

The Panel's composition is subject to change, based on the above-mentioned companies' development. The Board of Directors shall, with a duly reasoned decision and following the recommendation of the Compensation Committee, exclude a company from or add a new company to the Panel, for example, in the case of an acquisition, absorption, dissolution, spin-off, merger or change of business of one or more of the Panel's members, subject to maintaining the overall consistency of the Panel and enabling the application of the external performance condition in line with the performance objective set upon allocation.

The vesting period for the options is four years followed by an exercise period of four years.

Allocation of performance-based shares with an external performance condition

At its meeting of 8 November 2019, the Board of Directors granted 5,780 performance-based shares with an external performance condition (excluding shares related to the supplementary pension scheme).

All of the performance-based shares under the plan are subject to internal and external performance conditions and will vest from November 2023 based on the positioning of the overall performance of Pernod Ricard share compared to the overall performance of a Panel of 12 comparable companies (see above). This external condition will be assessed over a period of three years following the allocation of the plan, *i.e.* from 8 November 2019 to 8 November 2022 inclusive.

The final volumes will be determined at the end of the external condition evaluation period in accordance with subsection "Allocation of stock options".

Allocation of performance-based shares with internal condition

A total of 262,483 performance-based shares (excluding shares related to the supplementary pension scheme) were awarded by the Board of Directors at its meeting of 8 November 2019, all subject to the internal performance condition described below.

The number of performance-based shares that will ultimately be granted will be determined based on the ratios of achievement of the Group's profit from recurring operations, adjusted for currency effects and changes in the scope of consolidation as compared with the Group's budgeted profit from recurring operations over three consecutive financial years (FY20, FY21 and FY22).

The number of performance-based shares is determined according to the following conditions:

- if the average level of achievement is 0.95 or below: no performance-based shares will be acquired;
- if the average level of achievement is between 0.95 and 1: the number of performance-based shares acquired is determined by applying the percentage of linear progression between 0 and 100%; and
- if the average level of achievement is 1 or more: 100% of performance-based shares will be vested.

Performance-based shares allocated to all beneficiaries have a four-year vesting period, without a lock-in period.

In addition, beneficiaries must still be part of the Group on the vesting date, except in the case of retirement, death or invalidity.

The Board of Directors, on the recommendation of the Compensation Committee, decided, in accordance with the plan rules, to adjust the internal performance condition for all beneficiaries except for the Executive Director, for the performance share plans implemented in 2017, 2018 and 2019, to take into account the exceptional circumstances related to the Covid-19 pandemic. To prevent the impact of the Covid-19 crisis wiping out the awards under these three plans, which would be disproportionate in view of the objectives of profit-sharing and of attracting and retaining talent, the Board of Directors decided to limit the impact of this unprecedented health crisis. For each of these three plans, the FY20 profit from recurring operations prior to the health crisis will be taken into account, applying a discount on the number of shares that can vest of at least 34% of the amount initially awarded. This reflects the fact that to date, the Covid-19 pandemic has impacted only one of the three financial years in question.

As a result, the Board of Directors adopted the following adjustments:

- for the 2017 plan, the internal performance condition assessed with respect to profit from recurring operations in FY18, FY19 and FY20 was 66% met;
- for the 2018 and 2019 plans, the final achievement of the internal performance condition will be determined at the close of the coming financial years, but may under no circumstances allow the vesting of more than 66% of the shares granted under each of the two plans.

These adjustments affect all beneficiaries with the exception of the Executive Director.

History of allocations of stock options – Situation at 30 June 2020 (Table 8 AMF nomenclature)

	Plan dated 06.11.2015	Plan dated 17.11.2016	Plan dated 09.11.2017	Plan dated 21.11.2018	Plan dated 08.11.2019
Date of authorisation by Shareholders' Meeting	06.11.2015	06.11.2015	06.11.2015	06.11.2015	08.11.2019
Date of Board of Directors' meeting	06.11.2015	17.11.2016	09.11.2017	21.11.2018	08.11.2019
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	278,575	150,008	124,050	109,492	131,864
of which by the corporate officers of Pernod Ricard SA	28,200	39,445	39,445	32,006	28,831
of which by Mr Alexandre Ricard	20,700	31,400	25,050	26,143	22,545
of which by Mr César Giron	7,500	8,045	7,000	5,863	6,286
Commencement date for exercise of options	07.11.2019	18.11.2020	10.11.2021	22.11.2022	09.11.2023
Expiry date	06.11.2023	17.11.2024	09.11.2025	21.11.2026	08.11.2027
Subscription or purchase price *(€)* (1)	102.80	105.81	126.53	137.78	162.79
Number of shares subscribed or purchased	67,614	0	0	0	0
Total number of stock options cancelled or lapsed (2)	96,068	25,506	0	0	0
of which allocated to Mr Alexandre Ricard	7,038	5,338	0	0	0
of which allocated to Mr César Giron	2,550	1,368	0	0	0
Subscription or purchase options remaining	114,893	124,502	124,050	109,492	131,864

N/A: not applicable.

(1) The purchase price of the shares by the beneficiaries corresponds to the average of the closing prices recorded during the 20 trading sessions preceding the day on which the options were granted.

(2) Options cancelled after the beneficiaries failed to meet the continuous service and/or performance conditions. During FY20, 25,506 stock options granted under the 17.11.2016 plan were cancelled in application of the external performance condition (83% of the amounts initially awarded).

On 30 June 2020, 604,801 options (all for share purchases) were in circulation, corresponding to approximately 0.23% of the Company's share capital; all these options were "in the money" (at the Pernod Ricard share closing price on 30 June 2020 = €140.05).

At present, there are no Pernod Ricard "subscription" stock options in circulation.

Stock options granted to the Group's top 10 employees other than corporate officers and options exercised by these employees during FY20 (Table 9 AMF nomenclature)

	Number of options granted / exercised	Exercise price *(in euros)*	Plans
Options granted during the financial year by the issuer and any companies within its Group granting options to the top 10 employees (1) of the issuer and any such Group company, receiving the highest number of options	45,095	€162.79	08.11.2019
Options held on the issuer and the companies included in the scope of allocation of the options exercised, during the year by the top 10 employees of the issuer and any company included in this scope, exercising the highest number of options	11,032	€102.80	06.11.2015

(1) In FY20, only 7 employees of Pernod Ricard SA received options.

History of allocations of performance-based shares – Situation as at 30 June 2020 (Table 10 AMF nomenclature)

	Plan dated 06.11.2015	Plan dated 17.11.2016	Plan dated 09.11.2017	Plan dated 21.11.2018	Plan dated 08.11.2019
Date of authorisation by Shareholders' Meeting	06.11.2015	06.11.2015	06.11.2015	06.11.2015	08.11.2019
Date of Board of Directors' meeting	06.11.2015	17.11.2016	09.11.2017	21.11.2018	08.11.2019
Number of performance-based shares allocated	418,923	461,376	371,511	341,313	269,474
of which to the corporate officers of Pernod Ricard SA	10,650	15,815	13,820	14,356	12,566
of which to Mr Alexandre Ricard	8,500	13,200	11,820	12,441	10,570
of which to Mr César Giron	2,150	2,615	2,000	1,915	1,996
Vesting date of the performance-based shares	07.11.2019	18.11.2020	10.11.2021	22.11.2022	09.11.2023
End date for share lock-in period	07.11.2019	18.11.2020	10.11.2021	22.11.2022	09.11.2023
Presence of performance condition	Yes	Yes	Yes	Yes	Yes
Number of performance-based shares cancelled (1)	89,150	94,219	170,396	132,456	93,475
of which allocated to Mr Alexandre Ricard	1,870	1,394	11,820	0 (2)	0 (2)
of which allocated to Mr César Giron			680	651	679
Vested performance-based shares (3)	329,773	740	592	545	293
Unvested performance-based shares (4)	0	366,417	200,523	208,312	175,706

All performance-based shares are subject to performance conditions and the beneficiaries must still be working for the Company. Performance-based shares vest after four years subject to the continued presence of the beneficiaries in the Company at the vesting date.

(1) Performance-based shares cancelled after the beneficiaries ceased to meet the continuous service condition (through resignation or redundancy) or failed to meet the performance conditions. During FY20, all the shares awarded under the 2016 plan were confirmed in application of the performance condition (they remain subject to the condition of continued presence in the Company until 17 November 2020). For the double-condition shares granted to Mr Alexandre Ricard, in 2016 the external performance condition confirmed 83% of the quantities initially allocated. It also includes performance shares that are no longer applicable due to the 66% cap on the achievement of the performance condition under the 2017, 2018 and 2019 plans (excluding the Executive Director), as well as the full allocation of performance shares made to Mr Alexandre Ricard.

(2) Since the above-mentioned limit imposed by the Board of Directors does not apply to Mr Alexandre Ricard, the level of achievement of the performance condition will only be measured at the end of FY21 and FY22. No cancellation of performance shares under the 2018 and 2019 plans has been recorded to date for Mr Alexandre Ricard.

(3) Allocated shares that vested and were transferred to the beneficiaries. Shares relating to plans in the process of vesting were transferred in advance to the beneficiaries following the death of several beneficiaries.

(4) For the 2015, 2016 and 2017 plans, the performance condition was evaluated in full. For the 2018 and 2019 plans, it will only be evaluated at the close of FY21 and FY22 respectively. The capping at 66% of the achievement of the performance condition due to the Covid-19 pandemic has been taken into account (excluding the Executive Director).

Performance-based shares granted to the top 10 employees other than corporate officers and shares definitively vested by the latter during FY20

	Number of shares allocated / vested	Value of the shares[1] *(in euros)*	Plans
Options allocated during the financial year by the issuer and any companies within its Group granting options to the top 10 employees of the issuer and any such Group company, receiving the highest number of options	15,935	€153.67	08.11.2019
Options vested during the financial year by the top 10 employees of the issuer and any companies within its Group, receiving the highest number of shares.	33,428	€98.07	06.11.2015 / 17.11.2016

(1) Value of shares according to the method used for the consolidated financial statements (IFRS).

Pernod Ricard has not issued any other options granting access to shares reserved for its Executive Directors or the top 10 employees of the Company and all companies within its Group granting options.

Employee profit-sharing plans

All employees of the Group's French companies are eligible for profit-sharing and incentive agreements based on the results of each specific entity. In line with the Group's decentralised structure, the terms and conditions of each of these agreements are negotiated at the level of each entity concerned.

Similarly, outside France, the Group encourages all affiliates to implement local agreements enabling employees to share in the profits of the entity to which they belong.

Profit-sharing agreements of this type exist in countries including Ireland and the United Kingdom: in each of these countries, employees may potentially receive Pernod Ricard shares based on their entity's annual results.

Provisions for pensions and other long-term employee benefits

Details of the total amount of provisions recorded or otherwise recognised by the issuer for the payment of pensions are set out in Note 4.7 – *Provisions* in the Notes to the consolidated financial statements.

Compensation of Executive Committee members

The Compensation Committee members are kept regularly informed of changes in the compensation given to members of the Executive Committee.

In regularly reviewing the various aspects of compensation, the members of the Compensation Committee pay particular attention to ensuring that the policy applied to the Group's Executive Director is consistent with the policy applied to the members of the Group's Senior Management both in France and internationally.

The compensation of the members of the Executive Board (excluding the Chairman and CEO), which is set by General Management, comprises a fixed annual portion, plus a variable portion representing an attractive incentive, for which the criteria are largely based on the Group's financial performance, as is the case for the Executive Director. Qualitative criteria to evaluate individual performance are also applied to this variable financial portion.

The Chairmen of the Group's direct affiliates, who are members of the Executive Committee, also receive compensation comprising a fixed portion, which is set in proportion to individual responsibilities, plus a variable portion, for which the quantitative criteria depend firstly on the financial performance of the entity they manage and secondly on the Group's results, with a view to strengthening solidarity and collegiality. The Chairmen are also evaluated using individual qualitative criteria.

The same performance indicators thus apply to the key players in the Group's business development, through the structure of and the method for evaluating the variable portion of their annual compensation.

For a number of years, all members of the Executive Committee, including the Chairman and CEO, have also been evaluated on the basis of their employee development and management performance and the implementation of Sustainability & Responsibility (S&R) projects.

The total amount of fixed compensation awarded to the members of the Executive Committee, including the Executive Director, amounted to €7.7 million for FY20 (unchanged from FY19). In addition to this, variable compensation (relating to FY19) of €7.1 million was paid (compared with €6.5 million in FY19).

The total recurring expense in respect of pension commitments for members of the Executive Committee, including the Executive Director, was €4.8 million in the financial statements for the year ended 30 June 2020 (compared with €5 million as at 30 June 2019).

2.8.5 Summary of transactions involving Pernod Ricard shares made by corporate officers in FY20 (article 223-26 of the AMF General Regulation)

First name, surname, Company name	Title	Financial instrument	Type of transaction	Date	Price (€)	Amount of transaction (€)
Mr Alexandre Ricard	Chairman and CEO	Call options	Exercise of stock options	07.11.2019	102.80	1,404,454
		Shares	Acquisition	07.11.2019	165.60	601,128
		Shares	Acquisition	07.11.2019	165.60	496,800
		Shares	Acquisition	18.11.2019	170.45	1,532,346
Ms Esther Berrozpe Galindo	Director	Shares	Acquisition	16.12.2019	162.20	8,110
Mr César Giron	Director	Shares	Disposal	04.09.2019	179.35	779,814
		Shares	Acquisition	07.11.2019	165.60	356,040
Mr Philippe Petitcolin	Director	Shares	Acquisition	17.12.2019	160.6470	49,801
Ms Veronica Vargas	Director	Shares	Acquisition	05.11.2019	162.5000	203,125
Société Paul Ricard	Director	Shares	Acquisition	21.10.2019	158.8556	14,513,365
		Shares	Acquisition	21.10.2019	158.8375	2,586,986
		Shares	Acquisition	21.10.2019	158.7665	3,097,376
		Shares	Acquisition	21.10.2019	158.8114	2,802,227
		Transfer of stock put options	Transfer of stock put options	28.02.2020	4.76	429,447
Rigivar SL	Corporate Entity, Paul Ricard concert party	Shares	Acquisition	25.10.2019	158.55	57,078

2.8.6 Corporate officers' equity investments in the Company's share capital (situation at 30 June 2020)

Members of the Board of Directors	Number of shares at 30.06.2020	Percentage of share capital at 30.06.2020	Number of voting rights at 30.06.2020	Percentage of voting rights at 30.06.2020
Executive Directors				
Mr Alexandre Ricard (Chairman and CEO)	120,698	0.05%	124,646	0.04%
Directors				
Mr César Giron	2,150	NM	2,150	NM
Société Paul Ricard represented by Mr Paul-Charles Ricard (1)	41,303,024	15.56%	67,607,261	21.30%
Ms Veronica Vargas	9,820	NM	9,820	NM
Independent Directors				
Ms Patricia Barbizet (Lead Independent Director)	3,000	NM	3,000	NM
Ms Esther Berrozpe Galindo	50	NM	50	NM
Mr Wolfgang Colberg	1,076	NM	1,152	NM
Mr Ian Gallienne	1,000	NM	1,000	NM
Ms Anne Lange	1,000	NM	1,000	NM
Mr Philippe Petitcolin	310	NM	310	NM
Mr Gilles Samyn	1,000	NM	1,000	NM
Ms Kory Sorenson	1,000	NM	1,000	NM
Directors representing the employees (2)				
Ms Maria Jesus Carrasco Lopez	-	NM	-	NM
Mr Stéphane Emery	-	NM	-	NM

NM: not meaningful.

(1) This includes the shares held by Société Paul Ricard and by Le Garlaban, Le Delos Invest I, Le Delos Invest II and Le Delos Invest III (the 8,392,094 Pernod Ricard shares held by Le Delos Invest III were transferred as collateral for the full performance of its obligations under the terms of a financial futures contract entered into on 10 April 2009), related to Société Paul Ricard within the meaning of article L. 621-18-2 of the French Monetary and Financial Code.

(2) In accordance with the law, Directors representing the employees are not required to hold a minimum number of Company shares.

2.9 Financial authorisations and delegations

All current delegations and financial authorisations granted to the Board of Directors by the Shareholders' Meetings of 21 November 2018 and 8 November 2019 and, where applicable, the use thereof during FY20 are summarised in the following tables.

The financial authorisations and delegations listed below were approved by the Shareholders' Meetings of 21 November 2018 and 8 November 2019 for a period of 18, 26 or 38 months. These authorisations either expired on 20 May 2020 or will expire on 7 May 2021, 7 January 2022 or 7 January 2023.

2.9.1 General financial authorisations and delegations

Nature of the delegation or authorisation	Maximum nominal amount of the issue of debt securities*	Maximum nominal amount of the capital increase resulting immediately or on completion of the issue (excluding adjustments)	Use of existing authorisations during the financial year ended 30.06.2020	Features/Terms
Ordinary shares and/or securities granting access to the share capital with preferential subscription rights (13th resolution)	€12 billion*	€135 million	None	The amount of capital increases carried out under the 14th, 15th, 16th, 17th, 18th, 19th, 22nd and 23rd resolutions of the AGM of 08.11.2019 will be deducted from the overall limit of €135 million set in this 13th resolution. The nominal amount of debt securities issued under the 14th resolution of the AGM of 08.11.2019 will be deducted from the limit of €12 billion set in this 13th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests on the occasion of a capital increase (15th resolution).
Ordinary shares and/or securities granting access to the share capital by public offer without preferential subscription rights (14th resolution)	€4 billion*	€41 million	None	Shares and debt security issues giving access to the share capital will be deducted from the limits provided for in the 13th resolution of the AGM of 08.11.2019. All of the capital increases carried out under the 15th, 16th, 17th, 18th, 22nd and 23rd resolutions will be deducted from the limit of €41 million set in this 14th resolution. Amounts may be increased by a maximum of 15% in the event of additional requests (15th resolution).
Equity securities and/or securities giving access to equity securities to be issued without preferential subscription rights (16th resolution)	€4 billion*	€41 million	None	Will be deducted from the limits set for capital increases in the 13th and 14th resolutions of the AGM of 08.11.2019 Amounts may be increased by a maximum of 15% in the event of additional requests (15th resolution).
Shares and/or securities granting access to the share capital in consideration for contributions in kind granted to the Company (17th resolution)	N/A	10% of the share capital at the time of issue	None	Will be deducted from the limits set for capital increases in the 13th and 14th resolutions of the AGM of 08.11.2019.
Shares and/or securities granting access to the Company's share capital, immediately or in the future, in the event of a public offer initiated by the Company (18th resolution)	N/A	10% of the share capital at the time of issue	None	Will be deducted from the limits set for capital increases in the 13th and 14th resolutions of the AGM of 08.11.2019.
Capitalisation of premiums, reserves, profits and other items (19th resolution)	N/A	€135 million	None	Will be deducted from the overall limit set for capital increases in the 13th resolution of the AGM of 08.11.2019.

* *Maximum nominal amount of Company debt instruments granting access to ordinary shares.*

N/A: not applicable.

2.9.2 Specific authorisations and delegations in favour of employees and/or Executive Directors

Nature of the delegation or authorisation	Date of the delegation or authorisation (resolution)	Term	Expiry of the delegation or authorisation	Maximum amount authorised	Use of existing authorisations during the financial year ended 30.06.2019	Features/Terms
Performance-based shares	AGM of 08.11.2019 (20th)	38 months	07.01.2023	1.5% of the share capital on the date of Board of Directors' decision to allocate	269,474 (0.1% of share capital)	Independent limit (sub-limit for Executive Directors of 0.06% of the capital, which is deducted from the limit of 1.5%)
Stock options	AGM of 08.11.2019 (21st)	38 months	07.01.2023	1.5% of the share capital on the date of Board of Directors' decision to allocate	131,864 (0.05% of share capital)	Independent limit (sub-limit for Executive Directors of 0.21% of the share capital, which is deducted from the limit of 1.5%)
Shares or securities granting access to share capital, reserved for a members of employee saving plans	AGM of 08.11.2019 (22nd)	26 months	07.01.2022	2% of share capital at the date of the Shareholders' Meeting, shared with the 23rd resolution of the Shareholders' Meeting of 08.11.2019	None	Will be deducted from the limits set for capital increases in the 13th and 14th resolutions of the AGM of 08.11.2019
Shares or securities granting access to share capital, reserved for a certain categories of beneficiaries	AGM of 08.11.2019 (23rd)	18 months	07.05.2021	2% of the share capital on the date of the Shareholders' Meeting, shared with the 22nd resolution of the Shareholders' Meeting of 08.11.2019	None	Will be deducted from the limits set for capital increases in the 13th and 14th resolutions of the AGM of 08.11.2019

2.9.3 Authorisations relating to the share buyback programme

Type of securities	Date of authorisation (resolution)	Term	Expiry of the authorisation	Maximum amount authorised	Use of existing authorisations during the financial year ended 30.06.2020	Features/Terms
Share buybacks	AGM of 08.11.2019 (11th)	18 months	07.05.2021	10% of share capital	(1)	Maximum purchase price: €260
Share buybacks	AGM of 21.11.2018 (12th)	18 months	20.05.2020	10% of share capital	(1)	Maximum purchase price: €240
Cancellation of treasury shares	AGM of 08.11.2019 (12th)	26 months	07.01.2022	10% of share capital	None	-

(1) A summary of Company transactions carried out during FY20 as part of the share buyback programme is shown below in subsection 2.10 "Share buyback programme".

2.10 Share buyback programme

The following paragraphs include the information that must be included in the Board of Directors' report pursuant to article L. 225-211 of the French Commercial Code and that relates to the description of the share buyback programme in accordance with article 241-2 of the French Financial Markets Authority (AMF) General Regulation.

Transactions performed by the Company on its own shares during FY20 (1 July 2019 – 30 June 2020)

Authorisations granted to the Board of Directors

During the Combined Shareholders' Meeting of 21 November 2018, the Company's shareholders authorised the Board of Directors to buy or sell the Company's shares for a period of 18 months as part of the implementation of a share buyback programme. The maximum purchase price was set at €240 per share and the Company was not authorised to purchase any more than 10% of the shares making up the Company's capital; additionally, the number of shares held by the Company could not, at any time, exceed 10% of the shares comprising the Company's capital.

Furthermore, the Combined Shareholders' Meeting of 8 November 2019 authorised the Board of Directors to trade in the Company's shares under the same conditions and at a maximum purchase price set at €260 per share, for a period of 18 months. This authorisation cancelled the authorisation granted by the Shareholders' Meeting of 21 November 2018 with effect from 8 November 2019, for the portion which remained unused.

Pursuant to these authorisations, the liquidity agreement compliant with the AMAFI Code of Conduct and entered into with Rothschild & Cie Banque with effect from 1 June 2012 was renewed on 1 June 2020 for a period of one year. The funds initially allocated to the liquidity account amount to €5,000,000.

The authorisation granted by the Shareholders' Meeting of 8 November 2019, which remains in force at the date this document was filed, will expire on 7 May 2021. The Shareholders' Meeting of 27 November 2020 will be called upon to authorise the Board of Directors to trade in the Company's shares under a new share buyback programme described below, under "Details of the new programme to be submitted for authorisation to the Combined Shareholders' Meeting of 27 November 2020".

Position on 30.06.2015	
% of direct and indirect treasury shares	1.79%
Number of shares held	4,747,588
Number of shares cancelled in the last 24 months	None
Nominal value	7,358,761
Gross carrying amount	€668,439,559.78
Portfolio market value*	€664,899,699

* *Based on the closing price at 30.06.2020, i.e. €140.05.*

Summary of transactions performed by the Company on its own shares during FY20

The following table details the transactions performed by the Company on treasury shares within the scope of the share buyback programme during FY20.

	Total gross flows from 01.07.2019 to 30.06.2020									Open positions at 30.06.2020			
	Liquidity agreement		Transactions carried out (excluding liquidity agreement)							Long positions		Short positions	
Operations	Purchase	Sale	Purchase of securities	Call options purchased	Call options exercised	Exercise of the cancellation clause	Sale of securities	Sale and repurchase agreements	Transfers (1)	Call options (2)	Forward purchases	Put options	Forward Sales
Number of shares	169,158	169,158	3,735,037	112,077	320,000	-	-	-	423,955	532,077	-	-	-
Maximum term	-	-	-	22.11.2022	16.12.2019	-	-	-	-	22.11.2022	-	-	-
Average Price *(€)*	159.569	159.817	148.2329	-	-	-	-	-	108.7862	137.5508	-	-	-
Average exercise price *(€)*	-	-	-	162.79	105.81	-	-	-	-	-	-	-	-
Amount *(€)*	26,992,372.9	27,034,324.09	553,655,366.12	18,245,014.83	33,859,200	-	-	-	46,120,453.42	473,187,617.01	-	-	-

(1) *Transfers of treasury shares.*
(2) *American call option.*

Under the share buyback programme authorised by the Shareholders' Meeting of 8 November 2019 and implemented by the Board of Directors, 3,735,037 shares were purchased on the market at a weighted average price of €148.2329 per share (it being specified that these share buybacks, as indicated below, were made to cover share purchase and performance-based share allocation plans, as well as the share buyback programme). In addition, an optional hedge was subscribed for 112,077 shares by acquiring the same number of three-year American call options. The Company also purchased 320,000 shares through the exercise of American call options.

Pursuant to authorisations granted by the Combined Shareholders' Meeting of 8 November 2019, the Board of Directors of the same date implemented a stock option allocation plan and a performance-based share allocation plan.

The 190,008 shares bought on the stock market and the 112,077 American calls, which enabled the same number of Pernod Ricard shares to be acquired, were allocated to cover part of these stock option and performance-based share allocation plans.

Treasury shares constitute reserves covering the various stock option and performance-based share allocation plans still in force. During the period, transfers were made within these reserves of treasury shares: 329,318 shares were allocated to beneficiaries of the performance-based share plan of 6 November 2015 (at the end of the four-year vesting period), 24,853 shares were allocated to beneficiaries of the bonus share allocation plan of 17 November 2016 (vesting of the final third of the shares allocated), and 2,170 shares were subject to statutory early release, in addition to 67,614 shares transferred to cover the rights of beneficiaries who had exercised stock options.

The 320,000 Pernod Ricard SA shares resulting from the exercise of the American call options, which serve to cover the various plans, were sold off-market to an investment services provider at an average price of €105.81.

In addition, 3,545,029 shares were acquired under the share buyback programme.

Under the liquidity agreement signed with Rothschild & Cie Banque, during the period, the Company:

- purchased 169,158 shares for a total amount of €26,992,372.9; and
- sold 169,158 shares for a total amount of €27,034,324.09.

Distribution of treasury shares on 30 June 2020

Treasury shares are all allocated as reserves for different stock option and performance-based share allocation plans.

Details of the new share buyback programme to be submitted for authorisation to the Combined Shareholders' Meeting of 27 November 2020

The description of this programme (see below), which was established in accordance with article 241-3 of the AMF's General Regulation, will not be published separately.

As the authorisation granted by the Shareholders' Meeting of 8 November 2019 allowing the Board of Directors to trade in the Company's shares is due to expire on 7 May 2021, a resolution will be proposed at the Shareholders' Meeting of 27 November 2020 (14th resolution – see Section 8 "Combined Shareholders' Meeting" of this universal registration document) to grant a further authorisation to the Board of Directors to trade in the Company's shares at a maximum purchase price of €270 per share, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase Company shares representing a maximum of 10% of the Company's share capital. Thus, in accordance with the law, the Company may not at any time hold a number of shares representing more than 10% of its share capital.

As the Company may not hold more than 10% of its share capital, and given that it held 4,747,588 shares (*i.e.* 1.79% of the share capital) at the time of the last declaration relating to the number of shares and voting rights on 30 June 2020, the maximum number of shares that can be bought will be 21,791,113 (*i.e.* 8.21% of the share capital), unless it sells or cancels shares it already holds.

The purpose of the share buybacks and the uses that may be made of the shares repurchased in this manner are described in detail in the 14th resolution to be put to the vote of the shareholders on 27 November 2020. The share buyback programme would enable the Company to purchase the Company's shares or have them purchased for the purpose of:

(i) allocating shares or transferring them to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law, in particular by granting stock options or as part of employee profit-sharing plans; or

(ii) covering its commitments pursuant to financial contracts or options with cash payments relating to rises in the stock market price of the Company's shares, granted to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law; or

(iii) making free allocations of shares to employees and/or Executive Directors of the Company and/or its current or future affiliates, under the terms and conditions of articles L. 225-197-1 *et seq.* of the French Commercial Code, it being specified that the shares may be allocated, in particular, to an employee savings plan in accordance with the provisions of article L. 3332-14 of the French Employment Code; or

(iv) retaining them and subsequently tendering them (in exchange, as payment or otherwise) within the scope of external growth transactions, subject to the limit of 5% of the number of shares comprising the share capital; or

(v) delivering shares upon the exercise of rights attached to securities granting access to the share capital through reimbursement, conversion, exchange, presentation of a warrant or in any other manner; or

(vi) cancelling all or some of the shares repurchased in this manner, under the conditions provided for in article L. 225-209 paragraph 4 of the French Commercial Code and in accordance with the authorisation to reduce the share capital granted by the Combined Shareholders' Meeting of 8 November 2019 in its 12th resolution; or

(vii) allowing an investment services provider to act on the secondary market or to ensure liquidity of the Company's shares by means of liquidity agreements in compliance with the terms of a Code of Conduct approved by the French Financial Markets Authority (AMF).

This programme is also intended to enable the Board of Directors to trade in the Company's shares for any other authorised purpose or any purpose that might come to be authorised by law or regulations in force.

The number of Company shares purchased may be such that:

- the Company does not purchase more than 10% of the shares comprising the Company's share capital at any time during the term of the share buyback programme; this percentage applies to the share capital adjusted in accordance with capital transactions carried out after this Shareholders' Meeting; in accordance with the provisions of article L. 225-209 of the French Commercial Code, when shares are repurchased to favour the liquidity of the share under the conditions set out by the applicable regulations, the number of shares taken into account for calculating the 10% cap is equal to the number of shares purchased, less the number of shares sold during the authorisation period; and
- the number of shares held by the Company at any time does not exceed 10% of the number of shares comprising its share capital.

These shares may be purchased, sold, transferred, delivered or exchanged, on one or more occasions, by any authorised means pursuant to the regulations in force. These means include, in particular, over-the-counter transactions, sales of blocks of shares, sale and repurchase agreements and the use of any financial derivatives, traded on a regulated or over-the-counter market, or setting up option strategies (purchases and sales of puts and calls and any combinations thereof in compliance with the applicable regulations). Transactions involving blocks of shares may account for the entire share buyback programme.

These transactions may be carried out during periods considered appropriate by the Board of Directors. However, during a public offer period, the repurchases would only be carried out subject to the conditions that they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offer;
- are undertaken in connection with the pursuit of a share buyback programme that was already in progress;
- fall within the scope of the objectives referred to in items (i) and (iii) above; and
- cannot cause the offer to fail.

The Board of Directors may also carry out, in accordance with applicable legal and regulatory provisions, the reassignment to another objective of previously repurchased shares (including under a previous authorisation) and their sale (on- or off-market).

This authorisation would be valid for a period of 18 months from the Shareholders' Meeting of 27 November 2020 and would cancel, as from this same date, for any unused portion, the authorisation granted to the Board of Directors to trade in the Company's shares by the Combined Shareholders' Meeting of 8 November 2019 in its 11th resolution.

2.11 Items liable to have an impact in the event of a public offer

In accordance with article L. 225-37-5 of the French Commercial Code, the items liable to have an impact on the Company's securities in the event of a public offer are set out below.

2.11.1 The Company's share capital structure

The Company's share capital structure is shown in the table "Allocation of share capital and voting rights on 30 June 2020" in Section 9 "About the Company and its share capital", in the subsection "Information about the share capital".

Threshold crossings declared during FY20 are also indicated in the table entitled "Allocation of share capital and voting rights on 30 June 2020" in Section 9 "About the Company and its share capital" of this universal registration document, in the subsection "Information about the share capital".

2.11.2 Statutory restrictions on the exercise of voting rights and double voting rights

The Company's bylaws provide for a limit on voting rights. This mechanism is described in subsection 2.12.3 "Voting conditions" below.

In addition, certain shares of the Company have double voting rights as described in subsection 2.12.3 "Voting conditions" below.

2.11.3 Agreements between shareholders of which the Company is aware

The Shareholders' agreement between shareholders of the Company (agreement between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard, owned by the Ricard family) is described under "Shareholders' agreements" in subsection 2.5 "Composition of the Board of Directors" of this universal registration document and also appears on the AMF website (www.amf-france.org).

2.11.4 Agreements entered into by the Company which are modified or become void as a result of a change of control of the Company

Under certain conditions, the Company's financing contracts provide for the early repayment of its debts. The description of the change of control clauses of these contracts is given under "Significant contracts" in Section 5 "Management report" of this universal registration document.

2.11.5 Other items

The Company's bylaws are amended in accordance with the applicable legal and regulatory provisions in France.

There is no specific agreement providing for indemnities in the event of the termination of the position of a member of the Board of Directors, with the exception of the commitments to the Executive Director described in subsection 2.8.1.3 "Compensation policy for the Chairman and CEO", in the subsection "Policy on deferred commitments".

2.12 Shareholders' Meetings and attendance procedures

Article 32 of the bylaws sets out the procedures that shareholders must follow in order to attend Shareholders' Meetings.

The shareholders meet every year at a Shareholders' Meeting.

2.12.1 Notice to attend meetings

Both Ordinary and Extraordinary Shareholders' Meetings are called, held and vote in accordance with the conditions provided for by law. They are held at the Company's registered office or at any other place stated in the notice of meeting.

Decisions by the shareholders are taken at Ordinary, Extraordinary or Combined Shareholders' Meetings depending on the nature of the resolutions they are being asked to adopt.

2.12.2 Participation in Shareholders' Meetings

All shareholders have the right to attend the Company's Shareholders' Meetings and to participate in the deliberations, either in person or by proxy, regardless of the number of shares they hold. In order for a shareholder to have the right to participate in Ordinary or Extraordinary Shareholders' Meetings, the shares must be registered in the name of the shareholder or in the name of the financial intermediary acting on the shareholder's behalf at 00.00 (Paris time) two business days prior to the Shareholders' Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorised financial intermediary.

The entry or recording of the shares in bearer share accounts kept by the authorised financial intermediary are acknowledged *via* a share certificate issued by the financial intermediary and attached as an appendix to the postal voting form, proxy form or application for an admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered financial intermediary. Any shareholder wishing to attend the Shareholders' Meeting in person who has not received their admission card by 00.00 (Paris time) two business days before the Shareholders' Meeting may also ask for such a certificate to be issued.

If a shareholder does not attend the Shareholders' Meeting in person, he or she may choose one of the following options:

- give a proxy to the Chairman of the Shareholders' Meeting;
- give a proxy to a spouse or partner with whom he or she has entered into a civil union agreement, or to any other person; or
- vote by post or *via* the Internet.

A shareholder who has already cast a postal or Internet vote, sent in a proxy form or applied for an admission card or a share certificate may sell all or some of his or her shares at any time. However, if the sale takes place before 00.00 (Paris time) on the second business day prior to the Shareholders' Meeting, the Company will invalidate or modify accordingly, as appropriate, the postal or Internet vote cast, proxy form, admission card or share certificate. For this purpose, the authorised financial intermediary in charge of the shareholder's account will inform the Company or its duly authorised agent of the sale and will provide it with the necessary information.

No sale or other form of transaction carried out after 00.00 (Paris time) on the second business day prior to the Shareholders' Meeting, regardless of the means used, will be notified by the authorised financial intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

Given the evolving situation with regard to the Covid-19 epidemic, Pernod Ricard may have to change the attendance procedures for the Shareholders' Meeting on 27 November 2020.

We would therefore ask you to regularly check the Shareholders' Meeting section on the Pernod Ricard website, which will confirm the final arrangements for attending this Shareholders' Meeting depending on the health and/or legal requirements.

Furthermore, in view of the circulation of the SARS-CoV-2 virus and the government's recommendations to avoid public gatherings, the Board of Directors calls for the utmost caution in this context and recommends that each shareholder gives preference to voting by mail or by giving proxy to the Chairman rather than being physically present, in order to limit the risk of spread of the virus during the Shareholders' Meeting. The Company, concerned with limiting as much as possible the risks of contact between shareholders who choose to attend our Shareholders' Meeting, has already decided that no coffee reception will be held and announces that no gifts will be distributed this year. The Company will thus make its best efforts to ensure that the social distancing measures are respected during the Shareholders' Meeting, but the Company will not incur any liability for any contamination of persons who decide, under their sole responsibility, to physically participate in the Shareholders' Meeting.

2.12.3 Voting conditions

The voting right attached to the shares is proportional to the share capital they represent. Each share grants the right to at least one vote (article L. 225-122 of the French Commercial Code).

Restriction on voting rights

However, each member of the Shareholders' Meeting has as many votes as shares he or she possesses and represents, up to 30% of the total voting rights.

Double voting rights

A double voting right is granted to other shares (in light of the fraction of the authorised share capital they represent) to all fully paid-up shares that can be shown to have been registered for at least ten years in the name of the same shareholder, from 12 May 1986 inclusive (article L. 225-123 of the French Commercial Code).

In the event of a share capital increase through the capitalisation of reserves, profits or share premiums, registered shares allocated as bonus shares to a shareholder, on the basis of existing shares for which he or she benefits from this right, will also have double voting rights as from their issuance (article L. 225-123 of the French Commercial Code).

Any share loses the double voting right if converted into bearer shares or if its ownership is transferred. Nevertheless, transfer following the division of an estate or the liquidation of assets between spouses and *inter vivos* donation to a spouse or relation close enough to inherit will not result in the loss of the acquired right and will not interrupt the aforementioned ten-year period.

Declaration of statutory thresholds

Any individual or corporate body acquiring a shareholding greater than 0.5% of the share capital must inform the Company of the total number of shares held by registered letter, with return receipt requested, within a period of 15 days from the date on which this threshold is exceeded. This notification must be repeated, under the same conditions, each time the threshold is exceeded by an additional 0.5%, up to and including 4.5%.

In the event of non-compliance with the notification obligation mentioned in the previous paragraph, shares in excess of the undeclared amount shall be stripped of their voting rights, at the request, as set forth in the minutes of the Shareholders' Meeting, of one or more shareholders holding at least 5% of the share capital, for any Shareholders' Meeting held until the expiry of the period stipulated in article L. 233-14 of the French Commercial Code following the date when the notification is made.

2.12.4 Modification of shareholders' rights

The Extraordinary Shareholders' Meeting has the power to modify shareholders' rights, under the conditions defined by law.

2.13 Management structure

2.13.1 General Management

On 30 June 2020, the General Management of the Group was carried out by the Chairman and CEO and the Managing Director, Global Business Development. It forms the permanent body for coordinating the Management of the Group.

Composition of the Executive Board on 30 June 2020:

- **Alexandre Ricard, Chairman and CEO**, corporate officer;
- **Hélène de Tissot,** EVP Finance, IT and Operations;
- **Amanda Hamilton-Stanley,** General Counsel and Chief Compliance Officer;
- **Christian Porta,** Managing Director, Global Business Development;
- **Cédric Ramat,** EVP Group Human Resources, Sustainability & Responsibility.

The Executive Board prepares, examines and approves all decisions relating to the functioning of the Group and submits these decisions to the Board of Directors when the latter's approval is required. It organises the Executive Committee's work.

In addition, the Group Communications Department, the Public Affairs Department and the Internal Audit Department report to the Chairman and CEO.

The Executive Board meets on a weekly basis. However, this year, given the Covid-19 crisis, the Executive Board met daily during the lockdown period.

2.13.2 Executive Committee

The Executive Committee is the Management unit of the Group comprising the Executive Board and the Chairmen of the Group's direct affiliates.

The Executive Committee provides coordination between the Headquarters and its affiliates as well as between the affiliates themselves (Brand Companies and Market Companies). Under the authority of General Management, the Executive Committee ensures that Group business is carried out and that its main policies are applied.

In this capacity, the Executive Committee:

- examines the Group's activity and how it varies from the development plan;
- gives its opinion regarding the establishment of objectives (earnings, debt and qualitative objectives);
- periodically reviews the brands' strategies;
- analyses the performance of the Group's network of Market Companies and Brand Companies and recommends any necessary organisational adjustments; and
- approves and enforces adherence to the Group's main policies (Human Resources, best marketing and business practices, Quality, Safety and Environment (QSE) policies, corporate responsibility, etc.).

The Executive Committee meets between eight and 11 times a year.

However, this year, given the Covid-19 crisis, the Executive Committee met once a week during the lockdown period.

Composition of the Executive Committee on 30 June 2020:

- the Executive Board;
- the Chairmen/Chairwomen of the Brand Companies:
  - Chivas Brothers, Jean-Christophe Coutures, Chairman and CEO,
  - Martell Mumm Perrier-Jouët, César Giron, Chairman and CEO,
  - Pernod Ricard Winemakers, Bryan Fry [1], Chairman and CEO,
  - Irish Distillers Group, Conor McQuaid, Chairman and CEO,
  - The Absolut Company, Anna Malmhake, Chairwoman & CEO;

(1) *Bryan Fry succeeded Bruno Rain on 1 December 2019.*

- the Chairmen/Chairwomen of the Market Companies:
  - Pernod Ricard North America, Ann Mukherjee(1), Chairwoman & CEO,
  - Pernod Ricard Asia, Philippe Guettat, Chairman and CEO,
  - Pernod Ricard Europe, Middle East, Africa and Latin America, Gilles Bogaert, Chairman and CEO,
  - Pernod Ricard Global Travel Retail, Mohit Lal, Chairman and CEO,
  - Ricard SAS and Pernod SAS, Philippe Coutin, Chairman and CEO.

2.13.3 Non-discrimination policy and diversity in Top Management

The policy is based on talent identification and management processes, as well as succession planning focused on performance and potential. Considerable effort has been made in recent years to ensure the quality and objectivity of the assessment. This resulted in the implementation last year of the "Let's Talk Talent" assessment and calibration process powered by the Workday platform, deployed globally, and which ensures the greatest possible consistency in the personal development and career advancement process for all our employees.

In addition, on the heels of the global "Better Balance" initiative conducted from 2017 to 2019 on the two main dimensions of the Group's diversity challenges (gender and nationality), the General Management and the Human Resources Department have been encouraged to identify measures specific to their own diversity challenges on at least these two dimensions and to make them objectives for the members of the affiliates' Management Committees. Each year, the General Management presents these diversity targets and the ways in which they are implemented to the Board of Directors. The General Management also informs the Board of Directors annually of the results obtained.

Together, these initiatives have served to make the processes resulting in the selection of candidates and their assignment to the highest positions of responsibility in the Company more equitable, producing the following results over the recent period:

- on our "Top 500"(2), the share of women rose from 19% to 26% between 2015 and 2020; for the Executive Committee, the increase was from 7% to 27%;
- our S&R roadmap has a target of gender balance by 2030 (3).

(1) Ann Mukherjee succeeded Paul Duffy on 1 December 2019.

(2) The "Top 500" comprised 457 employees in 2015, and 470 in June 2020. It includes 50 different nationalities, with the eight largest representing a little less than three-quarters of the Group's workforce.

(3) The diversity policy in Top Management is detailed in the Declaration of Extra-Financial Performance in section 3.3.2.2.

3.

Sustainability & Responsibility

Section

3.1 Pernod Ricard brings good times from a good place

3.1.1 A strategy centred around a vision: “Créateurs de convivialité”

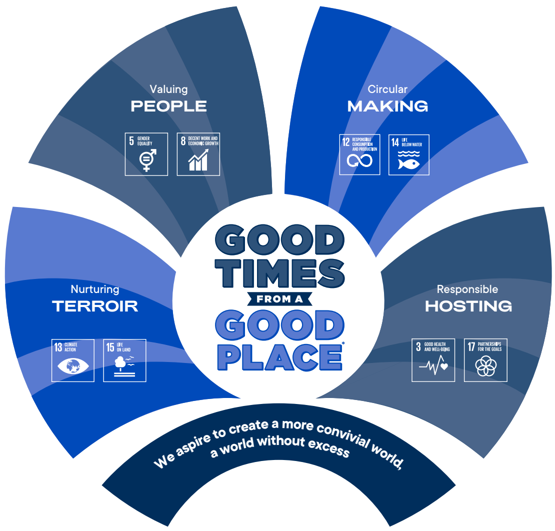
3.1.1.1 The Manifesto

"***Créateurs de convivialité:*** true to Pernod Ricard’s founding spirit, the Group has been bringing people together since its beginning, inviting them to share privileged moments and forge new friendships every day through our world-class portfolio of premium wines and spirits.

We are passionate hosts... a family of exceptional people who are committed to fighting alcohol misuse and creating a better way of living and working together, bringing good times today and for generations to come.

We are respectful guests... who care for and strive to protect and nurture the *terroirs* and environments in which we live. We partner with local farmers and respect local communities to benefit our planet, our consumers and business.

We bring good times from a good place, to create a more convivial world, a world without excess.”



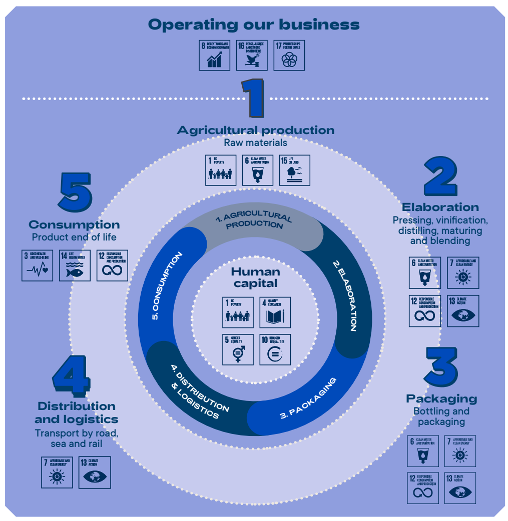
3.1.1.2 Addressing stakeholder expectations across the business, from grain to glass

In line with the Pernod Ricard consumer-centric model, the Group’s Sustainability & Responsibility strategy is centred around a robust framework with four pillars: Nurturing *Terroir*, Valuing People, Circular Making and Responsible Hosting. All of these directly support the **United Nations Sustainable Development Goals (SDGs)** to help achieve prosperity for the planet and its people. In 2018 and reaffirmed in 2019, the Group received LEAD [(1)] status for its work with the UN Global Compact – recognising its high engagement in this organisation and to advance the implementation of the SDGs.

Each pillar includes ambitious targets for 2030 designed to drive innovation, brand differentiation and employee attraction. All pillars are based on a 2030 timeline with 2022 and 2025 milestones, in line with the schedule set out by the SDGs.

The strategy is primarily built around contributing to the eight UN SDGs on which the Group has the greatest impact. However, its sustainable approach to business means that it contributes to 14 SDGs across its value chain.

Pernod Ricard’s Sustainability & Responsibility strategy was built on the material risks of its business, consumer concerns and the world’s agenda. The strategy is the result of a long process from qualitative interviews to the consultation of over 300 colleagues globally and external experts. Over 20 workshops were held with representatives from Brand Companies, Market Companies, Regions, HQ and the Top Management team. This all fed into ambitious targets that were set against where Pernod Ricard could have the greatest impact.



(1) Global Compact LEAD companies are identified annually for high levels of engagement as a participant of the United Nations Global Compact.

3.1.1.3 The relevance of the S&R strategy in the Covid-19 crisis

The Covid-19 crisis has shown more than ever the importance of being part of a global community, working together as true "créateurs de convivialité". It underlined the importance and relevance of the Group's S&R strategy in demonstrating business resilience, stability and helping to mitigate risk for the long term. The crisis was an opportunity to accelerate the implementation of the S&R roadmap in certain areas and reaffirm its relevance in others while supporting local communities and driving positive impact:

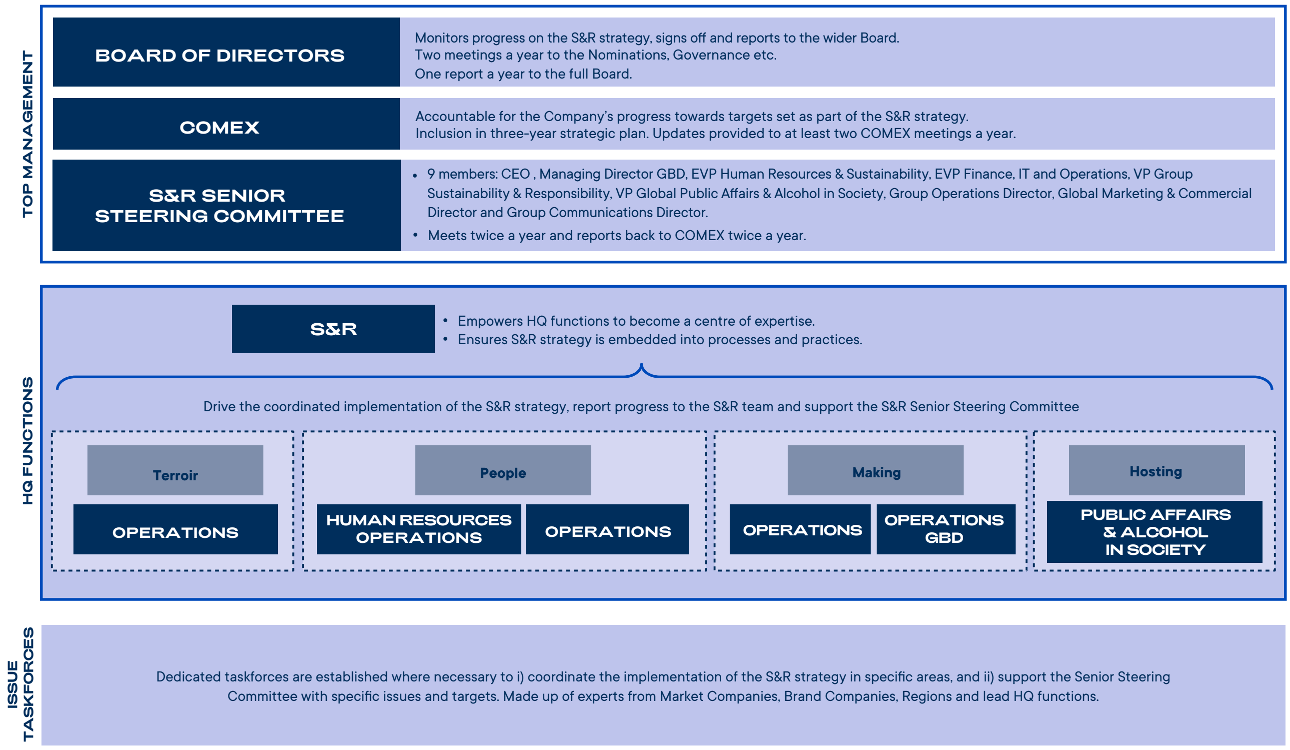
- end of single-use plastic point-of-sale (POS) materials by 2021, four years ahead of schedule;
- launch of free online sustainable and responsible bartending training module in partnership with the anti-waste bartending duo TrashTiki and the Sustainable Restaurant Association housed on the EducateAll digital learning platform, created by EdApp and sponsored by the United Nations Institute for Training and Research.

In addition to the Group's S&R commitments, Pernod Ricard and its affiliates were engaged in a number of initiatives, notably:

- hand sanitiser production: 4 million liters of pure alcohol delivered worldwide to combat the hand sanitiser shortage and 1 million liters of hand sanitiser produced;
- medical equipment: 475,000+ surgical masks & other medical items donated to external stakeholders such as hospitals, local communities and public authorities;
- suppliers & customer actions: financial support when requested by suppliers and customers, such as early payment to ensure suppliers' cashflow, authorised delayed invoice payments for commercial customers.

3.1.2 A robust governance structure

The Sustainability & Responsibility strategy will be implemented throughout the Group with the following Governance structure:



3.2 The main sustainaibility risks and opportunities

In line with Directive 2014/95/EU on non-financial reporting as transposed into French law (article R. 225-105 of the French Commercial Code), Pernod Ricard is required to publish a "Non-Financial Statement". This Statement requires the Group to publish its business model and information on key non-financial risks. These include risks relating to the environment, employment, society, Human Rights, tax evasion [pursuant to Act no. 2018-898 on combatting fraud] and corruption. For more information on Pernod Ricard's business model, please refer to Section 1 "Extracts from the integrated annual report" and for more information on the Group's key non-financial risks please see subsections 3.2.1 and 3.2.2 below.

3.2.1 Presentation of the methodology

Pernod Ricard adopted the following methodology:

- last year, the Group's risk mapping served as reference point when identifying the main non-financial risks for the "Non-Financial Statement". Every three years, the main risks facing Pernod Ricard are mapped by affiliate and function and then consolidated at HQ level by the Group's Risk Mdepartment. Updated in 2018, the Group's risk mapping presents and classifies the risks according to their potential impact and occurrence across the Group's activities. Some of these risks are specific to sustainability issues. The Group's major risks and the process for identifying them are discussed in Section 4 of this document;
- these sustainability risks were the subject of further analysis and development through research and internal and external stakeholder expectations and engagement when developing the 2030 Sustainability & Responsibility strategy (see subsection 3.1.1.2 "Addressing stakeholder expectations across the entire business, from grain to glass");
- led by the Sustainability & Responsibility department, other key HQ experts including operations, legal, HR, public affairs and finance were also involved through a dedicated workshop to reaffirm and, where necessary, redefine the top eight risks and opportunities;
- the resulting eight non-financial risks and opportunities were subsequently presented to and signed off on by the Executive Board.

3.2.2 The eight risks and opportunities identified

The definitions of the eight main risks and opportunities can be found in the table below. Targets, policies, due diligence procedures, and key performance indicators are presented in detail in subsections 3.3 "The four pillars of the Good Times from a Good Place Roadmap" and 3.4 "Ethics and compliance". In the interest of transparency, other indicators have been presented alongside the policies applied, depending on the issues addressed.

Given the nature of our activities, we consider that the "tax evasion" referred to in article L. 225-102-1 of French Commercial Code does not constitute a major non-financial risk for the Group. It was therefore not felt necessary to explore it in this "Non-Financial Statement". Nevertheless, "tax evasion" is discussed in Subsection 3.4.1.4 "Tax policy".

Risk/ opportunity	Sub-risk/ opportunity	Definition	Subsections of Section 3
Responsible supply chain	**Human Rights & working conditions** **Environmental impact**	**Risks:** Pernod Ricard may be legally involved with suppliers whose practices do not comply with Human Rights or environmental standards (child labour, forced/bonded labour, health and safety, toxic emissions etc.). This might cause reputational damage.	***3.3.2 Valuing People*** 3.3.2.5 Responsible Supply Chain 3.3.2.4 Human Rights
	Sustainable agricultural supply chain	**Risks:** agricultural practices in Pernod Ricard's supply chain may have various negative effects on the environment (water availability, CO_2 emissions, biodiversity, competition of resources). Moreover, climate change may alter crop quality, areas of production and volumes produced.	***3.3.1 Nurturing Terroir*** 3.3.1.2 Promote and develop resilient agricultural supply chains
Compliance	**Corruption & antitrust**	**Risks:** given the international scope of its activities Pernod Ricard may face compliance issues related to anti-corruption laws and other similar regulations, in its own operations or through its supply chain. This might cause reputational damage and financial loss.	***3.4 Ethics & Compliance*** 3.4.1.2 Prevention of corruption and anti-competitive practices 3.4.1.3 Transparency and integrity of strategies and influencing practices
	Data privacy protection	**Risks:** in light of the digital transformation of its activities, Pernod Ricard may face compliance issues related to data protection regulations (GDPR, General Data Protection Regulation) and fail to protect the personal data of its consumers. This might cause reputational damage and financial loss.	***3.4 Ethics & Compliance*** 3.4.1.1 Data privacy
People development & Safety	**Talent management**	**Risks:** due to insufficient career development management or a non-attractive compensation policy, Pernod Ricard may have difficulties to attracting and retaining the skilled people it needs. This may cause operational difficulties and impact its financial performance.	***3.3.2 Valuing People*** 3.3.2.1 Talent management
	Diversity	**Opportunities:** 94% of turnover is generated internationally, and a growing number of consumers are women. Developing markets are the clear majority of the global human population and women account for half of the population. These customer groups and talent pools cannot be overlooked. Pernod Ricard builds on and promotes this diversity to increase innovation, business adaptation and opportunity.	***3.3.2 Valuing People*** 3.3.2.2 Diversity 3.3.2.4 Human Rights
	Working conditions and Health & Safety at work	**Risks:** Pernod Ricard's employees and contractors may be exposed to occupational injuries (burns, physical trauma, falls, toxic inhalation, etc.) or as a result of major industrial accidents (fires, explosions, etc.) or natural disasters.	***3.3.2 Valuing People*** 3.3.2.3 Employee engagement & culture, working conditions and health & safety

Risk/ opportunity	Sub-risk/ opportunity	Definition	Subsections of Section 3
Physical risks of climate change and natural disasters	**Pernod Ricard production sites**	**Risks:** severe weather events (tornados, floods, etc.) or natural disasters may damage physical assets at production sites. Moreover, rising temperatures and changing seasons may alter industrial processes and the availability of ingredients. Pernod Ricard might be slow to react to such climate change and fail to adapt its supply chain.	***3.3.3 Circular Making*** 3.3.3.2 Climate change: reduction and adaptation
	Pernod Ricard suppliers	**Risks:** these phenomena may also damage suppliers' physical assets and affect the quality, quantity and geographical location of agricultural raw materials.	***3.3.3 Circular Making*** 3.3.3.2 Climate change: reduction and adaptation
Environmental impacts of operations	**CO_2 emissions GHG emissions** **Water management** **Waste management**	**Risks:** due to the industrial nature of its activities and fast-changing environmental regulations, Pernod Ricard may fail to be fully compliant with new regulations and respond to stakeholder expectations. This may cause reputational damage. Moreover, distilleries emit CO_2 through the energy they use. Pernod Ricard may be impacted energy supply and price volatility. In addition, Pernod Ricard most water-intensive activities may impact water availability. This is especially true where they are located in water stressed areas. **Opportunities:** by reducing energy consumption and its associated CO_2 emissions, Pernod Ricard can reduce its operating costs. By implementing a virtuous circular mindset, Pernod Ricard could minimise waste at each step of its value chain and help preserve natural resources. Moreover, through good waste management, Pernod Ricard could transform waste into potential new raw material.	***3.3.1 Nurturing Terroir*** 3.3.1.1 Improve sustainability performance and develop regenerative agriculture in our vineyards ***3.3.3 Circular Making*** 3.3.3.2 Climate change: reduction and adaptation 3.3.3.3 Preserve water resources 3.3.3.5 Reduce waste
Product and packaging environmental footprint		**Risks:** Pernod Ricard's upstream activities (packaging, etc.), product transportation, product distribution and product end of life are carbon-intensive activities. They may increase Pernod Ricard's carbon footprint and accentuate climate change.	***3.3.3 Circular Making*** 3.3.3.4 Circular packaging and distribution 3.3.3.2 Climate change: reduction and adaptation
Product quality	**Constant high-product quality**	**Risks:** Pernod Ricard's product quality may be subject to an undetected deterioration (toxic contamination, alteration of taste, introduction of foreign objects into the bottles etc.), leading to health hazards, reputational damage, financial liabilities and product recalls.	***3.3.3 Circular Making*** 3.3.3.5 Product quality and safety
Alcohol in Society	**The harmful use of alcohol by consumers, and excessive and/or punitive alcohol regulations implemented by Government to tackle harmful alcohol use.**	**Risks:** Pernod Ricard's reputation may be impacted by consumers' misuse of alcohol. Pernod Ricard's activities may also be impacted by excessive and/or punitive regulations (restrictions on sales and marketing, availability of its products, increased taxes and duties) leading to lower revenues and profits without effectively reducing the harmful use of alcohol.	***3.3.4 Responsible Hosting*** 3.3.4.1 Promote responsible drinking 3.3.4.2 Responsible marketing 3.3.4.3 Consumer information ***3.4 Ethics & Compliance*** 3.4.1.3 Transparency and integrity of strategies and influencing practices

3.3 The four pillars of the good times from a good place roadmap

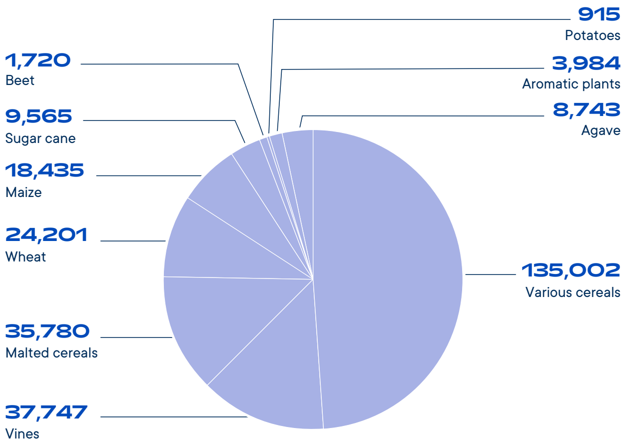
3.3.1 Nurturing *Terroir*

Terroir means earth or soil in French, the birthplace from which all of Pernod Ricard's products take their characters. Across its business, the Group sources its natural ingredients from over 276,000 hectares of land: Europe (grain, grapes), Asia (grain, aromatic plants), the Americas (sugar cane, grain, agave) and Oceania (grapes). Pernod Ricard is therefore committed to nurturing each terroir and its biodiversity. This includes responding climate change challenges to ensure quality ingredients now and for generations to come. The Group is proud that its brands are deeply rooted in their countries of origin and play an important role in the local communities where they are created.

In FY20, a total of around 2.47 million tonnes of agricultural raw materials was used from:

- the Group's vineyards and farms (49,439 tonnes);
- direct purchases of raw agricultural products (441,705 tonnes); and
- purchases of processed products such as sugar and alcohol (1,981,273 tonnes).

AGRICULTURAL LAND CORRESPONDING TO RAW MATERIALS USED IN FY20 (HECTARES)



Pernod Ricard is committed to developing and promoting sustainable farming practices both within its owned land and throughout its agricultural supply chains:

- reducing the use of fertilisers;
- using crop protection products that are less environmentally harmful;
- reducing water consumption, using drip irrigation techniques where possible;
- preserving soil and biodiversity;
- training and knowledge-sharing on sustainable agriculture and practices with farmers.

3.3.1.1 Improve sustainability performance and develop regenerative agriculture in the Group's vineyards

Pernod Ricard's goal is to become a leader in sustainable and regenerative agriculture (1) within the wine industry and ensure its vineyards are as sustainable as possible. The vineyards run directly by the Group cover 5,602 hectares in seven countries:

- New Zealand (45%);
- Australia (24%);
- France (13%);
- Argentina (9%);
- Spain (5%);
- China (2%);
- United States (2%).

Policies	Targets	Achievements
2020 Environmental Roadmap	100% of the vineyards operated by the Group certified to environmental standards. 100% of irrigated vineyards to be drip irrigated.	99% of the vineyards are now certified. 100% of our irrigated vineyards are fitted with drip irrigation systems.
2030 S&R Roadmap	By 2025: pilot local models for regenerative farming systems in the Group's vineyards in eight wine regions, capturing more carbon in soils, and share them with the wine industry.	Pernod Ricard will develop regenerative agricultural models for vineyards that could later be shared with the wine industry.

(1) Regenerative agriculture refers to a system of farming principles and practices that increases biodiversity, enriches soils, improves water quality, captures carbon in soil and enhances ecosystem services. Over the long term, it leads to increased yields, improved resilience to climate instability, and improved quality of life for farming communities.

To address its new 2030 goals, Pernod Ricard will start by defining the Group Sustainable Agriculture Key Principles. It will also explore opportunities for regenerative agriculture experimentation and collaboration with academic partners to test innovative agriculture techniques and practices.

Environmental certification

Countries	Environmental standards
New Zealand	Sustainable Wine Growing New Zealand
Australia	Entwine Australia ISO 14001
France (Reims)	ISO 14001/*Haute Valeur Environnementale* (HVE/High Environmental Value)/Sustainable winegrowing standards in Champagne
France (Cognac)	ISO 14001/*Haute Valeur Environnementale* (HVE/High Environmental Value)/Sustainable winegrowing standards in Cognac
United States	California Sustainable Winegrowing Alliance (CSWA)
Spain	ISO 14001/Synergia
Argentina	ISO 14001
China	ISO 14001

Consumption of synthetic crop protection products

Consumption of crop protection products has significantly decreased in our vineyards since 2013 (-49%).

This year, a total of 39 tonnes of active ingredients are used in vineyards operated by the Group. Below are some examples of practices designed to reduce the use of synthetic crop protection products:

- having grass or cover crops between vine rows rather than bare soil;
- using pheromones instead of agrochemicals to combat insects (sexual confusion);
- using mineral fungicides (152.2 tonnes of sulphur and 5.2 tonnes of copper used in FY20).

In addition, specific work is being carried out to reduce the use of herbicides. Four of our vineyards have therefore chosen to no longer use them (Cognac, Champagne, Spain and China).

335 hectares of our vineyards, representing 6% of the total managed by the Group, are managed to organic agriculture standards that do not use any synthetic crop protection products.

Consumption per hectare of active ingredient *(kg ai/ha)*	FY13	FY19	FY20	FY13 – FY20
Synthetic fungicides	10.45	4.45	3.84	-63%
Herbicides	2.68	2.46	2.98	+12%
Insecticides	0.34	0.10	0.12	-65%
TOTAL	**13.47**	**7.00**	**6.95**	**-49%**

Water and energy consumption in the vineyards

In FY20, the vineyards operated by the Group used:

- 10.5 million m^3 of water, mainly for irrigation. This is done using the drip irrigation technique, which is now used at all of the Group's irrigated vineyards. This reduces the water supplied to the absolute minimum necessary;
- 14,900 MWh (less than 1% of the consumption of the Group's production sites).

3.3.1.2 Promote and develop resilient agricultural supply chains

Pernod Ricard's business is dependent on agriculture. The Group commits to implementing resilient agricultural practices in partnership with supporting suppliers that respect the land and neighbouring ecosystems. More specifically, Pernod Ricard will:

- support its suppliers in improving the sustainability of their production;
- adapt and build resilience faced with climate change, while reducing greenhouse gas emissions;
- help maintain ecosystems by progressively improving land and water quality.

Policies	Targets	Achievements
2030 S&R Roadmap	100% of our *terroirs* mapped and risk-assessed Definition of the Group's Sustainable Agriculture Key Principles 100% of key raw materials [(1)] certified to sustainability standards 100% of key raw materials [(1)] covered by projects addressing the main sustainability issues (water, agrochemicals…) Reduce carbon footprint of agricultural raw materials in order to contribute to the Group global Scope 3 target (50% intensity reduction) (see subsection 3.3.3.2 "Climate change: reduction").	In FY20: • design of the *terroir* risk mapping tool • training of the procurement team

(1) Key raw materials in this context refers to the proportion spent by the Group. It covers cereals and malted cereals, grapes and wines, agave, cane and beet products, and five key flavouring ingredients.

There are two aspects to the Group's efforts in relation to agricultural product procurement:

- **responsible procurement process, Blue Source** (see Subsection 3.3.2.5 "Responsible Supply Chain") allows Pernod Ricard to identify and evaluate direct suppliers at risk in order to develop mitigation action plans;
- **identification of environmental and social risks in our *terroir* (agricultural activities)** based on a study of the production of farm raw materials used by the Group's Brand Companies to rank agricultural practices in terms of their environmental and social risks levels. For crops representing a high sustainability risk, action plans must be implemented by the affiliates, and alternatives examined to secure sustainable supplies.

The direct purchasing of agricultural products by affiliates has given rise to various partnership initiatives including:

- in Scotland, 100% of the barley purchased by Chivas Brothers is certified to "Scottish Quality Cereals" or "Red Tractor" standards;
- in Mexico, Kahlúa worked with the Fondo Para La Paz and Ocotempa NGO, a Mexican coffee community, to develop a sustainable model for coffee production. This "Coffee for Good" programme comprises social, economic and environmental criteria. This year, we sourced 28 t of coffee from these communities and within the next four years, 100% of the coffee sourced by Kahlúa will be sustainably grown;
- the Group has made sugar cane a priority. This is because it is often grown in lesser developed countries where social protection, working conditions, and respect for social rights or environmental protection are not guaranteed. In 2015, Pernod Ricard joined the Bonsucro association, which aims to develop internationally recognised responsible practices for the sugar cane industry.

To meet its 2030 ambitions, this year the Group started to assess risks and opportunities related to the terroirs in its agricultural supply chains using a dedicated Terroir Risk mapping Tool. The objective is to map the origins of agricultural raw materials and to identify social and environmental issues in the local environment where they are grown.

At the same time, the Group is also working on defining its Sustainable Agriculture Key Principles, which lay the foundations for a journey aimed at combating climate change and preserving biodiversity. This strategy will be implemented using two main levers:

- the selection and then the implementation of the best standards aimed at sustainably certifying 100% of our key raw materials (certification by a third party or internal verification according to our own framework);
- the exploration of initiatives and partnerships, the setting up of projects and then the sharing of practices with positive impacts.

3.3.1.3 Preserve and enhance biodiversity

Pernod Ricard is committed to protecting and developing the biodiversity of ecosystems everywhere it operates and distributes its products. All affiliates, Brand Companies with raw agricultural supply chains or Market Companies with purely distribution activities, will be part of this global effort.

Policies	Objectives
2030 S&R Roadmap	100% of affiliates will be engaged in a strategic biodiversity project.

Several noteworthy biodiversity measures have been taken by affiliates such as:

- rehabilitation of nine hectares of wetlands in the Kaituna region. Protection of a local falcon species thanks to a fund supported by the donation of one New Zealand dollar for each bottle of wine sold from the "Living Land" series;
- reforestation & biodiversity programmes in Ireland, Australia and France.

The Group has drawn up a list of 32 protected or sensitive natural areas close to its production sites worldwide. It is monitoring these closely. These areas are mainly located in Scotland, Ireland, France and Sweden.

To meet its 2030 goals, in FY20, Headquarters have defined a framework for affiliates in relation to strategic biodiversity projects (selection of projects, global partners, identification of key performance indicators). Equipped with this framework, each affiliate will identify and implement or contribute to a biodiversity project. Brand Companies will focus on restoring or preserving ecosystems relating to production activities for the agricultural raw materials that they use, while Market Companies will develop collaborative projects at a regional level to tackle local biodiversity issues.

3.3.2 Valuing People

People have been and always will be at the heart of Pernod Ricard and the foundation of its collective spirit – "Créateurs de convivialité" – sharing, warmth, care and respect for all whilst offering them challenging and fulfilling careers. The Group promotes diversity and inclusion throughout its business. It works with its suppliers to create shared values in its supply chain.

This pillar is all about respect: for everyone in our marketing, for everyone the Group works with across its supply chain and for its 19,094 employees (FY20 average) worldwide. This means increasing employee loyalty and engagement, lowering supply chain risks and meeting rising consumer expectations around transparency. Due to the seasonal nature of its activities, especially during harvest periods, 5.4% of the annual average headcount is on fixed-term contracts. Rather than using contractors, Pernod Ricard prefers to hire this temporary workforce so that they can also benefit from its development and health & safety policies.

3.3.2.1 Talent management

Policies and objectives

Talent management: a core business process.

We have an inclusive approach that enables all employees to have the opportunity to identify their skills, knowledge, abilities and potential through Let's Talk Talent, a consistent process throughout all affiliates.

To support the Pernod Ricard HR strategy, linked to the Pernod Ricard Global Strategic Framework, last year we rolled out the new **leadership attributes** developed to support the Group in achieving its goal of becoming Industry Leader. These attributes guide all Pernod Ricard employees in developing their leadership skills and being better prepared to deliver in the face of challenges. It will also help them drive change while being aligned with the Group strategy.

The leadership attributes represent the leadership behaviour Pernod Ricard needs to ensure its future success. They have become embedded in our Global Talent Management practices through our annual year-end review process, 360 feedback process, assessment centers and leadership development programs.

2030 S&R Roadmap: Pernod Ricard is committed to developing the employability of all its employees throughout their working lives. This means offering all employees at least one future-fit training session every three years to ensure their employability.

Action plans and next steps

TransfoHRm: reviewing the Group HR strategy and processes as well as introducing a single, Group-wide HR Information System

In line with its three-year strategic Plan "Transform & Accelerate", the Group launched its HR strategy named "TransfoHRm" last year. This sets the goal of making Convivialité a true performance driver by:

- putting the employee experience at the core;
- deploying diverse teams to improve both individual and collective performance; and
- introducing a culture of performance and success based on empowerment and accountability, all supported by digital technology.

Workday HR management system

Over the last 15 months, the Group has been using the new employee-centric tool, Workday, to manage almost all Group HR processes with great success. We have been able to measure the value of the investment done having streamlined business processes, set a common language, created unified and reliable information worldwide. It has significantly improved HR efficiency, facilitating decision-making to have the right talents in the right position with the right skills at the right time of their career. Employees and Managers, at the core of Workday and the HR Strategy more broadly, now have the perfect tool to access information about their position, career path, compensation and evaluation at any time, from any place. They are fully empowered to promote themselves and be proactive with their career development. Workday has also allowed us to equip HR and Top Management with powerful dashboards.

While the adoption of TransfoHRm and Workday is still in progress, we have decided to revisit on regular basis what we have done using agile ways of working and a "Test, Learn and Optimize" approach. We have therefore greatly improved the annual year-end performance process for this second year of the process run by Workday. In addition, to not lose momentum and to move forward with the digitization of HR, we have been deploying new functionalities for our affiliates such as Learn module, Absence and Time Tracking, Onboarding.

It is without a doubt that TransforHRm has contributed to the upskilling of the HR function at Group level, increased the professional credibility of HR as business partners and boosted engagement and pride within the function ("iSay" results).

TransfoHRm Mindset

A strong change management plan has been developed to embed the TransfoHRm HR Strategy and mindset into the organization. The plan involved the upskilling of the HR function globally, implementation of new global practices and processes, empowering Managers and employees to co-create their experience at Pernod Ricard. The plan will reach full deployment by December 2021 cascaded to HR professionals throughout Pernod Ricard in order to bring a consistent experience for all employees.

"Let's Talk Talent" our Performance Management & Development Planning process

Pernod Ricard employees and their performance are the foundation of the company's success. Building on the process launched last year "Let's Talk Talent", we implemented the "How" of performance into the annual performance review process. How you do things is as important as what you do. Employees are evaluated not only on what they achieved but also on how they achieved it through the leadership attributes. Let's Talk Talent is intended to provide a systematic process, which is comprehensive, fair and developmentally focused. It enables Pernod Ricard to identify skills and competencies required to support its strategic plans and encourages a diverse high performing culture. This process, together with the assessment of individuals' potential to grow through their Learning Agility, forms the basis for how we identify and develop talents in the organization for career development and succession planning. It cultivates a learning organization enabling us to develop our employees to progress within the organization.

To achieve this, we encourage employee ownership of their career development. For development to make an impact, employees must be clear on what skill or behaviour needs to improve, be willing to make the change and know what steps to take. This is an important aspect of the feedback process, encouraged throughout the year between Manager and Employee.

We offer our employees resources that provide them with ideas and strategies on how to improve so that they can be as effective as possible and empowered to take the development steps to grow their career.

Pernod Ricard University

Pernod Ricard University collaborates with the business and HR Departments to identify Learning & Development needs and then design programs with high-end institutions, consultants and internal experts. Formats are often a blend of e-learning, classroom and experiential sessions assembled in a fine balance to deliver the best impact.

L&D programs are rolled out and delivered online, locally or at the historical Domaine de la Voisine near Paris, a place acquired by Paul Ricard in 1957, and transformed into a state-of-the-art campus in 2017. Participants will always find themselves in a cohort comprising colleagues from different parts of the world who might come from all types of functions, depending on the training, or from different cultures. This is critical to create that special bond that ties the group together and that we call "convivialité".

Since 2016, with the iGrow program, Pernod Ricard has engaged in an ambitious plan to train teams at scale on functional skills. In 2019, over 300 Managers and senior experts were trained as facilitators to deploy global programs locally to over 2,000 participants as of June 2020. Combined with microlearning, these sessions result in a very high engagement rates and great impact, all while significantly reducting deployment costs. During the Covid-19 crisis, all iGrow programs were adapted to be delivered remotely, allowing to maintain Pernod Ricard's effort on Learning & Development, and PR University team has kept working closely with functions to design new key training programs to be deployed in 2020.

In the spirit of the Group Leadership Attributes, Pernod Ricard University introduced the Leadership Curriculum to support the development of individual leadership competencies. A very rewarding multicultural experience, it invites an open-minded reflection on personal change and the role of leaders. The programme is organised into two modules that participants can attend over time: Mixers, for young aspiring leaders, Shakers for confirmed leaders willing to be taken outside their comfort zone. Since the implementation of these programmes, 652 employees have benefitted from the "Mixers" programme and 229 from the "Shakers" programme.

Blenders is a two-phase global Leadership Programme designed in response to Pernod Ricard business challenges. The Group uses this to help top leaders become more agile, digitally savvy, innovative and consumer centric talent developers. The Group commits to better preparing its top leaders, improving succession planning and career planning.

- Phase 1: 139 of the Top Management team were assessed against the newly developed Group Leadership Model. This reflects the skills and behaviors required to lead teams and provides participants with a benchmark for their professional development;

  Following the assessments, Individualized Development Plans were drawn up based on each person's needs.

- Phase 2: in January 2019, participants started their development journeys with various external activities designed to build their skills (trainings, seminars, etc.).

In March 2020, PR University launched a daily newsletter under the banner of "Learn a New Thing Every Day". Its aim is to encourage and nurture employees' thirst for knowledge, while promoting PR University's offer of training resources, and curating internal and external content focusing on people development. With over 1,600 subscribers, it is established as a new learning ritual for many employees.

To take advantage of the new employee-centric tool, Workday, Pernod Ricard University launched **Workday Learning** in June 2019. Pernod Ricard employees can use this new Learning platform to enrol and access all Pernod Ricard University training, do online modules and view their learning history.

Leadership Assessment and Development Centre – LeAD UP Programme

The Group continues to deliver Leadership Assessment and Development Centres, through an external provider, to i) assess capabilities and leadership potential, ii) identify strengths and competencies to be developed, iii) empower high potential individuals, iv) better prepare them for future leadership roles, and v) encourage individual ownership of careers by all employees. The LeAD UP programme offers two-day sessions at which participants do individual interviews and case studies. They also receive an extensive feedback session on site and one month after the workshop.

Key performance indicators

Number and %	FY19	FY20
% of the payroll invested by the Group in training	1.7%	1.7%
Number of employees trained [(2)]	17,179	17,858
% of total workforce trained [(2)]	90%	93,5%
Training hours [(2)]	382,215	427,350
Average number of hours of training received by employees [(2)] per year	22	24
% of employees received at least one performance review [(1)]	91%	93%
Number of employees participated in the LeAD UP programme [(1)]	187	162

(1) Permanent contracts.
(2) Fixed-term and permanent contracts.

3.3.2.2 Diversity

As a consumer-centric company, Pernod Ricard believes that its people need to reflect its consumers and the world in which it operates. Seen as a source of richness and a real performance driver for the Company, Pernod Ricard has made diversity a focus for its leaders through the "Better Balance for Better Business" initiative. This program aims to raise awareness on the value of Diversity throughout the business with a focus on Gender and Nationality and laid the foundation to address any other dimension of Diversity, as may be relevant in the various parts of the Group. Major global targets were set following the campaign and became part of the 2030 S&R roadmap.

Policies	Targets
2030 S&R Roadmap	• By 2022, ensure equal pay across the business (gender pay equity). • By 2030, Top Management team [(1)] will be gender balanced [(2)].

(1) Internal definition: Band C and above.
(2) Balanced teams considered achieved with a range of 40-60% of women and men.

Local affiliates' leadership teams set up their own Better Balance for Better Business agenda, supported by the Global Initiative. Between 2015 and 2020, the proportion of women in the Group "Top 500" rose from 19% to 26%.

The new HR Strategy, TransfoHRm, announced in 2018, is an inherently Diversity friendly strategy. In particular, TransfoHRm looked at ensuring that key processes like talent development and management are fair and equitable, For example "Let's Talk Talent", the new Performance and Talent Assessment cycle. Supported by Workday, the Group HRIS global platform, Let's Talk Talent is a consistent process, based on an objective assessment of performance and potential, which gives all employees equal chances to develop a successful and fulfilling career at Pernod Ricard. With the "How" of performance now as important as its "What", with Managers better trained in performance evaluation and calibration the process is designed to overcome the traditional pitfalls of talent management to make Pernod Ricard a system more open to diversity.

The Group has also become more visible on the Diversity challenge with an active participation in the main event of the last two editions of the Women's Forum in Paris (10 delegates, participation to the CEOs' workshop and event sponsorship).

Finally, at the end of FY 2020, and fully consistent with the fundamental objectives of TransfoHRm, the Group Global Talent Management Director formally took on the additional responsibilities of Diversity & Inclusion to shift the focus of "Better Balance for Better Business" from the creation of more Diversity to focusing on Inclusion as a catalyst to accelerate Pernod Ricard performance.

Regarding gender pay equity, the Company has launched a global project in the first half of FY20, partnering with an external independent specialist on pay equity. This global initiative has entailed an audit of over 70 countries. The idea was to identify the behavioral drivers and roots of pay gaps between male and female employees. First results are encouraging vs. market practice (currently 2.3%) and Pernod Ricard wants to strive towards equal pay across its business by 2022. This project will be part of a long-term systematic review of our compensation and talent practices to ensure strict pay equity across the Group.

The Group strives to bring in young people through different types of contracts (apprenticeships, training, etc.). The Group also recruits and develops young graduates through VIE (international volunteers in business) and international young graduate programmes. These include the Jameson International Graduate Programme, Pernod Ricard Asia Regional Management Trainee Programme and the Martell Mumm Perrier-Jouët Ambassadors programme. Furthermore, Pernod Ricard University supports the work of the Youth Action Council (YAC) [(1)].

(1) Founded in 2013, the YAC is a think-tank made up of nine employees under 30. They are asked to provide Top Management with their generation's view on Group strategic issues. The YAC has a two-year mandate to develop cross-company initiatives such as the "Green Office Challenge" or "Talent 4 Talent".

Regarding disability, affiliates comply with local legal requirements and efforts are made to improve the incorporation of workers with disabilities. In FY20, 45 affiliates worked on adapting premises and investing in appropriate equipment, providing training and raising employee awareness, conducting joint projects with specialised establishments, participating in dedicated forums, recruiting workers with disabilities, etc.

In 2003, Pernod Ricard also signed up to the Business Workplace Diversity Charter, which aims to encourage the employment of different members of French society. This Charter bans all forms of discrimination in recruitment, training and professional development.

Key Performance Indicators

Representation of women at 30 June (permanent contracts)

Number and %	FY19	FY20
Group employees	6,609 (37%)	6,658 (37%)
Non-managers	3,878 (34%)	3,871 (35%)
Managers	2,731 (41%)	2,787 (42%)
Top management	131 (26%)	135 (27%)
Management Committees of affiliates	24%	26%

This breakdown can be explained by the Group's significant presence in countries where the labour market is male-dominated, such as in India, where men make up more than 92% of the workforce. In the managerial population, the proportion of women has been constantly increasing over the past seven years. After clarification of the Top Management classification, the indicator related to the percentage of women in top management has been reviewed for FY19.

Breakdown of positions with permanent contracts filled by women

Number and %	FY19	FY20
Internal transfers	79 (27%)	314 (55%)
External hires	1,036 (42%)	903 (44%)

3.3.2.3 Employee engagement & culture, working conditions and health & safety

Employee engagement & culture

Since it started to measure it, the Group has had a very high level of employee engagement. To monitor the drivers of engagement, Pernod Ricard conducted the fifth edition of its bi-annual employee opinion survey "iSay" in June 2019 in partnership with Willis Towers Watson.

In this edition, 85% of employees completed a questionnaire (97% online) of over 100 questions available in 35 languages, a consistently very high response rate. Each version of iSay is similar to the previous ones to measure progress. The 2019 edition indicated an engagement level of 88%, far above other businesses in the Fast-Moving Consumer Goods sector. Pernod Ricard affiliates are responsible for addressing the areas most relevant to them and action planning against them.

Moreover, this commitment is visible through low and stable voluntary departure and absenteeism rates.

Number and %	FY17	FY19
Employees that completed the "iSay" Survey**	88%	85%
Engagement rate ("iSay")**	88%	88%

Number and %	FY19	FY20
Total departure rate* (1)	13.6%	14%
Number of resignations*	1,309	1,220
Voluntary departure rate* (2)	7.3%	6.8%
Absenteeism rate**	3.7%	3.9%

(1) The rate of total departure is obtained by dividing the number of departures by the average workforce with permanent contracts.
(2) The rate of voluntary departure is obtained by dividing the number of resignations by the average workforce with permanent contracts.
** Permanent contracts.*
*** Fixed-term and permanent contracts.*

Welfare, social protection and labour relations

POLICIES AND OBJECTIVES

Compensation policy

The compensation policy reflects the decentralised business model, except for Group Senior Management, whose compensation is overseen by Headquarters. Each affiliate manages its policy locally while upholding a set of common rules. These include developing a performance culture and offering compensation that is competitive locally. This also involves setting up straightforward, meaningful and motivating compensation packages.

Total payroll is included in Note 3.5 – *Expenses by type* to Section 6 “Consolidated financial statements”. This year, payroll represented 14.4% of net sales.

Signature of labour agreements

Each year, the affiliates sign roughly 100 agreements with the various social partners worldwide, thereby encouraging improved social dialogue. The number of agreements signed depends on changes to local legislation.

The agreements signed by affiliates during the past year mainly covered compensation and profit-sharing, group welfare schemes and occupational health and safety.

Performance culture: profit-sharing and incentive policies

Performance is encouraged through favourable profit-sharing and incentive policies. The total gross amount paid under profit-sharing and incentive plans to over 5,807 employees amounted to nearly €42 million. This was matched by contributions (additional sum paid to employees for investments in the Company savings plan) amounting to over €5 million. Moreover, long-term profit-sharing policies (such as allocating performance-based shares) have once again been implemented in FY20 for over 800 employees worldwide.

In 2019, the Group launched **Accelerate**, its very first Employee Share Ownership Plan. This first version of the Plan has been rolled out in 18 countries, covering 75% of Group employees. The clear goal is to give employees a share in the Group’s future development and growth. The initiative proved highly successful, with an overall subscription rate of 41.5%. Such a level is rarely achieved when structured offerings are launched. The subscription rate exceeded 60% in a number of countries, such as India (76.4%) and Hong Kong (60.4%). In France, the subscription rate was 56.9%.

ACTION PLANS AND NEXT STEPS

Welfare protection and health insurance

In accordance with the Group’s commitment, all employees are offered a welfare protection plan covering major risks (death and invalidity). Some chose not to be covered or are covered by their spouse’s employer.

Social dialogue

The Group has a long tradition of social dialogue and promotes freedom of association in all the countries in which it operates. In addition, it firmly believes in the importance of providing a working environment with optimal working conditions.

- **European Works Council**: with over 50% of its staff based in Europe, the Group has mainly focused its efforts on European employee representatives, through the European Works Council. This council brings together one or more representatives from every affiliate within the EU with over 50 people. It had a total of 24 representatives in FY20. The European Works Council meets at least once a year. A Select Committee, elected by their peers, comprising five members from five different countries, meets at least once a year too. The Select Committee may act on its own initiative in response to any social measure that might be taken in Europe involving at least two countries in which Pernod Ricard has local teams.

  To share information, an Intranet site publishes content each year co-written by delegates and the HR Department.

  The **France Group Committee** meets once a year. It brings together employee representatives appointed by the largest trade unions in the French affiliates. At these meetings, the Group’s business activities are reviewed, together with an analysis of employment trends and forecast changes during the year ahead.

  The Group Committee and the European Works Council are chaired by the Group Chairman & CEO, Alexandre Ricard, and moderated by the HR Department;
- **The Global Deal**: Pernod Ricard has officially signed up to the Global Deal, a multi-stakeholder partnership intended to address challenges in the global labour market and enable everyone to benefit from globalisation. It aims to encourage governments, businesses, unions and other organisations to make commitments to enhance social dialogue and promote joint solutions. The deal entails exchanges of ideas, joint projects, lessons learned and policy advice. It will also promote concrete initiatives and voluntary commitments. Pernod Ricard affiliates in partner countries will have access to their own local platforms.

Number and %	FY19	FY20
Employees covered by a welfare protection plan (death and invalidity) with a benefit equivalent to at least one year of the employee’s fixed annual salary (1)	92.4%	94.2%
Employees benefitting from health insurance (1) (2)	99.7%	97.6%
Total gross amount paid under profit-sharing and incentive plans	€40 million	€42 million
Number of agreements signed with social partners	125	174
Number of affiliates that signed at least one company-wide agreement during the year	30	27

(1) Fixed term and permanent contracts.
(2) Health insurance is defined as the regime that is compulsory at local level, whether or not supplemented by a company plan.

Health and safety

Pernod Ricard constantly strives to eliminate occupational accidents, hazards, and diseases for all its employees and contractors. Pernod Ricard's approach to Health & Safety (H&S) is underpinned by the "Créateurs de convivialité" vision. The Group is thus committed to developing a culture where **everyone has a role to play** and where employees **take ownership of safety** by sharing responsibility for their safety and that of their co-workers.

Policies	Targets
2030 S&R Roadmap	• By 2020: employee accident frequency rate reduced for all sites to < 8.0 and the employee accident severity rate to < 0.25. • By 2025: become "best in class" in the Wines & Spirits industry by achieving the target of zero operational injuries (employees and sub-contractors) at Pernod Ricard.

This policy has been approved by Pernod Ricard's Chairman, Chief Executive Officer, and its Executive Committee. It has been presented to the Board of Directors. The Executive Vice President, Human Resources, Sustainability & Responsibility oversees the implementation of the Group's Health & Safety Policy. Affiliates Vice Presidents, and each Management Director at local level are in charge of implementing the Pernod Ricard Global Health & Safety Policy.

ACTION PLANS AND NEXT STEPS

The strategic priorities to achieve Pernod Ricard's goal are to:

- develop a Culture where safety is at the heart of *Convivialité*;
- develop leadership through engagement, motivation and empowerment;
- improve business performance through excellence in Health & Safety.

Achieving this goal also requires management systems, in that respect, the Group's active production sites are required to be ISO 45001 certified. Pernod Ricard is also committed to and actively works on a health & safety culture in which everyone is involved in **taking care of each other** through a **culture of interdependence**.

In 2017, Pernod Ricard identified a need for change in terms of H&S. A tiered and focused approach has been launched targeting specific affiliates with the greatest potential for improvement. Third-party audits have been undertaken (10 sites) to develop a 3-year action plan linking culture and performance.

In 2018, the Group defined its **H&S Ambition** by aligning leadership around a common vision. Senior leaders collaborated on developing the drivers of success, strategy and associated roadmap.

In 2019, Pernod Ricard developed a **H&S Roadmap and key performance indicators** for short-term and long-term actions. It also agreed upon a governance model.

From 2020 to 2025, the Group will **communicate & roll out the roadmap** to measure and share progress.

KEY PERFORMANCE INDICATORS

Workplace accidents and % of sites certified	FY19	FY20
Number of workplace accidents with lost-time (1)	161	106
Frequency rate (1) (2)	4.61	2.95
Severity rate (1) (3)	0.08	0.07
Number of fatalities (1)	0	0
% of production sites ISO 45001 or ISO 18001 certified	82.6%	91%

(1) Interim, fixed-term and permanent contracts.
(2) Frequency rate = number of non-fatal workplace accidents with lost time x 1 million/total number of hours worked during the year by employee and interim staff.
(3) Severity rate = number of sick days for workplace accident x 1,000/total number of hours worked during the year by employee and interim staff.

3.3.2.4 Human Rights

Operating in over 73 countries and mindful of the new challenges caused by globalisation, Pernod Ricard values its employees, suppliers and communities. It also recognises that it is its responsibility and ethical duty to ensure Human Rights are respected across the Group's global operations and value chain. This implies adhering to internationally recognised standards and addressing gaps.

Policies	Targets
2030 S&R Roadmap	• By 2025, align with the United Nations Guiding Principles (UNGPs) on Human Rights including due diligence across the Group's operations and strengthening our responsible procurement processes.

Developed with numerous internal stakeholders, Pernod Ricard introduced its first Global Human Rights Policy in FY19 which is divided into three key sections: "in our own operations", "in the supply chain" and "in our local communities". The Pernod Ricard Code of Business Conduct, updated in FY19, now includes Human Rights and Fundamental Freedoms. The Supplier Standards has been updated with additional commitments on this front.

The Executive Vice President, Human Resources, Sustainability & Responsibility oversees the implementation of the Group's Human Rights Policy. HR Directors and each Managing Director at local level are in charge of implementing the Pernod Ricard Global Human Rights Policy. As a decentralised organisation, Pernod Ricard gives responsibility to its affiliates for adopting, respecting and promoting the policy. Visits to affiliates by cross-functional internal audit teams include some labour evaluation. Managing Directors' performance evaluations cover labour matters as well as societal and financial performance. Any targets are specific to each affiliate.

Action plans and next steps

In FY18, Pernod Ricard joined the UN Global Compact's Decent Work in Global Supply Chains Action platform, an alliance of companies committed to respecting Human Rights and fundamental principles and rights at work. This involves working through their supply chains and taking collective action to address decent work.

In FY19, a study based on the UNGPs and Human Rights was conducted on the Group's supply chain to identify gaps and improve its due diligence on Human Rights over the long term.

In FY20, to embed a UNGPs approach, Pernod Ricard decided to focus on its own employees with the assistance of a third-party. The goal is firstly to assess current operations and to raise awareness. In addition, a country level study will be conducted scanning and mapping potential Human Rights risks based on a selection of criteria key to the Group's operations and activities. These tools will help affiliates identify gaps and appropriate action plans. The Group will also explore other areas such as capacity building and impact assessment to identify salient Human Rights issues and prioritise action.

3.3.2.5 Responsible supply chain

Due to the wide range of its procurement and supplies, Pernod Ricard relies on many suppliers across its supply chain. From farming and manufacturing through distribution and merchandising, some of the Group's impact on society and the environment is managed by its suppliers. Pernod Ricard believes in creating strong business relationships and encourages suppliers to improve their practices and assists them in doing so.

Policies	Targets
2030 S&R Roadmap	• By 2025, Pernod Ricard sets out to have no direct supplier of products and services with high or medium risks (1).

(1) According to the risk mapping tool used internally.

Agricultural products supply

See Subsection 3.3.1 "Nurturing *Terroir*"

Product & services supply

- Have precise knowledge of the sustainability impacts, supply chain risks, and engage Pernod Ricard key suppliers through collaboration to reduce impact and accelerate improvements.
- Expand Responsible Procurement and Due Diligence process across supply chain with a focus on critical suppliers (high risk and spend)

Pernod Ricard's responsible procurement actions are driven by the following main policies:

- **Responsible Procurement Policy**, covering all purchases of products and services made by the entire workforce. It is available in English, French, Spanish, Portuguese, and Mandarin;
- **Pernod Ricard Procurement Code of Ethics**, embedded in the Code of Business Conduct, establishes rules for balanced and healthy relationships with suppliers as well as the basic sustainability principles. It is available in French, English and Spanish;
- **Sustainability model clauses** for contracts, it is available in French, English, Mandarin, Spanish, and Portuguese.

The Responsible Procurement process applies throughout the Group and is supported by General Management. Each affiliate selects and monitors its suppliers and subcontractors identified as risky, and is therefore responsible for its application.

ACTION PLANS AND NEXT STEPS

Implemented throughout the Group, the **Blue Source** process allows affiliates to apply the Responsible Procurement strategy locally with their suppliers and subcontractors:

- **Supplier Standards**: to be signed by all suppliers on platform Partner Up with the aim of increasing awareness around Human Rights and labour law, health & safety, environmental impact, responsible drinking, integrity and fair business practices. This document has been updated in 2019 and includes commitments such as "Respect Land and water rights of communities", "Environmental regulation", "Animal welfare" and "Tax evasion". Moreover, the Group took this opportunity to raise awareness among its suppliers and invite them to do the same. Both direct suppliers (Wet and Dry Goods) and the main indirect suppliers (POS/VAPs) who do not sign the updated version will see their business relations with Pernod Ricard suspended;

- **risk mapping tool** for each affiliate to identify which suppliers (Wet and Dry Goods, POS/VAPs) and subcontractors should be assessed first according to set criteria regarding the Company: production or service, size, country footprint, net sales, dependence of the supplier on the affiliate, annual expenditure, critical nature of the product, social, environmental and supply chain risks of the supplier;
- **sustainability assessment** using the EcoVadis platform and based on four major topics: environment, labour, ethics, and supply chain. Pernod Ricard asks its risky suppliers to be re-assessed every two years to identify areas for improvement and to review the effectiveness of their action plans;
- **labour and ethical audits following the SMETA (Sedex Members Ethical Trade Audit) standards**, in line with the AIM Progress “Mutual Recognition Programme”.

Number of suppliers	FY19	FY20
Having signed the Supplier Standards	2,675	1,983
Analysed through the Risk Mapping tool	1,878 [(1)]	2,284 [(1)]
Identified as risky and covered by an EcoVadis assessment	521	214
Identified as risky with production sites covered by an audit	144	14

(1) Change of follow-up methodology for 2019 to be consistent with the other Responsible supply chain KPIs: the Group now takes into account the number of suppliers that have been analysed through the Risk Mapping tool and not the total number of assessments done through the Risk Mapping Tool.

As far as employee commitment is concerned, Pernod Ricard makes a number of training documents available to inform employees about the Responsible Procurement process of the Group and what actions each employee can do to mitigate risks with their suppliers. For example, Pernod Ricard offers an online learning module covering merchandising. It is designed for Marketing and Communications employees and highlights the risks related to the development and purchasing of promotional products. In addition, training is offered in various formats throughout the year, including telephone calls, workshops and seminars.

The Group will take the following steps:

- request all suppliers, from all categories, to sign the Supplier Standards on Partner Up;
- complete analysis of direct suppliers (Dry and Wet Goods) and key indirect suppliers (POS/VAPs);
- explore partnership plans to engage in a multi-stakeholder programme. Pernod Ricard is already working with Bonsucro, a global multi-stakeholder non-profit organisation to promote sustainable sugarcane production, processing and trade worldwide. The Group is also part of Aim-Progress, a forum of leading Fast Moving Consumer Goods manufacturers and common suppliers, assembled to enable and promote responsible sourcing practices and sustainable supply chains;
- train procurement Managers and/or functions on Responsible Procurement processes including labour rights and Human Rights considerations;
- expand Responsible Procurement processes to other key indirect categories [(1)].

3.3.3 Circular Making

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

14 LIFE BELOW WATER

The world is under huge pressure with finite resources. Pernod Ricard intends to do its part in decreasing the natural resources used and minimising waste at every step of the value chain. This will involve imagining new production ways that optimise and help preserve natural resources.

The traditional single-use consumption model has now reached its limits and new circular models must emerge to protect our planet and natural resources. Circularity is one of the Group’s key priorities. To become more circular, Pernod Ricard is committed to moving its business towards a circular making model that fosters reduction, reuse and recycling. Such a shift will allow fewer resources to be consumed, waste disposed of and ultimately reduce Pernod Ricard’s environmental impact.

3.3.3.1 Environmental management

Pernod Ricard strives to implement strong environmental management systems throughout the business. They are the cornerstones of the Group’ strategy, helping it tackle long-term environmental risks, reduce its environmental impact and seize opportunities at every level. Environmental management systems look to disseminate the Group’s environmental standards throughout the business and incorporate environmental considerations into its management practices. This helps manage risks and transform the business into a more circular model.

Policies	Targets	Achievements
2020 Environmental Roadmap	• 100% of Group employees at administrative sites work in offices conforming to the internal Green Office guidelines. • 100% of major production sites certified ISO 14001.	• 72% • 93% covering 99.9% of production

(1) Indirect advertising and promotional investments: all expenses related to the advertising and promotion of our brands (such as expenses relating to media, POS articles and value added packaging (VAP), content production, events, research and research reports). Direct purchases: all purchases directly integrated in the composition of the final product (raw materials such as ingredients, glassware, caps, etc.).

Pernod Ricard has environmental management systems to address environmental priorities and implement tangible actions throughout the business activities. Environmental management systems are implemented based on the following principles:

- the Headquarters' Sustainable Performance Division oversees and coordinates measures at Group level by setting shared goals, monitoring performance, circulating guidelines with minimum requirements and sharing best practices. Each Brand Company is required to evaluate its performance against these requirements annually. Where necessary, compliance action plans should be implemented;
- Pernod Ricard's activities, both for the Brand Companies and the Market Companies, must comply with the environmental requirements outlined in the Group environmental guidelines:
  - affiliates are accountable for complying with local legal requirements. They must also report to Headquarters any local incidents or non-compliance,
  - affiliates are accountable for assessing their long-term risks. They must thus identify ways to reduce their own environmental impact and apply the Group's policy locally,
  - major production sites are required to be ISO 14001 certified. In FY20, 93.3% of production sites were ISO 14001 certified (covering 99.9% of production),
  - Group employees and administrative sites are required to meet the requirements of the "Green Office" guidelines regarding different topics such as green offices governance, energy, water, waste and business travel.

This year, one environmental incident was reported to local authorities and nine complaints received from third parties. This includes all possible potential impact of an industrial site, in particular smells and noise. The events are described below:

- one accidental spillage of a chemical product in Scotland;
- five noise complaints in Australia and four odour complaints in Scotland.

A root cause analysis was conducted for all these events and corrective actions plans drawn up.

As of 30 June 2020, no provisions have been funded for environmental risks. Some affiliates had to provide guarantees when applying for operating permits. These are not for specific amounts but ensure the affiliates' solvency to deal with any pollution or other environmental accident.

3.3.3.2 Climate change: reduction and adaptation

Alignment with TCFD recommendations

Climate change is one of the most urgent challenges facing this generation. Combatting it is a major focus of Pernod Ricard's environmental policy. The Group plans to reduce the CO_2 equivalent emissions generated throughout its supply chain and adapt its business to ensure it is resilient. For greater transparency, Pernod Ricard follows the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

GOVERNANCE

Pernod Ricard has a dedicated governance and organisational structure to ensure that climate change issues are fully incorporated into its strategy. That is why the Sustainability & Responsibility Senior Steering Committee (S&R Senior Steering Committee), chaired by Pernod Ricard's Chairman and CEO, was created. Pernod Ricard also has a dedicated Sustainable Performance team at HQ, responsible for implementing its climate change strategy.

Board supervision: the Board of Directors evaluates the appropriateness of Pernod Ricard's S&R commitments. It also ensures that climate-related issues are incorporated into the Group' strategy through two annual meetings. The Board relies on Pernod Ricard's Operations Department to incorporate climate-related issues into the Group's three-year strategic plans and budgets, in compliance with its strategic guidelines. The Executive Committee, which meets twice a year on S&R topics, prepares, examines and approves all decisions relating to sustainability and climate change and submits its decisions to the Board of Directors. The Committee is also tasked with reviewing climate change risks and opportunities assessed by the S&R Department and HQ experts.

Role of management: the S&R Senior Steering Committee shapes Pernod Ricard's approach to climate change, among other sustainability issues. For its part, the S&R HQ Team ensures that the strategy is effectively embedded into processes and practices. The S&R Senior Steering Committee, considered as a Top Management governance body, has nine members. They represent all the Group's functions at the highest level: CEO, Managing Director GBD, EVP Human Resources & Sustainability & Responsibility, EVP Finance, IT and Operations, Group VP Sustainability & Responsibility, VP Global Government Affairs, Group Operations Director, Global Marketing & Commercial Director and Group Communications Director. The Committee assesses and manages climate-related risks and opportunities. It creates action plans and oversees the implementation of the strategy by the operations teams and the Global Business Development functions.

STRATEGY

Climate-related risks and opportunities

Type	Climate-related risks and horizon	Area of business impacted	Potential financial impact and magnitude of impact	Impact on the Group's strategy and financial planning
Transition risks	**Policy and legal**			
	Long-term risk: • Energy and GHG emissions regulations may affect the Group: • directly through its own operations; or • indirectly through its suppliers (especially with respect to glass, alcohol and transportation).	**Operations & Supply Chain**	**Medium impact:** • Regulations may have an impact on direct costs, for instance if the Group had to buy carbon quotas. In Europe, the Group's four largest distilleries are subject to the EU Emissions Trading System (EU-ETS). There may be indirect impact through increases in the price of raw materials (especially for glass manufacturing, which is an energy-intensive industry).	• Pernod Ricard takes measures to reduce greenhouse gas emissions: • directly at production sites through energy efficiency and renewable energy; and • indirectly with its suppliers and by optimising the logistics chain (see subsections 3.3.3.2, 3.3.3.4 and 3.3.3.5).
	Reputation			
	Long-term risk: • Consumers may prefer products that are perceived as more responsible, and this could affect Pernod Ricard sales and market share if not anticipated.	**Products**	**Medium impact:** • The Group feels that a shift in consumer preferences might lead to a fall in market share.	• The risk of shifting consumer preferences is factored into Group marketing strategy. For example, Pernod Ricard eco-design policy aims to make the products more sustainable (see subsection 3.3.3.4).
Physical risks	**Extreme**			
	Long-term risks: • Extreme variability in weather patterns, such as frost, hail and drought, can affect the supply and quality of agricultural raw materials and, more broadly, their price. For example, price volatility might impact grains and grapes. Wine alcohol content might increase, and different parameters might impact wine quality. • Changes in precipitation patterns can affect the groundwater reserves on which some production sites rely. This may ultimately impact the availability and quality of water.	**Supply chain & Operations**	**High impact:** • The financial implications of agricultural supply chain disruption could be significant. It could lead to higher prices for raw materials.	• To face extreme variability in weather patterns, the Group uses hedging to limit the extent of seasonal volatility due to climate factors and includes environmental factors in its Responsible Procurement Policy and its Procurement Code of Ethics (for more details, see subsections 3.3.3.1 and 3.3.3.2). • Water management is a significant component of the Group's environmental strategy (see subsection 3.3.3.3).

Type	Climate-related risks and horizon	Area of business impacted	Potential financial impact and magnitude of impact	Impact on the Group's strategy and financial planning
Physical risks	**Chronic**			
	Long-term risk: • The Group and its suppliers' facilities are exposed to the risk of natural disasters (fire, hurricanes, flooding etc.).	**Supply chain & Operations**	**High impact:** • This risk could lead to the loss of a strategic industrial site. The impact could result in a significant operating loss and therefore a sharp drop or prolonged shutdown in the supply of certain products. This might prevent the Group for meeting consumer demand.	• Implementation of preventive measures and physical protection devices; • audit of industrial sites along with insurers; • establishment of business continuity management systems.
Resource efficiency	**Short-term risk:** • Pernod Ricard's exposure to future energy and tax regulations are accelerating the implementation of energy efficiency programs at its operational sites as well as in its supply chain.	**Supply chain & Operations**	**Low impact:** • Efficiency programmes can reduce operating costs and provide the Group with a competitive advantage.	• Climate change is an important part of one of the key pillars of the Group's S&R roadmap. The Group will continue to roll-out energy efficiency programmes (see subsection 3.3.3.2). The lower operating costs are factored into financial planning.
Market	**Long-term opportunity:** • Consumers are increasingly looking to sustainable consumption. Developing quality products that respect the environment might encourage them to choose Pernod Ricard's products.	**Products**	**Medium impact:** • The Group felt that this might lead to greater market share.	• This factor is considered in the Group's marketing strategy and environmental roadmap, with a focus on sustainable agriculture practices and eco-design practices (see sections 3.3.1.1, 3.3.3.4).
Products and services	**Short-term opportunity:** • Higher demand for lower emissions products and services and the incorporation of sustainability concerns are strong drivers to foster innovation and increase market share.	**Product & Services**	**High impact:** • This will generate new product and service offers. The Group felt that this might result in greater market share.	• Innovation and digital are considered strategic priorities; different entities are working on innovative projects.

In case of future acquisitions, divestments or access to capital, significance of climate related risk should be assessed.

RESILIENCE OF THE ORGANISATION

In June 2019, the Science Based Targets (SBT) initiative approved our greenhouse gas emission reduction targets, which are aligned with a below 2°C scenario for our Scope 1 and 2 emissions and the 2°C scenario for target intensity of the Scope 3 emissions.

This year, the Group has started a climate-related scenario analysis with a pilot in one affiliate. The objectives are the understanding of climate-related risks impacts on our operations (raw materials, packaging, production and logistics) and the building of a prospective approach for climate-related risks scenarios applicable at Group level.

RISK MANAGEMENT

The identification of climate-related risks and opportunities takes place in the course of the Group's global risk mapping:

- global risk mapping, based on local risks identified by Group affiliates and functional risks identified by the Group's functions, is updated every three years by the internal audit team. This team reports to the Chairman and CEO. It also presents its results to the Executive Committee and the Audit Committee. The Group's major risks are monitored annually;
- environmental risk mapping is based on a multi-criteria mapping tool. Affiliates input the data, which is then monitored at Group level. Affiliates identify and rate environmental risks throughout a product's life cycle based on two criteria: i) severity (including potential financial impact – scored from 1 to 7) and ii) probability (scored from 1 to 5).

In terms of managing these risks, each major risk identified is placed under the responsibility of a Group Director. Environmental risks and their mitigation plans are under the responsibility of the Group Operations Director. The Group's environmental roadmap also draws up environmental action plans for the main environmental risks.

Help reduce climate change

Policies	Objectives	Achievements and next steps
2020 Environmental Roadmap	Focus on reducing the impact of production sites (Scopes 1 and 2): • 30% reduction in carbon emissions per unit produced at production sites, as between FY10 and FY20.	• Since FY10, carbon emissions per unit at production sites have fallen by 32.9%.
2030 S&R Strategy	Through the new S&R strategy, the Group has set itself ambitious new goals to speed up progress and extend its actions (Scopes 1, 2 and 3), as follows: • by 2030: 30% reduction in absolute carbon emissions at production sites (Scopes 1 and 2) (base year 2018). The SBT initiative confirmed it was in line with the well below 2°C scenario; • by 2030: 50% reduction in the intensity of the Scope 3 carbon footprint (base year 2018). The SBT initiative confirmed that it was in line with the 2°C scenario; • by 2025: 100% renewable electricity used in production sites and administrative offices.	• Weight reduction for many bottle types has already led to a significant reduction in the carbon footprint from glass. • A taskforce has been set up with the main distilleries to identify technologies that will help achieve Scope 1 SBTs. • Discussions will be held with our main suppliers to set carbon reduction action plans regarding Scope 3 emissions. • A reporting tool and process will be designed and implemented to better measure progress towards SBT targets. • In FY20, the Group has officially become a member of RE100, a global initiative led by The Climate Group in partnership with CDP which brings together 221 international companies committed to 100% renewable electricity. • The proportion of renewable electricity used is 71% for production sites and administrative offices.

Pernod Ricard generates carbon emissions in several ways. These contribute to climate change:

- directly, through the use of fossil fuels on sites (Scope 1) and due to the electricity consumed, which generates greenhouse gases emissions when produced by suppliers (Scope 2);
- indirectly, through products (agricultural raw materials, packaging, etc.) and services (transport, etc.) purchased (Scope 3).

To help reduce climate change, the Group follows a two-step approach consisting of:

- assessing its carbon footprint throughout the supply chain to identify priorities;
- implementing relevant measures to reduce direct and indirect emissions, working with production sites, farmers and suppliers.

OVERVIEW OF THE GROUP'S CARBON FOOTPRINT AND ENERGY CONSUMPTION

Overall performance	Unit	FY10	FY19	FY20
Energy (production sites only)				
Total energy consumed	MWh LHV	1,465,872	1,502,451	1,438,332
Energy consumption per unit (distilled alcohol)	MWh PCI/kl PA	7.49	6.11	6.19
% renewable energy	%	7	12.6	13.4
% renewable electricity	%	29	70.1	74.0
Carbon footprint				
Direct emissions (Scope 1)	$t\ CO_2e$	259,896	262,378	255,417
Indirect emissions (Scope 2)	$t\ CO_2e$	97,758	35,151	29,557
Direct and indirect emissions (Scope 1 + Scope 2)	$t\ CO_2e$	357,654	297,529	284,974
All other indirect emissions (Scope 3)	$t\ CO_2e$	NA	2,745,949	2,552,390
Group Carbon footprint (Scopes 1, 2 and 3)	$t\ CO_2e$	NA	3,043,478	2,837,364
Carbon emissions intensity at production site level (Scopes 1 and 2)	$t\ CO_2e$/kl PA	1.83	1.21	1.23

OVERVIEW OF THE RELEVANT CATEGORIES OF THE GROUP'S CARBON FOOTPRINT

Pernod Ricard's overall carbon footprint shows that across the entire value chain:

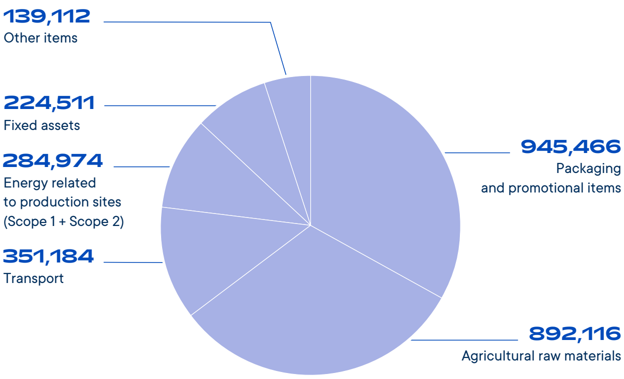
- 33% of emissions is generated by the production of packaging (mainly glass) and POS materials; and
- 31% comes from the production of agricultural raw materials.

Below this there are:

- emissions from transportation (12%);
- energy used on production sites (Scope 1 and Scope 2) (10%);
- acquisition of fixed assets (8%); and
- other activities such as business travel (6%).

Compared to last year, the Group's carbon footprint is down from 3 to 2.8 million tonnes of CO_2 equivalent emissions. This is mainly due to packaging materials reduction as well as change in calculation methodology.

BREAKDOWN OF GROUP CARBON FOOTPRINT BY CATEGORY



PACKAGING AND POS MATERIALS

Packaging and POS materials are the most carbon-intensive activity in Pernod Ricard's value chain. To reduce their carbon impact, the Group focuses on enhancing the eco-design of packaging, reducing its weight and optimising the materials used (see subsection 3.3.3.4 "Circular packaging and distribution").

AGRICULTURE PRACTICES

Agriculture is the second most carbon-intensive activity in Pernod Ricard's value chain. Pernod Ricard's products inherently rely on agriculture. Establishing and helping improve agricultural practices is therefore a strategic priority for the Group.

On its own land, the Group promotes regenerative agriculture, which can help capture carbon in the soil. Moreover, the Group works with agricultural suppliers to establish preferred standards for each crop. The goal is to identify the best way of reducing greenhouse gas emissions for each crop.

TRANSPORT

Pernod Ricard seeks to optimise land transport by improving vehicle loading, adjusting schedules and using more efficient vehicles. In the US, the Group is also a member of Smartways Association, which aims to reduce land transportation emissions. In Europe, the Absolut Company is a member of the Clean Shipping Project.

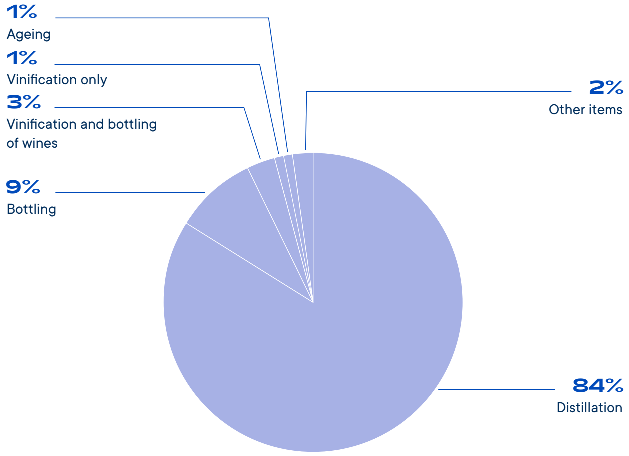
PRODUCTION SITES

At production sites, the Group is working on two fronts: i) improving energy efficiency and ii) increasingly using less carbon-intensive energy. To encourage such transitions, the Group has introduced an internal carbon price of €50 per ton of CO_2 equivalent for investments.

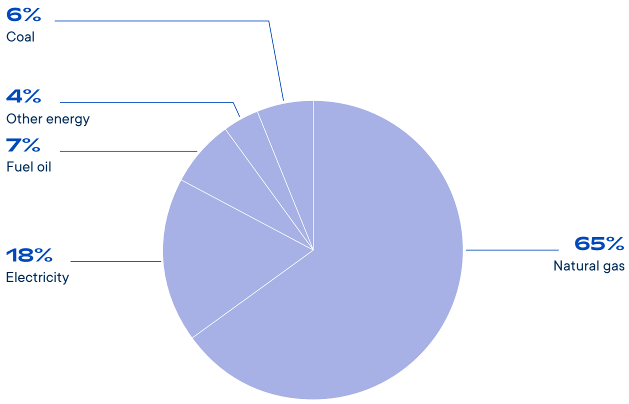
Operationally, production sites must improve energy efficiency through continuous monitoring of energy consumption and in-depth energy assessments. The idea is to set energy-efficiency targets and launch consumption reduction programmes (*i.e.*: renewal of processes, technologies, etc.). Several large sites have implemented ISO 50001 certified energy management systems.

Moreover, the Group is working to replace heavy fuel oil and coal with cleaner energy sources such as natural gas. It plans to only use renewable electricity by 2025. This year, Scope 1 (direct CO_2 equivalent emissions) declined by 4.2% in line with the 5.5% decrease in production volumes. Scope 2 (indirect CO_2 equivalent emissions) fell sharply from 35,151 to 29,557 tonnes due to a decrease in electricity consumption by 5.8% and an increase in renewable electricity sourcing. In terms of carbon intensity, this represents a 1.4% rise per unit between FY19 and FY20 for Scopes 1 and 2 carbon emissions. This is due to a loss in energy efficiency of our bottling activities with the Covid-19 crisis.

BREAKDOWN OF ENERGY CONSUMPTION BY ACTIVITY



SOURCES OF ENERGY USED BY THE PRODUCTION SITES



OTHER EMISSIONS CONTRIBUTING INDIRECTLY TO CLIMATE CHANGE

- Emissions from cooling gases, some of which are harmful to the ozone layer. Some of these gases also increase the greenhouse effect. A programme to eliminate the most environmentally harmful refrigerant gases has been ongoing for numerous years. This has resulted in the complete elimination of CFCs. HCFC have also been progressively eliminated to reach a minimum level of 500kg this year.
- Nitrogen and sulphur oxide emissions (NO_x and SO_x) contributing indirectly to the greenhouse effect and environmental acidification. These compounds are produced by fossil fuel combustion. As emissions of these atmospheric pollutants are low in the alcoholic beverages sector compared to worldwide emissions, they seem to have no material impact on Pernod Ricard. The Group does not therefore feel it needs to monitor such emissions on an annual basis. The major distilleries nevertheless ensure that they comply with legal limits on the discharge of such pollutants.

3.3.3.3 Preserve water resources

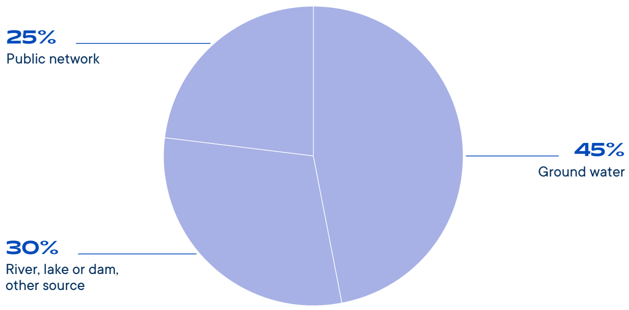
Water is an essential component of the products manufactured by Pernod Ricard. From irrigating crops to processing raw materials, distilling, blending *eaux-de-vie* and formulating products, water is involved in every stage of the product's life cycle.

The Group thus faces several challenges. It must i) reduce water consumption, particularly in areas with shortages, ii) preserve water quality by monitoring pollutants released by production sites, and iii) fully comply with evolving environmental regulations. Pernod Ricard has been a member of the UN CEO Water Mandate since September 2010. This reaffirmed its commitment to protect the planet's water resources.

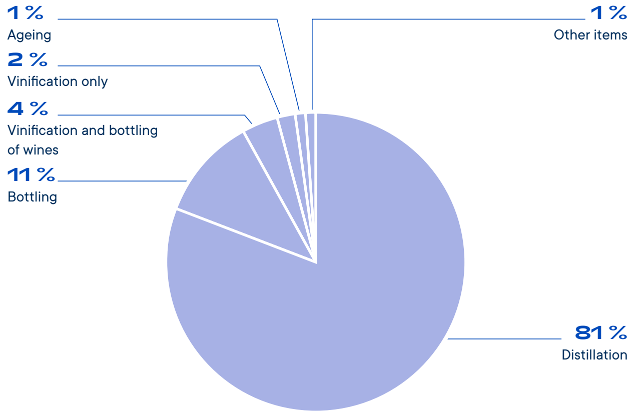
Policies	Objectives	Achievements and next steps
2020 Environmental Roadmap	At production site: • 20% reduction in water consumption per unit produced between FY10 and FY20.	• Water consumption per unit produced has been reduced by 23.5%, exceeding targets.
2030 S&R Strategy	• Further reduction in water use by 20% from FY18 to FY30. • 100% of water replenished in same watershed for our production sites and dedicated copackers located in high risk areas. • Exploring innovative ways to reuse organic waste.	• In FY20, production sites have identified water reduction opportunities based on best available technologies per activity (distillation, wineries, bottling...). This will feed into defining water use excellence targets for each site. • This year, 23.4% of the total water used in high risk locations has been replenished in the same watershed. • The Group will identify wastewater treatment opportunities and engage research on innovative waste treatment solutions with the Paul Ricard Oceanographic Institute.

Water consumption and performance

ORIGIN OF THE WATER CONSUMPTION BY INDUSTRIAL SITES (M³)



BREAKDOWN OF WATER CONSUMPTION BY ACTIVITY



To reduce direct water consumption at production sites, the Group focuses its efforts on two main drivers: i) setting up systems to measure and monitor water use, and ii) identifying measures to save, reuse and recycle water. This year, continuous improvements in water efficiency measures led to a reduction of water use per litre of pure alcohol produced in distilleries, down by 1.36% compared to last year.

Throughout the value chain, the drip irrigation technique is used in all irrigated vineyards operated by the Group. This reduces the water used to what is strictly necessary. Moreover, given the predominance of agricultural raw materials in Pernod Ricard's water footprint [(1)], the Group works locally with the affiliates' suppliers to establish sustainable agriculture standards that minimise water consumption (see subsection 3.3.1.2 "Promote and develop resilient agricultural supply chains").

Water resource preservation strategy tailored to meet local challenges

Because water resources are unevenly distributed, risk levels vary depending on the location of the Group's production sites and dedicated co-packing activities. To better understand and identify priorities, sites have been categorised as extremely high risk, high risk and low-medium risk, using an internal Water Risk Index. The Group aims to replenish the water used by its sites located in high-risk areas through local projects to preserve the water ecosystems. This led to support watershed management by improving access to safe water and sanitation, promoting sustainable water use and integrated water resources management among communities.

Area's risk level	Pernod Ricard situation
Extremely high risk	• 8 sites (India, Armenia, Mexico and China). • 5.6% of the Group's total water consumption.
High risk	• 7 sites (Armenia, Australia, Spain and France). • 5.3% of the Group's total water consumption.
Medium risk	• 33 sites. • 9.7% of the Group's total water consumption.
Low risk	• 42 sites. • 79.4% of the Group's total water consumption.

10 Indian dedicated co-packers are located in high risk areas and are concerned by the Group water resource preservation strategy.

To date, the water resource preservation strategy has been launched on sites located in "Extremely high risk" areas. Indian sites have already implemented water projects in their watersheds. They are actively engaged with communities through the development of water replenishment projects in order to support water conservation and also provide or improve access to safe water and sanitation. Other sites are in the process of finding a project partner and investigating water project options. The water benefits methodology and calculation associated to each project must be checked by a third party.

Treatment of waste water

To reduce the pollutants released into the natural environment and make sure that the water discharge by production sites does not damage surrounding ecosystems or other natural resources, production sites are fitted with different technologies such as aerobic, anaerobic treatments, filtration, etc., depending on waste water quality requirements. The Group will also explore innovative projects for treating this waste water.

FY20, 77% of waste water was discharged into a public sewerage system, 17% was discharged into the environment following treatment, and 6% was recycled for vineyard irrigation.

(1) Analysis of the Group's water footprint indicates that by far the most water-intensive activity in the value chain is the supply of agricultural raw materials, representing 99% of the Group's water consumption. In comparison, the direct water consumption of production sites represents less than 1% of the Group's water consumption.

Overall performance	Unit	FY10	FY19	FY20
Total volume of water used	m^3	7,095,145	6,921,074	6,451,389
Total volume of water abstracted	m^3	28,052,000	25,238,963	22,759,563
Total volume of waste water released	m^3	5,445,849	4,359,797	4,280,465
Water consumption per unit produced at production sites	m^3/ kl PA	36.3	28.1	27.8
Chemical oxygen demand (COD) released into the natural environment	t	-	929	877

3.3.3.4 Circular packaging and distribution

The environmental impact of the Group's activities begins with the design of the products, packaging & POS and continues throughout their life cycle.

The packaging and POS development phases represent a key lever to minimise waste and reduce the Group's environmental footprint. For this reason, Pernod Ricard adopts eco-design principles when designing new packaging and POS and ensures that it can be used sustainably. It also participates in local packaging collection and recycling schemes to address packaging end of life.

Our vision is for Pernod Ricard to be recognised as a pioneer in sustainable packaging & POS, contributing to setting the standards within the industry.

Policies	Targets	Achievements in FY20
2030 S&R Roadmap	• By 2021, 100% of promotional items made from single-use plastic will be banned *(exception for tasting cups by 1 July 2025).* • From 2022, 100% of new projects & POS development will demonstrate environmental impact reduction. • By 2025, 100% of packaging will be reusable, recyclable, compostable or bio-sourced. • By 2025, post-consumer recycled content for glass will reach 50% and 25% for PET and 100% of cardboard will be certified to standards ensuring sustainable forest management. • By 2030, 100% of POS will be reusable, recyclable, compostable. • By 2030, the Group will pilot five R&D projects on circular distribution of Wines & Spirits. • By 2030, launch initiatives to support recycling in 10 key markets with low recycling levels.	• In FY20, the Group finalised internal sustainable packaging and sustainable POS guidelines. They are based on five eco-design principles rethink, reduce, reuse, recycle, and respect each being correlated to our targets. It has been circulated among all the affiliates. Gap analysis against these guidelines is currently being performed. The Group also established reporting to measure progress against targets. • This year, the Group has engaged marketing in the implementation of these new guidelines.

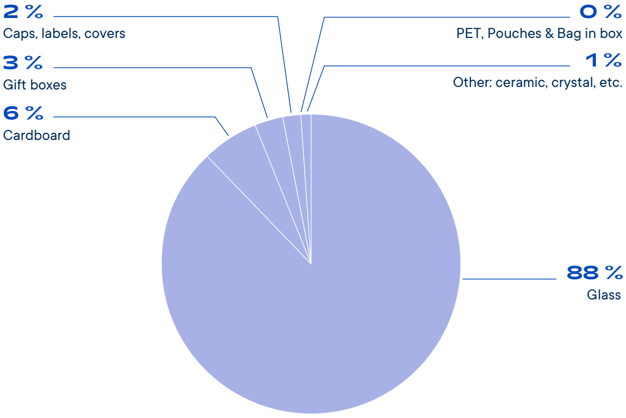
The Group is also a signatory of the New Plastics Economy and a member of the Ellen MacArthur Foundation's CE100 network.

The internal sustainable packaging and POS guidelines frame our ambition for circular packaging & POS. They are based on five principles:

Eco-design Principles	Definitions	Achievements examples over the past years
Rethink	Think out of the box to challenge the need for each packaging components and POS and explore new circular solutions.	All single-use plastic straws and stirrers have been banned. Martell removed all Cordon Bleu gift boxes from the On-trade distribution network.
Reduce	Optimise the design to reduce size and weight. Limit the number of items, nothing unnecessary.	Ballantine's reduced glass weight of its bottle by 13%.
Reuse	Move away from single-use to keep packaging and POS refillable and reusable as long as possible. POS should be designed to be reused for the same purpose.	Imperial Blue and Royal Stag bottles in India are being collected from bar and restaurants before being washed, refilled and reused by consumers.
Recycle	Design packaging & POS with a recyclable mindset: using mono-materials when possible and avoiding non-separable material solutions, choosing recyclable materials only and checking if there is a recycling collection bin for this item in the main markets of use and existing recycling infrastructure.	Over 99% of the Group's Primary packaging (by weight) is recyclable under the CITEO recyclability criteria.
Respect	Ensure materials are responsibly sourced, with recycled content and sustainable origins.	Absolut increased the percentage of recycled glass in its glass bottles up to 45%. Several brands in Brazil replaced plastic caps made from petroleum products with caps made from sugarcane ethanol.

Glass and cardboard are the main materials used. Production of packaging and promotional items account for 33% of the Group's carbon emissions (see subsection 3.3.3.2).

BREAKDOWN OF THE WEIGHT OF PACKAGING



Participation in systems for the collection of packaging in support of recycling and reuse

Most packaging waste produced by the Group's activities is generated after final consumption of products. The key issue is therefore to improve waste sorting solutions for consumers so that packaging can be recycled or reused. Pernod Ricard has set up or joined various programmes worldwide to improve recycling or reuse packaging:

- Europe: Group contribution of around €8 million to national schemes designed to improve the collection and recycling of domestic packaging, including glass;
- United States: it joined the "Glass Recycling Coalition" to foster efficient and economically viable recycling channels by involving all players in the chain (glass manufacturers, bottlers, recycling service providers, etc.);
- Brazil: joined the "Glass is Good" project, whose purpose is to increase the glass recycling rate by involving all sectorial players.

3.3.3.5 Reduce waste

Limiting waste throughout the production chain and at the end of product life is an integral part of the Group's circular economy approach. Pernod Ricard is committed to minimising waste disposal and maximising the recycling and reuse of its products. Pernod Ricard's policy is focused on limiting food waste and eliminating landfill waste, ensuring all waste generated on industrial sites is recycled.

Policies	Targets	Achievement in FY20
2020 Environmental Roadmap	• Zero waste sent to landfill at production level.	• 557 tonnes of waste disposed to landfill sites this year, 42% reduction compared to FY19.

Limiting of food waste

The Group takes steps to minimise food waste throughout its value chain:

- upstream agriculture: reducing food waste by reusing by-products from the production of certain foods. For example, broken rice in India or sugarcane molasses in Cuba, to produce alcohol. Moreover, in developed countries, where most agricultural raw materials used by the Group are sourced, the quality of infrastructure plus short supply routes prevent products such as cereals from perishing. As for grapes, musts or wine, they are delivered directly to the Group's wineries by producers, limiting supply chain losses;
- production sites: focus on recycling waste generated through the transformation of raw agricultural materials (spent grains, vinasse and grape pomace). The majority of waste is recycled to make animal feed, biogas, farm compost or used for other industrial purposes;
- consumer level: waste generated is very low since wine & spirits can be kept for a long time, and the packaging is designed to last until the product is fully consumed.

Reducing waste and improving recycling on industrial sites

The production sites mostly generate non-hazardous waste (99% of total waste vs. 1% hazardous waste):

- non-hazardous waste:
  - packaging waste (glass, paper, cardboard and plastics),
  - waste from the transformation of agricultural raw materials not recovered as by-products (grape marc, stalks, sediment, etc.),
  - waste produced by the site's activities (sludge from treatment plants, office waste, green waste, etc.);
- hazardous waste: waste used for the sites' operation (chemical product containers, used oils, solvents, electrical and electronic waste, neon tubes, batteries, etc.).

The Group's aims at moving towards zero landfill waste by 2020. To achieve this goal, the affiliates will pursue efforts to reduce the quantity of waste generated and identify recycling and recovery processes. For hazardous waste requiring the use of a specific treatment process to prevent environmental risks, the Group will continue to identify appropriate treatment processes locally.

Key Performance Indicators

Overall performance	Unit	FY19	FY20	FY19-FY20
Total quantity of waste (1)	t	42,361	31,843	-25%
Quantity of waste recycled		39,569	30,218	-24%
Quantity of waste incinerated		1,838	1,068	-42%
Quantity of waste sent to landfill		953	557	-42%
% of solid waste recycled	%	93%	95%	+2%
Quantity of waste sent to landfill per litre of finished product	g/L	0.91	0.58	-42%
Quantity of hazardous waste treated externally	t	482	344	-29%

(1) *It should be noted that this figure represents the volume of waste collected but not necessarily the amount of waste generated throughout the year. This is because, although small in quantity, this waste is most often stored on site for a certain time. In addition, this waste may also be generated during ad hoc cleaning operations. For these reasons, this item is not strictly speaking a performance indicator for the current year.*

This year, the total quantity of waste sent to landfill has sharply decreased from 953 to 557 tonnes, a significant reduction compared with 10,253 tonnes in FY10. This is the result of our Group campaign towards zero waste to landfill implemented across all production sites, with noticeable improvements this year at affiliates such as Chivas Brothers and PR Argentina for example.

3.3.3.6 Product quality and safety

Pernod Ricard aims to provide its customers with products of the highest quality, and places particular importance on consumer health and safety. This has resulted in a significant commitment effort in terms of the prevention of risks associated with alcohol abuse. It also led to a strict policy in terms of food safety during the process of product design, sourcing and manufacturing.

The control of consumer product safety is based on the implementation of the hazard analysis critical control point (HACCP) method that aims to identify all potential risk points in the manufacturing process.

Appropriate preventive measures are then put in place to control them. Brand Companies producing the Group's strategic brands are ISO 9001 certified. This represents 99.8% of the alcohol produced. In addition, and despite Wines & Spirits being less exposed to food safety risks than other food industry segments, Pernod Ricard also undertook the gradual certification of its facilities in accordance with ISO 22000 (Food safety management systems).

Quality internal standards are established by Pernod Ricard for its industrial activities including various specific guidelines. The aim is to control risks such as the accidental contamination of a product or the presence of a foreign body in a bottle. These standards are audited as part of an internal cross-audit process.

The Group's absolute priority is to ensure its products comply with the regulations that apply to each of its various markets, and is safe for the consumer.

In addition, a Group Intranet site called "Complaint Management System" is used to record and track consumer complaints and any other quality issues in real time. This immediately informs the affiliate in question so that corrective action can be taken. In the case of a serious product safety concern issue, the system also immediately informs Headquarters, allowing for rapid response. Each affiliate has a crisis management procedure. This is particularly for product health risk involving, if necessary, a product recall. These procedures are subject to regular testing, training for people involved and updates.

Quality indicators including the complaints rate are presented to the Senior Management.

Furthermore, a Food Risk Management Committee monitors product food Safety issues. This is particularly important for emerging risks linked to scientific knowledge or new regulations. As a support for the Food Risk Management Committee, a food safety and food law watch review is circulated with all the affiliates every two months. A chemical analysis plan is conducted every year at Group level. In FY20, this involved 91 finished products with a total of over 3,400 analysis carried out.

To our knowledge, the Group's products do not contain nano-ingredients. In addition, the Group is committed to ensuring complete GMO traceability of its products. This allows it to assure consumers strict compliance with the labelling regulations for products containing GMOs. Accordingly, all affiliates conduct a risk assessment to identify potential sources of raw materials, taking the necessary measures to ensure control of these sources. Although the distillation stage eliminates the risk that GMO material may be present in distilled products, supply chains for products that are guaranteed GMO-free have been established for certain corn-based alcohols in the United States and Europe.

	FY19	FY20
% of sites ISO 22000 certified by June of the fiscal year	81%	79%
% ISO 22000 certified in volume produced covering all the Group's strategic brands	99.8%	99.8%
% Brand Companies that are producing Group's strategic brands are certified ISO 9001	100%	100%
Number of complaints received through the "Complaint Management System" during the fiscal year	3,800	3,300

3.3.4 Responsible Hosting

Pernod Ricard believes that its products bring people together and have a valuable place in society. However, the Group also acknowledges that alcohol can be misused, and that inappropriate consumption of alcohol can cause serious problems to individuals and communities. The Group believes it has a role to play in preventing and reducing the harmful use of alcohol. Pernod Ricard is committed to promoting responsible alcohol consumption and combating harmful drinking – working with stakeholders to achieve real change and continuously developing and strengthening its responsible marketing practices.

Pernod Ricard is not alone in promoting responsible drinking. Partnerships with other industry members, governments and local communities are essential to success in this area. Positive change can only be achieved in unison with others, with one collective voice.

3.3.4.1 Promote responsible drinking

Pernod Ricard is committed promoting moderate drinkingand reducing alcohol misuse. The Group fully supports the World Health Organization's (WHO) goal of reducing harmful drinking by 10% worldwide by 2025. For this, Pernod Ricard has a new Responsible Hosting strategy focusing on tackling alcohol misuse. This goal is fully aligned with its "Créateurs de convivialité" vision as there is no conviviality in excessive or inappropriate drinking. Adult consumers must make responsible choices about whether or not to drink, and how much to drink. It is also aligned with its Premiumisation strategy. The Group wants adult consumers to consume better and high-quality products, not increase their overall alcohol consumption.

The Alcohol in Society team within the Public Affairs Department coordinates the Group's "Responsible Hosting" strategy and its efforts to combat inappropriate alcohol consumption worldwide through its network of S&R and Public Affairs leaders.

RESPONSIBLE DRINKING PROGRAMMES AND CAMPAIGNS

Pernod Ricard believes that targeted preventive action on the ground is an effective way of tackling inappropriate consumption and keeping alcohol consumption an enjoyable experience. The Group contributes to numerous responsible drinking programmes and campaigns worldwide to ensure alcohol consumption is done responsibly. Pernod Ricard has already expanded its flagship program "Responsible Party" to three countries outside the European Union: Australia, Russia and Azerbaijan. It often works with peers and external partners to promote moderate drinking, to prevent underage drinking, drink driving, drinking during pregnancy, and to reduce binge drinking.

Unfortunately, due to the Covid-19 pandemic, many of our responsible drinking initiatives had to be put on hold or postponed. In some instances, however, digital campaigns have been launched to promote responsible drinking and healthy lifestyles in time of the pandemic. This was notably the case of the Responsible Party digital campaign "Sharing Good Vibes", launched in April 2020. Articulated around the concepts of healthy lifestyles, solidarity and *convivialité*, this campaign aims at encouraging young adults to lead a responsible lifestyle, including responsible alcohol consumption. It unveiled a series of inspiring video interviews available on different channels (Facebook, Instagram, Twitter and Linkedin). Several speakers such as Alexandre Ricard, CEO of Pernod Ricard, Kostis Giannidis, President of ESN, as well as partners from One Young World exchanged their views and perspectives on responsible drinking and healthy life. Other lifestyle influencers and ambassadors, such as the familiar face Alejandro Mazza, also joined to share their thoughts around responsible living. In 3 months, 2.5 million young adults were reached across 30 countries.

Policies	Objectives
2030 S&R Roadmap	• By 2030, each Pernod Ricard affiliate worldwide will have at least one responsible drinking program or campaign in partnership, at scale and evaluated. • By 2030, Pernod Ricard will expand the concept of Responsible Party worldwide, reaching 1 million young adults.

Objectives

- Fight alcohol misuse: Pernod Ricard will continue its efforts to tackle inappropriate alcohol consumption, through evidence-based programs and campaigns for which the results will be evaluated. These initiatives will be implemented locally by its affiliates, in partnership with industry peers, civil society and local authorities. Building on the strength of our decentralized business model, each affiliate chooses the area of intervention based on local needs and priorities. Their actions are nevertheless subject to global coordination, minimum standards and common performance metrics.
- Responsible party: Pernod Ricard's flagship program that addresses binge drinking amongst young adults, and is now reaching 3 non-European countries: Australia, Russia and Azerbaijan. Pernod Ricard's goal is to pursue the expansion of the concept of Responsible Party worldwide, reaching 1 million young adults by 2030, as well as the digital campaign "Sharing Good Vibes" launched under Responsible Party's umbrella.

IARD AND COLLABORATION WITH INDUSTRY

Pernod Ricard is a member of IARD, a non-profit organisation dedicated to reducing inappropriate alcohol consumption. IARD works with the leading global beer, wine & spirits producers who have come together to be part of the solution in combatting harmful drinking. IARD engages with the public sector, civil society and private stakeholders, and is aligned with the WHO's goal to reduce the harmful use of alcohol by at least 10% by 2025.

IARD's work is informed by scientific evidence on alcohol and health, as well as alcohol policy. Its tools and resources are intended to support all stakeholders in providing them with approaches that can be tailored to local needs and contexts.

IARD and its members acknowledge the mandate given to economic operators in the area of production and trade of alcoholic beverages by Heads of State and governments in the UN Political Declaration on Non-Communicable Diseases in 2018 to *"take concrete steps, where relevant, towards eliminating the marketing, advertising and sale of alcoholic products to minors"*.

In January 2020, IARD announced several concrete actions to tackle and to accelerate reductions in underage drinking. This undertaking includes the following actions:

- introducing a clear age-restriction symbol or words on all alcohol products, including alcohol-free extensions of alcohol brands;
- continue practice of not marketing alcohol-free extensions of alcohol brand to minors;
- pledging to implement rigorous online safeguards across all digital platforms and reach 95% compliance by 2024;
- developing global standards for the online sale and delivery of alcohol, where such sales are legal.

RESPONSIBLE MARKETING

(see subsection 3.3.4.2)

CONSUMER INFORMATION

(see subsection 3.3.4.3)

EMPLOYEE ENGAGEMENT

Employees are the Group's best ambassadors. Pernod Ricard thus enlists its employees worldwide with the common goal of reducing the harmful use of alcohol and promoting moderate responsible drinking, both internally and externally.

Pernod Ricard has developed an internal digital training on alcohol and responsible drinking, translated into 21 languages and launched in April 2020. This training, compulsory for all its employees worldwide, embeds the Group's new Global Responsible Drinking Charter ensuring that all employees understand their responsibilities and Pernod Ricard's expectations of them as ambassadors. The goal is to train 100% of Pernod Ricard's employees by 2021. As of 1 July 2020, 40% of our employees had completed the training.

Action plans and next steps

- strengthen our programs and campaigns locally, and work on new global programs;
- amplify Responsible Party's program and digital campaign around the world;
- work with industry peers to implement IARD's new commitment to accelerate reductions in underage drinking by 2024;
- develop a code to ensure that our brands will be sold responsibly on e-commerce platforms.

3.3.4.2 Responsible marketing

Objectives and policies

Pernod Ricard believes that strong self-regulation is effective in meeting the ethical expectations of consumers and stakeholders in a rapidly-changing media landscape while at the same time building brand equity. Going beyond the Advertising and Marketing Communications Code of the International Chamber of Commerce, Pernod Ricard's Code for Commercial Communications (CCC) ensures that the Group's commercial communications in particular do not encourage or condone irresponsible consumption or misuse of any kind.

Pernod Ricard is also committed to being an industry leader in helping raise the standard for responsible marketing of alcoholic beverages. A special focus is put on digital marketing. In 2014, IARD partnered with social media platforms to establish the Digital Guiding Principles. The Group immediately extended the scope of its CCC to require that all online marketing meet the same high standards as traditional marketing. In 2020, these partnerships were strengthened even further to keep raising standards.

By 2023, Pernod Ricard expects to have achieved 95% compliance with these principles.

RESPONSIBLE MARKETING PANEL (RMP)

Created in 2005, the RMP is responsible for ethical oversight of advertising, in charge of screening all advertising material due to be rolled out. It has six members and a secretary general, all independent of the Marketing Department, and reports monthly to the Executive Committee. Two members of the Executive Committee act as sponsors and are also consulted on any changes to the CCC or the drafting of implementing guidelines.

All commercial communications must be submitted to the RMP which issues an assessment within seven days maximum. All decisions are taken collectively by RMP members and are binding for everyone in the Group.

In case of doubt about a campaign submitted for approval, the RMP has the right to request an opinion from the local or regional advertising regulatory authorities in the relevant markets.

The Panel provides assessments on each campaign submitted:

- campaign approved with no restrictions;
- campaign approved subject to modifications; or
- campaign rejected (in this case it must be re-submitted).

In January 2020, the Group updated its CCC, strengthening all guidelines (including a provision mandating models shall be over 25 years old), and launched a brand-new e-learning module. Completion of the e-learning is mandatory for marketing, communications, legal, public affairs and S&R functions. To ensure maximum compliance to the Code, external versions of the CCC and of the e-learning were launched for the benefits of external agencies.

Action plans and next steps

With the implementation of the Pernod Ricard CCC, the Group will continue to deliver a *Convivialité* brand experience and responsibility in compliance with industry commitments and advertising authority requirements.

3.3.4.3 Consumer information

Policies and targets

Pernod Ricard is committed to providing quality information to its consumers regarding the ingredients used, the nutritional value of its products, and how to consume them responsibly.

On 4 June 2019, spiritsEUROPE – together with Pernod Ricard and several other company members and trade association members in Europe – signed a Memorandum of Understanding (MoU) in the presence of the European Commission. This MoU covers the voluntary communication by European spirits manufacturers regarding the ingredients and nutritional information of products for sale in the EU.

The purpose of the MoU is to ensure that the products marketed in the EU by those companies disclose the energy information on the labels and provide the list of ingredients and other nutritional information online. The target was set at 66% of the volume of products marketed in the EU by 31 December 2022.

Pernod Ricard aims to exceed the target set by the MoU and has decided to progressively implement it worldwide to all products in its portfolio. This is assuming the communication of such information is not restricted by local laws or regulations.

As a reminder, all affiliates with a distribution business incorporate the "pregnant woman" warning logo on the labels of all bottles distributed in the EU. In 2006, Pernod Ricard was the first wine & spirits group to proactively extend throughout Europe the application of the logo warning pregnant women to avoid alcohol altogether on its labels. In 2013, Pernod Ricard gradually extended the application of this logo to all bottles distributed by Pernod Ricard worldwide, wherever local country regulations so permitted.

Action plans and next steps

By December 2020, at least 25% of the volume of Pernod Ricard's products marketed in the EU will carry the energy information on the label and will provide the ingredients and other nutritional information online. The target will be raised to at least 50% by December 2021, and no less than 66% by December 2022.

To implement the digital part of this commitment, Pernod Ricard works with relevant European industry bodies and stakeholders, and GS1 (international organisation specialised in information exchange standards), to make consumer information available online.

3.4 Ethics & compliance

3.4.1 The Group's ethical practices

3.4.1.1 Data privacy

Objectives and policies

Data privacy, in particular with the entry into force in 2018 of the European General Data Protection Regulation (GDPR) and other similar legislation around the world, is a critical issue for the Group. This issue has significantly affected how Pernod Ricard, in the context of accelerated digitalisation, collects, stores, and manages personal data. It is a business opportunity for Pernod Ricard to ensure the accuracy and relevance of its personal data, to develop consumer trust, secure brand image, and continue to promote its culture of conviviality. It is also an opportunity to rethink and optimise existing processes by adopting best practices regarding personal data retention, management of access, etc. Pernod Ricard has developed governance, tools, procedures, and documentation evidencing compliance, policies, awareness materials in order to cover all major data privacy risks.

Pernod Ricard has a strong strategy and data privacy governance in place. A comprehensive data privacy roadmap was drafted ahead of GDPR enforcement and is being implemented across the Group. The Group DPO (Data Protection Officer) and data privacy network enable the Group to implement GDPR compliance, implementing policies and procedures at local level and sharing best practices. This governance structure involves a wide range of stakeholders, including the Group DPO, privacy champions at regional and local level, along with a Data Protection Steering Committee.

Examples of data privacy actions

- Promotion of data privacy as an integral part of the Group's culture, through global awareness campaigns (including videos and newsletters) and employee training (mandatory MOOC and customised training sessions).
- Comprehensive documentation to ensure consistent and comprehensive implementation of data privacy and common standards based on a global data privacy policy, adapted for local requirements, along with detailed procedures and toolkits.
- Implementation of privacy by design and by default on new projects and specific privacy documentation on major projects (e.g. development of the latest version of the consumer database; development of an online consumer profile centre).

3.4.1.2 Prevention of corruption and anti-competitive practices

Prevention of corruption

Integrity, and a zero-tolerance policy against corruption, have long been part of Pernod Ricard's core values.

UNAMBIGUOUS TONE FROM THE TOP

- The Pernod Ricard Code of Business Conduct, prefaced and endorsed by Alexandre Ricard, applies to all employees.
- Pernod Ricard's General Counsel – Compliance Officer is in charge of structuring and deploying the Group's comprehensive and robust anti-corruption programme.

RULES FOR EMPLOYEES AND OTHER STAKEHOLDERS

- **Pernod Ricard's Code of Business Conduct**: the Code (accessible on the Intranet and extranet: https://www.pernod-ricard.com/en/download/file/fid/10234/), which includes a chapter related to the fight against corruption, was amended in 2018 in order to address, in particular influence peddling (*trafic d'influence*). It also provides employees and stakeholders with clear, specific examples of potentially sensitive situations.
- **Internal Control Principles**: they apply to all Group affiliates and specify that all Pernod Ricard affiliates must comply, among other things, with the Pernod Ricard Code of Business Conduct and the Procurement Code of Ethics. Pernod Ricard sends all affiliates a self-assessment questionnaire every year, in which they must state whether they are compliant with Group policies. The reliability of the responses to these questionnaires is confirmed in a letter of representation signed by the Chief Executive Officer and Chief Financial Officer of each entity. In addition, the Legal Department works with the internal audit team to conduct a number of compliance audits each year at certain affiliates. Finally, a further task of the internal audit is to verify the Group's compliance with the rules implemented for the fight against corruption.
- **Whistleblowing policy**: employees are invited to speak up about any potential corruption situation in relation to the Pernod Ricard activities inside or outside the Company. As part of the protection owed to whistleblowers, alerts may be filed anonymously, and we promote a clear non-retaliation policy.
- **Due Diligence policy**: our Third Parties are subject to a due diligence process to determine their compliance risk profile (low, medium or high) to adjust, as appropriate, our contractual and operational relationships to mitigate potential risks.
- **Gifts and Hospitality policy**: pre-approval required from the Line Manager of the employee prior to receiving or offering any gifts or hospitality above a determined amount set at affiliate's level.

SPECIFIC, USER-FRIENDLY DEDICATED DIGITAL TOOLS TO SUPPORT COMPLIANCE EFFORT

- **"Speak Up"**: global whistleblowing hotline accessible to all third parties worldwide (Internet or telephone), 24 hours a day, 7 days a week, ensuring confidentiality and anonymity (if allowed by local legislation) to encourage the Pernod Ricard stakeholders to alert about any corruption matter.
- **"Partner Up"**: global web-based platform to allow any employee who may engage the Group in a business transaction, to conduct adequate due diligence on the third party.
- **"Gifted!"**: our app to declare and seek approval to give or receive gifts and hospitalities in accordance with the provisions of our Gifts & Hospitality policies. The App has been revisited this year and is accessible on all of our electronic devices.
- **MOOC (Massive Online Open Courses)**: e-learning tool providing training for employees on the Code of Business Conduct. Still driven by the "learning by doing" approach, a new mandatory MOOC was kicked off this year to train employees on our updated Code of Business Conduct. This new training was successfully completed in the allocated time period by 92% of the mandatory target population (*i.e.* all employees with a company-issued electronic device) and it is now part of the onboarding pack for new employees.

Prevention of anti-competitive practices

Pernod Ricard is committed to the public policy goals of Competition laws and to acting lawfully in the marketplace. Such concern is unambiguously addressed in a specific chapter of the Pernod Ricard Code of Business Conduct. The MOOC also includes a chapter on Competition law.

3.4.1.3 Transparency and integrity of strategies and influencing practices

POLICIES AND OBJECTIVES

- Group policy on lobbying is guided by professional Codes (ECPA in Europe, *Association pour les relations avec les pouvoirs publics* in France, etc.) and institutional Codes such as the EU Transparency Register (https://ec.europa.eu/transparency-register), with which Pernod Ricard complies.

  In France, the Group is registered on the list of representatives of interests established by the High Authority for Transparency in Public Life (https://www.hatvp.fr/fiche-organisation/?organisation=582041943#%23). It strictly complies with the High Authority's reporting obligations regarding lobbying activities. Transparency International even recognised its detailed reporting practice in their presentation of committed firms.
- The Group has been a member of Transparency International France since 2013 and actively supports the promotion of transparency and integrity around lobbying and efforts made by this association. It is a signatory to a best practices guide on parliamentary lobbying expenditure.
- Proactive signatory of a declaration made public on 25 February 2014 initiated together with seven companies who are members of Transparency International France. This declaration is open to all companies, business federations, professional associations, trade unions and NGOs (members and non-members of Transparency France) who wish to show leadership through their ethics and corporate social responsibility commitments.
- This joint declaration on lobbying was reinforced and updated in May 2019, including new signatories who reaffirm their commitments: https://transparency-france.org/actu/declaration-commune-entreprises-membres-de-transparency -international-france-lobbying.

ACTION PLANS AND NEXT STEPS

- Maintain its cooperation with Transparency International.
- Systematically include a component on the ethics of lobbying in the annual seminar for the global public affairs teams.

3.4.1.4 Tax policy

A significant contribution to local communities

The Group commits to comply with all laws and regulations in force in each of the countries in which it operates, as well as the applicable international standards.

In 2020, Pernod Ricard's income tax charge on recurring items (profit from recurring operations and financial result from recurring operations) was €468 million.

In addition to corporate income tax, Pernod Ricard pays and collects numerous other taxes and contributions, including sales taxes, customs and excise duties, payroll taxes, property taxes and other local taxes specific to each country, as part of the Group's economic contribution to the communities in which it operates. Pernod Ricard's total contribution is estimated at around €5.5 billion (unaudited data).

Approach to taxation

The Group applies the following principles in tax matters:

- support for operational activity in compliance with applicable regulations;
- integrity in the conduct of tax matters;
- tax management that is both proactive and efficient to preserve and maximise the value generated for the Group and its shareholders.

Pernod Ricard has several subsidiaries in some 73 countries in which it operates. Whenever possible, management makes every effort to liquidate any dormant or quasi-dormant subsidiary inherited from past acquisitions.

Pernod Ricard is vigilant as to the operational and commercial reality of its transactions and refuses to take part in any artificial tax arrangements. The Group will only use tax incentives after considering their impact on its brands, reputation and Sustainability & Responsibility. The Group does not promote any form of tax evasion.

Transfer pricing

Pernod Ricard's strategy and organisation are built on a decentralised model with an ongoing relationship between the Brand Companies and the Market Companies. The Brand Companies generally own, protect and develop the intellectual property. They are also in charge of developing the overall strategy for the brands as well as solutions and ways to activate them. The Market Companies implement this strategy at local level.

Related party transactions are carried out in accordance with the Group's transfer pricing policy, which is based on the arm's length principle (*i.e.* on terms that would have been agreed between independent parties).

An efficient organisation

Pernod Ricard has a team of qualified and well-trained tax and customs specialists working under the supervision of the EVP Finance, IT and Operations. Clear internal control principles on tax matters have been defined and made available to all employees on the Intranet. Processes have been put in place to prevent risks of tax evasion.

The tax legislation in the countries where Pernod Ricard operates is complex and can be subject to interpretation. Pernod Ricard manages these uncertainties with the help of internal and external tax experts. Tax provisions are measured based on the Group's best estimate based on the information available (in particular that provided by the Group's legal and tax advisors) and presented regularly to the Audit Committee.

Promotion of international transparency

Pernod Ricard is committed to being open and transparent with tax authorities and to disclosing relevant information to enable them to carry out their work. Pernod Ricard places particular importance on working positively, proactively and transparently with the tax authorities of the countries in which the Group operates in order to build honest and sustainable relationships and to be able to resolve potential disputes quickly.

Pernod Ricard respects the obligations of country-by-country reporting.

The Group also participates in the development of corporate tax policies, tax transparency initiatives and tax legislation by taking part in public consultations.

3.4.2 Presentation and implementation of the *Devoir de Vigilance*

The cross-reference tables below summarise the presentation of the information constituting the Group's vigilance plan and its implementation as required by article L. 225-102-4 of the French Commercial Code.

Pernod Ricard has embarked on a plan to monitor the risks associated with the Group's business activities and its main suppliers and subcontractors during the financial year. Several working groups comprising representatives from the Sustainability & Responsibility, Purchasing, HR, Internal Audit, Production and Legal Departments are involved in developing and implementing this plan.

The Group had already put in place various tools and procedures, while some of the information is contained elsewhere in Section 3, as well as in Section 4.

3.4.2.1 Risk identification and mapping

Identification and mapping of the Group's major risks

	Human Rights	Health and safety	Environment
Group's own operations	Risk Mapping by the Group (p. 88), Global "iSay" survey canvassing the views of employees on 14 areas (p. 97)		
		Risks for employees: workplace risk analysis as part of OHSAS 18001 certification Risks for consumers: product quality risk analysis as part of ISO 22000 certification (p. 111)	Identification of geographical areas at risk using the WRI Aqueduct Water Risk Assessment tool for water management and an internally developed questionnaire (p. 110)
Activities of suppliers and subcontractors	Proactive supplier analysis based on the Blue Source process, which includes the Risk Mapping Tool (p. 100) Identification of environmental and social risks in agricultural activities (p. 93)		

Pernod Ricard faces a range of internal and external risks. The main risks currently estimated by the Group are reported in Section 4 "Risk Management" under "Risk factors". The mapping processes described below were drawn from Pernod Ricard's existing risk management systems, such as those described earlier.

In addition, in line with the requirement to publish a "Non-Financial Statement", the Group has published its main non-financial risks and opportunities.

3.4.2.2 Roll-out of measures to mitigate risks and prevent serious harm

Pernod Ricard has introduced risk mitigation measures tailored to the various situations associated with its activities. These measures may be introduced across the Group or in an affiliate, either individually or in association with other industry players, competitors or suppliers.

	Human Rights	Health and safety	Environment
Group's own operations	Health & Safety Policy – Taking Care of Each Other, Global Human Rights Policy		
	Business Workplace Diversity Charter Better Balance Initiative (p. 96) Training programme (p. 95) Social dialogue and company agreements (p. 98)	Health and safety management system for industrial sites in accordance with the OHSAS 18001 standard (p. 99) Key principles for managing working conditions that define the minimum requirements (p. 99) QSE Guidelines: product quality, personnel safety, environmental impact management, protection of insured capital (p. 102) HACCP method and ISO 22000 certification (p. 111) Industry commitments and the Pernod Ricard Code on Commercial Communications (p. 113)	Global Environmental Policy (p. 102) 2020 Environment Roadmap (p. 102) ISO 14001 certification policy QSE Guidelines: product quality, personnel safety, environmental impact management, protection of insured capital (p. 102)
Supplier and subcontractor activities	Proactive supplier analysis on Blue Source process (p. 102), starting with the Pernod Ricard Supplier Standards; action plan following SMETA audits; dialogue with suppliers		

3.4.2.3 Risk assessment procedures

	Human Rights	Health and safety	Environment
Group's own operations	Principles and procedures of internal control and risk management are described in Section 2 "Corporate governance and internal control" The "iSay" survey (p. 97)		
		Protection of insured capital and the prevention of major industrial risks Complaints system (p. 111) External audit – the Responsible Marketing Panel (p. 113) Annual audit of Brand Companies as part of their OHSAS 18001 and ISO 22000 certification.	Annual audit of Brand Companies as part of their ISO 14001 certification (p. 102)
Supplier and subcontractor activities	Blue Source process (p. 100)		

3.4.2.4 Early warning and whistle-blower system

To provide employees with day-to-day support, Pernod Ricard encourages dialogue and trust, allowing everyone to express their point of view and voice their concerns. The Group's Code of Business Conduct advocates a "Speak-up policy", calling on all employees to inform management of any suspicions they may have. This may relate to a practice or situation deemed to be contrary to or inconsistent with this Code, associated policies or any legal or regulatory standard. In FY19, Pernod Ricard launched a Group-wide early warning system titled Speak-Up. This allows people who wish to warn the Group to do so in a safe and confidential manner. Hosted by a third party, it is available 24/7. Any report deemed to be serious is the subject of an internal analysis and investigation by an Integrity Committee. This is comprised of the following Group-level functions: Legal, Internal Audit, HR and S&R. If any violations are identified, the Integrity Committee examines their severity and decides on the appropriate measures. Pernod Ricard ensures that no disciplinary action is taken against anyone reporting a violation in good faith.

3.4.2.5 Monitoring system for the measures implemented

Pernod Ricard has monitoring procedures and systems in place for Human Rights, health & safety and the environment. The aim is to ensure that the monitoring plan is properly implemented and continually updated:

- internal reporting system and indicators for monitoring the implementation of the actions taken. The results have already been extensively published and audited with complete transparency in this report (see Sections 2, 3 and 4 in particular);
- the S&R Senior Steering Committee oversees the implementation of the S&R Strategy and the Company's progress towards targets set;
- the role of the Nominations, Governance and CSR Committee is to assess the relevance of the Group's S&R commitments and to oversee their implementation.

3.5 Reference table for the United Nations Sustainable Development Goals (SDGs)

Priority SGDs	Other SDGs impacted by Pernod Ricard	SDG targets to which Pernod Ricard contributes	Section 3 subsection title	Pages
15 LIFE ON LAND; 13 CLIMATE ACTION	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION		**Nurturing *Terroir***	
		12.2; 13.1; 15.1	Improve sustainability performance and develop regenerative agriculture in the Group's vineyards	91
		7.3; 12.2; 12.4; 12.8; 13.1; 15.1	Promote and develop resilient agricultural supply chains	92
		15.1; 15.6	Preserve and enhance biodiversity	93
8 DECENT WORK AND ECONOMIC GROWTH; 5 GENDER EQUALITY	1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION		**Valuing People**	
		3.2; 4.3; 4.4; 5.1; 5.2; 5.5; 8.5; 8.8; 10.3; 12.6; 12.8	Talent management	94
		4.7; 5.1; 5.5; 10.3	Diversity	96
		3.6; 3.8; 3.9; 8.8; 10.3	Employee engagement & culture, working conditions and health & safety	97
		8.7; 8.8; 10.2	Human Rights	99
		4.4; 4.7; 12.2; 12.6; 12.8; 16.2	Responsible supply chains	100
12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 14 LIFE BELOW WATER	3 GOOD HEALTH AND WELL-BEING; 7 AFFORDABLE AND CLEAN ENERGY; 6 CLEAN WATER AND SANITATION; 13 CLIMATE ACTION		**Circular Making**	
		12.2; 12.5	Environmental management	101
		7.2; 7.3; 12.4; 13.1	Climate change: reduction and adaptation	102
		6.1; 6.3; 6.4; 12.4; 12.5; 14.1	Preserve water resources	107
		12.2; 12.4; 12.5; 12.8; 14.1	Circular packaging and distribution	109
		3.5	Product quality and safety	111
3 GOOD HEALTH AND WELL-BEING; 17 PARTNERSHIPS FOR THE GOALS	12 RESPONSIBLE CONSUMPTION AND PRODUCTION		**Responsibility Hosting**	
		3.4; 3.5; 3.6; 12.8; 17.14	Promote Responsible Drinking	112
		3.4; 3.5; 12.8	Responsible marketing	113
		3.4; 3.5; 12.8	Consumer information	114
16 PEACE, JUSTICE AND STRONG INSTITUTIONS			**The Group's ethical practices**	
			Data privacy	114
		16.5	Corruption prevention and anti-competitive practices	115
		16.5	Transparency and integrity of strategies and influencing practices	115
			Tax policy	116

3.6 Methodology note and third-party verification

3.6.1 Methodology note relating to non-financial reporting

3.6.1.1 Period & scope of reporting

Social, environmental and societal data is reported annually and relates to the period from 1 July 2019 to 30 June 2020. Unless otherwise stated, this data relates to activities under the Group's operational control.

Scope of social reporting

The social analyses in this report are based on all Group entities that have reported data on their employees for the relevant period. When the Group acquires a newly controlled entity, its corporate data is immediately included in full in the figures, regardless of the equity stake held by Pernod Ricard. At the end of each financial year, the list of entities in the Group's social reporting is compared to the Financial Reporting list to ensure its completeness. In FY20, reporting covered 141 entities.

The scope of consolidation and level of detail for corporate data have changed since FY19. Social data is no longer reported by affiliate but by legal entity. This explains the increase in the number of entities covered since then.

This year, the following updates have been made:

- **Chivas Brothers International Ltd** has been created under Chivas Brand to focus on marketing activities;
- **Drinks & Co Store France** created for the store opening in Paris, France;
- New acquisitions for digital marketplaces: **DrinksAndCo Marketplace SLU** & **Bodeboca, SL**;
- **Pernod Ricard Philippines, Inc**. & **Seagram China** are now consolidated individually under Asia;
- **Pernod Ricard Helan Mountain** is now reported under Asia HQ;
- **SIA Pernod Ricard Eastern Europe Operations** created under EMEA;
- new acquisition in South Africa, **Inverroche**.

The Asia-Pacific Region includes the Asia distribution network and the Group's Wines business. This also includes Bodegas Tarsus and the Pernod Ricard Winemakers Spain affiliate, based in Spain, and the Pernod Ricard Winemakers Kenwood and Pernod Ricard Winemakers Mumm Napa affiliates, based in the United States. A distinction is made between the Brand Companies and the Market Companies for Australia and New Zealand resulting in two entities for each country.

Pernod Ricard's African activities are managed by Pernod Ricard's Europe, Middle East, Africa and Latin America Region and the related data are therefore included in the data for this Region.

The social reporting indicators are selected to provide the Group with a reliable and accurate picture of its global footprint. The data collected enables Pernod Ricard to be increasingly socially responsible in respect of its employees worldwide.

Scope of societal reporting

Indicators relating to responsible drinking are included in the social report. The indicators cover all Pernod Ricard affiliates (Brand Companies and Market Companies) that are required to include their societal information in the social report, with the exception of certain entities. This is because the roll-out of the S&R strategy and the associated action plans are managed by a sole affiliate when several affiliates are in the same country. These entities do not have to send information to the Group's reporting system.

Scope of environmental reporting

Pernod Ricard's environmental reporting relates to production sites and vineyards under the Group's operational control on 30 June in the financial year in question and that were operational throughout the year. It does not cover administrative sites (head offices or sales offices) or logistics warehouses when these are located outside industrial sites (this only relates to a few isolated warehouses). This is because their environmental impact is not significant compared to those located within industrial sites.

FY20 reporting covers:

- 90 industrial sites. This figure is higher than in FY19 following the disposal or closure of two production sites (Cubzac in France and Daurala in India), and the integration of three production sites (Weiden in Germany, Cowansville and Vineland Station in Canada). The industrial scope taken into account for this financial year therefore covers a production volume of 958 million litres (finished product either bottled or in bulk), compared with 1,045 million in FY19, and a volume of distilled alcohol of 232 million litres in FY20 compared to 246 million litres in FY19. Commentary on the results can be found in the various parts of the "Protect the planet" subsection of this document;
- 5,602 hectares of vineyards, in New Zealand, Australia, France, Spain, the United States, Argentina and China. Key results related to vineyards can be found in the "Sustainable agriculture and performance of our vineyards" subsection.

3.6.1.2 Clarification regarding indicators

Social indicators

Average headcount is calculated on a full-time equivalent basis, without taking into account long- and short-term absences.

Since FY19, employees are included in the headcount of the legal entity with which they have an employment contract. Expatriates and seconded employees are included in the headcount of their host affiliates.

Pernod Ricard China employees are accounted for as staff on permanent contracts. Chinese employment contracts actually comprise a statutory duration and are only converted into permanent contracts after a number of years. However, given the specific characteristics of employment legislation in China, Pernod Ricard considers its employees to be permanent staff. Due to the particular characteristics of local labour laws, as of last year the same rule applies to Pernod Ricard Minsk employees, as the concept of fixed-term contract does not exist in Belarus.

Work-study contracts (apprenticeship contracts and training contracts) are not counted as fixed-term contracts, and this also applies to work placement students, temporary workers and VIE programme volunteers.

Maternity/paternity/parental leaves are included in the absenteeism rate.

Regarding the Covid-19 crisis, the leave days resulting from governmental restrictions have been excluded from the absenteeism reporting to keep coherence with previous absenteeism rates. However, in some countries, sick leaves have been granted to allow parents to take care of their child having no school – these leaves cannot be differentiated from real sick leaves and have been included.

The absenteeism rate and workplace accident frequency and severity rates are calculated on the basis of the theoretical number of hours or days worked per year. Working days are used to calculate the absenteeism rate. Calendar days are used for the workplace accident frequency and severity rates.

In line with the Group H&S policy, frequency/severity rates for workplace accidents, number of lost time and number of fatalities integrate newly acquired companies only in their second full fiscal year – this year, DrinksAndCo Marketplace SLU, Bodeboca, SL & Inverroche have been excluded from these indicators.

Commuting accidents are no longer included in the number of accidents. They are thus not used to calculate frequency and severity rates. Conversely, frequency and severity rates now take into account the number of workplace accidents involving temporary staff (workers employed by a staff agency for a temporary period and directly supervised by Pernod Ricard).

Training hours completed by employees are recorded, including both face-to-face training and e-learning hours. Employees are only counted as having received training once, regardless of the number of training courses they have attended.

Headcount and FTE calculations consider employees leaving the group on the last day of the fiscal year as active. The related termination events are then included on the next fiscal to calculate departure rates & turnover.

However, due to the change of tool in FY19, the terminations that occurred on the last day of FY19 have been wrongly included in the indicators of FY19 and cannot be included in FY20.

Definition for the classification "Top Management" has been reviewed and reclarified after the FY19 publication. This classification reflects the employees from COMEX to Band C job levels. Following this, the FY19 figures on diversity have been amended to reflect the correct classification.

Environmental indicators

The Group footprint on agricultural land is assessed by the areas on which purchased agricultural raw materials are used. These equivalent areas are estimated on the basis of the agricultural yields of the various materials used by the Group (except for the agave footprint which is based on accurate land coverage). For transformed products, industrial yields are used to assess the quantities of agricultural materials purchased.

The environmental performance of sites is expressed using various ratios. These are based on the business category in which the Group has classified the sites:

- distilleries: data broken down by volumes of pure distilled alcohol;
- bottling sites: data broken down by volumes of bottled finished products;
- wineries: data broken down by volumes made into wine;
- vineyards: data broken down by surface area cultivated with vines.

At Group level, consolidated performance is expressed based either on:

- the amount of distilled alcohol for environmental impacts primarily due to distillation (e.g. water or energy consumption), expressed in units per thousand litres of pure distilled alcohol (kl PA);
- the bottled volume or the volume of finished products manufactured (including products delivered in bulk) when bottling or production is the main source of impact (such as in the case of solid waste), expressed in units per thousand litres (kl);
- the number of hectares occupied by vineyards for agricultural properties, expressed in units per hectare (ha).

For industrial sites, this distinction is sometimes complex, as some sites have several activities. As such, since the time frames involved in bottling may sometimes be very different from those for distilling (aged spirits: whiskies, cognac, etc.), these figures may be difficult to interpret from year to year. Both calculation methods are therefore presented for some indicators. Setting overall Group quantitative targets for the quantity of water or energy consumed per unit produced, for example, becomes complex as the consolidation of targets depends on the business mix during the year and the consolidated indicator chosen. For that reason, the results expressed by the indicators should be used with care and interpreted over the long term. Where a significant reporting error from previous periods is identified, historical data is only readjusted if the impact on Group performance is greater than 1%. This is to allow for a better interpretation of results and trends.

FY19 POS materials carbon emissions data have been used for FY20 figures.

Definition for "renewable energy consumption" and "renewable electricity consumption" have been reviewed after the FY19 publication in order to respect the RE100 requirements. Since FY20:

- the total renewable electricity consumption is calculated with the part covered by green or renewable energy certificates and the amount of renewable electricity produced and used on site;
- the total renewable energy consumption is calculated with the total renewable electricity consumption and the amount of other renewable energy used on site (biogass, biofuel, etc.).

Water Risk Assessment is realised using Aqueduct Water Risk Atlas, a tool developed by the World Resources Institute (WRI). The Internal Water Risk Index (IWRI) is calculated based on the blended rating from three Aqueduct indicators:

- overall Water Risk;
- baseline Water Stress;
- baseline Water Stress – 2025 projected using a "Business as Usual" scenario.

Three water risk levels are defined as a result of "Internal Water Risk Index" analysis:

- extremely high risk, sites with an IWRI higher than 4;
- high risk, sites with an IWRI between 3 and 4;
- medium risk, sites with an IWRI between 1 and 3;
- low risk, sites with an IWRI lower than 1.

Any sites from the two highest risk levels (*i.e.* 3 or higher) are required to replenish their water consumption through water projects. Dedicated co-packers only include bottling process activities with at least 90% of production volume associated to Pernod Ricard.

3.6.1.3 Collection, consolidation and monitoring of data

Data collection methods

To guarantee the standardisation and reliability of results, non-financial indicators are formalised in reporting procedures. This includes specific definitions of each indicator, which are passed on to all Managers involved in collecting and consolidating data.

Pernod Ricard constantly seeks to improve the collection and analysis of its data. It accordingly updates its procedures and user guide each year in line with the Group's evolving needs. Improvements are made to ensure compliance with the requirements of the decree implementing article 225 on the transparency obligations of companies regarding social and environmental matters and in accordance with applicable national or international frameworks. The updates also result from contributions from affiliates when reporting data and auditor feedback. Any changes made since the previous year are highlighted.

For social indicators, a new tool has been created and used to gather and process the data since FY19.

A consolidation tool has been used to gather and process the data for FY20, from local entities. For social indicators, a new tool has been created and used to gather and process the data for FY20.

Methods for consolidating and checking data

After being submitted by management, data is compiled at management entity level, then at Region or Brand level for submission to Headquarters. The data is processed and consolidated at each level. Each entity collecting and compiling data is responsible for the indicators reported and certifies the data as well as the checks done.

This control is facilitated by automatic checks within the data entry tool in the consolidation documents sent to the Regions or Brands and in the consolidation tool. Amongst other things, these include consistency checks against previous years and between the indicators themselves. For social indicators, at each step the affiliates can explain any variations versus the previous financial year – for 10% or more variations, a comment is required to facilitate the understanding and tracking.

Once all the data have been collected, Headquarters performs consistency checks to identify any reporting or input errors. When there are significant variations, the Group checks with the affiliates to ensure the data is valid. Finally, Headquarters consolidates these data.

3.6.2 Statutory Auditors' Report

Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial statement published in the group management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 30 June 2020

To the Pernod Ricard Shareholders' Meeting,

In our capacity as Statutory Auditor of Pernod Ricard, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non-financial statement for the year ended 30 June 2020 (hereinafter the "Statement"), presented in the group management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement was prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on request from its headquarters.

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, *i.e.* the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation nor with the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information)*.

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- We familiarized ourselves with the Group's business activity, including activities related to all companies within the consolidation scope and the report on the main social and environmental risks relating to this activity.
- We assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.
- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion.
- We verified that, when relevant to the main risks or policies presented, the Statement presents the information stipulated in section II of Article R. 225-105 and includes, when necessary, an explanation justifying the absence of information required by paragraph 2 of section III of Article L. 225-102-1.
- We verified that the Statement presents the business model and the main risks relating to the Group's business activity, including, where relevant and proportionate, the risks generated by its business relations, products or services as well as policies, measures and outcomes, including key performance indicators.
- We consulted documentary sources and conducted interviews to:
  - assess the process of selecting and validating the main risks and the consistency of the results and key performance indicators used with regard to the main risks and policies presented, and
  - corroborate the qualitative information (measures and outcomes) that in our judgment were of most significance (see Appendix), through work conducted at consolidating entity level, and for others with a selection of entities.
- We verified that the Statement covers the consolidated scope, *i.e.* all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.
- We inquired as to the existence of internal control and risk management procedures set up by the company and we assessed the collection process set up by the entity to ensure the completeness and fairness of the Information.

- For the key performance indicators and other quantitative outcomes [1] that in our judgment were of most significance, we carried out (see Appendix):
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities [2] and covered between 10% and 48% of the consolidated data for the key performance indicators and outcomes selected for these tests.
- We assessed the overall consistency of the Statement in relation to our knowledge of the company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of seven people between May and September 2020.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around ten interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the non-financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Paris La Défense, 17 September 2020

One of the Statutory Auditors,

Deloitte & Associés

David Dupont Noel
Partner, Audit

Julien Rivals
Partner, Sustainability

(1) *See Appendix*
(2) ***Entity targeted by detailed tests on social indicators:*** *Wyborowa, PR Brasil, Chivas Brothers Ltd, The Absolut Company, Pernod Ricard USA LLC, PR China.*
Entity targeted by detailed tests on environmental indicators: *Nobbelov, Satellite, Walkerville, Fort Smith, Janiskowska, Zielona Gora, Miltonduff (waste water released and COD only), Kilmalid (quantity of hazardous waste treated externally and quantity of waste recycled, only), Marlborough (Total quantity of waste only), Martell (Vineyards), Orlando Wines (Vineyards), Helan Mountain (Vineyards).*

Appendix

Information selected by the independent third party

- **Social indicators:** Headcount (permanent and temporary contracts), Average headcount (permanent and temporary contracts), Absenteeism rate, Voluntary departure rate, Number of resignations, Total departure rate, Frequency rate, Severity rate, Number of work accidents with lost-time, Training hours, Number of employees trained, Part of the payroll invested by the Group in training, Employees benefiting from welfare protection plan (death and invalidity) with a benefit equivalent to at least one year of the employee's fixed annual salary.
- **Environmental indicators:** Part of sites certified with ISO 14001 and associated production, Produced volume (distilled alcohol, wine made, bottled product and bulk), Total volume of water used, Total volume of water abstracted, Total volume of waste water released, Chemical oxygen demand (COD) released into the natural environment, Total quantity of waste, Quantity of recycled waste, Quantity of incinerated waste, Quantity of waste to landfilled, Quantity of hazardous waste treated externally, Share of packaging weight (glass and cardboard), Total energy consumed (industrial sites and vineyards), Part of renewable energy, Part of renewable electricity, Direct CO_2 equivalent emissions (Scope 1), Indirect CO_2 equivalent emissions (Scope 2), Relevant categories of the Group's carbon footprint, Quantity of agricultural raw materials used, Agricultural land corresponding to used agricultural raw materials, Consumption of phytosanitary products (synthetic fungicides, herbicides, insecticides).
- **Qualitative information:** Improve sustainability performance and develop regenerative agriculture in the Group's vineyards, Employee engagement & Culture, Human Rights, Responsible supply chain, Product quality and safety, Environmental management, Circular packaging and distribution, Environmental management, Water balance strategy tailored to meet local challenges, Fight alcohol misuse, Prevention of corruption and anti-competitive practices.

4.

Section

Risk Management

4.1 Internal control and risk management

This section covering risk management and internal control follows corporate governance guidelines compliant with the French Financial Markets Authority (AMF) reference framework for risk management and internal control.

4.1.1 Definition of internal control

The Group's internal control policies and procedures are designed to ensure:

- that management, transactions and personal conduct comply with guidelines relating to Group business conduct, as set out by the Group's governing bodies and General Management, applicable laws and regulations, and in accordance with Group company values, standards and internal rules;
- that the accounting, financial and management information provided to the Group's governing bodies accurately reflects the performance and the financial position of the companies in the Group; and
- the proper protection of assets.

One of the objectives of the internal control systems is to prevent and control all risks arising from the Group's business activities, in particular, accounting and financial risks, including error or fraud, as well as operational, strategic and compliance risks. As with all control systems, they cannot provide an absolute guarantee that such risks have been fully eliminated.

4.1.2 Description of the internal control environment

4.1.2.1 Components of the internal control system

The principal bodies responsible for internal control are as follows:

At Group level

- The **Executive Board** is the permanent coordination body for the management of the Group.
- The **Executive Committee** ensures that the Group's operations are carried out and that its main policies are applied.
- The **Internal Audit** Department works under the Group Chief Executive Officer and reports to the Executive Board and the Audit Committee. The internal audit team based at Headquarters is in charge of implementing the audit plan, with the support of the audit teams in the Regions. The audit plan is drawn up once the Group's main risks have been identified and analysed. It is validated by the Executive Board and the Audit Committee and presents various cross-disciplinary issues that will be reviewed during the year, the list of affiliates that will be audited, and the main topics to be covered during the audits.

  The conclusions are then submitted to the Audit Committee, Executive Board and Statutory Auditors for examination and analysis.
- **External Auditors**. The Board of Directors selects the Statutory Auditors to be proposed at the Shareholders' Meeting on the basis of recommendations from the Audit Committee.

  The Group has selected Statutory Auditors who are able to provide comprehensive worldwide coverage of Group risks.

At affiliate level

- The **Management Committee** is appointed by Headquarters or the relevant Region and is composed of the affiliate's Chairman & CEO and the Directors of its main functions. The Management Committee is responsible for managing the main risks that could affect the affiliate.
- The affiliate's **Chief Financial Officer** is tasked by the Managing Director of the affiliate with establishing appropriate internal control systems for the prevention and control of risks arising from the affiliate's operations, in particular, accounting and finance risks, including error or fraud.

4.1.2.2 Identification and management of risks

FY20 focused on:

- updating the Group's internal control principles, a process that involved various Group affiliates and functions;
- strengthening internal control within the Group, using various approaches, including the continued development of data analytics to strengthen auditing methods;
- implementing the self-assessment questionnaire on internal control and risk management. This questionnaire, which was updated during the financial year, complies with the french Financial Market Authority (AMF) reference framework for risk management and internal control, as does its application guide, itself updated in July 2010; and
- performing audits: 24 internal audits were conducted in FY20. The purpose of these audits was to ensure that the Group's internal control principles were properly applied in its affiliates. Furthermore, they made it possible to review the processes in place, best practices and potential areas for improvement in various cross-functional spheres (personal safety, review of strategy consulting purchasing processes, payment security and control of free products).

All of the key areas for improvement identified were addressed in specific action plans drawn up at every affiliate and at Group level, which were validated by the Executive Board and the Audit Committee. Their implementation is regularly monitored and assessed by the Group's Internal Audit Department.

The work performed enabled the quality of internal control and risk management to improve within the Group.

4.1.2.3 Key components of internal control procedures

The key components of internal control procedures are as follows:

A formal **delegation of authority** procedure sets out the powers of the Chairman & CEO, as well as the powers delegated to members of the Executive Board.

The **internal control principles** outline the common ground of all principles and rules that apply to all of the Group's affiliates with respect to internal control for each of the 14 main operational cycles identified.

The **self-assessment questionnaire**, which is regularly updated to comply with the AMF reference framework for risk management and internal control. In particular, it covers corporate governance practices, operational activities and IT support. Submitted to the Group's affiliates, it enables them to assess the adequacy and effectiveness of their internal controls. Responses to the questionnaires are documented and reviewed by the Regions and the Group's Internal Audit Department. This work is detailed in:

- a summary by affiliate and an overall Group summary, both of which are provided to the Executive Board and the Audit Committee; and
- a letter of representation from every affiliate to the Chairman & CEO of its parent company and a letter of representation from the various parent companies to the Chairman & CEO of Pernod Ricard. This letter is binding on the affiliates' management with regard to the adequacy of their control procedures in light of identified risks.

The **Internal Audit Charter** applies to all employees who have a management and audit position. It defines the standards, tasks, responsibilities and organisation of the Group's Internal Audit Department and the way in which it operates, in order to remind every employee to strive for compliance with and improvement of the internal control process.

The **Pernod Ricard Quality, Safety and Environment Standards** set out the rules to be followed in these areas. The Group's Operations Department is responsible for ensuring that they are followed.

Budget control focuses on three key areas: the annual budget (reforecast several times during the year), monthly performance reporting and the strategic plan. Budgetary control is exercised by management control teams attached to the Finance Departments at Headquarters, in Regions and in affiliates. It operates as follows:

- the budget is subject to specific instructions (principles and timetable) published by Headquarters and sent to all affiliates. The final budget is approved by the Group's Executive Board;
- reporting is prepared on the basis of data input directly by affiliates working to a specific timetable provided at the beginning of the year and in accordance with the reporting manual and the accounting principles published by Headquarters;
- monthly performance analysis is carried out as part of the reporting process and is presented by the Finance Department to the Executive Board, the Executive Committee and at Meetings of the Audit Committee and Board of Directors;
- a multi-year strategic plan is established for the Group's main brands every three years; and
- a single management and consolidation system allows each affiliate to directly input all its accounting and financial data.

Centralised treasury management is led by the Treasury Unit of the Group's Finance Department.

4.1.2.4 Headquarters' legal and operational control over affiliates

Affiliates are mostly wholly owned, either directly or indirectly, by Pernod Ricard.

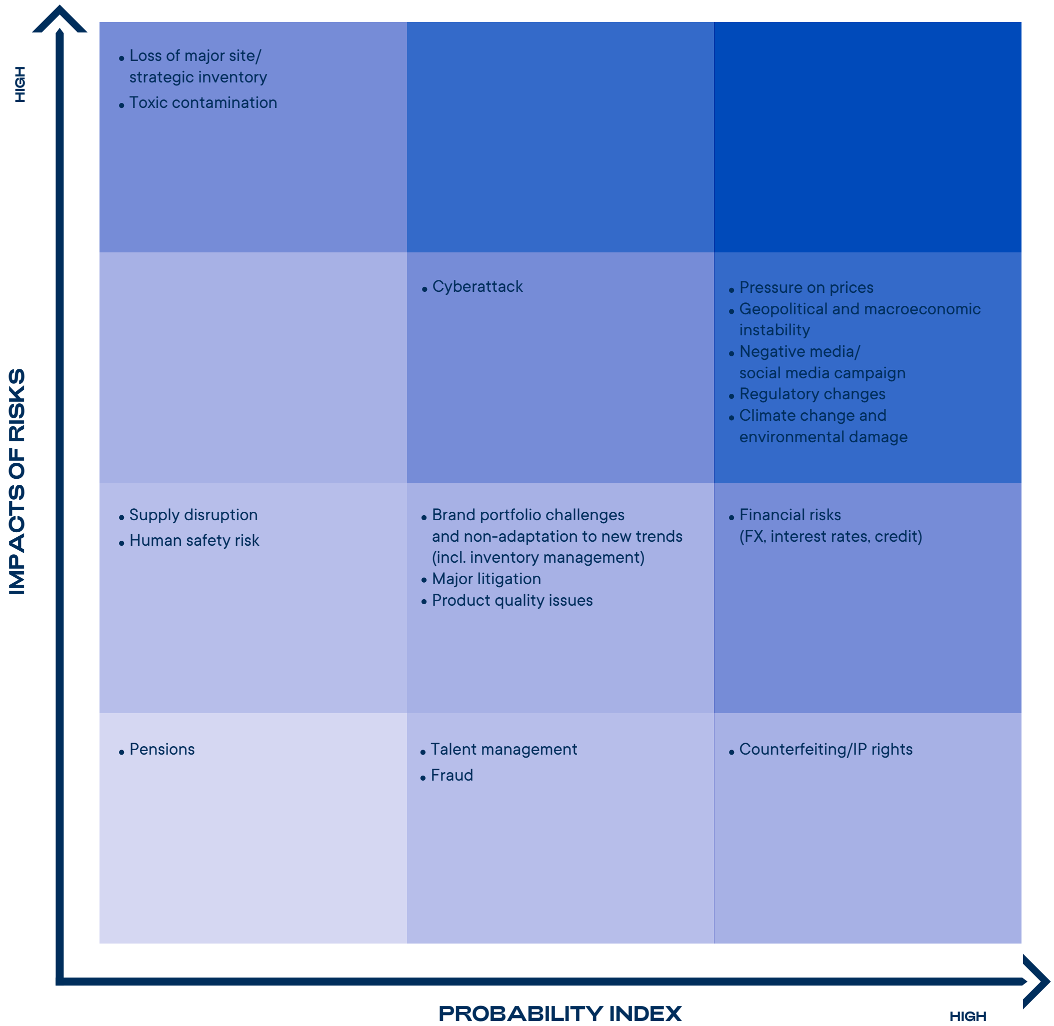
Pernod Ricard is represented directly or indirectly (through an intermediate affiliate) on its affiliates' Boards of Directors.

The Group's internal control principles lay down the various internal control rules applicable to all affiliates.

The role assigned to Pernod Ricard, as described in the subsection on "Decentralised organisation" in Section 1 "Presentation of Pernod Ricard" of this universal registration document, is an important component of the control of affiliates.

4.2 Risk factors

Every three years, the main risks facing Pernod Ricard are mapped for all Group affiliates and functions. They are shown below to allow readers to picture the challenges and should be read in conjunction with the explanatory texts that follow. The different risks are classified according to their potential impact and likelihood of occurrence. This risk mapping reflects Pernod Ricard's exposure and takes into account the control measures in place to limit the probability and impact. The matrix is a management tool for controlling risks. In June 2020, this matrix and, more generally, the risk environment, were analysed by Group management in the specific context of the Covid-19 crisis (impacts, measures, scenarios) in particular. The next risk mapping will take place in 2021.



Risk hierarchy

Risks relating to business activities	Pressure on prices
	Geopolitical and macroeconomic instability
	Negative media/social media campaign
	Cyberattack
	Brand portfolio challenges (incl. inventory management) and non-adaptation to new trends
	Product quality issues
	Supply disruption
	Talent management
	Fraud
Industrial and environmental risks	Climate change and environmental damage
	Loss of major site/strategic inventory
	Toxic contamination
	Human safety risk
Legal and regulatory risks	Regulatory changes: • Business ethics • Taxes and levies • Regulatory environment
	Major litigation
	Counterfeiting/IP rights
Financial risks	Financial risks: • FX • Interest rate • Credit
	Pension funds

Risk factors exist in a limited number of categories depending on their nature. Within each category, the most important risk factors are presented first.

4.2.1 Impact of the Covid-19 pandemic on Pernod Ricard's key risk factors and outlook

Many of the risks mapped have materialised in one way or another (personal safety, legal restrictions on the sale of alcohol, financial risks) or have required heightened vigilance (cyberattack, supply disruption) in the context of the Covid-19 pandemic. Main impact of the sanitary crisis resulted in a sharp decline in Group sales linked to the lockdown, notably with widespread closures in the hospitality sector and a strong decline in the travel retail business.

In the short term, this required a series of measures to:

- protect the health and safety of employees by rigorously applying the recommendations of local authorities and the World Health Organization (partial shutdown of operations, widespread working from home for staff, rotation of teams, etc.);
- ensure the continuity of our industrial, commercial and logistical operations; and
- adapt the management of our business and secure financing (extensive cost reduction programme, €2 billion bond issue in April 2020).

In the longer term, the general challenges identified before the pandemic remain as important as ever to maintain the resilience of Pernod Ricard's business model. These include adapting to new consumer trends, embracing digital technology and ensuring the agile management of distribution channels.

4.2.2 Description of key risk factors

I. Risks relating to business activities

1. Pressure on prices

RISK IDENTIFICATION AND DESCRIPTION

Consolidation and alliances between retailers both at local and international levels are putting a strain on Pernod Ricard's margins and reducing its ability to increase prices. The competitive environment can on occasion also lead Pernod Ricard to organise more aggressive or more frequent promotions. In addition, e-commerce is putting pressure on traditional retailers.

The Group also faces heightened competition from both major international players on its strategic brands and local groups or producers on its local brands, driven by the increasing success of craft products, as is the case with vodka in the United States.

The fierce competition in mature markets and the increasingly competitive nature of emerging markets could require the Group to boost its advertising and promotional investments, or even to reduce or freeze prices in order to protect market share, thereby weighing on results.

POTENTIAL IMPACTS ON THE GROUP

Potential impacts include:

- the increased negotiating power of Pernod Ricard's customers leading to margin erosion and/or loss of market share;
- pressure on Pernod Ricard to align prices across markets within a region;
- temporary delisting and/or loss of promotional support; and
- cheaper prices eroding brand image.

RISK CONTROL AND MITIGATION

To mitigate risk, Pernod Ricard is committed to maintaining A&P investment at approximately 16% of sales to reinforce brand equity and, in turn, the ability to increase prices. Further, Pernod Ricard launched a global Revenue Growth project in 2017, including rolling out a sophisticated promotional effectiveness tool and dedicated pricing management resources at market and HQ levels.

2. Geopolitical and macroeconomic instability

RISK IDENTIFICATION AND DESCRIPTION

The Covid-19 pandemic has significantly increased the risk of another global macroeconomic crisis and fuelled social tensions in different parts of the world.

In addition, a growing protectionist movement has been observed in recent years with the United Kingdom's exit from the European Union and the trade war between the United States and China and the European Union.

POTENTIAL IMPACTS ON THE GROUP

These economic crises and social tensions could negatively impact consumer spending power and consumption patterns. Ultimately, this instability could result in difficulties for the Group in distributing its products in the markets concerned, negatively impacting its sales or margins, as has been observed in Travel Retail during the Covid-19 pandemic. Indeed, the decline in the number of passengers at airports in Asia from February, and then worldwide from March, due to travel restrictions and border closures, affected the Group's Travel Retail net sales, which declined by 27% over FY20.

RISK CONTROL AND MITIGATION

The Group's best protection is the diversification of its business both by geography and category. The Group is present today in 73 countries and has leading brands in all major international spirit categories. Pernod Ricard is continuing to actively develop new channels (e.g. e-commerce and hometainment) and new consumer occasions, such as the low/no alcohol trend and opportunities linked to female consumption.

Accordingly, the Group regularly reassesses its routes-to-market and local partners. In addition, Pernod Ricard has implemented crisis management plans in all affiliates. Similarly, in certain cases, the Group may increase prices in order to mitigate the impact on margins. Finally, under certain circumstances, production and logistics infrastructures can be adapted.

3. Negative media/social media campaign

RISK IDENTIFICATION AND DESCRIPTION

Media/social media attacks represent a major threat for the Group. Through the increasing number and growing influence of social media networks, the Group faces the risk of being exposed to significant media coverage of inappropriate publications or messages.

POTENTIAL IMPACTS ON THE GROUP

A malicious attack intending to damage the Group's reputation or a genuine incident in relation to Pernod Ricard brands could have a significant impact on the Group's image and reputation. Further widespread negative media coverage could jeopardise consumers' confidence in Pernod Ricard brands, resulting in a potential sales decline.

RISK CONTROL AND MITIGATION

The Group's risk is managed through a series of internal and external measures. While internal measures primarily focus on raising employee awareness of the impact of social media and sharing best practices in terms of communication, external measures are used to monitor social media and promote the Group's S&R activities.

4. Cyberattack

RISK IDENTIFICATION AND DESCRIPTION

The Group's digital transformation has brought with it greater exposure to risks stemming from cyberattacks, as well as those related to IT and telecommunications system failures. These systems are of inestimable importance in the Group's day-to-day processing, transmission and storage of electronic data relating to both operations and financial statements, and communication between Pernod Ricard's personnel, customers and suppliers.

Stronger personal data protection regulations, including the General Data Protection Regulation, increase the risks associated with regulatory non-compliance.

POTENTIAL IMPACTS ON THE GROUP

Potential impacts of a cyberattack and its effects depend on the nature of the attack, but could include:

- leakage, loss, theft of personal, strategic or confidential data, and the resulting chain of potential repercussions;
- system failure; and
- incapacity to perform day-to-day operations.

Although the Group invests a significant amount in maintaining and safeguarding its IT systems, particularly in view of growing threats in terms of cybercriminality, any malfunctions, significant disruption, loss or disclosure of sensitive data could disrupt the normal course of business, and have financial, operational or reputational consequences.

RISK CONTROL AND MITIGATION

Pernod Ricard has drawn up a cybersecurity roadmap based on the establishment of dedicated governance and resources.

It also has cyber insurance providing coverage of €20 million, and strives to strengthen the security of its infrastructure, websites and networks. Infrastructure monitoring and management is performed constantly. IT and security audits are performed to assess whether the level of security is adequate; they give the Group a good overview of the reliability of its IT systems. In addition, awareness-raising campaigns are conducted. Lastly, tests are carried out on the recovery of the Group's IT systems following a hypothetical cyberattack, and a plan designed to facilitate the recovery of data as efficiently as possible has been drawn up.

5. Challenges related to brand portfolio management and non-adaptation to new trends

RISK IDENTIFICATION AND DESCRIPTION

Pernod Ricard faces the challenge of adapting its organisation, portfolio, business model and route-to-market to new trends (e.g. craft spirits, low/no alcohol) and to the digital era (notably digital marketing and e-commerce) and continuing to innovate.

Given the significance of ageing spirits within the Group portfolio, Pernod Ricard takes continuous care to correctly align product allocation and product ageing management with demand forecasting through long-term strategic inventory management.

POTENTIAL IMPACTS ON THE GROUP

Potential impacts associated with this risk include loss of market share or missed growth opportunities linked to Pernod Ricard's inability to properly satisfy customer/consumer demand, negative impact on brand equity and/or on its reputation and potential surplus inventory or missed sales resulting from out-of-stock situations.

RISK CONTROL AND MITIGATION

To mitigate risk, Pernod Ricard acts across its entire organisation:

- from a strategic point of view, diversification of the business model, route to market and portfolio management are closely monitored;
- a new innovation organisational infrastructure has been created, including the creation of Conviviality Ventures in 2017, to invest in new businesses. There is global monitoring of the innovation portfolio and innovation roadmap in terms of services and experiences;
- the Group continues to accelerate its digital transformation. The Group's HQ Digital Marketing and e-commerce teams have been established, including teams dedicated to monitoring trends and the Group's performance in these areas, issuing guidelines, sharing expertise and services, and coordinating subsidiaries. Pernod Ricard has also invested in an e-commerce platform (Drinks&Co, formerly Uvinum). Moreover, new human resources and financial performance management systems (in progress) have been adopted and appropriate training has been put in place. Finally, the main contributions of new digital technologies, Artificial Intelligence and Big Data have been identified, enabling the launch of six Key Digital Programs that will be implemented over a three-year period to allow a better presence of the Group's growing portfolio in an increasing number of communication and distribution channels around the world; and
- keen attention is paid to monitoring strategic, local and trade inventory levels, with a particular focus on ageing spirits given the investment involved (FY20: approximately €5 billion on the balance sheet). The latter includes regular meetings involving the Chairman & CEO, EVP Finance, IT & Operations and Brand Companies to define appropriate long-term forecasts and investments.

6. Product quality issues [(1)]

RISK IDENTIFICATION AND DESCRIPTION

The main product quality issues encountered within the Group arise from the level of quality and compliance of the:

- ingredients;
- packaging;
- production process; and
- development process of our new products.

POTENTIAL IMPACTS ON THE GROUP

The success of the Group's brands depends upon the positive image that consumers have of those brands.

A quality issue with one of our products affecting the integrity of its brand or its image among consumers could have a negative impact on the Group's sales.

RISK CONTROL AND MITIGATION

Quality risk management is based on a joint quality management approach implemented worldwide in all production affiliates. Coordinated by the Group's Operations Department, this risk management policy is based on internal Pernod Ricard standards and on systematic risk analysis.

It draws on the standards setting out best practices and minimum requirements in each of the areas concerned by quality:

- foreign bodies (e.g. glass particles);
- contamination;
- traceability;
- quality control; and
- product recall.

It is also backed up by an ambitious quality certification process for Group production sites based on the following two international standards:

- ISO 9001 for quality management; and
- ISO 22000 for food safety management.

At the end of June 2020, 79% of bottling sites were ISO 9001 and ISO 22000 certified, covering 99.8% of total bottled production.

7. Supply disruption

RISK IDENTIFICATION AND DESCRIPTION

Some raw materials that the Group uses for the manufacture of its products are commodities subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty and governmental controls.

The industry has also witnessed a trend towards the consolidation of raw material and packaging suppliers. Today, many of our affiliates work with the same suppliers, which creates risk-charged interdependence should one of them fail (e.g. in the event of a major accident at one of their production sites).

POTENTIAL IMPACTS ON THE GROUP

An unexpected rise in the cost of raw materials or packaging materials could significantly increase the Group's operating costs. As it is not certain that this increase can be offset by higher prices, the Group's results could be affected.

Another impact could stem from a break in the supply chain of certain raw materials or packaging, halting the production of some of our products.

RISK CONTROL AND MITIGATION

Controlling the risk of a break in the supply chain is part of the Group's purchasing policy, with the aim of selecting quality suppliers applying responsible practices in their ethical, environmental and social commitments, via the "Blue Source" process.

The Group also recommends that its affiliates systematically identify alternative sourcing possibilities to cover cases of single sourcing risk. This is a critical scenario taken into account in the business continuity plans of our Strategic Brands.

(1) Note that this risk is also covered in Section 3.3.3.5 of the Extra-Financial Reporting.

8. Talent management [1]

RISK IDENTIFICATION AND DESCRIPTION

Pernod Ricard's success depends on the commitment of its employees and its ability to attract and retain them as well as develop their skills, particularly in highly-competitive labour markets, such as Asia, Africa and Eastern Europe, where turnover rates are higher than in the rest of the world. This competitive talent market is heightened by the search for scarce skills (e.g. digital) and by changes in the aspirations of new generations. Moreover, employee development through geographic mobility is a key issue (diversity of career paths, management of the partner's career, cost control, etc.).

POTENTIAL IMPACTS ON THE GROUP

The Group is aware that talent management must remain an area of long-term vigilance to ensure the sustainability of the business and ensure the transmission of key know-how within the organisation. Excessively high turnover or unduly long job vacancies could have a financial impact and demotivate teams. This could potentially slow the implementation of key Group development projects and have an adverse impact on its business, results or reputation.

RISK CONTROL AND MITIGATION

To mitigate risk, the Group has established an ambitious skills development policy facilitating dynamic career management. Accordingly, shared processes and tools have been developed to allow all affiliates to optimise the assessment of skills and performance, to formalise the detection of potential, to encourage internal mobility and to monitor employee satisfaction. Moreover, Pernod Ricard University trains the Group's future leaders through leadership development courses. Lastly, measures are carried out regularly to improve quality of life at work. They include the facilitation of telework, measures related to well-being at work, the modernisation of workspaces and managerial awareness-raising programmes.

9. Fraud

RISK IDENTIFICATION AND DESCRIPTION

Pernod Ricard is exposed to the risks of fraud, notably due to its presence in a wide range of countries as well as its accelerating digitalisation, and to constantly evolving threats.

POTENTIAL IMPACTS ON THE GROUP

From theft to cybercriminality, any type of occurrence could lead to financial losses (including legal costs to recover defrauded sums and products), leakage of sensitive information or theft of major physical assets. It could also have a significant impact on the Group's reputation.

RISK CONTROL AND MITIGATION

To mitigate risk, the Group has implemented training measures (e.g. the MOOC on internal control) to raise fraud awareness among Pernod Ricard employees. In addition, a strong internal control framework – relying on the Group internal control principles and related tools – has been set up across the Group to limit the risk of occurrence. Further, the Group conducts internal and external audits each year to ensure the effectiveness of measures in place.

(1) Note that this risk is also covered in Section 3.3.2.1 of the Extra-Financial Reporting.

II. Industrial and environmental risks

1. Climate change and environmental damage[1]

RISK IDENTIFICATION AND DESCRIPTION

Given the nature of Pernod Ricard's business, climate change and related risks are a major concern:

- on the one hand, the climate impacts the Group's activities in several ways: threats to the supply of raw materials such as grapes and grain, risks related to the management of water resources (flooding, drought); and
- on the other hand, potential damage can be caused by Pernod Ricard (CO_2 emissions, accidental pollution).

POTENTIAL IMPACTS ON THE GROUP

Increasingly irregular crop yields, climate events such as frost, hail and drought and shifting climatic boundaries can affect the quality, availability and, to a greater extent, the price of raw materials.

Where grains are concerned, this effect, coupled with rising global demand, is contributing to increasing volatility of market prices, which must be taken into account in procurement strategies and economic supply models.

As regards grapes – another of the Group's key raw materials – climate models point to an increase in alcohol content in wine and champagne, changes to certain qualitative parameters and change in phytosanitary pressure, as well as the risk of frost or drought, which vary depending on geography.

A similar risk exists in relation to the water supply for production sites: a number of sites use underground water tables for their supply and these can also be affected by climate change.

From a regulatory point of view, environmental issues, and in particular climate-related issues, are leading to stricter regulations on carbon emissions. In Europe, the Group's four largest distilleries are subject to the European Union carbon emission trading system (EU-ETS). The direct financial challenge is moderate for Pernod Ricard but can be expected to increase significantly in the years to come. The economic impact of regulations on energy and carbon is also felt through indirect consumption via our suppliers (especially with respect to glass, alcohol and transport).

RISK CONTROL AND MITIGATION

For grapes, the relevant inter-professional organisations, such as those for cognac and champagne and the corresponding organisations for wine in Australia and New Zealand, have incorporated this issue into their research programmes in order to adapt their practices to the changes (choice of grape varieties, vine training, vinification, etc.).

The availability and quality of water at the Group's production sites are therefore key factors for ensuring the quality of its products and are monitored very closely. Responsible water management is a significant component of the Group's environmental policy: each site has to ensure that the use of groundwater or river water and the release of wastewater back into the environment do not harm nature. Sites located in areas identified as high risk in terms of water supply are subject to enhanced monitoring so as to ensure the sustainability of resources used by minimising water consumption and recharging the equivalent volume of water in the catchment area.

As for the financial impact related to CO_2 emissions generated directly by our activities or indirectly by our suppliers, the Group is implementing a CO_2 emission reduction plan aligned with a scenario of less than 2°C.

(1) Note that this risk is also covered in Section 3.3.3.2 of the Extra-Financial Reporting.

2. Loss of major site/strategic inventory

RISK IDENTIFICATION AND DESCRIPTION

Today, the main identified causes that could result in the loss of a major industrial site or strategic inventory are:

- a fire and/or explosion related to the manufacture and handling of our flammable products (e.g. alcohol);
- a natural catastrophe such as an earthquake, hurricane or flood; and
- a malicious act.

Several Group sites are located in seismic zones, particularly in New Zealand, Armenia, California and Mexico.

Certain sites, including the San José plant in Cuba, are exposed to risk of cyclones.

Lastly, the Group has significant stock of ageing products, such as Scotch whisky, Irish whiskey, cognac, rum, brandy and wines, which are highly flammable.

POTENTIAL IMPACTS ON THE GROUP

The loss of a major industrial site or strategic inventory is considered a major risk for Pernod Ricard. The materialisation of this risk could result in a significant operating loss and as such a sharp drop or prolonged interruption in the supply of certain products, thereby preventing the Group from meeting consumer demand.

RISK CONTROL AND MITIGATION

To manage this risk, an Operations Risk Manager reporting to the Operations Department is responsible for coordinating the actions of affiliates in the implementation of preventive measures (design and maintenance of facilities, training, operating procedures, etc.) and physical protection mechanisms (automatic extinguishing, retention basins, emergency procedures, etc.).

In cooperation with the insurer, more than 40 industrial sites are reviewed each year, resulting in an appraisal of the quality of risk, and as such, recommendations for improvement for each.

In addition, a Group monitoring programme for business continuity and management systems is in place. Strategic affiliates have identified the various scenarios that could affect their operations and have drawn up business continuity plans including the implementation of emergency solutions and access to alternative means of production in the event of the loss of a site.

3. Toxic contamination (1)

RISK IDENTIFICATION AND DESCRIPTION

The Group purchases most raw materials (grapes, cereals, agave, etc.) used in the manufacture of its wines & spirits from farmers or industrial producers (alcohol, sugar, flavourings, etc.). The presence of undesirable substances in these raw materials or a defect in the distillation, fermentation or bottling process could result in the presence of chemical (contaminant), biological (microorganism), physical (foreign body) or allergen contamination.

POTENTIAL IMPACTS ON THE GROUP

The Group's reputation and image may at any time be undermined by one-off incidents at an industrial facility or relating to a specific product. For example, contamination, whether arising accidentally, or through an act of malice, could cause injury or intoxication to a consumer, thereby exposing the Group to litigation and causing business and/or reputational harm to brands.

RISK CONTROL AND MITIGATION

The Group has implemented protection and control systems to limit the risk of contamination. The control of this risk is based both on the application of the HACCP method, which aims to identify the risks involved in the manufacturing process and to bring them under control, as well as on the implementation of specific internal guidelines. This approach is also accompanied by the implementation of management systems compliant with the ISO 22000 standard for food safety management, which is aimed specifically at controlling such risk.

The Group conducts a programme of in-depth analyses covering all contaminants deemed possible. In 2019 and 2020, it focused on all Strategic International Brands and the biggest Strategic Local Brands.

Active monitoring is also implemented in order to monitor changes that may lead to new risks, particularly those relating to components present in packaging, raw materials and water, that are liable to pose a risk to consumer health.

(1) Note that this risk is also covered in Section 3.3.3.5 of the Extra-Financial Reporting.

4. Human safety risk [1]

RISK IDENTIFICATION AND DESCRIPTION

Preventing and managing occupational risks is something the Company owes its employees.

The notion of "occupational risk" can be defined as all threats to the health of employees encountered in the context of their professional activity. They may result in an accident or a so-called "occupational" illness.

A non-exhaustive list of occupational risks Pernod Ricard is committed to preventing is as follows:

- risks relating to noise and vibrations;
- electrical risk;
- fire and explosion risk;
- road risk;
- risks relating to the use of certain machines or work equipment; and
- psychosocial risks.

In addition, teamwork, whether in the factory or in the offices, figures prominently in all the Group's subsidiaries. The Covid-19 pandemic and the risk of transmission may therefore exist - as in other areas of life - in the Group's facilities.

POTENTIAL IMPACTS ON THE GROUP

Personal injury is one of the main potential impacts for the Group. Reputational impact related to inadequate management of working conditions must also be considered.

The most serious impacts are:

- the death of employees, subcontractors, visitors or other third parties;
- permanent disability of employees, subcontractors, visitors or other third parties; and
- occupational illness.

Reputational impact related to inadequate management of working conditions must also be taken into account.

The active and widespread circulation of a virus such as Covid-19 could lead to repeated absences due to illness, the implementation of home working measures or the temporary stoppage of certain sites leading to productivity losses for the Group.

RISK CONTROL AND MITIGATION

The Group has therefore embarked on a process to reduce workplace accidents by launching a comprehensive inventory of industrial sites with the greatest potential for improvement at the end of 2017. The main sites are now assessed by an external company in accordance with specific criteria in terms of both the safety culture and the ISO 45001 "Occupational Health and Safety" management system.

Building on this overview and the commitment of senior management, the Group has signalled its goal of becoming leader in 2025 in the wine & spirits sector in terms of Health and Safety. This goal is embodied in a programme known as "Taking care of each other", built on the following three strategic pillars:

- develop a culture where safety is central to the Group's values of conviviality;
- engage, motivate and empower all employees and subcontractors on the issue of safety; and
- improve our operational efficiency through excellence in Health and Safety.

This programme is part of the Group's S&R strategy and has gradually been extended to all affiliates.

Finally, the protection of the Health and Safety of its employees lies at the heart of the Group's decisions by rigorously applying the recommendations of local authorities and those of the World Health Organization.

(1) Note that this risk is also covered in Section 3.3.2.3 of the Extra-Financial Reporting.

III. Legal and regulatory risks

1. Regulatory changes

a. Business ethics [1]

RISK IDENTIFICATION AND DESCRIPTION

Pernod Ricard is a decentralised company present in 73 countries where anti-bribery laws apply with potential extraterritorial effect.

Examples include the US Foreign Corrupt Practices Act, the UK Bribery Act or France's Sapin II law. In particular, recent regulations concerning the fight against corruption and the promotion of business ethics expose Pernod Ricard to sanctions and reputational risk should it fail to comply. In this context, Pernod Ricard is required to consider and strongly monitor the risk of corruption around the world.

POTENTIAL IMPACTS ON THE GROUP

Company employees interact, even to a marginal extent, with political and administrative officials. The nature of Pernod Ricard's activity (production of wines & spirits enjoyed during a meal or in a bar), for which the motto is "Créateurs de convivialité", means that inappropriate invitations could be issued to people in a position of public authority as part of a lobbying effort.

Such acts, even in the absence of deliberate intention to obtain an undue advantage, are severely punished by the anti-corruption laws of three of the Group's main markets, which impose heavy pecuniary sanctions for the Company, as well as penal penalties for the people committing them.

Reputational damage resulting from an official conviction or breach of the rules could damage the Company's overall credibility, and an illicit or reprehensible act, even on a single occasion, could affect all Group employees seeking to deliver a message to public authorities. This could in turn limit the Company's ability to legally influence laws that are harmful to its business. It could also result in regulatory developments harming the Company's business (tax increases, marketing restrictions, etc.).

As a result, these regulations could together result in a significant increase in financial expense or a reduction in the Group's activities.

RISK CONTROL AND MITIGATION

Pernod Ricard has established an anti-bribery risk mapping tool in order to identify and manage risks inherent to the Group's activities and specific to production, distribution and cross-functional risks. Pernod Ricard is also committed to a zero-tolerance policy with clear communication from Management, specific rules for employees and stakeholders, and special user-friendly digital tools to support its compliance efforts (for example, "Speak Up", a global whistleblowing hotline; "Gifted!", an app which can be used to declare and authorise gifts and hospitality; an e-learning platform [MOOC] providing educational videos and quizzes to enable employees to identify and manage bribery risks).

Furthermore, the Group's lobbying policy is guided by the various professional or institutional codes, and a training course on lobbying, part of which focuses on ethical issues, is open to all employees. Part of the course is delivered by Transparency International, of which Pernod Ricard has been a member since early 2013.

In France, Pernod Ricard files a disclosure statement with the HATVP, the High Authority for Transparency in Public Life [2] and is a member of Transparency International's *Forum des entreprises engagés* [3]. The Group is also a joint signatory of a best practice guide on parliamentary lobbying expenditure published by Transparency International.

(1) Note that this risk is also covered in Section 3.4 of the Extra-Financial Reporting.
(2) https://www.hatvp.fr/fiche-organisation/?organisation=582041943
(3) https://transparency-france.org/entreprise/forum-des-entreprises-engagees-2

b. Taxes and levies [1]

RISK IDENTIFICATION AND DESCRIPTION

As an international player in the Wines & Spirits sector, the Group is very sensitive to changes in import taxes and excise duties on alcoholic beverages.

The Group is also exposed to possible changes in tax regulations in the countries in which it operates, in particular at the instigation of the OECD, the European Union or national governments (including tax rates), and accounting policies and standards.

Lastly, Pernod Ricard may be subject to tax audits in several countries, and there is no guarantee that the tax authorities will validate the positions taken by the Group, even if the Group deems them to be correct and reasonable in view of its operations.

POTENTIAL IMPACTS ON THE GROUP

An increase in import taxes, such as the US tarifs imposed on some brands, and excise duties or a change in laws relative to duty free sales could result in an increase in the price of the Group's products and a reduction in the consumption of its Wines & Spirits brands or an increase in our costs, thereby affecting the Group's financial position and operating income. Nevertheless, this risk is qualified by the size of advertising and promotional investment which can, in certain cases, limit the impact on consumption of an increase in prices.

Other changes in tax regulations could also have a material impact on the Group's results, such as an increase in the corporate tax rate in the countries in which the Group operates.

Lastly, in the event that the tax authorities successfully challenge the Group on any material positions, the Group may be subject to additional tax liabilities that may have an adverse effect on the Group's financial position if they are not covered by provisions or if they otherwise trigger a cash payment.

RISK CONTROL AND MITIGATION

The Group has a tax policy based on compliance with applicable laws and regulations, sound conduct and proactive and efficient tax management. It involves the rejection of all artificial arrangements, the application of a transfer pricing policy based on the arm's length principle, efficient organisation of the tax function within the Group and a transparent attitude towards the tax authorities.

Furthermore, the Group's diversification in terms of geographies and product categories mitigates the potential impact of tax risks.

(1) Note that this risk is also covered in Section 3.4.1.4 of the Extra-Financial Reporting.

c. Regulatory environment

RISK IDENTIFICATION AND DESCRIPTION

The Group's businesses throughout the world are subject to a growing number of regulations. Regulatory decisions and changes in legal and regulatory systems could have adverse impacts on Pernod Ricard's business, particularly in the areas of product recall, advertising and promotion, labelling and access to distribution.

The regulatory environment governing the production and marketing of alcoholic beverages could undergo change worldwide. Similarly, advertising and promotion of alcoholic beverages are subject to increasingly stringent rules aimed at changing consumer behaviour and reducing alcohol consumption.

In addition, in its capacity as a distributor of international beverage brands, the Group is subject, in the various countries in which it operates, to numerous regulatory requirements concerning production, product responsibility, distribution, marketing, advertising (such as the Evin Law in France), labelling and imports. More broadly, it is also subject to issues relating to competition and consolidation, commercial and pricing policies, pensions, labour law and environmental concerns.

POTENTIAL IMPACTS ON THE GROUP

Regulatory decisions and changes in legal and regulatory requirements in these areas could have a negative impact on Pernod Ricard's business:

- **product recalls**: regulatory authorities in the countries in which the Group trades could subject the Group to measures including product recalls, product seizures and other sanctions, any of which could have an adverse effect on its trading or harm its reputation, with negative consequences on its operating profit;
- **advertising and promotions**: regulatory authorities in the countries in which the Group trades could impose restrictions on advertising for alcoholic beverages (e.g. television advertising or sport sponsorships). One effect of these limitations is to prevent or restrict the Group's ability to retain or recruit consumers for its brands in a challenging competitive environment. Restrictions on advertising freedom also constrain the Group's ability to launch new innovations. They thus have a significant impact on the Group's business;
- **labelling**: changes to labelling requirements for alcoholic beverages could diminish the appeal of these products for consumers, who might switch to other less tightly regulated products, resulting in a decline in sales. Furthermore, such changes could have the consequence of increasing costs, thereby affecting the Group's results; and
- **access to distribution**: government authorities in the countries where the Group operates could seek to restrict consumer access to the Group's products, for example the prohibition of alcohol in Bihar (India), which led to the termination of Pernod Ricard's operations in this state, and restrictions on trading hours or sales outlets in many countries. These restrictions tend to shift consumption to illegal or parallel distribution channels, which compete with the Group's lawful business.

RISK CONTROL AND MITIGATION

Pernod Ricard actively participates in legislative and/or administrative thinking by presenting its positions and solutions to industry and other stakeholders, be they local decision-makers or lawmakers. Pernod Ricard does this through professional bodies to which it belongs, or directly when the subject specifically concerns the Group.

This causes the Group to express positions on topics that constitute risk factors, advocating alternatives to exclusively repressive solutions for treating alcohol abuse. Pernod Ricard believes that:

- governments, producers and other stakeholders need to work together to reduce the harmful use of alcohol, particularly illegal and/or counterfeit alcohol. Counterfeits account for a significant proportion of alcoholic beverages consumed worldwide, particularly in low- and middle-income countries;
- the Wine & Spirits sector has a role to play in reducing the potential harm associated with alcohol consumption. Pernod Ricard wishes to play an active part in this process;
- alcohol consumption patterns are heavily influenced by cultural and religious factors;
- the effectiveness of initiatives aimed at reducing the harmful consumption of alcohol must be scientifically evaluated; and
- we need to target at-risk consumers and behaviour, taking into account cultural differences.

These proposals are generally well grasped by Pernod Ricard's contact, and can prompt them to adopt rules on the trade, consumption and sale of alcohol that are both respectful of the need for efficiency as regard health-related issues and mindful of the economic constraints weighing on sector companies. These interlocutors are often sensitive to a factual demonstration of the ineffectiveness of radical repressive measures, which generally have little impact on at-risk consumer behaviour.

Pernod Ricard also runs awareness campaigns – either alone or in association with other stakeholders – aimed at reducing the negative externalities of alcohol consumption. By effectively tackling excessive consumption, Pernod Ricard seeks to avoid regulatory measures that could be detrimental to its business (while lacking any real health benefits).

2. Major litigation

RISK IDENTIFICATION AND DESCRIPTION

Like other companies in the Wine & Spirits sector, the Group may be the subject of legal action or other litigation and complaints from consumers or government authorities. In addition, the Group routinely faces litigation in the normal course of business.

The Group records provisions for all disputes in which it is involved and all risks it faces. At 30 June 2020, these provisions totalled €431 million, compared with €374 million at 30 June 2019 (see Note 4.7– *Provisions* to the consolidated financial statements).

POTENTIAL IMPACTS ON THE GROUP

Major litigation of any type could have an adverse impact on the Group's financial position (in the event of a fine or damages), or the Group's image and reputation due to media coverage and posts on social networks, and may result in the loss of rights (in the event of the cancellation of a trademark or termination of a sourcing contract).

RISK CONTROL AND MITIGATION

To avoid litigation, the Legal Department, in charge of the Group's protection and defence, has implemented preventive measures. Marketing and operational teams are made aware of legal issues on an ongoing basis, model agreements are made available, and the legal teams provide support in the very early stages of projects. Legal functions have been established at the regional and local levels to ensure better local monitoring. Lastly, a quarterly report listing the major risks identified by local legal teams, particularly with regard to compliance, counterfeiting, cyberattack, personal data and potential major disputes is sent to staff at Headquarters, who are responsible for coordination.

3. Counterfeiting/IP rights

RISK IDENTIFICATION AND DESCRIPTION

The Group's brands are one of the key aspects of its competitiveness. However, they face various threats: unauthorised reproduction, imitation, use of signs likely to create confusion in the mind of the public, refilling of bottles with counterfeit liquids. These issues remain crucial in various markets, particularly in developing markets, and could pose serious threats to consumers, including endangering their health.

In the context of the Covid-19 pandemic, illegal traders are actively seeking to take advantage of the measures put in place to combat the spread of the virus. The closure of on-trade premises and some official retail outlets, combined with legislation prohibiting the production, import, distribution and sale of alcoholic beverages in certain countries, has triggered a shift to online demand (a distribution channel increasingly used by counterfeiters), as well as a resurgence of black market activity. This is of particular concern in India and South Africa.

POTENTIAL IMPACTS ON THE GROUP

Fraudulent use of the Group's brands damages the Group's image and reputation and impacts its development prospects and results, as it could cause consumers to shun the Group's products if their reliability is not guaranteed (in the case of refills) or if third parties deliberately create confusion with the Group's brands (brand imitation). It also increases operating costs.

While avenues for legal recourse are generally satisfactory, it may be difficult in some countries to obtain swift and dissuasive sanctions against counterfeiters.

For instance, the Group is currently in a dispute over the "Havana Club" brand (see Note 6.5 – *Disputes* in the notes to the consolidated financial statements).

RISK CONTROL AND MITIGATION

The protection and defence of the Group's intellectual property rights is based on a triangular organisation established to maximise desired efficiency while minimising costs.

First component: at the end of 2014, the Group set up a centralised team (the "Group Intellectual Property Hub") dedicated notably to protecting the brands. This team ensures the protection of rights and defends them against any attempt by third parties to file similar rights in order to avoid confusion among consumers and the undermining or dilution of the Group's brands.

Second component: the Brand Companies are in charge of proceedings brought against any counterfeit goods and/or imitations that may be present in the markets.

Third component: a Brand Security team leads the fight against illicit trade in the Group's products globally by coordinating all action taken against counterfeiting and other forms of trafficking. This action takes the form of investigations on the ground or online, and legal action combined with initiatives to raise awareness among local authorities. In the context of Covid-19, the Brand Security team has stepped up its general monitoring of online sales platforms and social media. Many counterfeiting production facilities have also been dismantled with the help of local authorities, particularly in India and China. Lobbying has also been undertaken jointly with the Public Affairs teams and the Transnational Alliance to Combat Illicit Trade (TRACIT) to raise government awareness of the impact of measures taken on illicit trade during the lockdown. Lastly, the Brand Security team is also involved in the development of technical/technological measures to improve the protection of the Group's products. Examples of such measures include a scheme based on the principle of the smart bottle, introduced in strategic markets such as China, which enables consumers to check the authenticity of the Group's products using a QR code integrated into the packaging. In addition, a platform identifying local legislation that could encourage illicit trade was set up in conjunction with industry stakeholders to identify high-risk regions and take the necessary action during the Covid-19 crisis.

The defence of intellectual property rights also involves operational staff, who are called on to identify imitations (products/brands) in the field and to pass on all necessary information to the aforementioned teams for action.

IV. Financial risks

The exceptional measures taken as part of the response to the crisis brought on by the spread of Covid-19 will have a significant impact on the Group. This year, this has notably resulted in asset impairments of €1 billion, in particular on the Absolut brand.

In order to face the potential fallout from this crisis on the Group's cash flow, Pernod Ricard has taken necessary precautions to ensure that it has sufficient cash to cover its needs, for example by suspending the share buyback programme of up to €1 billion for FY20 and FY21.

Moreover, the Group has anticipated the refinancing of part of these bond maturities by raising €2 billion in the form of a bond issued in two 5- and 10-year tranches. This amount is in addition to the October 2019 issues for an amount of €1.5 billion maturing over 4, 8 and 12 years.

In May 2020, the Group also set up a €7 billion EMTN (medium term note) issuance programme. To date, no drawdowns have been made under the programme.

As of 30 June 2020, the Group's cash position stood at €1.9 billion, plus €3.4 billion in undrawn secured credit lines, including a €600 million revolving credit line set up in March 2020.

At 30 June 2020, the Group's net financial debt stood at €8.4 billion. The next bond maturities are US$200 million in January 2021 and US$500 million in April 2021.

1. Foreign exchange risk [1]

RISK IDENTIFICATION AND DESCRIPTION

Due to its international footprint, the Group is naturally exposed to fluctuations in foreign currencies (excluding the euro, its functional and reporting currency) in which its operations are carried out (transaction and translation risks) and in which its assets and liabilities are denominated.

POTENTIAL IMPACTS ON THE GROUP

Fluctuations of this nature may therefore have an impact on Pernod Ricard's results and shareholders' equity.

They include:

- conversion risk for the financial statements of consolidated affiliates with a functional currency other than the euro; and
- operational risks on operating cash flows not denominated in the entities' functional currency.

Moreover, fluctuations in currencies against the euro (notably the US dollar) may impact the nominal amount of these debts and the financial expense reported in euros in the consolidated financial statements, and this could affect the Group's reported results.

RISK CONTROL AND MITIGATION

As a rule, it is Group policy to invoice end customers in the functional currency of the distributing entity. The resulting net foreign exchange exposures are hedged by the use of forward transactions.

Residual risk may be partially hedged by the use of financial derivatives (forward purchases, forward sales or options) intended to hedge highly probable receivables or payables or to secure the receipt of dividends.

For asset risk, financing foreign currency-denominated assets acquired by the Group with debt in the same currency provides natural hedging.

(1) Note 4.9 to the consolidated financial statements.

2. Interest rate risk [(1)]

RISK IDENTIFICATION AND DESCRIPTION

Pernod Ricard is exposed to changes in interest rates on its financial liabilities and its liquid assets; such changes may have a positive or negative effect on its financial expense.

At 30 June 2020, the Group's debt consisted of floating-rate debt (14%) and fixed-rate debt (86%), to which should be added a hedging portfolio intended to limit the negative effects of interest rate fluctuations.

POTENTIAL IMPACTS ON THE GROUP

The Group is naturally affected by changes in interest rates in its functional currency and, more marginally, by changes in the interest rates of other currencies contributing to its consolidated Net debt.

A rise or fall of 50 basis points in interest rates (euro or US dollar) would result in an increase or decrease of €8 million in the cost of net financial debt.

A relative fluctuation of 50 basis points in interest rates (euro or US dollar) would generate a shareholder equity gain or loss of approximately €0.5 million as a result of changes in the fair value of the derivatives documented as cash flow hedges (swaps).

RISK CONTROL AND MITIGATION

As part of its financial policy, Pernod Ricard seeks to limit interest rate risk by focusing on fixed-rate funding for a significant portion of its financial debt.

3. Credit risk [(1)]

RISK IDENTIFICATION AND DESCRIPTION

Credit risk for the Group is dominated by the risk of financial loss stemming from a default (cash flow difficulties or liquidation) among customers indebted to a Group affiliate.

POTENTIAL IMPACTS ON THE GROUP

The non-recovery of a commercial receivable in the event of non-payment or liquidation of customers would have a negative impact on the Group's financial statements.

RISK CONTROL AND MITIGATION

The diversity and multiplicity of the Group's distribution network, spread over many countries, and the diversification of the main customers from the large retail sector, limit its exposure.

Moreover, internal procedures are in place to assess the financial health of the Group's customers and adapt credit terms and activity as appropriate.

Lastly, risk of this nature is limited by the subscription of credit insurance with the standard guarantees. The Group's risk hedging policy is based on the partial transfer of risk to insurers.

(1) Note 4.9 to the consolidated financial statements.

4. Pension funds [1]

RISK IDENTIFICATION AND DESCRIPTION

The Group's unfunded pension obligations amounted to €605 million as of 30 June 2020. During FY20, the Group's contributions to pension plans totalled €53 million.

The Group's pension obligations are for the most part covered by balance sheet provisions and partially covered by pension funds or insurance. The amount of these provisions is based on certain actuarial assumptions, including, for example, discounting factors, demographic trends, pension trends, future salary trends and expected returns on plan assets.

POTENTIAL IMPACTS ON THE GROUP

The asset/liability balance is subject to, among other factors, the performance of invested assets. A liquidity crisis or major financial shock could significantly undermine the performance of financial assets and jeopardise the asset/liability balance. A pronounced asset/liability imbalance may require an increase in the Group's pension liabilities recognised in the balance sheet and result in an increase in the allowance for retirement provisions. This could have a significant negative impact on the Group's financial results.

RISK CONTROL AND MITIGATION

Specific governance and a management policy have been implemented and are regularly reviewed in line with the risk profile of the Group's various pension plans. The investment strategy is subject to frequent review in order to minimise the volatility of assets.

The buy-in transaction achieved for the largest Pension Fund of the Group in September 2019 is a concrete example of the active derisking strategy. The Fund's Trustee has purchased an insurance policy from a highly-rated and well established insurance company to cover the majority of the pensions obligations. The insurance policy therefore reduces the Group's exposure on that Fund to funding deficits arising from market risks, including inflation and interest rate risks, and longevity risks.

In addition, defined benefit plans (mainly affiliates in North America, the United Kingdom and the rest of Europe) are subject to an annual actuarial valuation on the basis of country-specific assumptions.

(1) Note 4.7 to the consolidated financial statements.

4.3 Insurance and risk coverage

For Pernod Ricard, insurance is a solution for the financial transfer of major risks facing the Group. This transfer is accompanied by a policy of prevention to reduce risk as much as possible. The Group evaluates its risks with care in order to fine-tune the level of coverage of the risks it incurs.

The Group has two types of coverage: Group insurance programmes and local policies. The programmes at Group level are monitored by those who coordinate the insurance and risk management policy, and also by a person in charge of monitoring industrial risk prevention.

4.3.1 Insurance policies

In order to cover the main risks, Pernod Ricard has set up international insurance programmes for all Group affiliates, barring exceptions due to local regulatory constraints in certain countries or as a result of more attractive conditions offered by the local market. These programmes provide the following coverage:

- property damage and business interruption losses;
- operating/product liability, including costs and losses incurred by the Group due to accidental and/or criminal contamination;
- environmental liability;
- Directors' civil liability;
- damage during transport (and storage); and
- fraud/cyber security.

Moreover, credit insurance programmes are in place, aimed at reducing the risks associated with trade receivables.

Some affiliates have contracted additional insurance to meet ad hoc needs (for example, vineyard insurance, car fleet insurance, etc.).

4.3.2 Coverage

Type of insurance	Coverage and limits on the main insurance policies (1)
Damage to property and operating losses	• Coverage: fully comprehensive (except exclusions).
	• Basis of compensation: • replacement value for moveable property and real estate, except for certain affiliates, which have exceptionally chosen, with the contractual agreement of the insurers, to provide for another basis of compensation; • cost price for inventories, except for certain maturing inventories that are insured at replacement value or net carrying amount plus a fixed margin (tailored to each company); and • business interruption losses with a compensation period generally between 12 and 36 months depending on the Company.
	• Limits on compensation: • main compensation limit of €1.05 billion, covering all damage and business interruption losses. The programme includes additional limits, for example to cover natural events; and • Furthermore, a captive insurance company provides insurance coverage for an amount of €3 million per claim with a maximum commitment of €5 million per annum.
General civil liability (operating and product liability)	• Fully comprehensive coverage (except for exclusions) for damage caused to third parties for up to €220 million per year of insurance.
Product contamination	• Coverage taken out under the general civil liability programme for recall expenses, the cost of the relevant products, business interruption and outlay on rebuilding Pernod Ricard's image following accidental or criminal contamination of products that could endanger persons or property: coverage of up to €45 million per year.
General environmental liability	• Coverage for environmental damage of €30 million.
Directors' civil liability	• Coverage of up to €150 million per year of insurance.
Transport	• Coverage of up to €20 million per claim.
Fraud/cyber security	• Coverage of up to €35 million per year, with a cyber-insurance sub-limit of €20 million.
Credit	• Coverage differs depending on the affiliate and the programme, with total cover rising to a maximum of €180 million. It can also be partially transferred under a programme to sell receivables.

(1) The figures shown are the main limits for the year ended 30 June 2020. Changes have been negotiated for FY21. Some contracts provide specific limits for certain aspects of coverage.

4.3.3 Resources provided by the Group to manage the consequences of a claim, especially in the case of an industrial accident

If a claim were to be filed affecting Pernod Ricard or a Group company, especially in the case of an industrial accident, the Group or the company in question would rely on its brokers and insurers and all service providers as required to ensure the effective management and resolution of the claim. All these players have the experience and means required for managing exceptional situations.

4.4 Risks and disputes: provisioning procedure

As part of its commercial activities, Pernod Ricard is involved in legal actions and subject to tax, customs and administrative audits. The Group only records provisions for risks and contingencies when it is likely that a current obligation stemming from a past event will require the payment of an amount that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability. Provisions accordingly involve an assessment by Group Management.

4.5 Financial and accounting information

4.5.1 Preparation of the Group's consolidated financial statements

In addition to the management information described above, the Group prepares half-year and annual consolidated financial statements. This process is managed by the Consolidation Department attached to the Group's Finance Department, as follows:

- communication of the main Group accounting and financial policies through a procedures manual;
- preparation of specific instructions by the Consolidation Department, including a detailed timetable, and issuance to the affiliates prior to each consolidation;
- consolidation by sub-group;
- preparation of the consolidated financial statements on the basis of the information provided, to cover the entire scope of consolidation; and
- use of a single software package by Group affiliates. The maintenance of this software package and user training are carried out by the Group's Finance Department, with occasional assistance from external consultants.

In addition, consolidated affiliates sign a letter of representation addressed to the Statutory Auditors, which is also sent to the Headquarters. This letter is binding on the Senior Management of each consolidated affiliate with regard to the accuracy and completeness of the financial information sent to the Headquarters in respect of the consolidation process.

4.5.2 Preparation of Pernod Ricard's parent company financial statements

Pernod Ricard prepares its financial statements in accordance with applicable laws and regulations. It prepares the consolidation package in accordance with the instructions received from the Company's Finance Department.

Paris, 22 September 2020

Mr Alexandre Ricard

Chairman & CEO

5.

Management Report

Section

5.1 Key figures from the consolidated financial statements for the year ended 30 June 2020

5.1.1 Income statement

€ million	30.06.2019	30.06.2020
Net sales	9,182	8,448
Gross margin after logistics expenses	**5,648**	**5,086**
Advertising and promotion expenses	(1,512)	(1,327)
Contribution after advertising & promotion costs	4,137	3,759
Profit from recurring operations	2,581	2,260
Operating profit	**2,375**	**978**
Financial income/(expense)	(310)	(366)
Corporate income tax	(582)	(258)
Share of net profit/(loss) of associates and net profit from assets held for sale	0	(3)
NET PROFIT	**1,482**	**350**
O/w:		
• Non-controlling interests	27	21
• Group share	1,455	329
EARNINGS PER SHARE – BASIC *(€)*	**5.51**	**1.25**
EARNINGS PER SHARE – DILUTED *(€)*	**5.48**	**1.24**

5.1.2 Balance sheet

€ million	30.06.2019 restated*	30.06.2020
Assets		
Non-current assets	22,665	21,953
Of which intangible assets and goodwill	*17,074*	*16,576*
Current assets	8,375	9,485
Assets held for sale	5	87
TOTAL ASSSETS	**31,045**	**31,525**
Liabilities and shareholders' equity		
Consolidated shareholders' equity	16,182	14,211
Non-current liabilities	10,034	12,735
Current liabilities	4,826	4,563
Liabilities held for sale	2	16
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31,045**	**31,525**

* *The opening liability positions on the Group's balance sheet were restated for the first-time application of IFRIC 23 (reclassification of uncertain tax positions for €150 million from "Non-current provisions" to "Income taxes payable").*

5.1.3 Net financial debt

€ million	30.06.2019	30.06.2020
Gross non-current financial debt	6,434	8,791
Gross financial debt from recurring operations	1,121	1,103
Non-current hedging instruments – assets	(13)	(53)
Hedging instruments from recurring operations – assets	-	(3)
Non-current derivative instruments – liabilities	2	-
Derivative instruments from recurring operations – liabilities	-	-
Cash and cash equivalents	(923)	(1,935)
NET FINANCIAL DEBT EXCLUDING LEASE DEBT	**6,620**	**7,902**
Lease debt *(first application of IFRS 16 in FY19/20)*	NA	522
NET FINANCIAL DEBT	**6,620**	**8,424**
Free Cash Flow [1]	1,366	830

(1) The calculation of Free Cash Flow is set out in note 5.3 - Net debt

5.1.4 Cash flow statement

€ million	30.06.2019	30.06.2020
Self-financing capacity before financing interest and taxes	2,711	2,423
Net interest paid	(308)	(335)
Net income tax paid	(521)	(474)
Decrease/(increase) in Working Capital Requirement	(181)	(433)
Net change in cash flow from operating activities	**1,701**	**1,181**
Net change in cash flow from investment activities	**(516)**	**(936)**
Net change in cash flow from financing activities	**(1,034)**	**795**
Cash flow from discontinued operations	-	(3)
Opening IFRS 15 impact	16	-
Foreign currency translation adjustments	1	(26)
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**754**	**923**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**923**	**1,935**

5.2 Analysis of business activity and results

Performance in the first half-year was solid, with organic operating margin growth of +4.3%, on a high basis of comparison (+12.8% organic growth in the first half of FY19), demonstrating success of the Transform & Accelerate strategic plan:

- diversified growth across Regions and Brands, with a strong price effect on Strategic Brands;
- focus on operational excellence and resource allocation, driving strong organic improvement in PRO margin +51 bp.

While pursuing the long-term transformation plan, the second half was marked by active management of the health crisis:

- priority given to health and safety of employees and business partners;
- strong Off-trade resilience but difficulties in On-trade and Travel Retail.
- Sound inventory position at June end, thanks to robust demand management and supply chain continuity;
- active resource management and strong cost mitigation to adjust to Covid-19 context;
- continued roll-out of 2030 Sustainability & Responsibility roadmap, while developing new measures to support stakeholders during crisis;
- implementation of transformation agenda, including completion of Reconquer project to resume growth in France and reorganisation of Wine business to reignite its performance.

5.2.1 Presentation of results

5.2.1.1 Group net profit per share from recurring operations – diluted

€ million	30.06.2019	30.06.2020
Number of shares in circulation – diluted	265,419,549	264,036,831
Profit from recurring operations	2,581	2,260
Operation margin	*28.1%*	*26.8%*
Financial income/(expense) from recurring operations	(314)	(328)
Corporate income tax on recurring operations	(586)	(468)
Non-controlling interests, discontinued operations and share of net profit from equity associates	(27)	(25)
GROUP NET PROFIT FROM RECURRING OPERATIONS [(1)]	**1,654**	**1,439**
GROUP NET EARNINGS PER SHARE FROM RECURRING OPERATIONS – DILUTED *(€)*	**6.23**	**5.45**

(1) Profit from recurring operations adjusted for financial result from recurring operations, recurring income tax, share of net result of associates and profit from assets held for sale, as well as non-controlling interests.

5.2.1.2 Profit from recurring operations

Group *€ million*	30.06.2019	30.06.2020	Reported growth		Organic growth [(1)]	
Net sales	9,182	8,448	(734)	-8%	(867)	-10%
Gross margin after logistics expenses	5,648	5,086	(562)	-10%	(653)	-12%
Advertising and promotion expenses	(1,512)	(1,327)	184	-12%	216	-14%
Contribution after advertising & promotion expenses	4,137	3,759	(378)	-9%	(437)	-11%
PROFIT FROM RECURRING OPERATIONS	**2,581**	**2,260**	**(320)**	**-12%**	**(355)**	**-14%**

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

America *€ million*	30.06.2019	30.06.2020	Reported growth		Organic growth [(1)]	
Net sales	2,545	2,449	(96)	-4%	(161)	-6%
Gross margin after logistics expenses	1,698	1,599	(98)	-6%	(156)	-9%
Advertising and promotion expenses	(504)	(461)	43	-9%	58	-12%
Contribution after advertising & promotion expenses	1,193	1,138	(55)	-5%	(98)	-8%
PROFIT FROM RECURRING OPERATIONS	**785**	**718**	**(67)**	**-9%**	**(101)**	**-13%**

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

Asia/Rest of World *€ million*	30.06.2019	30.06.2020	Reported growth		Organic growth [(1)]	
Net sales	3,965	3,467	(498)	-13%	(547)	-14%
Gross margin after logistics expenses	2,308	1,969	(339)	-15%	(365)	-16%
Advertising and promotion expenses	(592)	(517)	75	-13%	87	-15%
Contribution after advertising & promotion expenses	1,716	1,452	(264)	-15%	(279)	-16%
PROFIT FROM RECURRING OPERATIONS	**1,179**	**938**	**(241)**	**-20%**	**(247)**	**-21%**

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

Europe *€ million*	**30.06.2019**	**30.06.2020**	**Reported growth**		**Organic growth (1)**	
Net sales	2,672	2,532	(140)	-5%	(159)	-6%
Gross margin after logistics expenses	1,643	1,519	(124)	-8%	(131)	-8%
Advertising and promotion expenses	(415)	(349)	66	-16%	71	-17%
Contribution after advertising & promotion expenses	1,228	1,169	(58)	-5%	(60)	-5%
PROFIT FROM RECURRING OPERATIONS	**617**	**605**	**(12)**	**-2%**	**(7)**	**-1%**

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

5.2.2 Organic net sales growth of Strategic International Brands

In million of 9-litre cases	**Volumes 30.06.2019**	**Volumes 30.06.2020**	**Organic growth (1) in net sales**	**Volume growth**	**Price/mix**
Absolut	11.1	10.3	-11%	-7%	-4%
Chivas Regal	4.5	3.7	-17%	-19%	2%
Ballantine's	7.6	7.2	-8%	-5%	-3%
Ricard	4.4	4.2	-6%	-6%	-1%
Jameson	7.7	7.6	-1%	-2%	0%
Havana Club	4.6	4.2	-6%	-8%	2%
Malibu	3.7	3.9	5%	5%	0%
Beefeater	3.2	3.1	-7%	-4%	-3%
Martell	2.6	2.0	-20%	-24%	5%
The Glenlivet	1.2	1.2	2%	-3%	4%
Royal Salute	0.2	0.2	-2%	-7%	5%
Mumm	0.7	0.6	-13%	-13%	0%
Perrier-Jouët	0.3	0.3	-12%	-21%	8%
STRATEGIC INTERNATIONAL BRANDS	**51.9**	**48.3**	**-10%**	**-7%**	**-3%**

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

Net sales for FY20 totalled €8,448 million, with an organic decline of -9.5% (-8.0% reported, including a favourable foreign exchange impact due chiefly to the appreciation of the US dollar against the euro):

Net sales growth in the first half was robust but the second half was impacted by Covid-19. For FY20, the trends by region were:

- Americas: -6%, with good resilience in USA [(1)] and Canada in slight growth, but double-digit decline in Latin America and Travel Retail;
- Asia-RoW: -14%, driven mainly by China, India and Travel Retail, against a high basis of comparison;
- Europe: -6%, overall good resilience with Germany, UK and Eastern Europe growing and partially offsetting declines in Travel Retail, Spain and France.

Key categories were impacted by the pandemic, but Specialty Brands performed well:

- Strategic International Brands: -10%, after broad-based growth in the first half, mainly driven by Martell, Chivas Regal, Absolut and Ballantine's;
- Strategic Local Brands: -9%, with modest growth at the end of the first nine months, but a strong decline in the fourth quarter, mainly due to Seagram's Indian whiskies, and amplified by the high comparison basis;
- Specialty Brands: +7%, despite Covid-19, thanks to more favourable geographic exposure, with dynamic growth of Lillet, Altos and Redbreast;
- Strategic wines: -4%, due mainly to Jacob's Creek, and despite the growth of Campo Viejo.

Fourth quarter net sales were €1,238 million in FY20, with an organic decline of -36.2% (-37.9% reported), strongly impacted by the progression of the Covid-19 pandemic throughout the world, particularly for Travel Retail and On-trade. The Off-trade held up better than expected, notably in the USA and Europe.

(1) Sell-out at +2% (internal estimate).

5.2.3 Contribution after advertising & promotion costs

Gross margin (after logistics expenses) amounted to €5,086 million, an organic decline of 12% (-140 bp) despite a price effect on Strategic Brands of +1%, due to the following factors:

- an adverse mix effect linked to Strategic International Brands, especially Martell and Chivas Regal;
- unfavourable change in Cost of Goods, mainly due to agave and Grain Neutral Spirit (GNS) in India;
- lower fixed cost absorption due to the decline in volumes, despite savings related to operational excellence initiatives.

Advertising and promotional expenses fell by -14% to €1,327 million (+88 bp) thanks to the implementation of a major cost reduction plan in the second half.

5.2.4 Profit from recurring operations

Profit from recurring operations (PRO) was down -14% organically, to €2,260 million. The PRO margin erosion was contained to -131 bp, despite a significant reduction in Net sales, demonstrating active cost management. The Structure cost ratio increased by -79 bps, with topline decline reducing fixed cost absorption, despite strong cost discipline. The currency effect (+1% or +€36 million) was primarily driven by the stronger US dollar. The scope effect remained limited to €(2) million. On a reported basis, Profit from Recurring Operations was down -12%.

5.2.5 Financial income/expense from recurring operations

Financial expenses from recurring operations were €(328) million, compared with €(314) million the previous period. This represents a slight increase in financial expense from recurring operations mainly due to application of IFRS 16 and Fx impact.

The debt structure at 30 June 2020 was as follow:

- the bond portion was approximately 94% of gross debt;
- the fixed-rate portion was 86% of total debt;
- the weighted average maturity of gross bond debt was six years;
- the Group had €1.9 billion in cash and €3.4 billion undrawn bank credit lines.

5.2.6 Group net profit from recurring operations

Tax on profit from recurring operations stood at €468 million. This represents a tax rate on recurring items of 24.2% vs. 25.9% for FY19, due to a reduction in the Indian tax rate (from 34.9% to 25.2%) and a change in the geographical mix.

Non-controlling interests amounted to €21 million.

Group net profit from recurring operations decreased by -13% vs. FY19 to €1,439 million. Diluted net profit per share from recurring operations stood at €5.45, down -13%.

5.2.7 Group net profit

Other non-recurring operating income and expenses amounted to €(1,283) million, driven by:

- brand impairment: €(999) million, mainly related to Absolut (€(912)million gross, €(702) million net after tax) and triggered by Covid-19 sanitary crisis;
- restructuring charges €(178) million, including France and the wine branch reorganisation;
- other charges of which €(37) million Covid-19-related promotional event cancellation, charitable donations and supply of hand sanitiser.

Non-current financial income/(expense) of €(38) million mainly due to refinancing operations performed during the period, in particular one-off costs relating to early redemption of 50% of a US$1 billion bond debt due in April 2021 (as part of the active management of Group debt) and foreign exchange impact.

Non-current tax was a net income of €210 million, driven mainly by deferred tax liability adjustments related to impairment charges and revaluation of deferred taxes (following changes to tax rates in the United Kingdom and India) recognised during the period.

Accordingly, Group net profit stood at €329 million, a decrease of -77% on FY20.

5.3 Net debt

Reconciliation of Net financial debt – the Group uses net financial debt in the management of its cash and its net debt capacity. A reconciliation of the net financial debt and the main balance sheet items is provided in Note 4.9 – Financial instruments in the Notes to the annual consolidated financial statement. The following table shows the change in Net debt over the year:

€ million	30.06.2019	30.06.2020
Profit from recurring operations	**2,581**	**2,260**
Other operating income and expenses	**(206)**	**(1,283)**
• Depreciation of fixed assets	226	350
• Net change in impairment of goodwill and property, plant and equipment and intangible assets	69	1,007
• Net change in provisions	7	97
• Restatement of contributions to pension funds acquired from Allied Domecq and others	3	-
• Fair value adjustments on commercial derivatives and biological assets	(7)	(3)
• Net (gain)/loss on disposal of assets	0	(27)
• Share-based payments	40	23
Sub-total of depreciation and amortisation, change in provisions and other	**339**	**1,446**
SELF-FINANCING CAPACITY BEFORE FINANCING INTEREST AND TAX [(1)]	**2,714**	**2,423**
Decrease/(increase) in Working Capital Requirements	(181)	(433)
Net interest and tax payments	(829)	(809)
Net acquisition of non-financial assets and other	(338)	(352)
FREE CASH FLOW	**1,366**	**830**
Of which recurring Free Cash Flow	1,477	1,003
Net disposal of financial assets and activities, contributions to pension plans acquired from Allied Domecq and others	181	(587)
Change in the scope of consolidation	-	-
• Capital increase and other changes in shareholders' equity	-	-
• Dividends and interim dividends paid	(645)	(849)
• (Acquisition)/disposal of treasury shares	(121)	(526)
Sub-total dividends, purchase of treasury shares and other	**(766)**	**(1,374)**
DECREASE/(INCREASE) IN DEBT (BEFORE FOREIGN EXCHANGE IMPACT)	**420**	**(1,132)**
Opening IFRS 15 impact	16	-
Foreign currency translation adjustments	(94)	(69)
Non-cash effect on lease debt	-	(603)
DECREASE/(INCREASE) IN DEBT (AFTER FOREIGN EXCHANGE IMPACT)	**342**	**(1,804)**
Net debt at beginning of period	(6,962)	(6,620)
Net debt at end of period	(6,620)	(8,424)

(1) Excluding investments in pension funds acquired from Allied Domecq.

5.4 Outlook

For FY21, Pernod Ricard expects:

- continued uncertainty and volatility, in particular relating to sanitary conditions and their impact on social gatherings, On-trade and travel;
- challenging economic conditions;
- prolonged downturn in Travel Retail but resilience of Off-trade in USA and Europe and sequential improvement in China, India and On-trade globally;
- continued implementation of clear strategy, with solid fundamentals, rooted in employee engagement and quality of portfolio;
- continued strict discipline, with clear, purpose-based investment decisions and agility to adjust fast to capture evolving market opportunities.

5.5 Definitions and reconciliation of alternative performance indicators with IFRS indicators

Pernod Ricard's management process is based on the following non-IFRS measures which are chosen for planning and reporting. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. These non-IFRS measures should be considered as complementary to the comparable IFRS measures and reported movements therein.

5.5.1 Organic growth

Organic growth is calculated after excluding the impacts of exchange rate movements and acquisitions and disposals.

Exchange rates impact is calculated by translating the current year results at the prior year's exchange rates.

For acquisitions in the current year, the post-acquisition results are excluded from the organic movement calculations. For acquisitions in the prior year, post-acquisition results are included in the prior year but are included in the organic movement calculation from the anniversary of the acquisition date in the current year.

Where a business, brand, brand distribution right or agency agreement was disposed of or terminated in the prior year, the Group excludes in the organic movement calculations the results for that business from the prior year. For disposals or terminations in the current year, the Group excludes the results for that business from the prior year from the date of the disposal or termination.

This measure enables the Group to focus on the performance of the business which is common to both years and which represents those measures that Local Managers are most directly able to influence.

5.5.2 Free Cash Flow

Free Cash Flow comprises the net cash flow from operating activities excluding the contributions to Allied Domecq pension plans, aggregated with the proceeds from disposals of property, plant and equipment and intangible assets and after deduction of the capital expenditures.

5.5.3 "Recurring" indicators

The following three measures represent key indicators for the measurement of the recurring performance of the business, excluding significant items that, because of their nature and their unusual occurrence, cannot be considered as inherent to the recurring performance of the Group:

- **Recurring Free Cash Flow:**

Recurring Free Cash Flow is calculated by restating Free Cash Flow from non-recurring items.

- **Profit from recurring operations:**

Profit from recurring operations corresponds to the operating profit excluding other non-current operating income and expenses.

- **Group net profit from recurring operations:**

Group Net profit from recurring operations corresponds to net profit attributable to equity holders of the parent before other non-recurring operating income and expenses, non-recurring financial income and expenses and non-recurring income taxes.

5.5.4 Net debt

Net financial debt, as defined and used by the Group, corresponds to total gross debt (translated at the closing rate), including fair value and net foreign currency assets hedge derivatives (hedging of net investments and similar), less cash and cash equivalents.

5.5.5 EBITDA

EBITDA stands for "earnings before interest, taxes, depreciation and amortisation". EBITDA is an accounting measure calculated using the Group's profit from recurring operations excluding depreciation and amortisation on operating fixed assets.

5.6 Material contracts

5.6.1 Significant contracts not related to financing

5.6.1.1 Suntory

In 1988, Allied Domecq entered into a series of agreements with Suntory Ltd, one of Japan's leading producers and distributors of spirits. One of the provisions of these agreements concerned the creation of a joint-venture company in Japan called Suntory Allied Ltd, in which 49.99% of the capital and voting rights are owned by Allied Domecq and 50.01% by Suntory Ltd. Suntory Allied Ltd was granted the exclusive distribution rights for certain Allied Domecq brands in Japan until 31 March 2029.

The management of Suntory Allied Ltd is jointly controlled by Pernod Ricard, as successor-in-interest to Allied Domecq, and Suntory Ltd.

5.6.1.2 Sale and repurchase agreements

During FY20, Pernod Ricard did not conclude any sale and repurchase agreements. For more details on transactions related to previous sale and repurchase agreements, please refer to the Share buyback programme subsection of Section 9 About the Company and its share capital.

5.6.2 Financing contracts

5.6.2.1 Credit agreements

2017 Credit Agreement (syndicated credit)

As part of the refinancing of the bank debt taken out in 2012 to cover the Group's short-term financing requirements, Pernod Ricard and certain of its affiliates signed a new five-year €2.5 billion revolving credit facility (the "**Credit Agreement**") on 14 June 2017. As the extension options to six or seven years have been activated, this agreement now expires in 2024.

The obligations of each of the borrowers under the Credit Agreement are guaranteed by Pernod Ricard. No security interest (*sûreté réelle*) was granted under the terms of the Credit Agreement.

2020 Credit Agreement (bilateral credit)

On 23 March 2020, Pernod Ricard and Pernod Ricard Finance signed a bilateral revolving credit facility (as amended by an amendment dated 9 April 2020, the "**Bilateral Credit Agreement**", together with the Credit Agreement, the "**Credit Agreements**") in a principal amount of €600 million, for a period of 12 months, with the option of a 12-month extension.

The obligations of Pernod Ricard Finance under the Bilateral Credit Agreement are guaranteed by Pernod Ricard. No security interest (*sûreté réelle*) was granted under the terms of the Bilateral Credit Agreement.

Provisions of the Credit Agreements

The Credit Agreements contain customary representations and warranties, as well as the usual restrictive covenants contained in such contracts, notably restricting the ability of some Group companies (subject to certain exceptions) to pledge their assets as security interest, alter the general nature of the Group's activities or carry out certain acquisition transactions.

The Credit Agreements also set out obligations, including a commitment to provide lenders with adequate information, compliance with a solvency ratio at each half-year end as mentioned hereunder (the "**Solvency Ratio**"), and compliance with certain commitments customary in this type of credit agreement (including the maintenance of the credit's *pari passu* ranking).

5.6.2.2 Solvency ratio (total consolidated net debt/consolidated EBITDA)

The Solvency Ratio must be 5.25 or less. At 30 June 2020, the Group was compliant with this solvency ratio (see "Liquidity risks" in this management report).

The Credit Agreements incorporate the main terms of the 2012 syndicated Credit Agreement and, in addition, provide for certain cases of voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice for credit agreements of this kind (including non-compliance with commitments, change of control and cross default). The Credit Agreements also contain a clause under which the taking of control of Pernod Ricard by any other person or group of persons acting in concert (other than Société Paul Ricard or any group of persons acting in concert with Société Paul Ricard) is likely to constitute grounds for compulsory early repayment.

5.6.2.3 Bond issuance

The nominal amount of the Bonds and the interest thereon (the "**Bonds**") constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the Bonds benefit from similar security interests or security interests approved by the bondholders.

These bond issuances include a clause regarding change of control, which could lead to the compulsory early repayment of bonds upon request of each bondholder in the event of a change of control of the Company (benefitting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these bonds may be redeemed early if certain customary events of default arise.

	Amount *(US$ thousands)*	Amount *(€ thousands)*	Place of issue	Nominal value	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
USD bond of 07.04.2011	1,000,000 of which 500,000 was repaid early on 24 June 2020		Private placement for institutional investors, and subject to New York State (United States) law	US$150,000 (with multiples of US$1,000 in excess of this amount)	07.04.2021	Payable annually in arrears on 7 April and 7 October	Repayment of the 2008 syndicated loan in order to extend the Group's debt maturity and a part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 5.75%
USD bond of 25.10.2011	1,500,000		Private placement for institutional investors, and subject to New York State (United States) law	US$150,000 (with multiples of US$1,000 in excess of this amount)	15.01.2022	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 4.45%
USD bond of 12.01.2012	850,000		Private placement for institutional investors, and subject to New York State (United States) law	US$150,000 (with multiples of US$1,000 in excess of this amount)	15.01.2042	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 5.50%
USD bond of 12.01.2012	800,000		Private placement for institutional investors, and subject to New York State (United States) law	US$150,000 (with multiples of US$1,000 in excess of this amount)	15.07.2022	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 4.25%
EUR bond of 29.09.2014		650,000	Regulated market of Euronext Paris	100,000	27.09.2024	Payable annually in arrears on 27 September	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 2.125%
EUR bond of 28.09.2015		500,000	Regulated market of Euronext Paris	100,000	28.09.2023	Payable annually in arrears on 28 September	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 1.875%
USD PANDIOS bond of 26.01.2016	201,000		A single counterparty	1,000,000	26.01.2021	Payable half-yearly as from 26 July 2016	Repayment of bond debt to extend the maturity of the Group's debt	Floating
EUR bond of 17.05.2016		600,000	Regulated market of Euronext Paris	100,000	18.05.2026	Payable annually in arrears on 18 May	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 1.50%

	Amount *(US$ thousands)*	Amount *(€ thousands)*	Place of issue	Nominal value	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
USD bond of 08.06.2016	600,000		Private placement for institutional investors, and subject to New York State (United States) law	US$150,000 (with multiples of US$1,000 in excess of this amount)	08.06.2026	Payable annually in arrears on 8 June and 8 December from 8 December 2016	Repayment of short-term debt and bond debt to extend the maturity of the Group's debt	Annual fixed rate of 3.25%
EUR bond of 24.10.2019		500,000	Regulated market of Euronext Paris	100,000	24.10.2023	Payable annually in arrears on 24 October	General financing requirements of the Group	Annual fixed rate of 0%
EUR bond of 24.10.2019		500,000	Regulated market of Euronext Paris	100,000	24.10.2027	Payable annually in arrears on 24 October	General financing requirements of the Group	Annual fixed rate of 0.50%
EUR bond of 24.10.2019		500,000	Regulated market of Euronext Paris	100,000	24.10.2031	Payable annually in arrears on 24 October	General financing requirements of the Group	Annual fixed rate of 0.875%
EUR bond of 06.04.2020		750,000	Regulated market of Euronext Paris	100,000	07.04.2025	Payable annually in arrears on 7 April	General financing requirements of the Group	Annual fixed rate of 1.125%
EUR bond of 06.04.2020		750,000	Regulated market of Euronext Paris	100,000	08.04.2030	Payable annually in arrears on 8 April	General financing requirements of the Group	Annual fixed rate of 1.75%
EUR bond of 30.04.2020		250,000	Regulated market of Euronext Paris	100,000	07.04.2025	Payable annually in arrears on 7 April	General financing requirements of the Group	Annual fixed rate of 1.125%
EUR bond of 30.04.2020		250,000	Regulated market of Euronext Paris	100,000	08.04.2030	Payable annually in arrears on 8 April	General financing requirements of the Group	Annual fixed rate of 1.75%

5.6.2.4 Euro Medium Term Notes (EMTN) Programme

After obtaining the approval of the French Financial Markets Authority on the base prospectus, on 26 May 2020, Pernod Ricard set up a Euro Medium Term Notes (EMTN) programme (the "**Programme**"). According to the terms of the Programme, Pernod Ricard may issue bonds by means of private placements in various currencies. The securities may be admitted to trading on Euronext Paris. The maximum nominal amount of securities outstanding under the Programme is set at €7 billion (or its equivalent in any other currency). At its meeting on 22 April 2020, the Board of Directors authorised the Company to issue bonds under the Programme up to a maximum nominal amount of €1.5 billion (or its equivalent in any other currency) for a period of one year from 22 April 2020.

5.6.2.5 Europe Factoring Agreement

On 15 December 2008, certain affiliates of Pernod Ricard and Pernod Ricard Finance signed a factoring framework agreement with BNP Paribas Factor, to set up a pan-European factoring programme in the gross amount of €350 million, which was increased to €400 million by an addendum dated 23 June 2009. The programme was most recently renewed on 3 December 2018, for a period of five years from 1 January 2019. This programme was agreed in the amount of €500 million. The receivables are sold under the contractual subrogation regime under French law, except where certain local legal restrictions are in force. As substantially all of the risks and rewards related to the receivables are transferred to the purchaser in accordance with this factoring programme, transferred receivables are deconsolidated.

5.6.2.6 Securitisation (Master Receivables Assignment Agreement)

On 24 June 2009, certain affiliates of Pernod Ricard entered into an international securitisation programme arranged by Crédit Agricole CIB. The purpose of the programme was the transfer of eligible commercial receivables to €STR, in accordance with the provisions of a framework agreement dated 24 June 2009 and country-specific agreements entered into at the time that each relevant affiliate joined the programme. This programme was renewed on 17 June 2019 under the terms of an addendum to the framework agreement. The programme amounts to €65 million, US$230 million, £145 million and 400 million Swedish kronor.

This three-year programme includes a change of control clause that applies to each affiliate participating in the programme as a seller, which could lead to the early repayment of the programme by the affiliate concerned by such change of control. "Change of control" is defined as Pernod Ricard ceasing to hold, directly or indirectly, at least 80% of the share capital or voting rights of an affiliate participating in the programme as a seller, unless (i) Pernod Ricard continues to hold, directly or indirectly, 50% of the share capital or voting rights of such affiliate and (ii) issues, at the request of Crédit Agricole CIB, a guarantee in terms that Crédit Agricole CIB deems satisfactory (acting reasonably) for the purpose of securing the obligations of such affiliate under the securitisation transaction documents.

5.6.2.7 Factoring agreement Pacific

On 18 March 2013, a new agreement for the sale of receivables was signed between Pernod Ricard Winemakers Pty Ltd (formerly Premium Wine Brands Pty [(1)]), Pernod Ricard Winemakers New Zealand Limited (formerly Pernod Ricard New Zealand Limited) and The Royal Bank of Scotland plc. This factoring agreement covers Australia and New Zealand and amounts to AUD128.5 million and NZD45 million. The receivables sale agreement was taken over in full by BNP Paribas on 4 December 2015, replacing The Royal Bank of Scotland plc.

Additional information on the impact of these financing contracts on the Group's financial statements is provided in Notes 4.8.1 – *Breakdown of net financial debt by nature and maturity* and 4.8.7 – *Bonds to the consolidated financial statements.*

(1) Renamed Pernod Ricard Winemakers Pty.

6.

Consolidated Financial Statements

Section

The financial statements at 30 June 2019 are not restated for the application of IFRS 16 “Leases” (for more details, see Note 1.1.2.1 to the consolidated financial statements below).

The term “restated” refers solely to the restatement of the balance sheet at 30 June 2019, given the reclassification of uncertain tax positions required under IFRIC 23 (for more details, see Note 1.2.1.2 to the consolidated financial statements below). When information is presented without mentioning restatement, it means that the aggregates in question are not impacted by this interpretation.

6.1 Consolidated income statement

€ million	**30.06.2019**	**30.06.2020**	**Notes**
Net sales	9,182	8,448	2
Cost of sales	(3,533)	(3,361)	2
Gross margin after logistics expenses	**5,648**	**5,086**	**2**
Advertising and promotion expenses	(1,512)	(1,327)	2
Contribution after advertising and promotion	**4,137**	**3,759**	**2**
Structure costs	(1,556)	(1,499)	
Profit from Recurring Operations	**2,581**	**2,260**	
Other operating income/(expenses)	(206)	(1,283)	3.1
Operating profit	**2,375**	**978**	
Financial expenses	(346)	(403)	3.2
Financial income	36	36	3.2
Financial income/(expense)	**(310)**	**(366)**	
Corporate income tax	(582)	(258)	3.3
Share of net profit/(loss) of associates	0	0	
Net profit from assets held for sale	-	(3)	4.12
NET PROFIT	**1,482**	**350**	
o/w:			
• non-controlling interests	27	21	
• Group share	1,455	329	
Earnings per share – basic *(in euros)*	5.51	1.25	3.4
Earnings per share – diluted *(in euros)*	5.48	1.24	3.4

6.2 Consolidated statement of comprehensive income

€ million	30.06.2019	30.06.2020
Net profit for the period	**1,482**	**350**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**267**	**(758)**
Amounts recognised in shareholders' equity	*319*	*(919)*
Tax impact	*(52)*	*161*
Equity instruments	**66**	**(119)**
Unrealised gains and losses recognised in shareholders' equity	*67*	*(120)*
Tax impact	*(1)*	*1*
Recyclable items		
Net investment hedges	**(3)**	**10**
Amounts recognised in shareholders' equity	*(3)*	*13*
Tax impact	*-*	*(4)*
Cash flow hedges	**7**	**5**
Amounts recognised in shareholders' equity (1)	*11*	*8*
Tax impact	*(4)*	*(3)*
Translation differences	**112**	**(65)**
Other comprehensive income for the period, net of tax	**448**	**(927)**
COMPREHENSIVE INCOME FOR THE PERIOD	**1,930**	**(577)**
o/w: • Group share • non-controlling interests	 1,900 30	 (600) 23

(1) Including €(6) million recycled through profit or loss in respect of FY20.

6.3 Consolidated balance sheet

Assets

€ million	30.06.2019	30.06.2020	Notes
Net amounts			
Non-current assets			
Intangible assets	11,683	10,965	4.1
Goodwill	5,391	5,611	4.1
Property, plant and equipment	2,549	3,095	4.2
Non-current financial assets	1,419	522	4.3
Investments in associates	14	28	
Non-current derivative instruments	20	54	4.3/4.10
Deferred tax assets	1,590	1,678	3.3
TOTAL NON-CURRENT ASSETS	**22,665**	**21,953**	
Current assets			
Inventories and work in progress	5,756	6,167	4.4
Trade receivables and other operating receivables	1,226	906	4.5
Income taxes receivable	105	142	
Other current assets	359	323	4.6
Current derivative instruments	6	12	4.3/4.10
Cash and cash equivalents	923	1,935	4.8
TOTAL CURRENT ASSETS	**8,375**	**9,485**	
Assets held for sale	5	87	4.12
TOTAL ASSETS	**31,045**	**31,525**	

Liabilities

€ million	30.06.2019 Restated	30.06.2020	Notes
Shareholders' equity			
Capital	411	411	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	11,069	10,177	
Group net profit	1,455	329	
Group shareholders' equity	**15,987**	**13,968**	
Non-controlling interests	195	243	
TOTAL SHAREHOLDERS' EQUITY	**16,182**	**14,211**	
Total non-current liabilities			
Non-current provisions	269	310	4.7
Provisions for pensions and other long-term employee benefits	559	605	4.7
Deferred tax liabilities	2,756	2,596	3.3
Bonds - non-current	6,071	8,599	4.8
Non-current lease liabilities	-	433	4.8
Other non-current financial liabilities	363	192	4.8
Non-current derivative instruments	16	0	4.10
TOTAL NON-CURRENT LIABILITIES	**10,034**	**12,735**	
Total current liabilities			
Current provisions	149	222	4.7
Trade payables	2,187	1,877	
Income tax payable	307	232	3.3
Other current liabilities	1,058	1,016	4.11
Bonds - current	944	723	4.8
Current lease liabilities	-	88	4.8
Other current financial liabilities	177	380	4.8
Current derivative instruments	5	24	4.10
TOTAL CURRENT LIABILITIES	**4,826**	**4,563**	
Liabilities related to assets held for sale	2	16	4.12
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31,045**	**31,525**	

6.4 Changes in consolidated shareholders' equity

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2018	**411**	**3,052**	**11,823**	**59**	**(38)**	**(380)**	**(130)**	**14,797**	**181**	**14,978**
IFRS 9 impacts	-	-	(1)	-	-	-	-	(1)	-	(1)
Opening position on 01.07.2018 restated	**411**	**3,052**	**11,823**	**59**	**(38)**	**(380)**	**(130)**	**14,797**	**181**	**14,977**
Comprehensive income for the period	-	-	1,455	268	73	104	-	1,900	30	1,930
Capital increase	-	-	-	-	-	-	-	-	-	-
Expense related to share-based payments	-	-	40	-	-	-	-	40	-	40
(Acquisition)/disposal of treasury shares	-	-	(35)	-	-	-	(25)	(60)	-	(60)
Sale and repurchase agreements	-	-	-	-	-	-	1	1	-	1
Dividends and interim dividends distributed	-	-	(668)	-	-	-	-	(668)	(19)	(687)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with minority interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(22)	-	-	-	-	(22)	4	(19)
CLOSING POSITION ON 30.06.2019	**411**	**3,052**	**12,592**	**327**	**34**	**(276)**	**(153)**	**15,987**	**195**	**16,182**

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2019	**411**	**3,052**	**12,592**	**327**	**34**	**(276)**	**(153)**	**15,987**	**195**	**16,182**
Comprehensive income for the period	-	-	329	(758)	(114)	(57)	-	(600)	23	(577)
Capital increase	-	-	-	-	-	-	-	-	-	-
Expense related to share-based payments	-	-	22	-	-	-	-	22	-	22
(Acquisition)/disposal of treasury shares	-	-	(56)	-	-	-	(530)	(587)	-	(587)
Sale and repurchase agreements	-	-	-	-	-	-	-	-	-	-
Dividends and interim dividends distributed	-	-	(820)	-	-	-	-	(820)	(22)	(842)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	47	47
Other transactions with minority interests	-	-	(35)	-	-	-	-	(35)	-	(35)
Other movements	-	-	1	-	-	-	-	1	-	1
CLOSING POSITION ON 30.06.2020	**411**	**3,052**	**12,033**	**(431)**	**(79)**	**(333)**	**(684)**	**13,968**	**243**	**14,211**

6.5 Consolidated cash flow statement

€ million	30.06.2019	30.06.2020	Notes
Cash flow from operating activities			
Group net profit	1,455	329	
Non-controlling interests	27	21	
Share of net profit/(loss) of associates, net of dividends received	0	0	
Financial (income)/expenses	310	366	
Tax (income)/expenses	582	258	
Net profit from discontinued operations	-	3	
Depreciation of fixed assets	226	350	
Net change in provisions	7	97	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	69	1,007	
Changes in fair value of commercial derivatives	(3)	0	
Changes in fair value of biological assets	(3)	(3)	
Net (gain)/loss on disposal of assets	0	(27)	
Expenses related to share-based payments	40	23	
Self-financing capacity before financing interest and taxes	**2,711**	**2,423**	
Decrease/(increase) in Working Capital Requirements	(181)	(433)	5.1
Interests paid	(340)	(371)	
Interests received	32	36	
Taxes paid/received	(521)	(474)	
NET CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	**1,701**	**1,181**	
Cash flow from investing activities			
Capital expenditure	(388)	(365)	
Proceeds from disposals of property, plant and equipment and intangible assets	50	14	
Change in scope of consolidation	-	-	
Purchases of financial assets and activities	(192)	(618)	5.2
Disposals of financial assets and activities	14	34	
NET CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	**(516)**	**(936)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(645)	(849)	
Other changes in shareholders' equity	-	-	
Issuance of long-term debt	163	3,822	5.3
Repayment of debt	(431)	(1,553)	5.3
Repayment of lease liabilities	-	(100)	
(Acquisitions)/disposals of treasury shares	(121)	(526)	
Other transactions with non-controlling interests	-	-	
NET CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	**(1,034)**	**795**	
Cash flow from non-current assets held for sale	-	(3)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (BEFORE FOREIGN EXCHANGE IMPACT)	**151**	**1,037**	
Restatment for IFRS 15 on opening position	16	-	
Effect of exchange rate changes	1	(26)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (AFTER FOREIGN EXCHANGE IMPACT)	**169**	**1,012**	
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**754**	**923**	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**923**	**1,935**	

6.6 Notes to the consolidated financial statements

DETAILED CONTENTS OF THE NOTES

Pernod Ricard SA is a French public limited company (*société anonyme*), subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 5, cours Paul Ricard, 75008 Paris and is listed on Euronext. The consolidated financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (the "Group"). They are presented in euros and rounded to the nearest million.

The Group's business is the production and sale of wines & spirits.

The consolidated financial statements for the financial year ended 30 June 2020 were approved by the Board of Directors on 1 September 2020.

NOTE 1 Accounting principles and significant events

Note 1.1 Accounting policies

1. Principles and accounting standards governing the preparation of the annual consolidated financial statements

Because of its listing in a country of the European Union, and in accordance with EC Regulation 1606/02, the Group's consolidated financial statements for the financial year ended 30 June 2020 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

The accounting principles used to prepare the consolidated financial statements to 30 June 2020 are consistent with those used for the consolidated financial statements to 30 June 2019, with the exception of standards and interpretations adopted by the European Union applicable to the Group from 1 July 2019 (see Note 1.1.2 – *Changes in accounting standards*). The Group does not adopt early application of standards or interpretations.

The Group's financial year runs from 1 July to 30 June.

2. Changes in accounting standards

Standards, amendments and interpretations for which implementation is mandatory for financial years commencing from 1 July 2019

The standards, amendments and interpretations applicable to Pernod Ricard with effect from 1 July 2019, are as follows:

- IFRS 16 "Leases";
- IFRIC 23 "Uncertainty over Income Tax Treatments";
- amendments to IFRS 9 "Prepayment features with negative compensation";
- amendments to IAS 19 "Employee Benefits: Plan Amendment, Curtailment or Settlement";
- amendments to IAS 28 "Investments in associates and joint ventures";
- the IFRS improvements cycle 2015/17.

Other than IFRS 16 and IFRIC 23, whose impacts are described in Notes 1.1.2.1.1 and 1.1.2.1.2 below, these amendments and interpretations have no impact on the Group's financial statements.

2.1 Impact of the first-time application of IFRS 16 and IFRIC 23

2.1.1 IFRS 16 (Leases)

In January 2016, the IASB (International Accounting Standards Board) published a new standard for the recognition of leases. This mandatory new standard replaces IAS 17 and the associated IFRIC and SIC interpretations. It removes the distinction previously made between finance leases and operating leases by requiring all lease commitments to be recorded in the balance sheet. The Group has therefore reviewed all its leases.

Accounting principles amended following the application of IFRS 16 are presented in Note 4.8 – *Financial liabilities*. The Group also analysed the decision by the IFRS Interpretation Committee in November 2019 with regard to the determination of the enforceable period of contracts and the depreciation period for fixtures and fittings and installations inseparable from the leased property. This decision has no material impact on the Group's consolidated financial statements and the judgements made in determining the term of the leases.

The Group has applied the simplified retrospective transition method to 1 July 2019. The choice of this transition method means that comparative information from prior periods has not been restated.

The standard introduces various simplification measures. In particular, the Group has chosen exemptions from recognition to exclude leases with a term of less than 12 months (including residual period at the transition date) and leases relating to assets with a low replacement value. The value of leases classified as finance leases under IAS 17 remains unchanged.

Variable leases or the provision of lease-related services are not taken into account when determining the amount of the right-of-use asset and lease liability and are recognised as expenses when they are incurred.

In addition, the value of the right-of-use asset is deemed to be equal to the amount of the liability, adjusted for prepaid rents, initial direct costs, benefits received from lessors and, where applicable, remediation costs.

Lease liabilities have been measured at the present value of the lease payments outstanding. The discount rates applied at the transition date are based on the Group's borrowing rate plus a spread to take into account country-specific economic environments. The discount rates were determined taking into account the term of each lease. The weighted average incremental borrowing rate applied to lease liabilities at 1 July 2019 is 3.94%.

The reconciliation between the commitments relating to operating leases, disclosed in Note 6.3 to the consolidated financial statements at 30 June 2019, and the lease liability recognised at 1 July 2019 under the first-time application of IFRS 16, is as follows:

€ million	
Operating lease commitments at 30 June 2019	**555**
Leases exempt from recognition under IFRS 16	(4)
Leases with a commencement date after 1 July 2019	(201)
Finance leases previously recognised under IAS 17	28
Other items	13
Undiscounted lease liabilities at 1 July 2019	**391**
Discounting effect	52
Lease liabilities recognised at 1 July 2019	**339**

At 30 June 2020, following the application of IFRS 16, the Group's balance sheet includes lease liabilities totalling €522 million and right-of-use assets totalling €448 million.

These impacts mainly concern real estate assets, including the offices occupied by the Group. The assumption concerning the lease term corresponds to the non-cancellable period of the lease, if necessary increased by renewal periods where there is an extension option and the management is reasonably certain to exercise that option.

A breakdown of right-of-use assets by category of fixed asset at 1 July 2019 and at 30 June 2020 is also given in Note 4.2 – *Property, plant and equipment*.

The impact on the Group's income statement is non-material. There is zero impact on profit from recurring operations. The impact on financial income/(expense) amounts to €(13) million.

The impacts on the cash flow statement consist of an improvement in cash flow from operating activities of +€96 million and a deterioration in cash flow from financing activities of €(96) million. This corresponds to the reclassification in cash flow from financing activities of the repayment of the nominal amount of lease liabilities relating to leases previously classified as operating leases.

At 1 July 2019, the impacts on the balance sheet are as follows:

€ million	**30.06.2019**	**IFRS 16 impacts**	**01.07.2019**
Intangible assets	11,683		11,683
Goodwill	5,391		5,391
Land	311	53	364
Buildings	757	190	947
Machinery and equipment	808	11	819
Other property, plant and equipment and assets in progress	673	38	711
Property, plant and equipment (1)	2,549	292	2,841
Non-current financial assets (2)	1,419	14	1,432
Investments in associates	14		14
Non-current derivative instruments	20		20
Deferred tax assets	1,590		1,590
Non-current assets	**22,665**	**306**	**22,971**
Inventories and work in progress	5,756		5,756
Receivables	1,226		1,226
Income taxes receivable	105		105
Other current assets	359		359
Current derivative instruments	6		6
Cash and cash equivalents	923		923
Current assets	**8,375**		**8,375**
Assets held for sale	5		5
TOTAL ASSETS	**31,045**	**306**	**31,351**

€ million	**30.06.2019 Restated**	**IFRS 16 impacts**	**01.07.2019**
Total shareholders' equity	**16,182**		**16,182**
Non-current provisions	269	(3)	266
Provisions for pensions and other long-term employee benefits	559		559
Deferred tax liabilities	2,756		2,756
Bonds - non-current	6,071		6,071
Non-current lease liabilities (1)	-	248	248
Other non-current financial liabilities (3)	363	(22)	341
Non-current derivative instruments	16		16
Total non-current liabilities	**10,034**	**223**	**10,257**
Current provisions	149		149
Trade payables	2,187	(3)	2,184
Income taxes payable	307		307
Other current liabilities	1,058		1,058
Bonds - current	944		944
Current lease liabilities (1)	-	91	91
Other current financial liabilities (3)	177	(6)	171
Current derivative instruments	5		5
Total current liabilities	**4,826**	**83**	**4,909**
Liabilities related to assets held for sale	2		2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31,045**	**306**	**31,351**

(1) I.e. an impact at the beginning of the period of €339 million on lease liabilities and €292 million on right-of-use assets, mainly relating to property leases.
(2) Receivables relating to sublease contracts.
(3) Of which €28 million corresponds to the reclassification in lease liabilities of liabilities for contracts previously classified as finance leases under IAS 17.

2.1.2 IFRIC 23 "Uncertainty over Tax Treatments"

IFRIC 23 clarifies the recognition of uncertain tax positions relating to income taxes. The application of this interpretation has no impact on the value of the Group's tax liabilities and involved the reclassification of €150 million from "Non-current provisions" to "Current tax liabilities" at 30 June 2019. The Group's balance sheet at 30 June 2019 has been restated accordingly:

€ million	30/06/2019 Published	Impacts IFRIC 23	30/06/2019 Restated
Non-current provisions	420	(150)	269
Total non-current liabilities	**10,185**	**(150)**	**10,034**
Income taxes payable	157	150	307
Total current liabilities	**4,676**	**150**	**4,826**

3. Measurement basis

The financial statements are prepared in accordance with the historical cost method, except for certain categories of assets and liabilities, which are measured in accordance with the methods provided by IFRS.

4. Principal uncertainties arising from the use of estimates and judgements by Management

Estimates

The preparation of consolidated financial statements in accordance with IFRS means that Group Management makes a certain number of estimates and assumptions which have an impact on the amount of the Group's assets and liabilities, and items of profit and loss during the financial year. These estimates are made on the assumption that the Company will continue as a going concern, and are based on information available at the time of their preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available. Future outcomes can differ from these estimates.

Goodwill and intangible assets

As indicated in Note 4.1 – *Intangible assets and goodwill*, in addition to annual impairment tests applied to goodwill and intangible assets with indefinite useful lives (such as brands), the Group carries out spot impairment tests where there is an indication that the value of an intangible asset may have been impaired. Any impairment loss is calculated using discounted future cash flows and/or the market values of the assets in question. These calculations require the use of assumptions regarding market conditions and projected cash flows, and any changes in these assumptions may thus lead to results different from those initially estimated.

Provisions for pensions and other post-employment benefits

As indicated in Note 4.7 – *Provisions*, the Group runs defined benefit and defined contribution pension plans. In addition, provisions are also recognised in virtue of certain other post-employment benefits such as life insurance and medical care (mainly in the United States and the United Kingdom). The carrying amount of these provisions at the balance sheet date is set out in Note 4.7 – *Provisions*.

These benefit obligations are based on a number of assumptions such as discount rates, future salary increases, the rate of employee turnover and life expectancy.

These assumptions are generally updated annually. The assumptions used in the preparation of the financial statements for the year ended 30 June 2020 and the procedures used in their determination are set out in Note 4.7 – *Provisions*. The Group considers that the actuarial assumptions used are appropriate and justified. However, such actuarial assumptions may change in the future and this may have a material impact on the amount of the Group's benefit obligations and on its profits.

Deferred tax

As indicated in Note 3.3 – *Corporate income tax*, the deferred tax assets recognised result mainly from tax loss carryforwards and from temporary differences between the tax base and the carrying amounts of assets and liabilities. Deferred tax assets in respect of tax losses are recognised if it is probable that the Group will have future taxable profits against which such losses will be used. The assessment of whether the Group will be able to use these tax losses is largely a matter of judgement. Analyses are carried out to decide whether or not these tax loss carryforwards are likely to be usable in the future.

Provisions

As explained in Note 4.7 – *Provisions*, the Group is involved in a number of disputes and claims arising in the ordinary course of its business. In some cases, the amounts requested by the claimants are significant and the legal proceedings can take several years. In this context, provisions are calculated on the basis of the Group's best estimate of the amount that will be payable based on the information available (notably that provided by the Group's legal advisers). Any change to assumptions can have a significant effect on the amount of the provision recognised. The carrying amount of these provisions at the balance sheet date is set out in Note 4.7 – *Provisions*.

Judgements

In the absence of standards or interpretations applicable to a specific transaction, Group Management uses its judgement to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

Hyperinflation

In accordance with the provisions of IAS 29, Argentina has been considered a hyperinflationary economy since 1 July 2018.

However, given the contribution of Argentina's business performance to the Group's financial statements, the impact of the application of IAS 29 has been deemed non-material, and the corresponding restatements have not been made.

5. Business combinations

Business combinations carried out before 1 July 2009 were recognised using the accounting standards in force as of 30 June 2009. Business combinations after 1 July 2009 are measured and recognised in accordance with the revised version of IFRS 3: the consideration transferred (cost of acquisition) is measured at the fair value of assets given, equity instruments issued and liabilities incurred at the transaction date. Identifiable assets and liabilities belonging to the acquired company are measured at their fair value at the acquisition date. Costs directly attributable to the acquisition, such as legal, due diligence and other professional fees are recognised as other operating expenses incurred.

Any surplus consideration in excess of the Group's share in the fair value of the acquired company's identifiable assets and liabilities is recognised as goodwill. The option is available for each transaction to apply either proportionate or full goodwill methods. Goodwill arising on the acquisition of foreign entities is denominated in the functional currency of the business acquired. Goodwill is not amortised. Instead, it is subject to an impairment test once a year or more often if there is any indication that its value may have been impaired.

Finally, in accordance with IFRS 3 as revised and IAS 27 as amended, the Group recognised in shareholders' equity the difference between the price paid and the proportional part of non-controlling interests acquired in previously controlled companies.

6. Foreign currency translation

6.1 Reporting currency used in the consolidated financial statements

The Group's consolidated financial statements are prepared in euros, which is the functional currency and the reporting currency of the Parent Company.

6.2 Functional currency

The functional currency of an entity is the currency of the economic environment in which it mainly operates. In most cases, the functional currency is the entity's local currency. However, in a very limited number of entities, a functional currency that is different from the local currency may be used if it reflects the entity's economic environment and the currency in which most of the entity's transactions are denominated.

6.3 Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are generally translated into the functional currency using the exchange rate applicable at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applying at the closing date. Foreign currency differences are recognised in profit and loss for the period, except for foreign currency differences arising on debts designated as hedges for the net foreign currency assets of consolidated affiliates. The latter are recognised directly in shareholders' equity, under currency translation adjustments, until the disposal of the net investment. Foreign currency differences related to operating activities are recognised within operating profit for the period; foreign currency differences related to financing activities are recognised within financial income (expense) or in shareholders' equity.

6.4 Translation of financial statements of affiliates whose functional currency is different from the euro (the reporting currency)

The balance sheet is translated into euros at year-end exchange rates. The income statement and cash flows are translated on the basis of average exchange rates. The differences resulting from the translation of the financial statements of these affiliates are recognised in translation differences within shareholders' equity under other comprehensive income. On disposal of a foreign entity, currency translation adjustments previously recognised in shareholders' equity are recognised in profit and loss.

7. Assets held for sale and discontinued operations

In accordance with IFRS 5 (Non-current assets held for sale and discontinued operations), where they are significant, assets and liabilities held for sale are no longer subject to depreciation or amortisation. They are shown separately in the balance sheet at the lower of the carrying amount or the fair value less costs to sell. An asset is considered as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In order for this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Items in the balance sheet related to discontinued operations and assets held for sale are presented under specific lines in the consolidated financial statements. Income statement items related to discontinued operations and assets held for sale are presented separately in the financial statements for all periods reported upon if they are significant from a Group perspective.

Note 1.2 Significant events during the financial year

1. Impacts of the Covid-19 epidemic

The global spread of Covid-19 at the beginning of 2020 had a major impact on the Group's business in the second half of the financial year. Many countries have taken strict measures to try to slow the spread of the epidemic and have imposed the closure of establishments open to the public (including bars, hotels, restaurants) as well as lockdown measures and restrictions on international travel (affecting Travel Retail activities in particular).

In this context, net sales for the period amounted to €8,448 million, down 8% compared with FY19. The efforts made by the Group as a whole in terms of advertising and promotional expenditure (down 12% compared with FY19) and structure costs (down 4% compared with FY19), helped to limit the impact of this crisis on Profit from Recurring Operations. The latter amounted to €2,260 million, down 12% compared with FY19.

As part of the management of this crisis, the Group has taken a number of strong measures:

- priority given to the health and safety of its employees and partners;
- active inventory management to maintain a healthy level in main markets, particularly China and the United States;
- active management of resources and cost control to adapt to the crisis;
- dynamic cash management and a strengthened liquidity position thanks to several bond issues over the period (see Note 1.2.2.3 - *Bond issues and redemptions*) and the implementation of a new line of credit, undrawn to date.

Despite the crisis, the Group has continued to implement its Transform & Accelerate agenda, including the finalisation of the Reconquer project in France and the re-organisation of its Wines business in order to improve its performance.

Due to the sudden slowdown in activity and uncertainty of the medium-term outlook brought about by the global health crisis and its economic fallout, the Group has recorded an impairment on the carrying amount of its intangible assets (brands) in the amount of €999 million in other operating income and expenses, *i.e.* €768 million in net profit after tax. This impairment loss mainly impacts the Absolut brand in the amount of €912 million before tax (€702 million after tax) and does not call into question the strategy or operational initiatives relating to the brand (see Note 4.1 - *Intangible assets and goodwill - Impairment of tangible or intangible assets).*

Furthermore, the Group has paid particular attention to the recoverability of its trade receivables in view of the increased credit risk related to the crisis, with the measures implemented enabling optimised management of trade receivables.

2. Other significant events during the financial year

2.1 Acquisitions and disposals

During the first half of the year, the Group finalised several transactions with the aim of strengthening its portfolio of American whiskies through three successive acquisitions: the signing of the partnership with Rabbit Hole Spirits LLC, owner of the Rabbit Hole Bourbon Whiskey brand, the acquisition of Firestone & Robertson Distilling Co., owner of the TX Whiskey brand, and lastly the successful acquisition of the American listed company, Castle Brands Inc., owner of the Jefferson's Bourbon brand in particular. The Group also carried out more targeted acquisitions, such as the signature of a partnership with Laurenskirk (PTY) Ltd., owner of the South African gin brand Inverroche, the acquisition of 34% of the joint venture Seagram Myanmar Company Ltd, owner of the High Class Whisky brand, and the acquisition of the Spanish company Bodeboca SL, owner of the Bodeboca digital platform.

During the second half of the year, the Group continued the same strategy by strengthening its positions through partnerships/acquisitions of super and ultra-Premium brands in fast-growing categories, such as the agreements signed with The Kyoto Distillery, owner of the Japanese gin brand KI NO BI, and Italicus Ltd, owner of the Italian aperitif of the same name. The Group also exercised its call option on the remaining share capital of Black Forest Distillers GmbH, owner of the successful Monkey 47 brand.

These acquisitions represent a total amount of approximately €600 million, mainly allocated to brands for €227 million and to goodwill for €199 million.

Finally, as part of its strategy of dynamic management of its brand portfolio, the Group also sold the Café de Paris brand and the Cubzac production site to the cooperative InVivo.

2.2 Pension fund insurance

The Trustee of the largest Pernod Ricard pension fund in the UK has signed a contract with the insurer Rothesay Life to insure the majority of the fund's pension liabilities through the purchase of an insurance policy, commonly known as "buy-in".

This contract reduces the Group's exposure to a potential shortfall in plan funding that could arise due to fluctuations in market parameters (primarily inflation and interest rates) and changes in longevity.

The buy-in transaction involves the transfer of €4,252 million of pension plan assets to the insurer Rothesay Life, with no impact on the Group's cash flow. As a result of this transaction, the carrying amount of the insurance policy fully covers the carrying amount of the insured pension liabilities, estimated at €3,350 million at the transaction date. The difference of €903 million was recognised by writing down the value of "Non-current financial assets" with the corresponding recognition of shareholders' equity in "Other comprehensive income", with no impact on profit or loss.

2.3 Bond issues and redemptions

During the year, Pernod Ricard issued the following bonds:

- €1.5 billion in three tranches of 4, 8 and 12 years on 24 October 2019, bearing interest at the fixed annual rate of 0.00%, 0.50% and 0.875%, respectively;
- €1.5 billion in two tranches of 5 and 10 years on 1 April 2020, bearing interest at the fixed annual rate of 1.125% and 1.75%, respectively;
- the Group carried out two tap issues for a total of €500 million on 27 April 2020:
  - €250 million, bringing the total amount of the bond maturing in April 2025 to €1 billion,
  - €250 million, bringing the total amount of the bond maturing in April 2030 to €1 billion.

On 23 March 2020, the Group early redeemed a bond with an original maturity of June 2020 in the amount of €850 million, in accordance with the bond's Terms and Conditions.

On 26 May 2020, the Group completed a €7 billion medium-term notes (MTN) issuance programme. To date, no drawdowns have been made under this programme.

On 24 June 2020, the Group early redeemed a bond with an original maturity of April 2021 in the amount of US$500 million, in accordance with the bond's Terms and Conditions.

NOTE 2 Segment information

Net sales

The Group's net sales primarily comprise sales of finished products, and are recorded in the income statement upon transfer of control of the products. It is measured at the fair value of the consideration received or to be received, after deducting trade discounts, volume rebates, certain costs associated with business and promotional activity and sales-related taxes and duties, notably excise duties.

Costs of commercial and promotional activity

Pursuant to IFRS 15, certain costs of services rendered in connection with sales, such as advertising programmes in conjunction with distributors, listing costs for new products, promotional activities at point of sale, and advertising and promotional expenses, are deducted directly from Net sales if there is no distinct service whose fair value can be reliably measured.

Duties and taxes

In accordance with IFRS 15, certain import duties, in Asia for instance, are classified as cost of sales, as these duties are not specifically re-billed to customers (as is the case for social security stamps in France, for example).

Discounts

In accordance with IFRS 15, early payment discounts are not considered to be financial transactions, but rather are deducted directly from net sales.

Gross margin after logistics expenses, Contribution after advertising and promotion expenses, Profit from Recurring Operations and Other operating income and expenses

The gross margin after logistics costs corresponds to sales (excluding duties and taxes), less costs of sales and logistics expenses. The contribution after advertising and promotion expenses includes the gross margin after deduction of logistics expenses and advertising and promotion expenses. The Group applies recommendation 2013-R03 of the French accounting standards authority (Autorité des normes comptables – ANC), notably as regards the definition of Profit from recurring operations. Profit from recurring operations is the contribution after advertising and promotion expenses less trading costs and overheads. This is the indicator used internally to measure the Group's operational performance. It excludes other operating income and expenses, such as those related to restructuring, capital gains and losses on disposals, impairment of property, plant and equipment and intangible assets, and other non-recurring operating income or expenses. These other operating income and expenses are excluded from Profit from recurring operations because the Group believes they have little predictive value due to their occasional nature. They are described in detail in Note 3.1 – *Other operating income and expenses*.

The Group is focused on a single activity, the production and sale of wines & spirits, and has three operating segments covering three regions, namely America, Europe and Asia/Rest of the World (RoW).

Group Management assesses the performance of each operating segment on the basis of net sales and Profit from Recurring Operations, defined as the gross margin after logistics costs, less advertising and promotion investments and structure costs. The operating segments presented are identical to those included in the reporting provided to General Management, in particular for the performance analysis.

Items in the income statement and the balance sheet are allocated on the basis of either the destination of sales or profits. Operating segments follow the same accounting policies as those used for the preparation of the consolidated financial statements. Intra-segment transfers are transacted at market prices.

At 30.06.2019 *€ million*	**Americas**	**Asia/Rest of World**	**Europe**	**Total**
Income statement items				
Segment net sales	3,902	5,891	4,224	14,017
o/w intersegment sales	*1,357*	*1,926*	*1,552*	*4,835*
Net sales (excluding Group)	**2,545**	**3,965**	**2,672**	**9,182**
Gross margin after logistics expenses	1,698	2,308	1,643	5,648
Contribution after advertising and promotion	1,193	1,716	1,228	4,137
Profit from recurring operations	785	1,179	617	2,581
Other information				
Current investments	50	72	277	398
Depreciation, amortisation and impairment	29	47	219	295

At 30.06.2020 *€ million*	**Americas**	**Asia/Rest of World**	**Europe**	**Total**
Income statement items				
Segment net sales	3,747	5,181	4,032	12,960
o/w intersegment sales	*1,298*	*1,715*	*1,500*	*4,512*
Net sales (excluding Group)	**2,449**	**3,467**	**2,532**	**8,448**
Gross margin after logistics expenses	1,599	1,969	1,519	5,086
Contribution after advertising and promotion	1,138	1,452	1,169	3,759
Profit from recurring operations	718	938	605	2,260
Other information				
Current investments	113	233	611	957
Depreciation, amortisation and impairment	972	133	251	1,356

The segment information includes the impacts of IFRS 16 applicable from 1 July 2019, without restatement of the information presented at 30 June 2019. The implementation of IFRS 16 has no material impact on Profit from Recurring Operations.

The impact of right-of-use assets on current investments and depreciation, amortisation and impairment expense is as follows:

At 30.06.2020 *€ million*	**Americas**	**Asia/Rest of World**	**Europe**	**Total**
Current investments	71	168	355	594
Depreciation, amortisation and impairment	13	43	57	113

Breakdown of net sales

€ million	Net sales at 30.06.2019	Net sales at 30.06.2020	Change *(€m)*	Change *(%)*
Strategic International Brands	5,811	5,268	(543)	-9%
Strategic Local Brands	1,754	1,599	(155)	-9%
Strategic Wines	451	431	(19)	-4%
Specialty Brands	301	373	72	24%
Other products	865	776	(89)	-10%
TOTAL	**9,182**	**8,448**	**(734)**	**-8%**

NOTE 3 Notes to the income statement

Note 3.1 Other operating income and expenses

Other operating income and expenses include impairment of property, plant and equipment and intangible assets, costs relating to restructuring and integration, capital gains or losses on disposals, as well as other non-recurring operating income and expenses. These other operating income and expenses are excluded from the Profit from Recurring Operations given their unusual, abnormal and infrequent nature, which would distort the reading of the Group's performance.

Other operating income and expenses are broken down as follows:

€ million	30.06.2019	30.06.2020
Impairment of property, plant and equipment and intangible assets	(69)	(1,007)
Gains or losses on asset disposals and acquisition costs	(29)	11
Net restructuring and reorganisation expenses	(77)	(178)
Disputes and risks	3	(47)
Other non-current operating income and expenses	(33)	(63)
OTHER OPERATING INCOME AND EXPENSES	**(206)**	**(1,283)**

At 30 June 2020, other operating income and expenses primarily consisted of:

- impairment losses on property, plant and equipment and intangible assets for €1,007 million, resulting in particular from brand impairment tests, mainly on the Absolut brand for €912 million;
- restructuring expenses relating to various reorganisation projects, including the "Reconquer" project announced on 1 October 2019;
- as well as certain costs generated by the Covid-19 health crisis for approximately €37 million, in particular penalties and costs relating to the cancellation of events or the closure of sales outlets imposed by local authorities for €18 million and donations, the production of hydro-alcoholic gel as part of the fight against the pandemic and employee protection measures for €10 million. These expenses were recorded in accordance with the Group's accounting rules given their unusual, abnormal and infrequent nature and their materiality.

Note 3.2 Financial income/(expense)

€ million	30.06.2019	30.06.2020
Interest expenses on net financial debt	(329)	(340)
Financial expenses on lease liabilities	-	(14)
Interest income on net financial debt	32	36
Net financing cost	**(297)**	**(319)**
Structuring and placement fees	(2)	(2)
Net financial impact of pensions and other long-term employee benefits	(5)	0
Other net current financial income (expense)	(10)	(7)
Financial income/(expense) from recurring operations	**(314)**	**(328)**
Foreign currency gains/(loss)	2	(19)
Other non-current financial income/(expenses)	1	(19)
TOTAL FINANCIAL INCOME/(EXPENSE)	**(310)**	**(366)**

At 30 June 2020, the net cost of financial debt included financial expenses of €273 million on bonds, €5 million on interest rate hedges, €11 million on factoring and securitisation agreements, €14 million on interest on lease liabilities, and €16 million in other expenses. Other financial income and expenses were mainly due to the $500 million bond repurchase, for €19 million, and negative foreign exchange impacts during the period, also for €19 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 3.6% over FY20 compared to 3.9% over FY19. This weighted average cost for FY20 includes the cost of lease liabilities recognised under IFRS 16. Given that the impacts of this standard are relatively minor, as described in Note 1.1.2.1, its implementation has no significant impact on the Group's weighted average cost of debt.

Weighted average cost of debt is defined as net financing costs plus structuring and placement fees as a proportion of average net financial debt outstanding plus the average amount outstanding on factoring and securitisation programmes.

Note 3.3 Corporate income tax

Analysis of income tax expense

€ million	30.06.2019	30.06.2020
Current income tax	(483)	(364)
Deferred income tax	(99)	106
TOTAL	**(582)**	**(258)**

Analysis of effective tax rate – Net profit from continuing operations before tax

€ million	30.06.2019	30.06.2020
Operating profit	2,375	978
Financial income/(expense)	(310)	(366)
Taxable profit	**2,064**	**611**
Theoretical tax charge at the effective income tax rate in France (1)	(711)	(210)
Impact of tax rate differences by jurisdiction	228	111
Tax impact of variations in exchange rates	(1)	0
Re-estimation of deferred tax assets linked to tax rate changes	(9)	(77)
Impact of tax losses used/not used	1	(6)
Impact of reduced/increased tax rates on taxable results	0	0
Taxes on distributions	(47)	(25)
Other impacts	(44)	(52)
EFFECTIVE TAX CHARGE	**(582)**	**(258)**
EFFECTIVE TAX RATE	**28%**	**42%**

(1) At the standard rate of 34.43%.

The increase in the effective tax rate is mainly due to the revaluation of deferred taxes following rate changes in the United Kingdom and India.

Deferred tax is recognised on time differences between the tax and book values of assets and liabilities in the consolidated balance sheet and is measured using the balance sheet approach. Deferred taxes relating to right-of-use assets and lease liabilities are recognised on a net basis. The effects of changes in tax rates are recognised in shareholders' equity or in profit and loss in the year in which the change of tax rates is decided. Deferred tax assets are recognised in the balance sheet when it is more likely than not that they will be recovered in future years. Deferred tax assets and liabilities are not discounted to present value. In order to evaluate the Group's ability to recover these assets, particular account is taken of forecasts of future taxable profits.

Deferred tax assets relating to tax loss carryforwards are only reported when they are likely to be recovered, based on projections of taxable income calculated by the Group at the end of each financial year. All assumptions used, including, in particular, growth in operating profit and financial income (expenses), taking into account interest rates, are reviewed by the Group at the end of the financial year based on data determined by the relevant senior management.

Deferred taxes are broken down by nature as follows:

€ million	30.06.2019	30.06.2020
Margins in inventories	99	119
Fair value adjustments on assets and liabilities	21	28
Provisions for pensions and other long-term employee benefits	94	100
Deferred tax assets related to losses eligible for carryforward	908	933
Provisions (other than provisions for pensions benefits) and other items	468	498
TOTAL DEFERRED TAX ASSETS	**1,590**	**1,678**
Accelerated tax depreciation	124	136
Fair value adjustments on assets and liabilities	2,339	2,313
Pension and other hedging assets	294	147
TOTAL DEFERRED TAX LIABILITIES	**2,756**	**2,596**

Tax loss carryforwards (recognised and unrecognised) represent potential tax savings of €1,232 million and €1,202 million at 30 June 2020 and 30 June 2019 respectively. The potential tax savings at 30 June 2020 and 30 June 2019 relate to tax loss carryforwards with the following expiry dates:

FY19

	Tax effect of loss carryforwards *€ million*	
Year	**Losses recognised**	**Losses not recognised**
2019	0	1
2020	0	1
2021	1	1
2022	2	1
2023 and after	737	196
No expiry date	167	93
TOTAL	**908**	**294**

FY20

	Tax effect of loss carryforwards *€ million*	
Year	**Losses recognised**	**Losses not recognised**
2020	0	1
2021	0	1
2022	1	4
2023	1	3
2024 and after	790	192
No expiry date	140	97
TOTAL	**933**	**299**

Following the application of IFRIC 23, described in Note 1.1.2.1.2, the Group's current tax liabilities are as follows:

€ million	30/06/2019 Restated	30/06/2020
Other current tax liabilities	157	108
Uncertain tax positions	150	125
TOTAL CURRENT TAX LIABILITIES	**307**	**232**

Note 3.4 Earnings per share

Basic and diluted earnings per share are calculated on the basis of the weighted average number of outstanding shares, less the weighted average number of dilutive instruments.

The calculation of diluted earnings per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options, convertible bonds, etc.) on the theoretical number of shares. When funds are obtained at the date of exercise of the dilutive instruments, the "treasury stock" method is used to determine the theoretical number of shares to be taken into account. When funds are obtained at the issue date of the dilutive instruments, net profit is adjusted for the finance cost, net of tax, relating to these instruments.

Group net profit and net earnings per share from continuing operations

Numerator *(€ million)*	**30.06.2019**	**30.06.2020**
Group net profit	1,455	329
Denominator *(in number of shares)*		
Average number of outstanding shares	264,173,497	262,858,086
Dilutive effect of bonus share allocations	1,043,157	1,063,687
Dilutive effect of stock options and subscription options	202,895	115,058
Average number of outstanding shares—diluted	**265,419,549**	**264,036,831**
Earnings per share *(€)*		
Earnings per share – basic	5.51	1.25
Earnings per share – diluted	5.48	1.24
Earnings per share from continuing operations – basic	5.51	1.26
Earnings per share from continuing operations – diluted	5.48	1.26

Note 3.5 Expenses by type

Operating profit notably includes depreciation, amortisation and impairment expenses as well as personnel expenses as follows:

€ million	**30.06.2019**	**30.06.2020**
Depreciation, amortisation and impairment expense on property, plant and equipment and intangible assets*	**(293)**	**(1,314)**
Salaries and payroll costs	(1,286)	(1,317)
Pensions, medical expenses and other similar benefits under defined benefit plans	(43)	(46)
Expense related to share-based payments	(40)	(22)
TOTAL PERSONNEL EXPENSES	**(1,369)**	**(1,385)**

* *Of which €999 million in impairment of intangible assets and €113 million relating to right-of-use assets as at 30.06.2020.*

Operating profit also includes €5.1 million in lease expenses relating to short-term leases, €1.9 million relating to leases of low-value assets and €2.7 million relating to variable leases.

NOTE 4 Notes to the balance sheet

Note 4.1 Intangible assets and goodwill

Intangible assets are measured at cost on initial recognition. With the exception of assets with indefinite useful lives, they are amortised on a straight-line basis over their period of use, which is generally less than five years, and are written down when their recoverable amount is less than their net carrying amount. Amortisation of intangible assets is recognised within operating profit in the income statement.

In the context of the Group's activities, and in accordance with IAS 38 (Intangible assets), research and development costs are recognised as expenses in the financial year during which they are incurred, except for certain development costs which meet the capitalisation criteria described by the standard.

		Movements in the year					
€ million	30.06.2018	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2019
Goodwill	5,456	8	-	(4)	71	(3)	5,528
Brands	12,757	62	-	(34)	169	3	12,957
Other intangible assets	407	42	-	(8)	3	8	452
GROSS VALUE	**18,620**	**112**	**-**	**(45)**	**243**	**8**	**18,937**
Goodwill	(137)	-	-	-	0	0	(137)
Brands	(1,334)	-	(65)	15	(24)	-	(1,408)
Other intangible assets	(291)	-	(30)	6	(2)	(1)	(318)
AMORTISATION/IMPAIRMENT	**(1,762)**	**-**	**(95)**	**21**	**(26)**	**(1)**	**(1,863)**
INTANGIBLE ASSETS, NET	**16,858**	**112**	**(95)**	**(25)**	**217**	**7**	**17,074**

		Movements in the year					
€ million	30.06.2019	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2020
Goodwill	5,528	199	-	(1)	21	0	5,747
Brands	12,957	227	-	0	47	0	13,230
Other intangible assets	452	41	-	(20)	(7)	5	471
GROSS VALUE	**18,937**	**467**	**-**	**(21)**	**60**	**5**	**19,448**
Goodwill	(137)	-	-	-	1	0	(136)
Brands	(1,408)	-	(999)	0	9	0	(2,398)
Other intangible assets	(318)	-	(34)	10	6	(1)	(338)
AMORTISATION/IMPAIRMENT	**(1,863)**	**-**	**(1,033)**	**10**	**16**	**(1)**	**(2,872)**
INTANGIBLE ASSETS, NET	**17,074**	**467**	**(1,033)**	**(11)**	**76**	**4**	**16,576**

Goodwill

Goodwill is subject to an impairment test at least once a year and whenever there is an indication that its value may have been impaired. To perform these tests, goodwill is allocated by geographical area on the basis of asset groupings at the date of each business combination. These asset groupings correspond to groups of assets which jointly generate identifiable cash flows that are largely independent. If impairment is identified, an impairment loss is recognised in profit and loss for the financial year.

Goodwill mainly stems from the acquisitions of Allied Domecq in July 2005 and Vin&Sprit in July 2008. The increase in the value of goodwill for the period was mainly due to the acquisitions mentioned in Note 1.2.1 – *Significant events during the financial year – Acquisitions and disposals*, as well as currency fluctuations.

Brands

The fair value of identifiable acquired brands is determined using an actuarial calculation of estimated future profits or using the royalty method and corresponds to the fair value of the brands at the date of acquisition. As the Group's brands are intangible assets with indefinite useful lives, they are not amortised but are rather subject to an impairment test at least once a year or whenever there is an indication that their value may have been impaired. Brands acquired as a part of acquisitions of foreign entities are denominated in the functional currency of the business acquired.

The main brands recorded on the balance sheet are: Absolut, Ballantine's, Beefeater, Chivas Regal, Kahlúa, Malibu, Martell and Brancott Estate. Most of these were recognised at the time of the acquisitions of Seagram, Allied Domecq and Vin&Sprit. The increase in the gross value of brands for the period was mainly due to the acquisitions mentioned in Note 1.2.1 – *Significant events during the financial year – Acquisitions and disposals*, as well as currency fluctuations.

Impairment of tangible or intangible assets

In accordance with IAS 36, intangible assets and property, plant and equipment are subject to impairment tests whenever there is an indication that the value of the asset has been impaired and at least once a year for non-current assets with indefinite useful lives (goodwill and brands).

The assets subject to impairment tests are included in cash generating units (CGUs), corresponding to linked groups of assets which generate identifiable cash flows. The CGUs include assets related to the Group's brands and are allocated in accordance with the three geographical areas defined by the Group, on the basis of the sale destination of the products. It should be noted that, as part of the first-time application of IFRS 16 during FY20, the simplified method of including the net value of right-of-use assets and lease liabilities in the various CGUs was adopted.

When the recoverable amount of a CGU is less than its net carrying amount, an impairment loss is recognised within operating profit. The recoverable amount of the CGU is the higher of its market value and its value in use.

Value in use is measured based on cash flows projected over a 19-year period. This period reflects the typically long lives of the Group's brands and their productive assets. Discounted projected cash flows are established based on annual budgets and multi-year strategies, extrapolated into subsequent years by gradually converging the figure for the last year of the plan for each brand and market towards a perpetual growth rate. The calculation includes a terminal value derived by capitalising the cash flows generated in the last forecast year. Assumptions applied to sales and advertising and promotional expenditure are determined by Management based on previous results and long-term development trends in the markets concerned. The cash flow projection methodology takes into account, with respect to Working Capital Requirements and investments, the specific features of white spirits and maturing alcohols. The present values of discounted cash flows are sensitive to these assumptions, as well as to consumer trends and economic factors.

Market value is based either on the sale price, net of selling costs, obtained under normal market conditions or earnings multiples observed in recent transactions concerning comparable assets. The discount rate used for these calculations is an after-tax rate applied to after-tax cash flows and corresponds to the weighted average cost of capital. This rate reflects specific rates for each market or region, depending on the risks that they represent. Assumptions made in terms of future changes in net sales and in terms of terminal values are reasonable and consistent with market data available for each of the CGUs. Additional impairment tests are applied where events or specific circumstances suggest that a potential impairment exists.

Impairment tests for FY20 were carried out in the context of Covid-19. In this exceptional context of high uncertainty and volatility, the Group has had to adjust the approach used for the valuation of its brands and goodwill, adopting the "weighted multi-scenario" approach in line with the recommendations of regulators.

These different scenarios, based on business plans reviewed by Management, represent a panel covering the various ways in which the pandemic and its consequences could unfold in the coming months and years, as described by economists and international financial organisations. Probabilities have been assigned to the scenarios. These estimates were made on the basis of the most recent information available and taking into account the uncertainties associated with the situation. A combination of the following factors has been taken into account in each impairment model:

- the future development of the health crisis, including the duration, extent and geographical scope of the closures of establishments selling our products;
- the extent and expected duration of the economic crisis;
- the weight of the On-trade and Off-trade distribution channels in each key market;
- the increase in the market risk premium in the discount rates used for the calculations, reflecting the unprecedented context of uncertainty and volatility triggered by the Covid-19 crisis.

This approach has not indicated any need for impairment of the Group's goodwill. The impairment losses required for the Group's brands amount to €999 million, of which €912 million relates to the Absolut brand. These impairment losses were recognised during the period (see Note 1.2.1 – *Significant events – Impacts of the Covid-19 epidemic*).

In addition to annual impairment tests applied to goodwill and brands, specific impairment tests are applied where there is an indication that the value of an intangible asset may have been impaired. The data and assumptions used for the impairment tests applied to cash generating units (CGUs) are as follows:

€ million	Method used to determine the recoverable amount	Net carrying amount of goodwill at 30.06.2020	Net carrying amount of brands at 30.06.2020	Value in use		
				Discount rate 2019	Discount rate 2020	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,818	3,789	5.73%	5.80%	-1% to +2.5%
Americas		2,874	5,465	6.74%	6.83%	-1% to +2.5%
Asia/Rest of World		919	1,578	7.83%	7.42%	-1% to +2.5%

The amount of any additional impairment of indefinite-life intangible assets at 30 June 2020 is described below, resulting in:

- a 50 basis point reduction in the growth rate of the contribution after advertising and promotional expenditure;
- a 50 basis point increase in the after-tax discount rate;
- a 100 basis point increase in the after-tax discount rate; or
- a 50 basis point reduction in the perpetual rate growth over the duration of the multi-year plans.

€ million	50 basis point decrease in the growth rate of the contribution after advertising and promotional expenditure	50 basis point increase in the after-tax discount rate	100 basis point increase in the after-tax discount rate	50 basis point decrease in the perpetual growth rate
Europe	(25)	(104)	(403)	(66)
Americas	(102)	(700)	(2,031)	(226)
Asia/Rest of World	(9)	(36)	(130)	(16)
TOTAL	**(135)**	**(841)**	**(2,565)**	**(308)**

The various sensitivities presented above include an impairment requirement for the Group's American goodwill of €368 million in the event of an increase in the after-tax discount rate of 50 basis points and €1,411 million in the event of an increase in the after-tax discount rate of 100 basis points.

The other sensitivities presented above would not result in the need for goodwill impairment.

Note 4.2 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and broken down by component. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Useful life is reviewed on a regular basis. The average depreciable lives for the major categories of property, plant and equipment are as follows:

Buildings	15 to 50 years
Machinery and equipment	5 to 15 years
Other property, plant and equipment	3 to 5 years
Vines	25 to 33 years

Depreciation of property, plant and equipment is recognised within operating profit in the income statement.

In accordance with the amendments to standards IAS 41 and IAS 16, vines are, since 1 July 2016, valued at acquisition cost and depreciated over their useful life. In accordance with IAS 41, agricultural produce (harvests) continues to be recognised at fair value on the balance sheet, after deducting estimated selling costs, as from the date at which it is possible to obtain a reliable assessment of price, for example by referring to an active market. Changes in fair value are recognised in profit and loss. Land on which biological assets are planted is measured in accordance with IAS 16.

In accordance with IFRS 16, applicable from 1 July 2019, right-of-use assets for leases are recognised as property, plant and equipment in the class of underlying asset to which the right of use relates, with the corresponding recognition of a lease liability. These are mainly offices occupied by the Group and recorded under Buildings. The value of right-of-use assets is determined on the basis of the amount of the lease liability, adjusted for the amount of prepaid rent, initial direct costs, benefits received from lessors and, where applicable, remediation costs. Right-of-use assets relating to leases are depreciated over the term of the lease. The accounting principles for determining the lease liability are detailed in Note 4.8 – *Financial liabilities*.

Items of property, plant and equipment, including right-of-use assets, are written down when their recoverable amount falls below their net carrying amount.

€ million	30.06.2018	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2019
		Movements in the year					
Land	341	4	-	(8)	1	5	343
Buildings	1,247	14	-	(33)	(1)	66	1,294
Machinery and equipment	1,883	68	-	(48)	2	103	2,006
Other property, plant and equipment (1)	763	62	-	(38)	(3)	6	790
Assets in progress	233	202	-	(1)	0	(194)	241
Advance on property, plant and equipment	5	4	-	-	0	(1)	8
GROSS VALUE	**4,473**	**353**	**-**	**(128)**	**(1)**	**(16)**	**4,681**
Land	(34)	-	(2)	5	0	0	(32)
Buildings	(522)	-	(44)	29	0	0	(537)
Machinery and equipment	(1,136)	-	(106)	42	0	0	(1,198)
Other property, plant and equipment	(357)	-	(46)	35	1	1	(366)
Assets in progress	-	-	-	-	0	-	0
DEPRECIATION/IMPAIRMENT	**(2,049)**	**-**	**(198)**	**111**	**2**	**1**	**(2,132)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,424**	**353**	**(198)**	**(17)**	**1**	**(15)**	**2,549**

(1) *Including biological assets.*

€ million	30.06.2019	IFRS 16 impacts (1)	01.07.2019	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2020	of which right-of-use assets (1)
	Movements in the year									
Land	343	53	396	3	-	0	(3)	4	399	51
Buildings	1,294	190	1,484	327	-	(19)	(23)	(1)	1,766	407
Machinery and equipment	2,006	11	2,017	92	-	(39)	(26)	140	2,186	41
Other property, plant and equipment	790	38	828	83	-	(36)	(12)	8	870	69
Assets in progress	241		241	161	-	0	(3)	(216)	182	-
Advance on property, plant and equipment	8		8	19	-	-	0	(3)	24	-
GROSS VALUE	**4,681**	**292**	**4,973**	**685**	**-**	**(95)**	**(67)**	**(69)**	**5,427**	**567**
Land	(32)		(32)	-	(9)	0	1	0	(40)	(7)
Buildings	(537)		(537)	(3)	(120)	16	10	12	(621)	(67)
Machinery and equipment	(1,198)		(1,198)	(4)	(123)	35	16	2	(1,272)	(20)
Other property, plant and equipment	(366)		(366)	(1)	(67)	33	5	(3)	(399)	(25)
Assets in progress	-		-	-	-	-	0	-	0	-
DEPRECIATION/ IMPAIRMENT	**(2,132)**		**(2,132)**	**(8)**	**(319)**	**84**	**32**	**11**	**(2,332)**	**(119)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,549**	**292**	**2,841**	**677**	**(319)**	**(10)**	**(36)**	**(58)**	**3,095**	**448**

(1) *See Note 1.1.2.1 on the first-time application of IFRS 16.*

Note 4.3 Financial assets

Financial assets consist mainly of Group interests in non-consolidated companies, loans, sureties and deposits, guarantee deposits required by the tax regulations of certain countries and plan assets for pension obligations (not entering into the scope of IFRS 9).

Equity instruments

Investments in non-consolidated entities are recorded in the Balance sheet at fair value. Fair value results and the disposal gain or loss are recorded, in accordance with the management intention, either (i) in the income statement under the heading "Financial income/Financial expenses – other non-recurring financial items" or (ii) in consolidated shareholders' equity under the heading "Other comprehensive income" and are not recycled through profit or loss. Fair value is determined on the basis of the financial criteria most appropriate to the specific situation of each company. The fair value of financial assets listed on a financial market is their stock market value. The valuation criteria generally used for other non-consolidated investments are share of equity and future profitability.

Loans, guarantees and deposits

Loans, guarantees and deposits are valued at amortised cost.

	30.06.2019		30.06.2020	
€ million	Current	Non-current	Current	Non-current
Net financial assets				
Equity instruments	-	194	-	93
Other financial assets	-	1,096	-	273
Net loans and receivables				
Loans, receivables and deposits*	-	129	-	156
Total net non-current financial assets	**-**	**1,419**	**-**	**522**
Derivative instruments	6	20	12	54
FINANCIAL ASSETS	**6**	**1,438**	**12**	**576**

* *Following the application of IFRS 16 from 1 July 2019 (see Note 1.1.2.1), the category "Loans, receivables and deposits" includes receivables relating to subleases for €14 million at 30 June 2020.*

The table below shows the movements of financial assets, excluding derivative instruments:

		Movements in the year					
€ million	30.06.2018	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2019
Other financial assets	765	0	0	-	(18)	349	1,097
Available-for-sale financial assets*	19	-	0	-	0	(19)	0
Equity instruments	N/A	110	-	(2)	0	94	202
Investment-related receivables	159	14	-	(9)	4	23	191
GROSS VALUES	**943**	**124**	**0**	**(11)**	**(14)**	**447**	**1,489**
Provisions for other financial assets	(2)	-	0	-	0	2	0
Impairment losses recognised on available-for-sale financial assets	(6)	-	-	-	0	6	-
Provisions for equity instruments	N/A	-	-	0	0	(7)	(7)
Impairment losses recognised on investment-related receivables	(49)	-	-	-	(1)	(11)	(62)
IMPAIRMENT	**(57)**	**-**	**0**	**0**	**(1)**	**(11)**	**(70)**
NON-CURRENT FINANCIAL ASSETS, NET	**886**	**124**	**0**	**(11)**	**(15)**	**436**	**1,419**

* *During FY19, and following the application of IFRS 9, the category "Available-for-sale financial assets" disappeared as at 1 July 2018 and a new category "Equity instruments" was created.*

€ million	30.06.2019	Movements in the year: Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2020
Other financial assets	1,097	2	-	(6)	13	(832)	273
Equity instruments	202	19	-	(2)	0	(119)	101
Loans, guarantees and deposits*	191	31	-	(9)	(9)	16	219
GROSS VALUE	**1,489**	**52**	**-**	**(17)**	**4**	**(935)**	**593**
Provisions for other financial assets	0	-	0	-	0	0	0
Provisions on equity instruments	(7)	-	-	-	0	-	(7)
Provisions for loans, guarantees and deposits	(62)	-	-	-	(1)	0	(63)
IMPAIRMENT	**(70)**	**-**	**0**	**-**	**(1)**	**0**	**(71)**
NON-CURRENT FINANCIAL ASSETS, NET	**1,419**	**52**	**0**	**(17)**	**3**	**(935)**	**522**

* *Following the application of IFRS 16 from 1 July 2019 (see Note 1.1.2.1.), the category "Loans, receivables and deposits" includes receivables relating to subleases for €14 million at 30 June 2020.*

Other financial assets at 30 June 2020 included €265 million of plan surplus related to employee benefits, compared to €1,083 million at the end of June 2019. This decline is mainly explained by a decrease of €903 million in net assets relating to a pension plan in the United Kingdom that was the subject of a buy-in (see Note 4.7 – *Provisions*).

At 30 June 2020, equity instruments consisted mainly of unconsolidated securities held by the Group and in particular, those of Jumia Technologies AG, measured at fair value through OCI in the amount of €31 million based on the closing share price of €4.90 on 30 June 2020 (compared with €23.33 per share on 30 June 2019).

Note 4.4 Inventories and work in progress

Inventories are measured at the lower of either their cost (acquisition cost and cost of production, including indirect production overheads) or their net realisable value. Net realisable value is the selling price less the estimated costs of completion and sale of inventories. Most inventories are valued using the weighted average cost method. The cost of long-cycle inventories is computed using a single method which includes distilling and ageing costs. These inventories are classified in current assets, although a substantial part remains in inventory for more than one year in order to undergo the ageing process used for certain wines & spirits before being sold.

The breakdown of inventories and work in progress at the balance sheet date is as follows:

€ million	30.06.2018	Movements in the year: Change in gross values	Change in impairment	Translation adjustments	Other movements	30.06.2019
Raw materials	136	2	-	0	2	140
Work-in-progress	4,614	269	-	(15)	9	4,877
Goods in inventory	467	38	-	2	(2)	505
Finished products	300	(23)	-	0	3	280
GROSS VALUE	**5,517**	**286**	**-**	**(13)**	**11**	**5,802**
Raw materials	(9)	-	(1)	0	-	(10)
Work-in-progress	(11)	-	1	0	-	(10)
Goods in inventory	(13)	-	0	0	0	(13)
Finished products	(13)	-	0	0	0	(13)
IMPAIRMENT	**(45)**	**-**	**(1)**	**0**	**0**	**(46)**
NET INVENTORIES	**5,472**	**286**	**(1)**	**(13)**	**11**	**5,756**

		Movements in the year				
€ million	30.06.2019	Change in gross values	Change in impairment	Translation adjustments	Other movements	30.06.2020
Raw materials	140	33	-	(5)	4	173
Work-in-progress	4,877	295	-	(40)	51	5,183
Goods in inventory	505	94	-	(19)	0	580
Finished products	280	12	-	(7)	11	296
GROSS VALUE	**5,802**	**435**	**-**	**(71)**	**66**	**6,232**
Raw materials	(10)	-	(2)	0	0	(11)
Work-in-progress	(10)	-	(13)	0	-	(23)
Goods in inventory	(13)	-	(3)	1	(1)	(16)
Finished products	(13)	-	(4)	1	1	(15)
IMPAIRMENT	**(46)**	**-**	**(21)**	**2**	**0**	**(65)**
NET INVENTORIES	**5,756**	**435**	**(21)**	**(69)**	**66**	**6,167**

At 30 June 2020, ageing inventories intended mainly for use in whisky and cognac production accounted for 79% of work-in-progress. The Group is not significantly dependent on its suppliers.

Note 4.5 Trade receivables and other operating receivables

Trade receivables and other current receivables are recognised initially at their fair value, which usually corresponds to their nominal value. Provisions for impairment are recognised in line with the losses expected over the life of the receivable.

The following tables break down trade receivables and other operating receivables as of 30 June 2019 and 30 June 2020 by due date:

			Due in respect of the following terms				
€ million	Net carrying amount	Not due	< 30 days	31 to 90 days	91 to 180 days	181 to 360 days	> 360 days
Net carrying amounts							
Trade receivables and other operating receivables as of 30.06.2019	1,226	985	122	47	23	14	36
o/w impairment	*(67)*	*(13)*	*(1)*	*(4)*	*(2)*	*(2)*	*(43)*
Trade receivables and other operating receivables as of 30.06.2020	906	675	62	79	52	24	14
o/w impairment	*(91)*	*(15)*	*0*	*(3)*	*(8)*	*(11)*	*(55)*

Changes in the impairment of trade receivables and other operating receivables were as follows:

€ million	FY19	FY20
At 1 July	**60**	**67**
Allowances during the year	12	37
Reversals during the year	(3)	3
Used during the year	(2)	4
Foreign currency gains and losses	0	(5)
At 30 June	**67**	**105**

At 30 June 2020, there was no reason to question the creditworthiness of non-impaired past due receivables. More specifically, non-impaired receivables with due dates of over 12 months show no additional credit-related risk. There is no significant concentration of risks.

The change in impairment of trade and other operating receivables during FY20 is notably linked to a reassessment of the recoverability of receivables in the context of the Covid-19 pandemic.

In FY19 and FY20, the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €674 million at 30 June 2019 and €513 million at 30 June 2020. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

€ million	Carrying amount of continuing involvement				Fair value of continuing involvement	Maximum exposure
Continuing involvement	**Amortised costs**	**Held to maturity**	**Available for sale**	**Financial liabilities at fair value**		
Guarantee deposit – factoring and securitisation	7	-	7	-	7	7

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	30.06.2019	30.06.2020
Advances and down payments	29	40
Tax accounts receivable, excluding income taxes	164	195
Prepaid expenses	85	66
Other receivables	80	22
TOTAL	**359**	**323**

Note 4.7 Provisions

In accordance with IAS 37 (Provisions, contingent liabilities and contingent assets), provisions for risks and contingencies are recognised to cover probable outflows of resources that can be estimated and that result from present obligations relating to past events. In the case where a potential obligation resulting from past events exists, but where the occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Group's commitments. The amounts provided for are measured by taking account of the most probable assumptions or using statistical methods, depending on the nature of the obligations. Provisions notably include:

- provisions for restructuring;
- provisions for pensions and other long-term employee benefits;
- provisions for litigation (tax other than corporate income tax, legal, employee-related).

Litigation is kept under regular review, on a case-by-case basis, by the Legal Department of each affiliate or region or by the Group's Legal Department, drawing on the help of external legal consultants in the most significant or complex cases. A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources whose amount can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation.

The cost of restructuring measures is fully provisioned in the financial year, and is recognised in profit and loss under "Other operating income and expenses" when it is material and results from a Group obligation to third parties arising from a decision made by the competent corporate body that has been announced to the third parties concerned before the closing date. This cost mainly involves redundancy payments, early retirement payments, costs of notice periods not served, training costs of departing individuals and costs of site closure. Scrapping of property, plant and equipment, impairment of inventories and other assets, as well as other costs (moving costs, training of transferred individuals, etc.) directly related to the restructuring measures are also recognised in restructuring costs. The amounts provided for correspond to forecast future payments to be made in connection with restructuring plans, discounted to present value when the payment schedule is such that the effect of the time value of money is significant.

1. Breakdown of provisions

The breakdown of provision at the balance sheet date is as follows:

€ million	30.06.2019 Restated	30.06.2020
Non-current provisions		
Provisions for pensions and other long-term employee benefits	559	605
Other non-current provisions for risks and charges	269	310
Current provisions		
Provisions for restructuring	44	101
Other current provisions for risks and charges	105	121
TOTAL	**978**	**1,138**

2. Changes in provisions (other than provisions for pensions and other long-term employee benefits)

	Movements in the year							
€ million	30.06.2019 Restated	Allowances	Used	Unused reversals	Translation adjustments	First-time consolidation	Other movements	30.06.2020
Provisions for restructuring	44	107	37	12	(1)	-	0	101
Other current provisions	105	35	10	13	(2)	-	6	121
Other non-current provisions	269	141	8	65	(31)	-	3	310
TOTAL PROVISIONS	**418**	**284**	**55**	**90**	**(34)**	**-**	**9**	**533**

Some Group companies are involved in disputes as part of their normal business activities. They are also subject to tax audits, some of which may lead to tax reassessment. The main disputes are described in Note 6.5 – *Disputes*.

At 30 June 2020, the provisions recorded by the Group for all litigation and risks in which it is involved amounted to €431 million, excluding uncertain tax positions recognised in current tax liabilities. The Group does not provide details (with exceptions), as it believes the disclosure of the amount of any provision booked in consideration of each pending dispute would be likely to cause serious harm to the Group.

The change in "Other current and non-current provisions" during the period is explained as follows:

- allowances stem mainly from proceedings brought against the Company and its affiliates, as part of the normal course of business and the emergence of new risks, including tax risks (other than corporate income tax risks);
- reversals are made at the time of corresponding payments or where the risk is considered to be nil. Unused reversals primarily concern the re-evaluation or the statute of limitation of certain risks, including tax risks.

3. Provisions for pensions and other long-term employee benefits

In accordance with applicable national legislation, the Group's employee benefit obligations are composed of:

- long-term post-employment benefits (retirement bonuses, pensions, medical and healthcare expenses, etc.);
- long-term benefits payable during the period of employment.

Defined contribution plans

Contributions are recognised as expenses as they are incurred. As the Group is not committed beyond the amount of such contributions, no provision is recognised in respect of defined contribution plans.

Defined benefit plans

For defined benefit plans, the projected unit credit method is used to measure the present value of defined benefit obligations, current service cost and, if applicable, past service cost. The measurement is made at each closing date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate and discount rate) and assumptions concerning employees (mainly average salary increase, rate of employee turnover and life expectancy). The assumptions used in FY19 and FY20 and the methods used for their determination are described below.

A provision is recorded in the balance sheet for the difference between the actuarial debt of related obligations (actuarial liabilities) and any assets dedicated to funding the plans, measured at their fair value, and includes past service costs and actuarial gains and losses.

The cost of defined benefit plans has three components, which are accounted for as follows:

- the cost of services is recognised in operating profit. It includes:
  - the cost of services rendered during the period,
  - the cost of past services resulting from the modification or reduction of a plan, fully recognised in profit and loss for the period in which the services were performed,
  - gains and losses resulting from liquidations;
- the financial component, recorded in financial income (expenses), comprises the impact of discounting the liabilities, net of the expected return on plan assets, measured using the same discount rate as that used to measure the liabilities;
- revaluations of liabilities (assets) are recognised as non-recyclable items of comprehensive income, and consist mainly of actuarial differences, namely the change in plan obligations and assets due to changes in assumptions and to experience gains or losses, the latter representing the difference between the expected impact of some actuarial assumptions applied to previous valuations and the actual impact. Depending on the nature of the texts governing the plans in certain zones, if the hedging assets exceed the commitments entered into the accounts, any assets generated may be limited to the present value of the future reimbursements and the expected decreases in future contributions.

The Group provides employee benefits such as pensions and retirement bonuses and other post-employment benefits, such as medical care and life insurance:

- in France, benefit obligations mainly comprise arrangements for retirement indemnities (non-funded) and supplementary pension benefits (partly funded);
- in the United States and Canada, benefit obligations include funded pension plans guaranteed to employees as well as unfunded post-employment medical plans;
- in Ireland, the United Kingdom and the Netherlands, benefit obligations mainly consist of pension plans granted to employees.

Defined benefit plans in the Group relate mainly to affiliates in the United Kingdom, in North America and in the rest of Europe. Defined benefit plans are subject to an annual actuarial valuation on the basis of assumptions depending on the country. Under these pension and other benefit plan agreements, employees receive at the date of retirement either a capital lump sum payment or an annuity. These amounts depend on the number of years of employment, final salary and the position held by the employee. At 30 June 2020, fully or partly funded benefit obligations totalled €5,335 million, equivalent to 96% of the total benefit obligations.

Certain affiliates, mainly those located in North America, also provide their employees with post-employment medical cover. These benefit obligations are unfunded. They are measured using the same assumptions as those used for the pension obligations in the countries in question.

Several affiliates, mainly in Europe, also provide their employees with other long-term benefits. Benefit obligations of this type are mainly in respect of long-service awards and jubilee awards.

The table below presents a reconciliation of the provision between 30 June 2019 and 30 June 2020:

	30.06.2019			30.06.2020		
€ million	Pension commitments	Medical expenses and other employee benefits	Total	Pension commitments	Medical expenses and other employee benefits	Total
Net (asset)/liability at beginning of period	(375)	148	(227)	(671)	147	(524)
Expenses for the period	72	8	80	26	5	30
Actuarial (gains)/losses (1)	(317)	(1)	(318)	916	3	919
Employer contributions	(51)	-	(51)	(53)	-	(53)
Benefits paid directly by the employer	(15)	(10)	(25)	(10)	(10)	(19)
Changes in scope of consolidation	0	0	0	2	0	2
Translation adjustments	15	2	18	(14)	(1)	(15)
Net (asset)/liability at end of period	**(671)**	**147**	**(524)**	**196**	**145**	**341**
Amount recognised in assets (2)	(1,083)	-	(1,083)	(265)	-	(265)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	**412**	**147**	**559**	**460**	**145**	**605**

(1) Recognised in "Other comprehensive income".
(2) See Note 4.3 – "Financial assets".

Actuarial gains and losses correspond: (i) to the effects of what is commonly known as a "buy-in" insurance policy, taken out by the Trustee of the largest pension fund of the Pernod Ricard Group in the United Kingdom, for €(903) million; (ii) to other actuarial gains and losses, following the update of actuarial assumptions and plan asset values, for €(16) million.

This policy insures most of the fund's pension liabilities and reduces the Group's exposure to a potential shortfall in plan funding that could arise due to fluctuations in market parameters (mainly inflation and interest rates) and changes in longevity.

The buy-in transaction involves the transfer of €4,252 million of pension plan assets to the insurer Rothesay Life, with no impact on the Group's cash flow. As a result of this transaction, the carrying amount of the insurance policy fully covers the carrying amount of the insured pension liabilities, estimated at €3,350 million at the transaction date. The difference of €903 million was recognised by writing down the value of "Non-current financial assets" with the corresponding recognition of shareholders' equity in "Other comprehensive income", with no impact on profit or loss.

The net expense recognised in the income statement in respect of pensions and other long-term employee benefits is broken down as follows:

	30.06.2019			30.06.2020		
Expense for the period *€ million*	Pension commitments	Medical expenses and other employee benefits	Total	Pension commitments	Medical expenses and other employee benefits	Total
Service cost	40	3	43	42	3	46
Interest on provision	(12)	5	(7)	(17)	4	(13)
• o/w interest on the commitment	139	5	144	118	4	122
• o/w interest on the assets	(151)	-	(151)	(136)	-	(136)
• o/w interest on the limitation of the assets	0	-	0	0	-	0
Fees/levies/premiums	10	-	10	11	-	11
Impact of plan amendments/reduction of future rights	34	0	33	(11)	(5)	(16)
Impact of liquidation of benefits	-	-	-	0	-	0
Actuarial (gains)/losses	-	1	1	-	3	3
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-	-	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**72**	**8**	**80**	**26**	**5**	**30**

Changes in provisions for pensions and other long-term employee benefits are shown below:

Net liabilities recognised in the balance sheet *€ million*	30.06.2019 Pension commitments	 Medical expenses and other employee benefits	 Total	30.06.2020 Pension commitments	 Medical expenses and other employee benefits	 Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	5,092	148	5,240	4,965	147	5,113
Service cost	40	3	43	42	3	46
Interest cost (effect of unwinding of discount)	139	5	144	118	4	122
Employee contributions	2	1	3	4	1	5
Benefits paid	(262)	(10)	(272)	(257)	(10)	(268)
Administrative fees/premiums/levies	(1)	-	(1)	0	-	0
Plan amendments/reduction of future rights	34	0	33	(11)	(5)	(16)
Liquidation of benefits	-	-	-	0	-	0
Actuarial (gains)/losses	(50)	(1)	(50)	641	6	647
Currency translation adjustments	(30)	2	(27)	(91)	(1)	(92)
Changes in scope of consolidation	0	0	0	28	0	28
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	**4,965**	**147**	**5,113**	**5,440**	**145**	**5,584**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	5,478	-	5,478	5,645	-	5,645
Interest income on plan assets	151	-	151	136	-	136
Experience gains/(losses) on plan assets	265	-	265	(269)	-	(269)
Employee contributions	2	-	2	4	-	4
Employer contributions	51	-	51	53	-	53
Benefits paid	(248)	-	(248)	(248)	-	(248)
Administrative fees/premiums/levies	(10)	-	(10)	(12)	-	(12)
Plan amendments/reduction of future rights	-	-	-	-	-	-
Liquidation of benefits	-	-	-	-	-	-
Currency translation adjustments	(45)	-	(45)	(77)	-	(77)
Changes in scope of consolidation	-	-	-	26	-	26
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**5,645**	**-**	**5,645**	**5,259**	**-**	**5,259**
Present value of funded benefits	4,844	-	4,844	5,335	-	5,335
Fair value of plan assets	5,645	-	5,645	5,259	-	5,259
Deficit/(surplus) on funded benefits	**(801)**	**-**	**(801)**	**77**	**-**	**77**
Present value of unfunded benefits	121	147	268	104	145	249
Effect of ceiling on plan assets (including the impact of IFRIC 14)	9	-	9	15	-	15
NET (ASSETS)/LIABILITIES RECOGNISED IN THE BALANCE SHEET	**(671)**	**147**	**(524)**	**196**	**145**	**341**

At 30.06.2020	Actuarial value of cumulative benefit obligations (€ million)	%	Fair value of plan assets (€ million)	%	Limitation of plan assets (€ million)	%	Recognised in liabilities and shareholders' equity (€ million)	%	Amount recognised in assets (€ million)	%
United Kingdom	4,326	77%	4,456	85%	0	0%	118	20%	(249)	94%
United States	405	7%	255	5%	0	0%	149	25%	0	0%
Canada	280	5%	268	5%	15	100%	42	7%	(15)	6%
Ireland	292	5%	186	4%	0	0%	106	18%	0	0%
France	129	2%	12	0%	0	0%	117	19%	0	0%
Other countries	152	3%	80	2%	0	0%	73	12%	(1)	0%
TOTAL	**5,584**	**100%**	**5,259**	**100%**	**(15)**	**100%**	**605**	**100%**	**(265)**	**100%**

The breakdown of pension assets between the different asset classes (bonds, shares, etc.) is as follows:

	30.06.2019		30.06.2020	
Breakdown of pension assets	**Pension commitments**	**Medical expenses and other employee benefits**	**Pension commitments**	**Medical expenses and other employee benefits**
Shares	11%	Not applicable	10%	Not applicable
Bonds	43%	Not applicable	10%	Not applicable
Other money market funds	1%	Not applicable	1%	Not applicable
Property assets	3%	Not applicable	2%	Not applicable
Other items	42%	Not applicable	77%	Not applicable
TOTAL	**100%**	**NOT APPLICABLE**	**100%**	**NOT APPLICABLE**

At 30 June 2020, "Other" assets notably include the value of the insurance policy taken out with Rothesay Life covering the obligations insured as part of the buy-in.

Contributions payable by the Group in FY21 in respect of funded benefits are estimated at €51 million.

Benefits payable in respect of defined benefit plans over the next 10 years are broken down as follows:

Benefits payable in the next 10 years *€ million*	**Pension commitments**	**Medical expenses and other employee benefits**
2021	251	8
2022	256	8
2023	263	8
2024	271	8
2025	279	8
2026/30	1,503	39

At 30 June 2019 and 30 June 2020, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

	30.06.2019		30.06.2020	
Actuarial assumptions in respect of commitments	**Pension commitments**	**Medical expenses and other employee benefits**	**Pension commitments**	**Medical expenses and other employee benefits**
Discount rate	2.35%	2.98%	1.65%	2.94%
Average rate of increase in annuities	3.26%	Not applicable	3.15%	Not applicable
Average salary increase	2.63%	3.05%	2.46%	2.62%
Expected increase in medical expenses				
• Initial rate	Not applicable	6.06%	Not applicable	5.72%
• Final rate	Not applicable	4.69%	Not applicable	4.64%

Actuarial assumptions in respect of the expense for the period	30.06.2019 Pension commitments	30.06.2019 Medical expenses and other employee benefits	30.06.2020 Pension commitments	30.06.2020 Medical expenses and other employee benefits
Discount rate	2.78%	3.40%	2.35%	2.98%
Average rate of increase in annuities	3.29%	Not applicable	3.26%	Not applicable
Average salary increase	2.60%	3.16%	2.63%	3.05%
Expected increase in medical expenses				
• Initial rate	Not applicable	6.22%	Not applicable	6.06%
• Final rate	Not applicable	4.61%	Not applicable	4.69%

Actuarial assumptions at 30.06.2020 *(pension and other commitments)* **By region**	United Kingdom	United States	Canada	Eurozone countries	Other non-Eurozone countries
Discount rate	1.53%	2.55%	2.87%	1.08%	3.59%
Average rate of increase in annuities	3.29%	Not applicable	Not applicable	1.55%	1.85%
Average salary increase	2.19%	2.98%	3.00%	2.37%	2.08%
Expected increase in medical expenses					
• Initial rate	5.50%	6.18%	5.18%	3.50%	Not applicable
• Final rate	5.50%	4.50%	4.50%	3.50%	Not applicable

The obligation period-related discount rates used within the Eurozone are as follows:

- short-term rate (3-5 years): 0.5% to 1%;
- medium-term rate (5-10 years): 1% to 1.25%;
- long-term rate (more than 10 years): 1.00% to 1,50%.

Discount rates are determined by reference to the yield at the balance sheet date on premium category corporate bonds (if available), or on government bonds, with maturities similar to the estimated duration of the benefit obligations.

The expected rate of return on assets corresponds to the discount rate, in accordance with the IAS 19 standard.

The sensitivity of the debt to changes in the discount rate is shown in the table below:

€ million	Pension commitments	Medical expenses and other employee benefits	Total
Commitments at 30.06.2020	5,440	145	5,584
Commitments at 30.06.2020 with a 0.5% decrease in the discount rate	5,910	154	6,064
Commitments at 30.06.2020 with a 0.5% increase in the discount rate	5,024	136	5,160

The impact of a change in the rate of increase in medical expenses would be as follows:

In respect of post-employment medical coverage *€ million*	With current rate	Impact of a change 1% increase	Impact of a change 1% decrease
On the present value of the benefit obligations at 30.06.2020	114	12	(10)
Expense for FY20	5	0	0

The experience gains or losses on the benefit obligations and plan assets are set out below:

€ million	30.06.2020 Pension commitments	30.06.2020 Medical expenses and other employee benefits
Amounts of experience losses or (gains) on benefit obligations	(11)	7
Percentage compared with amounts of benefit obligations	-0.2%	4.6%
Amounts of financial assumption losses or (gains) on benefit obligations	568	0
Percentage compared with amounts of benefit obligations	10.4%	-0.3%
Amounts of demographic assumption losses or (gains) on benefit obligations	84	0
Percentage compared with amounts of benefit obligations	1.5%	-0.2%
Amounts of experience losses or (gains) on plan assets	269	-
Percentage compared with amounts of plan assets	5.1%	0.0%
Amounts of experience losses or (gains) on the limitation on assets	6	-
Percentage compared with amounts of plan assets	0.1%	0.0%
Average duration	16.28	12.78

Note 4.8 Financial liabilities

IFRS 9 (Financial Instruments) replaced IAS 39 as of 1 July 2018. IAS 32 has been applied since 1 July 2004. IFRS 7 has been applied since 1 July 2007. The amendment approved by the European Union on 22 November 2011 has been applied from 1 July 2011.

Borrowings and other financial liabilities are recognised, on the basis of their effective interest rates, in accordance with the amortised cost method. The effective interest rate includes all costs, commissions and fees payable under the contract between the parties. Under this method, costs that are directly attributable to the acquisition or issue of the financial liability are recognised in profit and loss on the basis of the effective interest rate.

In accordance with IAS 7 (Statement of cash flows), cash and cash equivalents presented in assets and liabilities in the balance sheet and shown in the consolidated cash flow statements include items that are immediately available as cash or are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in their value. Cash is composed of cash at bank and on hand, short-term deposits with an initial maturity of less than three months and money market mutual funds that are subject to an insignificant risk of change in their value. Cash equivalents are short-term investments with a maturity of less than three months. Bank overdrafts, which are considered to be equivalent to financing, are excluded from cash and cash equivalents.

IFRS 16 (Leases)

The Group assesses whether a contract is, or contains, a lease if the contract conveys, at inception, the right to control the use of an identified asset for a set period of time in exchange for consideration.

The lease liability is initially calculated at the present value of the future lease payments. The discount rates are based on the Group's borrowing rate plus a spread to take into account country-specific economic environments. They are estimated in each currency using available market data, depending on the term of the lease. Lease payments may include fixed or variable payments that depend on a rate or index known at the commencement date of the lease.

The period used to calculate the lease liability corresponds to the non-cancellable term of the contract, unless it is reasonably certain that the Group will exercise a renewal option beyond this period. The probability of exercising an option is determined on a lease-by-lease basis, taking into account Management's intentions. This liability is then calculated at amortised cost using the effective interest rate method.

Leases are recognised in the balance sheet from the commencement date. They are presented in "lease liabilities" with a corresponding entry in "property, plant and equipment", depending on the nature of the underlying asset (see Note 4.1 – *Property, plant and equipment*). Lease liabilities comprise a current and non-current portion on the basis of the expected future payments.

In the income statement, depreciation expenses are recognised on the basis of the use of the underlying asset and interest expenses are presented in financial income/(expense).

In the cash flow statement, repayments of lease liabilities are reported under "lease repayments" in cash flow from financing activities, while interest payments are reported under "interest paid" in cash flow from operating activities.

The Group has chosen not to apply IFRS 16 to leases corresponding to assets with a low unit replacement value or to short-term leases. These leases are recognised directly in expenses.

Net financial debt, as defined and used by the Group, corresponds to total gross debt (translated at the closing rate), including lease liabilities and fair value and net foreign currency asset hedged derivatives (hedging of net investments and similar), less cash and cash equivalents.

1. Breakdown of net financial debt by nature and maturity

	30.06.2019			30.06.2020		
€ million	Current	Non-current	Total	Current	Non-current	Total
Bonds	**944**	**6,071**	**7,015**	**723**	**8,599**	**9,322**
Syndicated loan	-	-	-	-	-	-
Commercial paper	-	-	-	299	-	299
Other loans and financial debts	177	363	540	81	192	273
Other financial liabilities	**177**	**363**	**540**	**380**	**192**	**572**
GROSS FINANCIAL DEBT	**1,121**	**6,434**	**7,555**	**1,103**	**8,791**	**9,894**
Fair value hedge derivatives instruments – assets	-	(13)	(13)	(3)	(40)	(44)
Fair value hedge derivatives instruments – liabilities	-	2	2	-	-	-
Fair value hedge derivatives	**-**	**(12)**	**(12)**	**(3)**	**(40)**	**(44)**
Net investment hedging derivative instruments – assets	-	-	-	-	(13)	(13)
Net investment hedging derivative instruments – liabilities	-	-	-	-	-	-
Net investment hedge derivatives	**-**	**-**	**-**	**-**	**(13)**	**(13)**
Net assets hedging derivative instruments – assets	-	-	-	-	-	-
Net assets hedging derivative instruments – liabilities	0	-	0	-	-	-
Net asset hedging derivative instruments	**0**	**-**	**0**	**-**	**-**	**-**
FINANCIAL DEBT AFTER HEDGING	**1,121**	**6,422**	**7,543**	**1,100**	**8,737**	**9,837**
Cash and cash equivalents	**(923)**	**-**	**(923)**	**(1,935)**	**-**	**(1,935)**
NET FINANCIAL DEBT EXCLUDING LEASE LIABILITY	**198**	**6,422**	**6,620**	**(835)**	**8,737**	**7,902**
Lease liabilities*				**88**	**433**	**522**
NET FINANCIAL DEBT	**198**	**6,422**	**6,620**	**(747)**	**9,171**	**8,424**

* *Lease liabilities at 30 June 2020 include contracts previously classified as finance leases. At 30 June 2019, these liabilities totalled €28 million and were presented under "Other loans and financial debts".*

The analysis of the change in net financial debt based on the changes in cash and non-cash is described below:

		Changes in cash flows	Changes in cash flows with no cash impact				
€ million	30.06.2019	Total cash flow	Scope	Foreign Exchange impact	Change in fair value	Other items	30.06.2020
Bonds	**7,015**	**2,211**	**-**	**67**	**29**	**-**	**9,322**
Syndicated loan	-	-	-	-	-	-	-
Commercial paper	-	299	-	-	-	-	299
Other loans and financial debts	540	(241)	-	(1)	-	(24)	273
GROSS FINANCIAL DEBT	**7,555**	**2,269**	**-**	**66**	**29**	**(24)**	**9,894**
Fair value hedge derivatives instruments – assets	(13)	-	-	-	(30)	-	(44)
Fair value hedge derivatives instruments – liabilities	2	-	-	-	(2)	-	-
Fair value hedge derivatives	**(12)**	**-**	**-**	**-**	**(32)**	**-**	**(44)**
Net assets hedging derivative instruments - assets	-	-	-	(13)	-	-	(13)
Net asset hedging derivative instruments	**-**	**-**	**-**	**(13)**	**-**	**-**	**(13)**
FINANCIAL DEBT AFTER HEDGING	**7,543**	**2,269**	**-**	**53**	**(3)**	**(24)**	**9,837**
Cash and cash equivalents	**(923)**	**(1,045)**	**-**	**32**	**-**	**-**	**(1,935)**
NET FINANCIAL DEBT EXCLUDING LEASE LIABILITY	**6,620**	**1,224**	**-**	**85**	**(3)**	**(24)**	**7,902**
Lease liabilities*	**-**	**(112)**	**-**	**8**	**-**	**627**	**522**
NET FINANCIAL DEBT	**6,620**	**1,111**	**-**	**93**	**(3)**	**602**	**8,424**

* *Lease liabilities at 30 June 2020 include contracts previously classified as finance leases. At 30 June 2019, these liabilities totalled €28 million and were presented under "Other loans and financial debts".*

2. Breakdown of debt excluding lease liabilities by currency before and after foreign exchange hedging instruments at 30 June 2019 and 30 June 2020

At 30.06.2019 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	3,033	540	3,573	(243)	3,330	47%	50%
USD	4,471	(326)	4,145	(60)	4,085	55%	62%
GBP	6	(3)	3	(48)	(45)	0%	-1%
SEK	8	-	8	(18)	(10)	0%	0%
Other currencies	37	(223)	(186)	(555)	(740)	-2%	-11%
FINANCIAL DEBT BY CURRENCY	**7,555**	**(12)**	**7,543**	**(923)**	**6,620**	**100%**	**100%**

At 30.06.2020 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	5,635	(515)	5,120	(1,322)	3,797	52%	48%
USD	4,214	621	4,835	(60)	4,774	49%	60%
GBP	-	(96)	(96)	(37)	(134)	-1%	-2%
SEK	3	(124)	(122)	(31)	(152)	-1%	-2%
Other currencies	42	58	101	(485)	(384)	1%	-5%
FINANCIAL DEBT BY CURRENCY	**9,894**	**(57)**	**9,837**	**(1,935)**	**7,902**	**100%**	**100%**

3. Breakdown of fixed-rate/floating rate debt (excluding lease liabilities) before and after interest rate hedging instruments at 30 June 2019 and 30 June 2020

	30.06.2019				30.06.2020			
€ million	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	6,871	91%	6,168	82%	9,146	93%	8,431	86%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	672	9%	1,375	18%	691	7%	1,406	14%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**7,543**	**100%**	**7,543**	**100%**	**9,837**	**100%**	**9,837**	**100%**

At 30 June 2020, before taking account of any hedges, the Group's gross debt was 93% fixed rate and 7% floating rate. After hedging, the floating-rate part was 14%.

4. Schedule of financial liabilities at 30 June 2020

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Floating-rate interest flows have been estimated on the basis of rates at 30 June 2019 and 30 June 2020.

At 30.06.2019 *€ million*	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	-	(7,499)	(33)	(995)	(1,070)	(1,593)	(718)	(515)	(2,574)
Interest	-	(1,671)	(125)	(128)	(237)	(179)	(105)	(90)	(806)
GROSS FINANCIAL DEBT	**(7,555)**	**(9,170)**	**(159)**	**(1,124)**	**(1,307)**	**(1,772)**	**(823)**	**(605)**	**(3,380)**
Cross-currency swaps	-	-	-	-	-	-	-	-	-
Flows payable	-	-	-	-	-	-	-	-	-
Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(21)	(23)	(7)	(6)	(4)	(1)	(1)	(1)	(3)
DERIVATIVE INSTRUMENTS LIABILITIES	**(21)**	**(23)**	**(7)**	**(6)**	**(4)**	**(1)**	**(1)**	**(1)**	**(3)**
TOTAL FINANCIAL LIABILITIES	**(7,575)**	**(9,193)**	**(165)**	**(1,130)**	**(1,311)**	**(1,774)**	**(825)**	**(607)**	**(3,383)**

At 30.06.2020 *€ million*	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	-	(9,804)	(336)	(673)	(1,378)	(753)	(1,038)	(1,688)	(3,939)
Interest	-	(1,740)	(119)	(127)	(217)	(142)	(127)	(118)	(862)
GROSS FINANCIAL DEBT	**(9,894)**	**(11,544)**	**(455)**	**(799)**	**(1,595)**	**(895)**	**(1,165)**	**(1,806)**	**(4,801)**
LEASE LIABILITIES	**(522)**	**(599)**	**(40)**	**(49)**	**(97)**	**(75)**	**(56)**	**(49)**	**(233)**
Cross-currency swaps	-	-	-	-	-	-	-	-	-
Flows payable	-	-	-	-	-	-	-	-	-
Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(24)	(25)	(23)	(2)	-	-	-	-	-
DERIVATIVE INSTRUMENTS – LIABILITIES	**(24)**	**(25)**	**(23)**	**(2)**	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**(10,440)**	**(12,169)**	**(518)**	**(851)**	**(1,692)**	**(970)**	**(1,221)**	**(1,854)**	**(5,034)**

5. Credit lines

At 30 June 2020, credit lines mainly comprised the multi-currency syndicated loan of €2,500 million and a €600 million bilateral line. No drawdowns have been made from these credit lines.

6. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2020 *€ million*
€250 million	1.13%	27.04.2020	07.04.2025	254
€250 million	1.75%	27.04.2020	08.04.2030	266
€750 million	1.13%	01.04.2020	07.04.2025	745
€750 million	1.75%	01.04.2020	08.04.2030	747
€500 million	0.00%	24.10.2019	24.10.2023	498
€500 million	0.50%	24.10.2019	24.10.2027	498
€500 million	0.88%	24.10.2019	24.10.2031	495
$500 million	5.75%	07.04.2011	07.04.2021	451
$201 million	Spread +6-month LIBOR	26.01.2016	26.01.2021	182
$1,500 million	4.45%	25.10.2011	15.01.2022	1,367
$800 million	4.25%	12.01.2012	15.07.2022	748
€500 million	1.88%	28.09.2015	28.09.2023	501
€650 million	2.13%	29.09.2014	27.09.2024	658
€600 million	1.50%	17.05.2016	18.05.2026	599
$600 million	3.25%	08.06.2016	08.06.2026	547
$850 million	5.50%	12.01.2012	15.01.2042	765
TOTAL BONDS				**9,322**

7. Offsetting of financial assets and financial liabilities

The table below shows the amounts of financial assets and financial liabilities before and after offsetting.

The amounts offset in the balance sheet were established in accordance with IAS 32. Accordingly, financial assets and financial liabilities are offset and the net amount is shown in the balance sheet if and only if the Group has a legally enforceable right to offset the recognised amounts, and if it intends to settle the net amount. The assets and liabilities offset stem from the multi-currency cash pooling implemented within the Group.

At 30.06.2019 *€ million*	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	1,044	(121)	923	-	-	-
Liabilities						
Bank debt	661	(121)	540	-	-	-

At 30.06.2020 *€ million*	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	2,125	(190)	1,935	-	-	-
Liabilities						
Bank debt	786	(190)	596	-	-	-

Note 4.9 Financial instruments

1. Fair value of financial instruments

		Breakdown by accounting classification				30.06.2019	
€ million	Measurement level	Fair value – profit	Fair value through Equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Equity instruments	Levels 1 and 3	-	194	-	-	194	194
Guarantees, deposits, investment-related receivables		-	-	128	-	128	128
Trade receivables and other operating receivables		-	-	1,226	-	1,226	1,226
Other current assets		-	-	359	-	359	359
Derivative instruments – assets	Level 2	25	-	-	-	25	25
Cash and cash equivalents	Level 1	923	-	-	-	923	923
Liabilities							
Bonds		-	-	-	7,015	7,015	7,229
Bank debt		-	-	-	512	512	512
Finance lease debt		-	-	-	28	28	28
Derivative instruments – liabilities	Level 2	21	-	-	-	21	21

€ million	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value through Equity	Loans and receivables	Liabilities at amortised cost	30.06.2020: Balance sheet value	Fair value
Assets							
Equity instruments	Levels 1 and 3	-	93	-	-	93	93
Guarantees, deposits, investment-related receivables		-	-	156	-	156	156
Trade receivables and other operating receivables		-	-	906	-	906	906
Other current assets	Level 2	-	-	323	-	323	323
Derivative instruments – assets	Level 1	66	-	-	-	66	66
Cash and cash equivalents		1,935	-	-	-	1,935	1,935
Liabilities							
Bonds		-	-	-	9,322	9,322	9,749
Bank debt		-	-	-	572	572	572
Lease liabilities		-	-	-	522	522	522
Derivative instruments – liabilities	Level 2	24	-	-	-	24	24

The methods used are as follows:

- debt: the fair value of the debt is determined for each loan by discounting future cash flows on the basis of market rates at the balance sheet date, adjusted for the Group's credit risk; for floating rate bank debt, fair value is approximately equal to carrying amount;
- bonds: market liquidity enabled the Bonds to be valued at their fair value using the quoted prices;
- other long-term financial liabilities: the fair value of other long-term financial liabilities is calculated for each loan by discounting future cash flows using an interest rate taking into account the Group's credit risk at the balance sheet date;
- derivative instruments: the market value of instruments recognised in the financial statements at the balance sheet date was calculated on the basis of available market data, using current valuation models.

The hierarchical levels for fair value disclosures below accord with the definitions in the amended version of IFRS 7 (Financial Instruments: Disclosures):

- level 1: fair value based on prices quoted in an active market;
- level 2: fair value measured on the basis of observable market data (other than quoted prices included in level 1);
- level 3: fair value determined using valuation techniques based on unobservable market data.

In accordance with IFRS 13, derivatives were measured taking into account the credit valuation adjustment (CVA) and the debt valuation adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 30 June 2020, the impact was not significant.

2. Risk management

Management and monitoring of financial risks is performed by the Financing and Treasury Department. Reporting to the Group Finance Department, it oversees all financial exposures and processes or validates all financing, investment and hedging transactions, as part of a programme approved by General Management.

All financial instruments used hedge existing or forecast hedge transactions or investments. They are contracted with a limited number of counterparties that have a first-class rating.

Management of liquidity risk

The exceptional measures taken as part of the response to the Covid-19 virus will have a significant impact on the Group's earnings and cash flow. Pernod Ricard has taken all precautionary measures to ensure sufficient liquidity to meet its needs.

At 30 June 2020, the Group's cash and cash equivalents totalled €1,935 million (compared with €923 million at 30 June 2019). An additional €3,360 million of renewable medium-term credit facilities with banks was confirmed and undrawn. Group funding is provided in the form of long-term debt (bank loans, bonds, etc.) and short-term financing (commercial paper and bank overdrafts) as well as factoring and securitisation, which provide adequate financial resources to ensure the continuity of its business. The Group also set up a €7 billion EMTN (Euro Medium Term Note) programme in May 2020. The Group's short-term financial debt after hedging was €1,100 million at 30 June 2020 (compared to €1,121 million at 30 June 2019).

While the Group has not identified any other significant cash requirement, it cannot be fully guaranteed that it will be able to continue to access the funding and refinancing needed for its day-to-day operations and investments on satisfactory terms, given the uncertain economic context.

The credit ratings sought by Pernod Ricard from rating agencies on its long- and short-term debt are Baa1/P2 from Moody's and BBB+/A2 from Standard & Poor's, respectively.

The Group's bank and bond debt contracts include covenants and a financial ratio. Breaches of these covenants or financial ratio could force the Group to make accelerated payments. At 30 June 2020, the Group was in compliance with the covenants under the terms of its syndicated loan, with a solvency ratio (total Net debt converted at the average rate/consolidated EBITDA) of 5.25 or less.

Furthermore, while the vast majority of the Group's cash surplus is placed with branches of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may lose some of their liquidity and/or value.

The currency controls in place in certain countries limit the Group's ability to use cash (prohibition on investment with the Group) and, in some cases, delay the possibility of paying dividends (authorisation is required from the relevant authorities, notably in Cuba). At 30 June 2020, the delayed availability cash amounted to €135 million, including €131 million relating to Cuba.

Specific terms of financing agreements and the schedule of financial liability maturity are respectively disclosed in the "Material contracts" subsection of the management report and in Note 4.8 – *Financial liabilities* of the Notes to the consolidated financial statements.

Management of currency risk

As the Group consolidates its financial statements in euros, it is exposed to fluctuations against the euro by the currencies in which its assets and liabilities are denominated (asset risk) or in which transactions are carried out (transaction risk and translation of results).

While some hedging strategies allow exposure to be limited, there is no absolute protection against exchange rate fluctuations.

For asset risk, financing foreign currency-denominated assets acquired by the Group with debt in the same currency provides natural hedging. This principle was applied for the acquisition of Seagram, Allied Domecq and Vin&Sprit, with part of the debt being denominated in USD, reflecting the importance of cash flows generated in dollars or linked currencies.

Movements in currencies against the euro (notably the USD) may impact the nominal amount of these debts and the financial costs published in euro in the consolidated financial statements, and this could affect the Group's results.

For operational currency risk, the Group's international operations expose it to currency risks affecting transactions carried out by affiliates in a currency other than their operating currency (transaction accounting risk).

As a rule, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to currency risk on invoicing between producer and distributor affiliates is managed *via* a monthly payment centralisation procedure involving most countries with freely convertible and transferable currencies and whose internal legislation allows this participation. This system hedges against net exposure using forward exchange contracts.

Residual risk is partially hedged using financial derivatives (forward purchases, forward sales or options) to hedge certain or highly probable non-Group operating receivables and payables.

In addition, the Group may use firm or optional hedges with the aim of reducing the impact of currency fluctuations on its operating activities in some Brand Companies that make significant purchases in currencies other than the euro – especially USD, GBP or SEK – or in order to secure the payment of dividends back to the parent.

Management of interest rate risk

At 30 June 2020, the Group's debt comprised floating-rate debt (mainly commercial paper and other bank loans) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including USD swaps.

The Group cannot guarantee that these hedges will prove sufficient, or that it will be able to maintain them on acceptable terms.

Schedule of maturity of floating-rate debt and hedging in EUR *(notional value)*

At 30.06.2020 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	1,322	-	-	1,322
Total floating-rate liabilities	(328)	3	0	(325)
NET FLOATING-RATE DEBT BEFORE HEDGING	**995**	**3**	**0**	**998**
Derivative instruments	502	13	-	515
NET FLOATING-RATE DEBT AFTER HEDGING	**1,497**	**16**	**0**	**1,513**

Schedule of floating-rate debt and hedging in USD *(notional value)*

At 30.06.2020 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	60	-	-	60
Total floating-rate liabilities	(251)	(147)	-	(398)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(190)**	**(147)**	**-**	**(337)**
Derivative instruments	(661)	(509)	(164)	(1,335)
NET FLOATING-RATE DEBT AFTER HEDGING	**(851)**	**(656)**	**(164)**	**(1,672)**

Analysis of the sensitivity of financial instruments to interest rate risk (impact on the income statement)

A 50 basis point increase or decrease in interest rates (USD and EUR) would increase or reduce the cost of net financial debt by €8 million.

Analysis of the sensitivity of financial instruments to interest rate risk (impact on shareholders' equity)

A relative fluctuation of +/-50 basis points in interest rates (USD and EUR) would generate an equity gain or loss of approximately €0.5 million as a result of changes in the fair value of the derivatives documented as cash flow hedges (swaps).

Analysis of the sensitivity of financial instruments used to hedge risks related to farm raw materials (impact on shareholders' equity)

At 30 June 2020, the sensitivity of the portfolio was not significant.

Counterparty risk in financial transactions

The Group could be exposed to counterparty default *via* its cash investments, hedging instruments or the availability of confirmed but undrawn financing lines. In order to limit this exposure, the Group performs a rigorous selection of counterparties according to several criteria, including credit ratings, and depending on the maturity dates of the transactions.

However, no assurance can be given that this rigorous selection will be enough to protect the Group against risks of this type, particularly in the current economic context.

Note 4.10 Interest rate, foreign exchange and commodity derivatives

Pursuant to the amended version of IAS 9 (Financial Instruments), all derivative instruments must be recognised in the balance sheet at fair value, determined on the basis of standard market valuation models or external prices issued by financial institutions.

Where the derivative has been designated as a fair value hedge, changes in the value of the derivative and of the hedged item are recognised in profit and loss for the same period. If the derivative has been designated as a cash flow hedge, the change in value of the "effective" portion of the hedge is recognised in shareholders' equity. It is recognised in profit and loss when the hedged item is itself recognised in profit and loss. The change in value of the ineffective component of the derivative is however recognised directly in profit and loss. If the derivative is designated as a hedge of a net foreign currency investment, the change in value of the effective portion of the hedge is recognised in shareholders' equity and the change in value of the "ineffective" portion is recognised in profit and loss.

Hedging instruments (by risk category and nature of hedge)

Type of hedging at 30.06.2019 *€ million*	Description of financial instrument	Notional amount of contracts				Fair value	
		< 1 year	> 1 year and < 5 years	> 5 years	Total	Assets	Liabilities
Fair value hedge						**13**	**2**
Interest rate risk hedges	*Swaps*	-	879	176	1,054	13	2
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
Net investment hedge		**-**	**-**	**-**	**-**	**-**	**-**
Currency risk hedges	*NDF & FX options*	130	-	-	130	-	-
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
Net asset hedging		**-**	**-**	**-**	**-**	**-**	**-**
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**13**	**2**
Cash flow hedge						**3**	**4**
Interest rate risk hedges	*Swaps*	-	176	-	176	-	3
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps*	139	38	-	177	1	1
Commodity risk hedges	*Forwards*	12	3	-	15	2	0
Non hedge accounting		**-**	**-**	**-**	**-**	**9**	**15**
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps and FX forwards*	1,424	-	-	1,424	4	5
Interest rate risk hedges	*Swaps*	-	1,230	-	1,230	4	11
TOTAL DERIVATIVE INSTRUMENTS						**25**	**21**
TOTAL NON-CURRENT						**20**	**16**
TOTAL CURRENT						**6**	**5**

Type of hedging at 30.06.2020 *€ million*	Description of financial instrument	Notional amount of contracts				Fair value	
		< 1 year	> 1 year and < 5 years	> 5 years	Total	Assets	Liabilities
Fair value hedge						**44**	**-**
Interest rate risk hedges	*Swaps*	357	536	179	1,072	44	-
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
Net investment hedge		**-**	**-**	**-**	**-**	**13**	**-**
Currency risk hedges	*FX forwards*	-	-	-	-	-	-
Interest rate and currency risk hedges	*Cross-currency swaps*	-	460	-	460	13	-
Net asset hedging		**-**	**-**	**-**	**-**	**-**	**-**
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**57**	**-**
Cash flow hedge						**0**	**3**
Interest rate risk hedges	*Swaps*	179	-	-	179	-	3
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps and FX forwards and FX options*	38	-	-	38	0	0
Commodity risk hedges	*Swaps*	7	2	-	9	0	0
Non hedge accounting		**-**	**-**	**-**	**-**	**9**	**21**
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps and FX forwards*	1,821	-	-	1,821	4	10
Interest rate risk hedges	*Swaps*	1,250	-	-	1,250	5	11
TOTAL DERIVATIVE INSTRUMENTS						**66**	**24**
TOTAL NON-CURRENT						**54**	**0**
TOTAL CURRENT						**12**	**24**

The notional amount of these contracts is the nominal value of the contracts. Foreign currency denominated notional amounts in cross-currency swaps are shown in euros at the exchange rate agreed. For other instruments, notional amounts denominated in foreign currencies are translated into euros at year-end rates. Estimated market values are based on information available on the financial markets and valuation methods appropriate to the type of financial instrument concerned. These valuation methods yield results consistent with the valuations provided by bank counterparties.

The Group's hedging instruments at 30 June 2020 are not ineffective.

Hedged items (by category and nature of hedge)

Type of hedging at 30.06.2019 *€ million*	Carrying amount of the hedged item		Cumulative FVH adjustments included in the carrying amount of the hedged item		Balance sheet item in which the hedged item is included	CFH reserves	Change in fair value of CFH derivatives in OCI
	Assets	Liabilities	Assets	Liabilities			
FAIR VALUE HEDGE (FVH)							
Interest rate risk							
Fixed-rate bonds hedged	-	1,069	13	2	Bonds	N/A	N/A
End of hedging	-	-	4	11	Bonds	N/A	N/A
Currency risk							
Firm commitment	-	-	-	-	-	N/A	N/A
CASH FLOW HEDGE (CFH)							
Interest rate risk							
Floating rates of bonds	N/A	N/A	N/A	N/A	N/A	(3)	(2)
End of hedging	N/A	N/A	N/A	N/A	N/A	(16)	10
Currency risk							
Future foreign currency sales hedges	N/A	N/A	N/A	N/A	N/A	(1)	2
End of hedging	N/A	N/A	N/A	N/A	N/A	-	-
Commodity risk							
Commodity risk hedges	N/A	N/A	N/A	N/A	N/A	0	0
NET INVESTMENT HEDGE (NIH)							
Net assets hedged	-	-	N/A	N/A	N/A	N/A	N/A
End of hedging	-	-	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Type of hedging at 30.06.2020 *€ million*	Carrying amount of the hedged item		Cumulative FVH adjustments included in the carrying amount of the hedged item		Balance sheet item in which the hedged item is included	CFH reserves	Change in fair value of CFH derivatives in OCI
	Assets	Liabilities	Assets	Liabilities			
FAIR VALUE HEDGE (FVH)							
Interest rate risk							
Fixed-rate bonds hedged	-	1,087	44	-	Bonds	N/A	N/A
End of hedging	-	-	5	11	Bonds	N/A	N/A
Currency risk							
Firm commitment	-	-	-	-	-	N/A	N/A
CASH FLOW HEDGE (CFH)							
Interest rate risk							
Floating rates of bonds	N/A	N/A	N/A	N/A	N/A	(3)	0
End of hedging	N/A	N/A	N/A	N/A	N/A	(6)	11
Currency risk						-	-
Future foreign currency sales hedges	N/A	N/A	N/A	N/A	N/A	0	0
End of hedging	N/A	N/A	N/A	N/A	N/A	-	-
Commodity risk						-	-
Commodity risk hedges	N/A	N/A	N/A	N/A	N/A	0	0
NET INVESTMENT HEDGE (NIH)							
Net assets hedged	447	-	N/A	N/A	N/A	N/A	N/A
End of hedging	-	-	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Note 4.11 Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2019	30.06.2020
Taxes and social payables	636	628
Other current liabilities	421	388
TOTAL	**1,058**	**1,016**

Other current liabilities at 30 June 2020 mainly comprise the €308 million interim dividend payment on 10 July 2020. Most of these other current liabilities are due within one year.

Note 4.12 Assets held for sale and related liabilities

Assets held for sale mainly correspond to certain assets received in connection with the acquisition of the US listed company Castle Brands Inc., which the Group envisages disposing of within 12 months.

NOTE 5 Notes to the consolidated cash flow statement

1. Working Capital Requirement

Working Capital Requirements increased by €433 million. The change breaks down as follows:

- increase in inventory: +€414 million;
- reduction in operating receivables: €(261) million;
- increase in operating and other payables: +€197 million;
- other movements: +€83 million.

The increase in inventory relates to the build-up of ageing inventories to meet future demand.

2. Purchases of financial assets and activities

Purchases of financial assets and activities had an impact of €618 million, mainly due to the purchases during the period described in Note 1.2 – *Significant events during the financial year.*

3. Issuance/redemption of bonds

During the financial year, the Pernod Ricard Group carried out bond issuance/subscriptions for €3,822 million and bond redemptions for €(1,553) million. These transactions mainly correspond to the bond subscriptions and redemptions described in Note 1.2 – *Significant events during the financial year.*

In addition, the Group increased the stock of commercial paper for €299 million.

The Group also paid €112 million in respect of its lease liabilities, of which €99 million related to repayment of the nominal amount and €13 million to interest payments reported in cash flow from operating activities.

NOTE 6 Additional information

Note 6.1 Shareholders' equity

1. Share capital

The Group's share capital did not change between 1 July 2019 and 30 June 2020:

	Number of shares	Amount *€ million*
Share capital at 30.06.2019	265,421,592	411
Share capital at 30.06.2020	265,421,592	411

All Pernod Ricard shares are issued and fully paid up and have a nominal value of €1.55. Only one category of ordinary Pernod Ricard shares exists. These shares obtain double voting rights if they have been registered in the name of the same shareholder for an uninterrupted period of 10 years.

2. Treasury shares

Treasury shares are recognised on acquisition as a deduction from shareholders' equity. Subsequent changes in the value of treasury shares are not recognised. When treasury shares are sold, any difference between the acquisition cost and the fair value of the shares at the date of sale is recognised as a change in shareholders' equity and has no impact on profit and loss for the year.

At 30 June 2020, Pernod Ricard and its controlled affiliates held 4,747,585 Pernod Ricard shares worth €668 million, of which €224 million acquired over the period 21 October to 13 December 2019, and €301 million acquired over the period 18 February to 6 April 2020 under the share buyback programme announced on 28 August 2019. These treasury shares are reported, at cost, as a deduction from shareholders' equity.

As part of its stock option and bonus share allocation plans, Pernod Ricard SA holds shares either directly (treasury shares) or indirectly (calls or repurchase options) that may be granted if options are exercised under the stock option plans or, in the case of bonus shares, if performance targets are met.

3. Interim dividend

At its meeting of 22 April 2020, the Board of Directors decided to pay an interim dividend of €1.18 per share in respect of FY20, *i.e.* a total of €308 million. The interim dividend was paid on 10 July 2020 and recognised under "Other current liabilities" in the balance sheet at 30 June 2020.

4. Capital management

The Group manages its capital in such a way as to optimise its cost of capital and profitability for its shareholders, provide security for all its counterparties and maintain a high rating. In this context, the Group may adjust its payment of dividends to shareholders, repay part of its capital, buy back its own shares and authorise share-based payment plans.

5. Liquidity agreement

On 24 May 2012, Pernod Ricard SA put in place a 12-month liquidity agreement, effective from 1 June 2012, through Rothschild & Cie Banque. The agreement is tacitly renewable for successive periods of 12 months. It complies with the French Financial Markets Association (AMAFI) Code of Conduct, which was approved by the French Financial Markets Authority (AMF) in its decision of 21 March 2011.

The sum of €5 million was allocated for the implementation of the liquidity agreement.

Note 6.2 Share-based payments

The Group applies the IFRS 2 (Share-based payment) standard to transactions whose award and settlement are share-based.

Pursuant to this standard, stock options and performance-based shares granted to employees are measured at fair value. The amount of such fair value is recognised in the income statement over the vesting period of the rights and a corresponding double entry is recognised as an increase in shareholders' equity.

This fair value was calculated using valuation models taking into account the characteristics of the plan and market data at the date of grant and on the basis of Group Management assumptions.

Description of share-based payment plans

The Group implements stock option and performance-based share plans for Managers with high levels of responsibility, key management personnel for the Group and high-potential Managers. All of the plans are equity-settled.

In the course of FY20, three share allocation plans were set up on 8 November 2019:

- a stock option plan including a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR [(1)]) compared with the overall performance of a panel of 12 peers over the period from 8 November 2019 to 8 November 2022 inclusive (three years) and a condition of four years' continuous service;
- a performance-based share plan, including a performance condition based on the average level of Profit from Recurring Operations achieved compared with the budget, measured over three consecutive financial years including the year in which the shares were granted and a condition of four years' continuous service;
- a performance-based share plan including a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR[(1)]) compared with the overall performance of a panel of 12 peers over the period from 8 November 2019 to 8 November 2022 inclusive (three years) and a condition of four years' continuous service.

Stock options	Type of options	Presence of performance condition	Number of beneficiaries	Commencement date for exercise of options	Expiry date	Subscription or purchase price (€)	Outstanding options at 30.06.20	Stock option expense for FY20 (€ thousands)
Plan dated 06.11.2015	Purchase	Conditional	161	07.11.2019	06.11.2023	€102.80	114,893	389
Plan dated 17.11.2016	Purchase	Conditional	16	18.11.2020	17.11.2024	€105.81	124,502	571
Plan dated 09.11.2017	Purchase	Conditional	15	10.11.2021	09.11.2025	€126.53	124,050	587
Plan dated 21.11.2018	Purchase	Conditional	15	22.11.2022	21.11.2026	€137.78	109,492	577
Plan dated 08.11.2019	Purchase	Conditional	14	09.11.2023	08.11.2027	€162.79	131,864	518

(1) *Total Shareholder Return.*

Performance shares	Type of shares	Presence of performance condition	Number of beneficiaries	Shares acquired from	Shares vested from	Outstanding shares at 30.06.2020	Share expense for FY20 (€ thousands)
Plan dated 06.11.2015	Free	Conditional	1,006	07.11.2019	07.11.2019	0	2,611
Plan dated 17.11.2016	Free	Conditional	997	18.11.2020	18.11.2020	366,417	7,368
				33% 18.11.2017	33% 18.11.2019		
				33% 18.11.2018	33% 18.11.2020		
Plan dated 17.11.2016	Free	Unconditional	6	33% 18.11.2019	33% 18.11.2021	0	0 (1)
Plan dated 09.11.2017	Free	Conditional	1,000	10.11.2021	10.11.2021	200,523	112 (2)
Plan dated 21.11.2018	Free	Conditional	958	22.11.2022	22.11.2022	208,312	3,876 (2)
Plan dated 08.11.2019	Free	Conditional	820	09.11.2023	09.11.2023	175,706	3,735 (2)

(1) For this plan, the Group decided to recognise all expenses in FY17.
(2) Quantities of outstanding shares and share expenses taking into account the adjusted achievement of the performance condition for the 2017 plan and the cap on share vesting under the 2018 and 2019 plans at 66%, in accordance with the decision taken by the Board of Directors, on the recommendation of the Compensation Committee and in compliance with the plan rules.

The history of stock option plans that have not yet expired is presented in the "Corporate governance" section of the Universal Registration Document.

For the vested stock option plan, the total number of options outstanding is 114,893, with an average remaining life of three years and three months.

The Group recognised an expense of €2.6 million as an operating loss for five stock option plans in the process of vesting at 30 June 2020, as well as an expense of €17.7 million in respect of the five performance-based share plans.

Annual expenses *€ million*	30.06.2019	30.06.2020
Stock options – through a double entry to equity	3	3
Performance-based and bonus shares – through a double entry to equity	33	18
TOTAL ANNUAL EXPENSES	**36**	**20**

Changes made to outstanding stock options/shares during the year (period from 1 July 2019 to 30 June 2020) are described below:

	Type of options	Presence of performance condition	Outstanding options at 30.06.2019	Allocated during the period	Cancelled during the period	Exercised during the period	Expired during the period	Outstanding options at 30.06.2020
Plan dated 06.11.2015	Purchase	Conditional	182,507	0	0	67,614	0	114,893
Plan dated 17.11.2016	Purchase	Conditional	150,008	0	25,506	0	0	124,502
Plan dated 09.11.2017	Purchase	Conditional	124,050	0	0	0	0	124,050
Plan dated 21.11.2018	Purchase	Conditional	109,492	0	0	0	0	109,492
Plan dated 08.11.2019	Purchase	Conditional	0	131,864	0	0	0	131,864

	Type of shares	Presence of performance condition	Outstanding shares at 30.06.2019	Allocated during the period	Cancelled during the period	Transferred during the period	Expired during the period	Outstanding shares at 30.06.2020
Plan dated 06.11.2015	Free	Conditional	337,828	0	8,510	329,318	0	0
Plan dated 17.11.2016	Free	Conditional	406,026	0	38,869	740	0	366,417
Plan dated 17.11.2016	Free	Unconditional	24,853	0	0	24,853	0	0
Plan dated 09.11.2017	Free	Conditional	348,742	0	147,627	592	0	200,523 (1)
Plan dated 21.11.2018	Free	Conditional	336,069	0	127,212	545	0	208,312 (1)
Plan dated 08.11.2019	Free	Conditional	N/A	269,474	93,475	293	0	175,706 (1)

N/A: not applicable.
(1) Quantities of outstanding shares and share expenses taking into account the adjusted achievement of the performance condition for the 2017 plan and the cap on share vesting under the 2018 and 2019 plans at 66%, in accordance with the decision taken by the Board of Directors, on the recommendation of the Compensation Committee and in compliance with the plan rules.

The average strike price of options exercised during FY20 was €102.80.

The assumptions used in calculating the fair values of the options and shares allocated over the financial year, using the binomial or Monte Carlo models and the terms under which the options/shares were granted, are as follows:

	Type of options/ shares	Presence of performance condition	Initial share price (€)[1]	Strike price (€)	Expected volatility	Expected dividend yield	Risk-free interest rate	IFRS 2 fair value (€)
Plan dated 08.11.2019	Purchase	Conditional	167.40	162.79	19.70%	2.14%	0.10%	24.4
Plan dated 08.11.2019	Free	Conditional	167.40	N/A	19.10%	2.14%	0.00%	95.14
Plan dated 08.11.2019	Free	Conditional	167.40	N/A	N/A	2.14%	N/A	153.67

N/A: not applicable.

(1) Closing share price at grant date.

The fair values are fixed upon implementation of each plan and do not vary year on year. In addition, only the values relating to the plans allocated during FY20 are presented above (information on previous plans is available in the previous Universal Registration Documents).

From 2012 onwards, the volatility assumption used for the plans is based on a multi-criteria approach taking into consideration:

- historic volatility over a period equal to the duration of the options;
- implied volatility calculated on the basis of options available in financial markets.

The possibility of exercising options prior to maturity has been taken into account in the valuation model of the stock option plans by reflecting, *via* an assumption, the behaviour of beneficiaries as regards the anticipated periods (before maturity). In 2017, a new option exercise profile was defined and replaced that established in 2010. It was assumed that 30%, 40% and 30% of the options would be exercised once the share price reached 120%, 150% and 180% of the exercise price respectively. This assumption is based on a recent analysis of behaviour observed on plans awarded before 2017.

Options allocated on 8 November 2019 are all conditional on the positioning of the overall performance of the Pernod Ricard share (TSR [1]) compared with the overall performance of a panel of 12 peers: the stock options will be pre-vested on 8 November 2022, provided that the overall performance of the Pernod Ricard share (TSR [1]) is positioned 7th out of 13 or better (the number will be determined in increments depending on the level of performance achieved). Vesting will be final if the continuous service condition is met on 8 November 2023.

Two performance-based share plans were granted on 8 November 2019. In one case, the fair value corresponds, amongst other things, to the market price of the shares at the grant date, less the loss of expected dividends during the vesting period (*i.e.* four years for all beneficiaries). Lastly, the number of performance-based shares granted will depend on the average level of Group Profit from Recurring Operations for the years ended 30 June 2020, 30 June 2021 and 30 June 2022 compared with budgeted Profit from recurring operations for each of those years, at constant exchange rates and scope of consolidation. The accounting expense for the plan under IFRS 2 will be adjusted for this condition no later than the end of the vesting period.

The fair value of the other plan takes account of the same market performance condition as applied to the stock options allocated on 8 November 2019: positioning of the overall performance of the Pernod Ricard share (TSR[1]) compared with the overall performance of a panel of 12 peers over the period from 8 November 2019 to 8 November 2022 inclusive (three years). Vesting will be final as of 9 November 2023 if the continuous service condition is met on 8 November 2023.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30.06.2019	**2,587**	**863**	**1,356**	**368**
Commitments given in relation to companies within the Group	**7**	**2**	**5**	**-**
Commitments given in relation to the financing of the Company	**23**	**6**	**12**	**6**
Financial guarantees given	23	6	12	6
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,556**	**855**	**1,339**	**362**
Firm and irrevocable commitments to purchase raw materials	1,744	582	1,087	74
Tax commitments (customs guarantees and others)	243	163	11	68
Operating lease agreements	555	97	239	219
Other items	15	13	2	1

(1) Total Shareholder Return.

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received at 30.06.2019	**2,593**	**53**	**2,509**	**31**
Commitments received in relation to companies within the Group	**3**	**1**	**2**	**-**
Commitments received in relation to the financing of the Company	**2,544**	**43**	**2,500**	**1**
Lines of credit received and not used	2,500	0	2,500	-
Financial guarantees received	44	43	0	1
Other items	0	0	-	-
Commitments relating to the operating activities of the issuer	**46**	**9**	**6**	**30**
Contractual commitments related to business activity and business development	43	8	6	29
Other items	2	0	1	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30.06.2020	**2,191**	**818**	**1,207**	**166**
Commitments given in relation to companies within the Group	**5**	**3**	**2**	**-**
Commitments given in relation to the financing of the Company	**25**	**8**	**11**	**6**
Financial guarantees given	25	8	11	6
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,161**	**808**	**1,193**	**160**
Firm and irrevocable commitments to purchase raw materials	1,805	546	1,172	87
Tax commitments (customs guarantees and others)	309	228	9	71
Leases	8	3	3	1
Other items	39	30	8	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received at 30.06.2020	**3,443**	**38**	**3,370**	**35**
Commitments received in relation to companies within the Group	**1**	**0**	**0**	**0**
Commitments received in relation to the financing of the Company	**3,399**	**36**	**3,362**	**1**
Lines of credit received and not used	3,360	0	3,360	-
Financial guarantees received	39	36	2	1
Other items	0	0	-	-
Commitments relating to the operating activities of the issuer	**43**	**2**	**7**	**34**
Contractual commitments related to business activity and business development	41	2	6	33
Other items	2	0	1	1

The decrease in off-balance sheet commitments is mainly due to the implementation of IFRS 16, off-balance sheet commitments on operating leases being replaced by a lease liability in the balance sheet (see Note 1.1.2.1). Non-cancellable commitments relating to short-term or low-value leases exempt from the application of IFRS 16 continue to be presented in off-balance sheet commitments.

1. Lines of credit received and not used

The lines of credit received and not used correspond primarily to the nominal amounts of the syndicated loan and a bilateral credit line not drawn at 30 June 2020 (see Note 4.8 – *Financial liabilities*).

2. Firm and irrevocable commitments to purchase raw materials

In the context of their cognac, wine, champagne and whiskies production, the Group's main affiliates have committed €1,762 million under *eaux-de-vie*, grape, base wine and grain supply agreements.

Note 6.4 Contingent liabilities

Pernod Ricard has received several notices of tax adjustment for the financial years 2007 to 2016, specifically concerning, for an amount of 7,963 million Indian rupees (equivalent to €94.1 million, including interest as of the date of the reassessment), the tax deductibility of promotion and advertising expenses. It should be noted that the level and amount of this risk have been gradually and significantly reduced in recent years and that the Company obtained two court rulings in its favour in 2020 for the period from FY07 to FY14. These two court decisions further strengthen Pernod Ricard India's position on the tax deductibility of advertising and promotional expenses. Reassured by these decisions and after consulting with its tax advisers, Pernod Ricard India will continue to dispute the merits of the reassessment proposal and believes it has a probable chance of success in litigation. Accordingly, no provision has been booked for this matter.

Note 6.5 Disputes

In the normal course of business, Pernod Ricard is involved in a number of legal, governmental, arbitration and administrative proceedings.

A provision for such procedures is constituted under "Other provisions for risks and charges" (see Note 4.7 – *Provisions*) only when it is likely that a current liability stemming from a past event will require the payment of an amount that can be reliably estimated. In the latter case, the provisioned amount corresponds to the best estimation of the risk. The provisioned amount recorded is based on the assessment of the level of risk on a case by case basis, it being understood that any events arising during the proceedings may at any time require that risk to be reassessed.

The provisions recorded by Pernod Ricard at 30 June 2020 for all litigation and risks in which it is involved amounted to €431 million, compared with €374 million at 30 June 2019 (see Note 4.7 – *Provisions*), excluding uncertain tax positions recognised in current tax liabilities. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the best of the Company's knowledge, there are no other governmental, legal or arbitration proceedings pending or threatened, including any proceeding of which the Company is aware, which may have or have had over the last 12 months a significant impact on the profitability of the Company and/or the Group, other than those described below.

Disputes relating to brands

Havana Club

The Havana Club brand is owned in most countries by a joint-venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 160 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

In 1998, the United States passed a law relating to the conditions for the protection of brands previously used by nationalised companies. This law was condemned by the World Trade Organization (WTO) in 2002. However, to date, the United States has not amended its legislation to comply with the WTO decision:

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club trademark registration, following OFAC'S refusal to grant a specific licence. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC, challenging both OFAC's decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A *certiorari* petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport's licence application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A request for a further renewal for a period of 10 years from 27 January 2016 was also granted;
2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademarks in the United States. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now before the Federal District Court for the District of Columbia. These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed and the plaintiff amended their complaint. In response, Cubaexport and HCH filed two motions: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues.

These risks constitute a potential obstacle to the Group's business development but there are no foreseeable obligations resulting from these events at the present time. The resolution of these disputes would represent a business development opportunity for the Group.

Tax disputes

The Group's companies are regularly audited by the tax authorities in the countries in which they are registered.

The estimation of the risk concerning each dispute is regularly reviewed by the affiliate or region concerned and by the Group's Tax Department, with the assistance of external counsel for the most significant or complex cases. Provisions are recognised if necessary. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing tax litigation could cause the Group serious harm.

India

Pernod Ricard India (P) Ltd has an ongoing dispute with the Indian customs authorities over the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court which issued an order in July 2010, setting out the principles applicable for the determination of values which should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. For the period between 2001 and December 2010, Pernod Ricard India (P) Ltd has paid almost the entire differential duty as determined by customs in Delhi following the initial adjustment notice received in 2011. A second notice, received in 2013 and confirmed by a court on 14 August 2017 has been suspended by the Supreme Court. The Company continues to actively work with the authorities and courts to resolve pending issues.

Pernod Ricard India (P) is also involved in a debate with the Indian customs authorities over the transaction value of international products imported into India. Discussions are ongoing with the relevant authorities and jurisdictions.

Moreover, Pernod Ricard India (P) received several notices of tax adjustment for FY07 to FY16 relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – *Contingent liabilities*). In 2020, Pernod Ricard India (P) obtained two court rulings in its favour for the period from FY07 to FY14, strengthening its position on the tax deductibility of advertising and promotional expenses.

It should be noted that the above-mentioned disputes are only the subject of provisions, which, where appropriate, are recorded in other provisions for risks and charges (see Note 4.7 – *Provisions*) or in current tax liabilities (see Note 3.3 – *Income tax*), when it is probable that a present obligation resulting from a past event will require a settlement the amount of which can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability.

Commercial disputes

Colombia

A complaint was filed before the Colombian Competition Agency (the Superintendencia De Industria Y Comercio) on 14 November 2017 by the Department of Cundinamarca and its wholly owned distilling company Empresa de Licores de Cundinamarca against Pernod Ricard SA, Pernod Ricard Colombia SA and a competitor company. The complaint alleges that the defendants have committed violations of the Colombian Unfair Competition Act and, in particular, articles 7 and 18 thereof through the illegal import of spirits into Colombia. The complaint alleges that the companies have gained an unfair market advantage over local producers through such activity. The plaintiffs seek to reclaim lost profits and taxes for a four year period between 2013 and 2017. Pernod Ricard intends to vigorously defend itself against such allegations. This recent complaint contains allegations that are similar to those made in prior legal proceedings before the New York courts brought by Cundinamarca, the Republic of Colombia and several other Colombian departments in 2004. The New York proceedings were dismissed voluntarily by the parties in 2012.

Note 6.6 Related parties

Transactions with associates and joint ventures were immaterial in the year ended 30 June 2020.

The compensation paid to corporate officers and Executive Committee (COMEX) members in return for their services to the Group is detailed below:

€ million	30.06.2019	30.06.2020
Board of Directors (1)	1	1
Group Executive Committee		
• Short-term benefits	14	15
• Post-employment benefits	5	5
• Share-based payments (2)	6	5
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**26**	**26**

(1) *Directors' compensation.*

(2) *The cost of share-based payments corresponds to the expenses recognised in profit/loss over the period under stock options and performance-based shares allocated to the members of the Group Executive Committee.*

Moreover, the Executive Director is eligible for the following termination compensation (subject to a regulated agreement approved by the Shareholders' Meeting of 17 November 2016):

- one-year non-compete clause, together with a payment corresponding to 12 months' compensation;
- imposed departure clause subject to performance conditions, together with a maximum payment corresponding to 12 months' compensation.

These clauses were not implemented in the course of the past financial year.

Note 6.7 Subsequent events

In July 2020, the Group reduced its share capital by cancelling 3,545,032 shares previously held that were acquired under the Group's share buyback programme. Following this transaction, the share capital was reduced to €405,908,668, divided into 261,876,560 shares with a par value of €1.55 each.

Note 6.8 Fees of Statutory Auditors and members of their networks for the 12-month financial year[1]

	KPMG			Deloitte & Associés			Other items			Total		
	Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)		
€ million	FY19	FY20	%	FY19	FY20	%	FY19	FY20	%	FY19	FY20	%
Audit												
Statutory Auditors, certification, review of separate and consolidated financial statements[3]												
Issuer[2]	0.6	0.6	15%	0.6	0.7	13%	0	0	0%	1.2	1.2	14%
Fully consolidated affiliates	2.7	2.6	66%	3.2	3.4	68%	0.1	0.2	99%	6.0	6.2	68%
SUBTOTAL	**3.3**	**3.2**	**81%**	**3.8**	**4.0**	**82%**	**0.1**	**0.2**	**99%**	**7.3**	**7.4**	**82%**
Services other than the certification of financial statements[4]												
Issuer[2]	0	0.1	2%	0.4	0.6	13%	0	0	0%	0.4	0.7	8%
Fully consolidated affiliates	0.8	0.7	17%	0.3	0.3	5%	0	0	1%	1.1	0.9	10%
including legal, tax, corporate	*0.7*	*0.5*	*13%*	*0.2*	*0.2*	*3%*	*0*	*0*	*0%*	*0.8*	*0.7*	*8%*
SUBTOTAL	**0.8**	**0.8**	**19%**	**0.7**	**0.9**	**18%**	**0**	**0**	**1%**	**1.4**	**1.7**	**18%**
TOTAL	**4.1**	**4.0**	**100%**	**4.5**	**4.9**	**100%**	**0.1**	**0.2**	**100%**	**8.7**	**9.1**	**100%**

(1) For the period under review, this refers to services provided and recognised in the income statement during a financial year.
(2) The issuer is understood to be the Parent Company.
(3) Including the services of independent experts or members of the Statutory Auditors' network employed to certify the financial statements.
(4) This section sets out the procedures and services provided to the issuer or its affiliates by the Statutory Auditors or the members of their networks. They may be required by law or by the provisions stipulated at the request of the Group or its affiliates and undertake to comply with the requirements of independence.

NOTE 7 Consolidation scope

The annual consolidated financial statements include the financial statements of the Parent Company, Pernod Ricard SA, and those of entities controlled by the Parent Company ("the affiliates"). Control is the power to influence the financial and operating policies of an entity so as to obtain benefits from its activities, irrespective of the percentage held in the entity. Non-controlling interests in the net assets of consolidated affiliates are presented separately from Parent Company shareholders' equity. Non-controlling interests include both the interests of minority shareholders at the date of the original business combination and minority interests in any subsequent changes to shareholders' equity.

Intragroup transactions and internal profits and losses relating to consolidated companies are eliminated.

Companies over which the Group exercises significant influence are accounted for under the equity method.

Note 7.1 Consolidation scope

The main changes to the Group's scope of consolidation at 30 June 2020 are presented in Note 1.2 – *Significant events during the financial year.*

Note 7.2 List of main consolidated companies

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method[3]
Pernod Ricard SA	France	Parent Company	Parent Company	
Laurenskirk (Pty) Ltd	South Africa	0	80	FC
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	FC
Black Forest Distillers GmbH	Germany	60	100	FC
Pernod Ricard Deutschland GmbH	Germany	100	100	FC
Pernod Ricard Andorra, SLU.	Andorra	100	100	FC
Pernod Ricard Angola, LDA	Angola	100	100	FC
Pernod Ricard Argentina SRL	Argentina	100	100	FC
Yerevan Brandy Company	Armenia	100	100	FC
Pernod Ricard Pacific Holding Pty Ltd	Australia	100	100	FC
Pernod Ricard Winemakers Pty Ltd	Australia	100	100	FC
Pernod Ricard Austria GmbH	Austria	100	100	FC
Pernod Ricard Belgium SA	Belgium	100	100	FC
Pernod Ricard Brasil Indústria e Comércio ltda.	Brazil	100	100	FC
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	FC
Corby Spirit and Wine Limited[1]	Canada	45.76	45.76	FC
Hiram Walker & Sons Limited	Canada	100	100	FC
Pernod Ricard Canada Ltée	Canada	100	100	FC
Pernod Ricard Chile SpA	Chile	100	100	FC
Pernod Ricard (China) Trading Co., Ltd	China	100	100	FC
Pernod Ricard Colombia SA	Colombia	100	100	FC
Pernod Ricard Korea Imperial Company Ltd.	South Korea	100	100	FC
Pernod Ricard Korea Ltd	South Korea	100	100	FC
Havana Club International SA	Cuba	50	50	FC
Pernod Ricard Denmark A/S	Denmark	100	100	FC
Bodeboca SL	Spain	0	100	FC
Drinksandco Marketplace, SLU	Spain	100	100	FC
Pernod Ricard España	Spain	100	100	FC
Pernod Ricard Winemakers Espana, SAU	Spain	100	100	FC
Pernod Ricard Estonia OÜ	Estonia	100	100	FC
Austin, Nichols & Co., Inc.	United States	100	100	FC
Avión Spirits, LLC	United States	100	100	FC
Castle Brands, Inc.	United States	0	100	FC
Del Maguey Inc.	United States	62.36	62.36	FC
Firestone & Robertson Distilling Company LLC	United States	0	100	FC
Pernod Ricard Americas IP Management LLC	United States	100	100	FC
Pernod Ricard Americas Travel Retail LLC	United States	100	100	FC
Pernod Ricard Assets USA LLC	United States	100	100	FC
Pernod Ricard Kenwood Holding LLC	United States	100	100	FC
Pernod Ricard Marketing USA LLC	United States	100	100	FC
Pernod Ricard USA Finance Inc.	United States	100	100	FC

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method[3]
Pernod Ricard USA, LLC	United States	100	100	FC
PRUSA Acquisitions LLC	United States	100	100	FC
Rabbit Hole Spirits, LLC	United States	0	80	FC
Smooth Ambler Spirits Co.	United States	80	80	FC
Pernod Ricard Finland OY	Finland	100	100	FC
Augier Robin Briand & Cie	France	100	100	FC
Champagne Perrier-Jouët	France	100	100	FC
Domaines Jean Martell	France	100	100	FC
Financière Moulins de Champagne	France	100	100	FC
GH Mumm & Cie SVCS	France	100	100	FC
Le Maine au Bois	France	100	100	FC
Lina 16	France	100	100	FC
Lina 3	France	100	100	FC
Lina 5	France	100	100	FC
Martell & Co SA	France	100	100	FC
Martell Mumm Perrier-Jouët	France	100	100	FC
Vignobles Mumm Perrier-Jouët	France	100	100	FC
Pernod Ricard Finance SA	France	100	100	FC
Pernod Ricard Middle East and North Africa	France	100	100	FC
Pernod Ricard North America SAS	France	100	100	FC
Pernod SAS[4]	France	100	100	FC
Ricard SAS[4]	France	100	100	FC
Société des Produits d'Armagnac SAS	France	100	100	FC
Société Lillet Frères	France	100	100	FC
Spirits Partners SAS.	France	100	100	FC
Théodore Legras	France	100	100	FC
Pernod Ricard Ghana Limited	Ghana	100	100	FC
Pernod Ricard Hellas ABEE	Greece	100	100	FC
Allied Spirits & Wine (China) Ltd	Hong Kong	100	100	FC
Pernod Ricard Asia Duty Free Ltd	Hong Kong	100	100	FC
Pernod Ricard Hong Kong Ltd	Hong Kong	100	100	FC
Peri Mauritius	Mauritius	100	100	FC
Pernod Ricard India Private Limited	India	100	100	FC
Comrie Limited	Ireland	100	100	FC
Irish Distillers Group Unlimited Company	Ireland	100	100	FC
Irish Distillers Ltd	Ireland	100	100	FC
Samuelson International DAC	Ireland	100	100	FC
Irish Distillers International LTD	Ireland	100	100	FC
Pernod Ricard Italia SPA	Italy	100	100	FC
Number One Drinks Limited[1]	Japan	0	35	FC
Pernod Ricard Japan KK	Japan	100	100	FC

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method[3]
Pernod Ricard Kazakhstan	Kazakhstan	100	100	FC
Pernod Ricard Kenya Limited	Kenya	100	100	FC
Pernod Ricard Lietuva UAB	Lithuania	100	100	FC
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	FC
Pernod Ricard Maroc	Morocco	100	100	FC
Pernod Ricard Mexico SA de CV	Mexico	100	100	FC
Seagram Myanmar Company Ltd[1]	Myanmar	0	34	FC
Pernod Ricard Norway AS	Norway	100	100	FC
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	FC
Allied International Holdings BV	Netherlands	100	100	FC
Pernod Ricard Nederland BV	Netherlands	100	100	FC
PR Goal Nederland BV	Netherlands	100	100	FC
Pernod Ricard Peru SA	Peru	100	100	FC
Pernod Ricard Philippines, Inc.	Philippines	70	70	FC
Agros Holding SA	Poland	100	100	FC
Wyborowa SA	Poland	100	100	FC
Pernod Ricard Portugal – Distribuição, SA	Portugal	100	100	FC
Pernod Ricard Dominicana, SA	Dominican Republic	100	100	FC
Jan Becher – Karlovarska Becherovka, a.s.	Czech Republic	100	100	FC
Pernod Ricard Romania SRL	Romania	100	100	FC
Allied Domecq (Holdings) Limited	United Kingdom	100	100	FC
Allied Domecq Limited	United Kingdom	100	100	FC
Allied Domecq Overseas (Europe) Limited	United Kingdom	100	100	FC
Allied Domecq Spirits & Wine Holdings Limited	United Kingdom	100	100	FC
Allied Domecq Spirits & Wine Limited	United Kingdom	100	100	FC
Allied Domecq Westport Limited	United Kingdom	100	100	FC
Chivas Brothers (Holdings) Ltd	United Kingdom	100	100	FC
Chivas Brothers Ltd [2]	United Kingdom	100	100	FC
Chivas Brothers Pernod Ricard	United Kingdom	100	100	FC
Chivas Holdings (IP) Limited	United Kingdom	100	100	FC
Chivas Investments Limited [2]	United Kingdom	100	100	FC
Coates & Co (Plymouth) Limited	United Kingdom	100	100	FC
Dillon Bass Ltd	United Kingdom	74	74	FC
Edward Dillon (Bonders) Ltd	United Kingdom	100	100	FC
Goal Acquisitions (Holdings) Ltd	United Kingdom	100	100	FC
Goal Acquisitions Ltd	United Kingdom	100	100	FC
Italicus Ltd	United Kingdom	0	50.1	FC
Pernod Ricard UK Group Ltd	United Kingdom	100	100	FC
Pernod Ricard UK Ltd	United Kingdom	100	100	FC
PR Goal 3 Ltd	United Kingdom	100	100	FC
World Brands Duty Free Ltd	United Kingdom	100	100	FC

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method[(3)]
Pernod Ricard Rouss CJSC	Russia	100	100	FC
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	FC
Pernod Ricard Slovakia s.r.o	Slovakia	100	100	FC
Distilled Innovation AB	Sweden	100	100	FC
Pernod Ricard Sweden AB	Sweden	100	100	FC
The Absolut Company AB	Sweden	100	100	FC
Pernod Ricard Swiss SA	Switzerland	100	100	FC
Pernod Ricard Taiwan Ltd	Taiwan	100	100	FC
Pernod Ricard Thailand Ltd	Thailand	100	100	FC
Pernod Ricard Istanbul Ic ve Dis Ticaret Limited Sirketi	Turkey	100	100	FC
Pernod Ricard Ukraine	Ukraine	100	100	FC
Pernod Ricard Uruguay SA	Uruguay	100	100	FC
Pernod Ricard Vietnam Company Limited	Vietnam	100	100	FC

(1) Corby Spirit and Wine Limited, Number One Drinks Limited and Seagram Myanmar Company Ltd are consolidated using the full consolidation method because of the Group's majority controlling interest in them.

*(2) UK limited companies that are members or with affiliates that are members of UK partnerships.
In accordance with Regulation 7 of The Partnerships (Accounts) Regulations 2008, annual partnership accounts have not been prepared as the UK partnerships are consolidated within the Group Pernod Ricard annual consolidated financial statements.*

(3) "FC" for fully consolidated companies.

(4) The merger of Pernod SAS and Ricard SAS, announced during the financial year, took effect on 1 July 2020.

6.7 Statutory auditors' report on the consolidated financial statements

For the year ended 30 June 2020

This is a translation into English of the statutory auditors' report on the financial statements of Pernod Ricard issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Pernod Ricard Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Pernod Ricard for the year ended 30 June 2020.

These financial statements were approved by the Board of Directors on 1 September 2020 on the basis of the information available at that date in the evolving context of the Covid-19 crisis and of difficulties in assessing its impact and future prospects.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 July 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics ("*Code de déontologie*") for statutory auditors.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the matter described in Note 1.1 to the consolidated financial statements relating to the impacts of the first-time adoption as of 1 July 2019 of the IFRS 16 "Leases" and the interpretation of IFRIC 23 "Uncertainty over Income Tax Treatments".

Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code ("*Code de commerce*") relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Key Audit Matters	Responses as part of our audit
Brands' valuation *(notes 1.1.4, 1.2.1, 3.1 and 4.1 to the consolidated financial statements)* As of 30 June 2020, indefinite-life brands were recorded in the balance sheet for a net carrying amount of €10,832 million, *i.e.* 34% of total assets. An impairment loss is recorded when their net carrying amount exceeds their recoverable amount. Their recoverable amount is determined as part of mandatory annual impairment tests given their indefinite life and/or specific tests required in the event of an indication of a loss in value. Recoverable amounts are generally determined based on discounted future cash flow calculations and/or market values and involve significant management judgments of components such as price and volume growth rates, the timing of future operating expenses and discount and long-term growth rates. The specific context of the COVID-19 crisis creates uncertainty and volatility. In response, the Group has exceptionally adopted a weighted average multiple scenarios approach for impairment testing purposes. This approach allocates estimated probabilities to various possible developments in the pandemic and their consequences on brands' activity. The drastic slowdown in activity and the uncertainties surrounding mid-term perspectives relating to the health crisis impacted the performance and future outlook of certain brands, leading the Company to record an impairment loss before tax of €999 million for the year ended 30 June 2020, of which €912 million on the Absolut brand, as disclosed in Notes 1.2.1, 3.1 and 4.1 to the consolidated financial statements.	Our procedures mainly consisted in: • appraising the relevance and compliance with applicable accounting standards of the weighted average multiple scenarios approach applied by the Group in the current year for impairment testing, as well as the consistency of the scenarios used with regard to the current health crisis; • assessing the principles and methods of calculating brands' recoverable amounts; • testing the operation of Group controls covering the calculation of brands' recoverable amounts; • for brands with a recoverable amount close to their carrying amount ("sensitive brands"), confirming the results of the valuation model used by management by comparing them with the results of our models; • developing, especially for the Absolut brand, a sensitivity analysis (notably regarding probabilities of occurrence allocated to the crisis exit scenarios) to support the amount of impairment losses accounted for as of 30 June 2020 on the brand; • corroborating the reasonableness of the main data and assumptions underlying the estimates (such as the discount rates, long-term growth rates and other factors used in the weighted average multiple scenarios approach), primarily for "sensitive brands", especially with regard to available market analyses and in relation to economic environments where the Group operates. In particular, we assessed the appropriateness of the equity risk premium included in the discount rates computations;

Key Audit Matters	Responses as part of our audit
Furthermore, the sensitivity of brands' recoverable amounts to assumptions was analysed by management and presented in Note 4.1. Changes in these assumptions could give rise to further impairment losses. Considering the weight of brands on the balance sheet, the complexity of the models used and their sensitivity to changes in the data and assumptions underlying the estimates, particularly cash flow forecasts and discount rates used, we considered the recoverable amount of brands to be a key audit matter presenting a risk of material misstatement.	• being informed of the commercial outlook of the brands based on interviews with management and comparing the accounting estimates of prior period cash flow projections with corresponding actual values to assess reliability; • testing the arithmetical accuracy of the valuations used by the Company on a sample basis; • assessing management's sensitivity analysis on recoverable amounts to changes in main assumptions. We also assessed the appropriateness of the disclosures in Notes 1.1.4, 1.2.1, 3.1 and 4.1 to the consolidated financial statements and verified the arithmetical accuracy of the presented sensitivity analysis.
Tax risk *(notes 1.1.2.1.2, 1.1.4, 3.3, 4.7, 4.7.1, 4.7.2, 6.4 and 6.5 to the consolidated financial statements)* The Group operates in numerous different tax jurisdictions. The tax authorities of the countries in which the Group companies operate regularly have queries on issues relating to their everyday activities. Tax audits can therefore give rise to tax reassessments and litigation with these tax authorities. The assessment of the risk related to each tax litigation is regularly reviewed by each concerned subsidiary or region and by the Group's tax department, with the support of its external counsels for the most significant and complex litigations. Part of the amount of provisions for contingences for all legal disputes or risks involving the Group relate to tax risks and litigation. The first-time application of IFRIC 23, "Uncertainty over Income Tax Treatments", led to the reclassification in the opening balance sheet of €150 million from "Non-current provisions" to "Income tax payables", as disclosed in Note 1.1.2.1.2 to the consolidated financial statements. More particularly, the Indian subsidiary is involved in disputes with customs and tax authorities over, among others, the declared transaction value of imported products into India and the tax deductibility of promotional and advertising expenses. As indicated in the Note 6.5 "Disputes", the reassessment proposals are only the subject of provisions or income tax payables where appropriate, when it is likely that a current liability resulting from a past event will require an outflow of resources which can be reliably estimated. Given the Group's exposure to tax issues, which are in part specific to its business sector, and the high level of management judgment in estimating the risks and amounts recorded, we considered tax risks to be a key audit matter and the understatement of the corresponding provisions to be a possible source of material misstatement in the financial statements.	Based on discussions with management, we have been informed of the procedures implemented by the Group to identify tax risks and, where necessary, provide for risks or income tax payables. In addition, we assessed the judgments made by management in evaluating the probability of taxes being payable, the amount of potential exposure and the reasonableness of the estimates adopted for provisions for tax risks or income tax payables. We particularly focused on the impact of changes in local tax regulations and ongoing audits conducted by local tax authorities. To assess whether the tax liabilities were appropriately recognized, and with the assistance of our tax experts, we: • conducted interviews with the Group's tax department and regional and local management teams in order to assess the current state of the investigations and reassessments made by tax authorities and monitor the development of ongoing tax disputes; • consulted the recent Group company decisions and correspondence with local tax authorities, and reviewed the correspondence between the relevant companies and their lawyers, where necessary; • analysed lawyers' responses to our information requests; • performed a critical review of the estimates and positions adopted by management; • assessed whether the latest developments were taken into account in the provisions recorded in the balance sheet. • assessed the correct application of the standard amendment introduced by IFRIC 23. We also assessed the disclosures in Notes 1.1.2.1.2, 1.1.4, 3.3, 4.7, 4.7.1, 4.7.2, 6.4 and 6.5 to the consolidated financial statements.

Key Audit Matters	Responses as part of our audit
Recoverability of deferred tax assets relating to tax loss carryforwards *(notes 1.1.4 and 3.3 to the consolidated financial statements)* As of 30 June 2020, a deferred tax profit of €106 million was recorded in the income statement, while deferred tax assets of €1,678 million (including €933 million relating to tax loss carryforwards) and deferred tax liabilities of €2,596 million were recognised in the balance sheet. Deferred tax assets in respect of tax losses are recognised if it is probable that the Group will have future taxable profits against which such losses will be used. The Group's ability to recover its deferred tax assets relating to tax loss carryforwards is assessed by management at each year end taking into account future taxable income forecasts. These projections are based on assumptions arising from management's judgment. We considered the recoverability of deferred tax assets relating to tax loss carryforwards to be a key audit matter due to the significant judgments made by management in recognising these assets, particularly in the current economic environment, and the material amounts.	Assisted by our tax specialists from the relevant countries, where necessary, our audit approach consisted in assessing the probability that the company can utilise its current tax loss carryforwards in the future, particularly with regard to: • deferred tax liabilities within the same tax jurisdiction that could be offset against current tax loss carryforwards prior to their expiration; and • the ability of the relevant subsidiaries to generate future taxable profits in order to utilise current tax loss carryforwards, notably with regards to their consistency with management data and past performance. We also assessed the reasonableness of the main data and assumptions (earnings growth taking into account the current economic environment and sustainability of operations) used to calculate the taxable income forecasts underlying the recognition and recoverability of the deferred tax assets relating to tax loss carryforwards. We also assessed the appropriateness of the disclosures in Notes 1.1.4 and 3.3 to the consolidated financial statements.
Post-employment benefit commitments *(notes 1.1.4, 1.2.2.2, 4.3 and 4.7.3 to the consolidated financial statements)* The Group contributes to several defined-benefit post-employment benefit plans, mainly pension plans. The main plans located in France, the United States, Canada, Ireland, and the United Kingdom represent nearly the entire actuarial value of accumulated benefits, which amounted to €5,584 million as of 30 June 2020. These liabilities are covered by plan assets with a fair value of €5,259 million, resulting in a net liability position as of 30 June 2020 of €341 million. The most significant plan assets concern the United Kingdom, the United States, Canada, and Ireland. The measurement of pension plan assets and liabilities as well as the actuarial expense for the period requires the exercise of judgment to determine the appropriate assumptions to be used, such as discount and inflation rates, future wage increases, employee turnover rate, mortality tables, etc. Changes in some of these assumptions may have a material impact on the calculation of the net liability and the Group's earnings. In this context, management calls on external actuaries to assist in determining these assumptions. During the fiscal year ended 30 June 2020, in order to reduce the Group's exposure to any shortfall in scheme funding due to changes in life expectancy and fluctuations in market parameters, including inflation and interest rates, a bulk purchase annuity contract ("buy-in" policy) was achieved for Pernod Ricard's largest pension scheme in the United Kingdom. This transaction involved the transfer of €4,252 million in plan assets from the pension scheme to an insurer, covering €3,350 million of pension commitments of this same pension plan at the transaction date. Thus, a €903 million reduction in non-current financial assets was recognized in other comprehensive income, as disclosed in notes 1.2.2.2, 4.3 and 4.7 to the consolidated financial statements. Given the amounts of the commitments and plans assets as well as the significant judgments made by management and the technical expertise required for their measurement, we considered this type of commitment to be a key audit matter.	We have been informed of the procedures implemented by the Group to value post-employment benefit commitments. We called on internal actuarial specialists to assess the assumptions used in the valuation of pension plan commitments, in particular those of the United Kingdom, the United States, Canada, Ireland and France, by: • assessing the consistency of the discount and inflation rates with market conditions; • assessing the assumptions relating to wage increases, staff turnover and mortality rates to determine their consistency with the specificities of each plan and, where necessary, with the relevant national and sector-specific benchmarks; • analysing the calculations prepared by external actuaries, particularly those justifying the liability's sensitivity to changes in the discount rate; • verifying the classification of the transaction as a "buy-in" policy and the accounting treatment applied. In this respect, we familiarized ourselves with the terms and conditions of the agreement and the transaction, assessed the consistency of the classification adopted by the Group with the legal, economic and financial terms and conditions, and assessed the compliance of the accounting treatment adopted with prevailing standards. Regarding the plan assets, we also assessed whether the assumptions adopted by management to measure these assets and the documentation provided by management to justify the recognition of net plan assets were appropriate. Regarding net plan assets, we analysed the plan rules, the latest financing report and the legal position obtained by management with respect to the applicable accounting standards, to assess the Group's ability to recover surplus assets. We also assessed the appropriateness of the disclosures in Notes 1.1.4, 1.2.2.2, 4.3 and 4.7.3 to the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors approved on 1 September 2020.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code ("*Code de commerce*") is included in the Group's information given in the management report, it being specified that, in accordance with the provisions of Article L.823-10 of the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information should be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Pernod Ricard by the Shareholders' Meeting held on 13 May 2003 for Deloitte & Associés and on 17 November 2016 for KPMG S.A.

As at 30 June 2020, Deloitte & Associés and KPMG S.A. were in the 17th year and 4th year of total uninterrupted engagement, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code ("*Code de commerce*"), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code ("*Code de commerce*") and in the French Code of Ethics (*"Code de déontologie*") for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 17 September 2020

The Statutory Auditors

French original signed by

KPMG Audit

A division of KPMG S.A.

Eric Ropert
Partner

Caroline Bruno-Diaz
Partner

Deloitte & Associés

David Dupont-Noel
Partner

7.

Pernod Ricard SA Financial Statements

Section

7.1 Pernod Ricard SA income statement

For the financial years ended 30 June 2019 and 30 June 2020

€ thousand	**30.06.2019**	**30.06.2020**
Royalties	25,070	17,214
Other products	180,117	206,249
Reversals of financial provisions and expense transfers	16,302	16,328
OPERATING INCOME	**221,489**	**239,791**
Purchases of goods and supplies not for stock and external services	(176,266)	(178,100)
Duties and taxes	(5,675)	(5,731)
Payroll expenses	(101,142)	(87,057)
Depreciation, amortisation and provisions	(19,764)	(24,913)
Other expenses	(5,854)	(4,504)
OPERATING EXPENSES	**(308,701)**	**(300,305)**
Operating profit (loss)	**(87,212)**	**(60,514)**
Income from investments	413,445	1,296,840
Interest and related income	210,089	206,472
Reversals of financial provisions and expense transfers	331,068	325,997
Foreign exchange gains	9,506	70,042
FINANCIAL INCOME	**964,108**	**1,899,351**
Provision charges	(325,514)	(266,880)
Interest and related expenses	(320,595)	(391,945)
Foreign exchange losses	(12,550)	(100,843)
FINANCIAL EXPENSES	**(658,659)**	**(759,668)**
Financial income/(expense)	**305,449**	**1,139,683**
Profit (loss) from continuing operations	**218,236**	**1,079,169**
Exceptional items	**(44,499)**	**(64,563)**
Net profit/(loss) before tax	**173,737**	**1,014,605**
Corporate income tax	151,988	163,349
PROFIT FOR THE FINANCIAL YEAR	**325,726**	**1,177,954**

7.2 Pernod Ricard SA balance sheet

For the financial years ended 30 June 2019 and 30 June 2020

Assets

€ thousand	Net value 30.06.2019	Gross value 30.06.2020	Depreciation, amortisation and provisions	Net value 30.06.2020	Notes
Concessions, patents and licences	28,007	33,343	(5,410)	27,933	
Other intangible assets	9,897	58,318	(45,761)	12,557	
Advances and down payments	20,563	16,430	-	16,430	
Intangible assets	**58,467**	**108,091**	**(51,171)**	**56,920**	**2**
Land	485	485	-	485	
Buildings	25,775	27,465	(2,444)	25,021	
Machinery and equipment	370	826	(538)	288	
Other property, plant and equipment	15,910	33,971	(19,136)	14,835	
Advances and down payments	2,336	21,478	-	21,478	
Property, plant and equipment	**44,876**	**84,225**	**(22,118)**	**62,107**	**2**
Investments	12,764,400	12,909,819	(136,258)	12,773,561	3
Loans and advances to affiliates and associates	62,144	257,055	-	257,055	3 and 4
Other financial assets	18,260	567,202	(1,090)	566,112	3 and 4
Financial assets	**12,844,804**	**13,734,076**	**(137,347)**	**13,596,729**	**3**
TOTAL FIXED ASSETS	**12,948,146**	**13,926,392**	**(210,637)**	**13,715,755**	
Advances and supplier prepayments	**629**	**225**	**-**	**225**	**4**
Trade receivables	277,967	280,541	(6,753)	273,788	
Other receivables	1,336,870	1,924,420	(3,168)	1,921,252	
Receivables	**1,614,837**	**2,204,961**	**(9,921)**	**2,195,040**	**4**
Marketable securities	**188,949**	**113,187**	**-**	**113,187**	**5**
Cash	**515,613**	**630,753**	**-**	**630,753**	
Prepaid expenses	**7,229**	**2,433**	**-**	**2,433**	**6**
TOTAL CURRENT ASSETS	**2,327,257**	**2,951,559**	**(9,921)**	**2,941,638**	
Bond redemption premiums	**14,543**	**28,745**	**-**	**28,745**	**6**
Unrealised foreign exchange losses	**608,760**	**552,960**	**-**	**552,960**	**6**
TOTAL ASSETS	**15,898,707**	**17,459,656**	**(220,558)**	**17,239,098**	

Liabilities

€ thousand	30.06.2019	30.06.2020	Notes
Capital	**411,403**	**411,403**	**7**
Share premiums	**3,039,030**	**3,039,030**	
Statutory reserves	41,140	41,140	
Regulated reserves	179,559	179,559	
Other reserves	195,013	195,013	
Reserves	**415,712**	**415,712**	
Retained earnings	**2,266,946**	**1,768,851**	
Profit for the financial year	**325,726**	**1,177,954**	
Interim dividends pending allocation	**(311,314)**	**(307,595)**	
TOTAL SHAREHOLDERS' EQUITY	**6,147,503**	**6,505,355**	**8**
Provisions for risks and charges	**531,227**	**437,635**	**9**
Bonds	7,045,635	9,325,470	4 and 12
Bank debts	-	-	4 and 13
Other debts	1,322	476	4
Debts	**7,046,958**	**9,325,946**	
Trade payables	85,116	95,483	
Taxes and social payables	53,764	35,913	
Amounts due on non-current assets and related accounts	-	-	
Other payables	1,539,725	348,628	
Trade and other accounts payable	**1,678,605**	**480,024**	**4**
Deferred income	**100**	**21,719**	**4 and 10**
TOTAL LIABILITIES	**8,725,663**	**9,827,689**	
Unrealised foreign exchange gains	**494,315**	**468,419**	**10**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**15,898,708**	**17,239,098**	

7.3 Pernod Ricard SA cash flow statement

For the financial years ended 30 June 2019 and 30 June 2020

€ thousand	30.06.2019	30.06.2020
Operating activities		
Net profit	325,726	1,177,954
Net depreciation, amortisation and provision charges	8,351	39,543
Changes in provisions	36,628	(91,095)
Net (gain)/loss on disposal of assets and other items	-	0
Self-financing capacity	**370,705**	**1,126,402**
Decrease/(increase) in Working Capital Requirements	276,490	44,572
Change in Net debt from operating activities	**647,195**	**1,170,974**
Investing activities		
Capital expenditure	(17,284)	(26,376)
Purchases of non-financial assets (net of disposals)	(12,596)	(780,775)
Change in Net debt from investing activities	**(29,880)**	**(807,151)**
Financing activities		
Long and medium-term bond issue	103,746	1,648,197
Loans and medium and long-term debt	2,819	(14,202)
Other changes in shareholders' equity	-	-
Dividends paid	(668,034)	(820,102)
Change in Net debt from financing activities	**561,469**	**813,893**
Change in short-term Net debt	**55,846**	**1 177,715**
SHORT-TERM NET DEBT AT BEGINNING OF PERIOD	**(631,456)**	**(575,610)**
SHORT-TERM NET DEBT AT END OF PERIOD	**(575,610)**	**602,104**

Note: Presentation of cash flow statement

Changes in Net debt comprise changes in both debt and "cash and cash equivalents".

Net debt breaks down as follows:

€ thousand	30.06.2020
Loans and long-term debts	0
Bonds	(726,658)
Net balance on current account with Pernod Ricard Finance	585,297
Marketable securities	113,187
Cash	630,278
Short-term Net debt at end of period	**602,104**
Bonds	(8,598,812)
Loans and long-term debts	28,745
Pernod Ricard Finance loan	-
Medium- and long-term Net debt at end of period	**(8,570,067)**
TOTAL NET DEBT AT END OF PERIOD	**(7,967,963)**

7.4 Analysis of Pernod Ricard SA results and balance sheet

7.4.1 Relations between the Parent Company and its affiliates

The main role of Pernod Ricard SA, the Group's Parent Company, is to carry out general interest and coordination activities in strategy, financial control of affiliates, external growth, marketing, development, research, Human Resources and communication. Pernod Ricard SA's financial relations with its affiliates mainly involve the billing of royalties for the operation of brands owned by Pernod Ricard SA, various billings and the receipt of dividends.

7.4.2 Income statement and balance sheet as at 30 June 2020

Analysis of FY20 income statement

Operating income represented a total of €240 million in the year ended 30 June 2020, an increase of €19 million compared with the year ended 30 June 2019, reflecting an €8 million decline in royalties and a €27 million increase in net sales.

The amount of operating expenses as at 30 June 2020 was €(300) million compared with €(309) million in the previous year, *i.e.* a reduction in expenses of €9 million. The main changes are explained by:

- a decrease in personnel expenses of €14 million;
- a negative change in provisions and provision reversals of €5 million.

The operating result was a loss of €(61) million in the year ended 30 June 2020, an improvement of €27 million compared with the year ended 30 June 2019.

The amount of financial income was €1,140 million at 30 June 2020, compared to €305 million at 30 June 2019. This increase of €834 million was mainly attributable to:

- an increase in dividends received of €883 million;
- an increase in net financial expense of €75 million;
- a negative change in foreign exchange gains and losses of €28 million;
- a net reversal of financial provisions of €54 million.

Profit from continuing operations before tax amounted to €1,079 million.

At 30 June 2020, exceptional items amounted to an expense of €(64) million, relating to €1 million in net provisions for risks and charges over FY20 and €(65) million in non-current income and expenses.

The Covid-19 health crisis has not had a material impact on earnings for Pernod Ricard SA.

Finally, income tax comprised tax income of €163 million related to the effects of the tax consolidation in FY20.

As a result, net profit for FY20 was €1,178 million.

Analysis of the FY20 balance sheet

Assets

Total net fixed assets stood at €13,716 million at 30 June 2020 compared with €12,948 million for the previous year, *i.e.* an increase of €768 million. The main changes observed are as follows:

- an increase of €16 million in property, plant and equipment and intangible assets;
- an increase of €752 million in financial assets due primarily to:
  - a change in investments of €37 million, including PR Cesam's capital increase for €38 million,
  - an increase in impairment of securities for €28 million, including €23 million for PR Cesam,
  - the increase in dividends due and receivables from associates of €195 million,
  - an increase in own treasury shares of €544 million,
  - an increase in guarantee deposits of €4 million.

Current assets amounted to €2,942 million during the financial year, *i.e.* an increase of €614 million compared with 30 June 2019. The main movements include:

- a decrease of €4 million in trade receivables;
- an increase of €584 million in other receivables, consisting of:
  - an increase in government receivables of €15 million,
  - an increase in sundry receivables of €569 million, mainly due to the increase in group financial receivables;
- an increase in cash and cash equivalents of €115 million, attributable chiefly to negative changes of €26 million on financial instruments and €141 million on cash;
- a decrease in marketable securities of €75 million;
- a decrease in prepaid expenses of €5 million.

Prepaid expenses and deferred charges amounting to €581 million consist of unrealised foreign exchange losses, bond redemption premiums and prepaid expenses, which changed respectively by €(55) million, €14 million and €(5) million between 30 June 2019 and 30 June 2020.

Liabilities

Shareholders' equity amounted to €6,505 million at 30 June 2020, compared with €6,148 million at 30 June 2019. The main movements for the period were:

- profit for the financial year of €1,178 million;
- the payment of the balance of the dividend for FY19 of €512 million;
- the payment of an interim dividend of €1.18 per share in respect of FY20, amounting to €308 million. This interim dividend was paid on 10 July 2020.

Provisions for risks and charges fell by €93 million. This change was attributable to:

- a decrease in the provision for post-employment benefits of €5 million;
- a decline in the provision for foreign exchange losses of €24 million;
- a decrease in provisions relating to the coverage of performance-based share and employee share ownership plans of €64 million.

During the period, borrowings increased by €2,279 million. This was mainly due to:

- bond issuance for €3,500 million;
- bond redemption for €850 million and $500 million (equivalent to €432 million);
- the revaluation of US dollar-denominated bonds for €56 million;
- the change in accrued interest for €5 million.

The €1,199 million decrease in operating debts is explained primarily by:

- the decrease in other debts amounting to €1,191 million, of which €1,214 million from a decrease in the Pernod Ricard Finance current account, €27 million from the increase in intragroup creditors' liabilities and tax current accounts and the €3 million fall in dividends to pay;
- the €10 million increase in trade payables;
- the €17 million decrease in tax and social security payables.

The deferred income and adjustment accounts of €468 million at 30 June 2020 comprise the €26 million decrease in the value of unrealised foreign exchange gains compared with 30 June 2019.

7.5 Notes to the Pernod Ricard SA financial statements

DETAILED CONTENTS FOR THE NOTES

Pernod Ricard SA is a French public limited company (société anonyme), subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 5 cours Paul Ricard, 75008 Paris and is listed on Euronext.

The balance sheet total for the financial year which ended 30 June 2020 was €17,239 million. The income statement for the year recorded a profit of €1,178 million. The financial year covered the 12-month period from 1 July 2019 to 30 June 2020.

NOTE 1 Accounting policies

The annual financial statements for the period are prepared in accordance with French GAAP, which apply under Regulation 2014-03 of the French accounting standards body (ANC) of 5 June 2014 and the rules subsequently amended. General accounting principles were applied, in accordance with the prudence principle, using certain assumptions whose objective is to provide a true and fair view of the Company. These principles are:

- going concern;
- consistency of accounting policies from one financial year to the next;
- accruals basis of accounting;
- and in accordance with the general rules of drawing up and presenting the annual financial statements.

Balance sheet assets and liabilities are measured, depending on the specific items, at their historical cost, contribution cost or market value.

1. Intangible assets

The brands acquired from the merger of Pernod and Ricard in 1975 and from subsequent mergers are the Company's main intangible assets.

Intangible assets are initially measured at cost; depreciation has been calculated on a straight-line basis over their expected useful life.

2. Property, plant and equipment

Property, plant and equipment is initially measured at cost (purchase price plus ancillary costs but not including fees incurred in connection with asset purchases). Depreciation is calculated using the straight-line or declining-balance methods, on the basis of the estimated useful lives of the assets:

- buildings: between 20 and 50 years (straight line);
- fixtures and fittings: 10 years (straight line);
- machinery and equipment: five years (straight line);
- office furniture and equipment: 10 years (straight line) or 4 years (reducing balance).

3. Financial assets

The gross value of investments is composed of their acquisition cost, excluding ancillary costs.

If the value in use of investments is lower than their acquisition cost, a provision for impairment is recognised in financial income/(expense) for the amount of the difference.

Value in use is determined on the basis of a multi-criteria analysis taking into account, depending on the nature of the investment:

- either the share of equity of the affiliate that these securities represent;
- or the intrinsic value and economic and financial potential of the affiliate, notably by reference to the net asset value, for example by using the cash flow projection method or identifying the unrealised gains on assets held by the affiliates.

4. Receivables

Receivables are recognised at their nominal value. A provision is recognised in the event that their value falls below the net carrying amount at the balance sheet date.

5. Marketable securities

This item includes the treasury shares acquired for the allocation of stock option and performance-based share plans from the time of acquisition.

A liability is recognised when it becomes probable that the rights to receive the marketable securities concerned under the plans will be exercised. For other marketable securities, an impairment provision is recognised when the cost price is higher than the market price.

6. Bonds

Redemption premiums are amortised over the life of the loans.

7. Provisions for risks and charges

Provisions for risks and charges are recognised in accordance with French Accounting Regulation 2000-06 on liabilities, issued on 7 December 2000 by the French Accounting Regulatory Committee (CRC).

This accounting regulation provides that a liability be recognised when an entity has an obligation towards a third party and that it is probable or certain that this obligation will cause an outflow of resources to the third party without equivalent consideration being received. A present obligation must exist at the balance sheet date for a provision to be recognised.

8. Pensions and other long-term employee benefits

Since the year ended on 30 June 2014, the Company has opted to recognise the full liability for pensions and other long-term employee benefits in the balance sheet, as provided by recommendation 2013-02. At 30 June 2020, the provision for pensions and other long-term employee benefits was €51 million.

9. Translation of foreign currency-denominated items

Payables, receivables and cash balances denominated in foreign currencies are translated into euros as follows:

- translation of all payables, receivables and cash balances denominated in foreign currencies at year-end rates;
- recognition of differences compared to the amounts at which these items were initially recognised under prepaid expenses and deferred charges or deferred income and adjustment accounts (translation differences);
- recognition of a provision for currency risk for any unrealised currency losses, after taking into account the effect of any offsetting foreign exchange hedging transactions.

Pernod Ricard has several hedging relationships and generates an overall foreign currency position for the hedging instruments and the covered items that are not part of a hedging relationship in order to calculate the currency risk provision.

10. Forward financial instruments

Differences arising from changes in the value of financial instruments used as hedges are recognised in profit and loss in a manner symmetrical to that in which income and expenses relating to the hedged item are recognised.

11. Corporate income tax

Pernod Ricard SA is subject to the French tax consolidation system defined by the law of 31 December 1987. Under certain conditions, this system allows income taxes payable by profitable companies to be offset against tax losses of other companies. The scheme is governed by articles 223 A *et seq.* of the French General Tax Code.

Each company in the tax group calculates and accounts for its tax expenses as if it were taxed as a stand-alone entity.

The effects of tax consolidation are recognised in the Pernod Ricard SA financial statements.

NOTE 2 Intangible assets and property, plant and equipment

1. Gross value

€ thousand	At 30.06.2019	Acquisitions	Disposals	At 30.06.2020
Brands	32,560	-	(86)	32,473
Brand costs	788	9,696	(9,614)	870
Software	49,165	9,154	-	58,319
Advances and down payments on intangible assets	20,563	14,820	(18,954)	16,429
TOTAL INTANGIBLE ASSETS	**103,076**	**33,670**	**(28,654)**	**108,091**
Land	485	-	-	485
Buildings	27,426	39	-	27,465
Machinery and equipment	800	26	-	826
Other property, plant and equipment	31,817	2,154	-	33,971
Advances and down payments on property, plant and equipment	2,336	21,337	(2,195)	21,478
TOTAL PROPERTY, PLANT AND EQUIPMENT	**62,864**	**23,556**	**(2,195)**	**84,225**

2. Depreciation, amortisation and provisions

€ thousand	At 30.06.2019	Allowances	Reversals	At 30.06.2020
Brands	(5,088)	-	-	(5,088)
Brand costs	(254)	(70)	-	(322)
Software	(39,267)	(6,493)	-	(45,761)
TOTAL AMORTISATION OF INTANGIBLE ASSETS	**(44,609)**	**(6,563)**	**-**	**(51,171)**
Land	-	-	-	-
Buildings	(1,651)	(792)	-	(2,443)
Machinery and equipment	(430)	(107)	-	(538)
Other property, plant and equipment	(15,907)	(3,230)	-	(19,137)
TOTAL DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**(17,988)**	**(4,130)**	**-**	**(22,118)**

NOTE 3 Financial assets

1. Gross value

€ thousand	At 30.06.2019	Acquisitions/ inflows	Capital transaction	Disposals	At 30.06.2020
Investments in consolidated entities	12,861,592	-	38,035	(1,143)	12,898,484
Investments in non-consolidated entities	10,665	-	30	-	10,695
Other investments	640	-	-	-	640
Advance on investment	-	-	-	-	-
Investments	**12,872,897**	**-**	**38,065**	**(1,143)**	**12,909,819**
Loans and advances to affiliates and associates	62,144	200,716	-	(5,805)	257,055
Loans	-	-	-	-	-
Guarantee deposits	2,980	3,783	-	(70)	6,692
Liquidity agreement	5,232	26	-	-	5,258
Own treasury shares	10,049	555,252	-	(10,049)	555,252
TOTAL	**12,953,301**	**759,777**	**38,065**	**(17,068)**	**13,734,076**

The change in Investments in consolidated entities stems chiefly from the capital increase of PR Cesam for €38 million.

The change in Investments in non-consolidated entities is due to the Lina 8 capital increase.

In accordance with article L. 225-210 of the French Commercial Code, Pernod Ricard SA holds reserves under liabilities on its balance sheet, in addition to the statutory reserve, of an amount at least equal to the value of all the treasury shares it owns for the amount of €668 million, of which €113 million in marketable securities.

2. Provisions

€ thousand	At 30.06.2019	Allowances	Reversals	At 30.06.2020
Investments in consolidated entities [1]	(102,455)	(27,461)	-	(129,916)
Investments in non-consolidated entities	(5,402)	(300)	-	(5,702)
Other investments	(640)	-	-	(640)
Advance on investment	-	-	-	-
Investments	**(108,497)**	**(27,761)**	**-**	**(136,258)**
Own shares	-	(1,090)	-	(1,090)
TOTAL	**(108,497)**	**(28,851)**	**-**	**(137,348)**

(1) The change in provisions corresponds to allowances for the securities of PR Cesam for €24 million and PR North America for €3 million.

NOTE 4 Maturity of receivables and payables

1. Receivables

€ thousand	Gross amount	Due in one year or less	Due in more than one year
Loans and advances to affiliates and associates	257,055	202,374	54,681
Loans	-	-	-
Other financial assets	567,202	560,510	6,692
Receivables and other financial assets	**824,257**	**762,884**	**61,373**
Current assets other than marketable securities and cash	2,205,186	1,066,590	1,138,596
Prepaid expenses	2,433	2,433	-
TOTAL	**3,031,876**	**1,831,907**	**1,199,969**

2. Payables

€ thousand	Gross amount	Due in one year or less	Due in 1 to 5 years	Due in more than 5 years
Bonds	9,325,470	726,658	4,703,938	3,894,874
Bank debt	-	-	-	-
Other debt	475	475	-	-
Trade payables	95,483	95,483	-	-
Taxes and social payables	35,913	35,913	-	-
Amounts due on non-current assets and related accounts	-	-	-	-
Other payables	348,628	348,628	-	-
Deferred income	21,719	21,719	-	-
TOTAL	**9,827,688**	**1,228,876**	**4,703,938**	**3,894,874**

NOTE 5 Marketable securities

€ thousand or in quantities	At 30.06.2019		Acquisitions [1]		Capital transaction		Reclassification		Exercises/disposals [2]		At 30.06.2020	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pernod Ricard shares	-	-	-	-	-	-	-	-	-	-	-	-
Gross value	1,533,703	188,949	510,008	67,819			(227,152)	(30,699)	(841,155)	(112,882)	975,404	113,187
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
NET VALUE	**1,533,703**	**188,949**	**510,008**	**67,819**	**-**	**-**	**(227,152)**	**(30,699)**	**(841,155)**	**(112,880)**	**975,404**	**113,187**

(1) Of which €37 million for the 2016 plan and €31 million for the 2019 plan.
(2) Of which €(6) million for the exercise of stock options (2015 plan), €(37) million for the vesting of bonus shares (2015 plans) and €(67) million linked to the employee share ownership plan Accelerate.

NOTE 6 Prepaid expenses and deferred charges

€ thousand	At 30.06.2019	Increases	Decreases	At 30.06.2020
Prepaid expenses	7,229	-	(4,796)	2,433
Bond redemption premiums	14,543	17,839	(3,637)	28,745
Unrealised foreign exchange losses [1]	608,760	552,960	(608,760)	552,960
TOTAL	**630,532**	**570,799**	**(617,193)**	**584,138**

(1) The €553 million asset arising from currency translation adjustments at 30 June 2020 is attributable mainly to the revaluation of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2020.

NOTE 7 Composition of share capital

At 30 June 2020, the share capital comprised 265,421,592 shares with a par value of €1.55 per share. The total share capital thus amounted to €411,403,467.60.

NOTE 8 Shareholders' equity

€ thousand	At 30.06.2019	Allocation of net profit	Changes in accounting policies	Payment of dividends	Results 2020	At 30.06.2020
Capital	411,403	-	-	-	-	411,403
Share premiums	3,039,030	-	-	-	-	3,039,030
Statutory reserves	41,140	-	-	-	-	41,140
Regulated reserves	179,559	-	-	-	-	179,559
Other reserves	195,013	-	-	-	-	195,013
Retained earnings	2,266,946	325,726	-	(823,821)	-	1,768,851
Profit for the financial year	325,726	(325,726)	-	-	1,177,954	1,177,954
Interim dividends to be paid [1]	(311,314)	-	-	3,719	-	(307,595)
TOTAL	**6,147,503**	**-**	**-**	**(820,102)**	**1,177,954**	**6,505,355**

(1) At its meeting in April 2020, the Board of Directors decided to pay an interim dividend of €1.18 per share in respect of FY20, i.e. a total of €308 million. This interim dividend was paid on 10 July 2020.

NOTE 9 Provisions

€ thousand	At 30.06.2019	Increases in the year	Changes in accounting policies	Used reversals	Unused reversals	At 30.06.2020
Provisions for risks and charges						
Provision for currency losses	153,541	129,284	-	-	(153,541)	129,284
Other provisions for risks (1)	321,449	140,781	-	(11,249)	(193,489)	257,492
Provisions for pensions and other long-term employee benefits	56,237	4,640	-	-	(10,018)	50,859
TOTAL 1	**531,227**	**274,705**	**-**	**(11,249)**	**(357,048)**	**437,635**
Provisions for depreciation and amortisation						
On financial assets (2)	108,497	28,851	-	-	-	137,348
On trade receivables	4,303	2,450	-	-	-	6,753
On other receivables	3,122	46	-	-	-	3,168
On marketable securities	-	-	-	-	-	-
TOTAL 2	**115,922**	**31,347**	**-**	**-**	**-**	**147,269**
OVERALL TOTAL	**735,341**	**306,052**	**-**	**(11,249)**	**(357,048)**	**584,903**

(1) Change due to provisions for the bonus share plan for €(64) million.
(2) Changes related to allowances for impairment of investments.

Provisions for risks and charges

Provision for currency losses

The €129 million provision for currency losses as at 30 June 2020 consists of the unrealised currency loss for unhedged US dollar receivables and payables.

Other provisions for risks

Other provisions for risks correspond to:

- provisions for risks and charges relating to tax consolidation for €121 million;
- various provisions amounting to €136 million.

Provisions for pensions and other long-term employee benefits

Description and recognition of employee benefit obligations

Pernod Ricard SA's employee benefit obligations are composed of:

- long-term post-employment benefits (retirement bonuses, medical expenses, etc.);
- long-term benefits payable during the period of employment.

The liability arising as a result of the Company's net employee benefit obligation is recognised in provisions for risks and charges on the balance sheet.

Calculation of the provision with respect to the net benefit obligation

The provision recognised by Pernod Ricard SA is equal to the difference, for each benefit plan, between the present value of the employee benefit obligation and the value of plan assets paid to specialised entities in order to fund the obligation.

The present value of employee benefit obligations is calculated using the prospective method involving the calculation of a projected salary at the retirement date (projected unit credit method). The measurement is made at each balance sheet date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate and discount rate) and assumptions concerning employees (mainly average salary increase, rate of employee turnover and life expectancy).

At 30 June 2020, the total amount of benefit obligations was €51 million. These obligations are fully provisioned.

For information, the inflation rate used for the valuation at 30 June 2020 was 1.75% and the discount rate was 1.5%.

Plan assets are measured at their market value at each balance sheet date.

Accounting for actuarial gains and losses

Actuarial gains and losses arise primarily when estimates differ from actual outcomes, or when there are changes in long-term actuarial assumptions (e.g. discount rate, rate of increase of salaries, etc.).

The Company has applied the option set out in recommendation 2013-02, in which the full pension liability is recognised, since the financial year ended 30 June 2014.

Components of the expense recognised for the financial year

The expense recognised in respect of the benefit obligations described above incorporates:

- expenses corresponding to the acquisition of an additional year's rights;
- interest expense arising on the unwinding of the discount applied to vested rights at the start of the year (as a result of the passage of time);
- income corresponding to the expected return on plan assets measured using the discount rate which is used to measure plan liabilities;
- income or expense corresponding to actuarial gains or losses;
- income or expense related to changes to existing plans or the creation of new plans;
- the income or expense related to any plan curtailments or settlements.

NOTE 10 Deferred income and adjustment accounts

€ thousand	At 30.06.2019	Increases	Decreases	At 30.06.2020
Deferred income	100	22,120	(501)	21,719
Unrealised foreign exchange gains [1]	494,315	468,419	(494,315)	468,419
TOTAL	**494,415**	**490,539**	**(494,816)**	**490,138**

(1) The €468 million liability arising from currency translation adjustments at 30 June 2020 is attributable mainly to the revaluation of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2020.

NOTE 11 Accrued income and expenses

Accrued income

€ thousand	Amount
Amount of accrued income in the following balance sheet items	
Loans and advances to affiliates and associates	257,055
Trade receivables	273,788
Other receivables	1,921,251
Cash	630,753
TOTAL	**3,082,847**

Accrued expenses

€ thousand	Amount
Amount of accrued expenses in the following balance sheet items	
Bank debt	-
Trade payables	95,483
Taxes and social payables	35,913
Other payables	348,628
TOTAL	**480,024**

NOTE 12 Bonds

	Amount *($ thousand)*	Amount *(€ thousand)*	Maturity date	Accrued interest *(€ thousand)*	Rate	Total *(€ thousand)*
Bond of 29.09.2014		650,000	27.09.2024	10,492	Fixed	660,492
Bond of 20.03.2014		0	22.06.2020	-	Fixed	-
USD bond of 07.04.2011	500,000	446,508	07.04.2021	5,963	Fixed	452,471
USD bond of 25.10.2011	1,500,000	1,339,525	15.01.2022	27,512	Fixed	1,367,037
USD bond of 12.01.2012	800,000	714,413	15.07.2022	14,013	Fixed	728,426
USD bond of 12.01.2012	850,000	759,064	15.01.2042	19,269	Fixed	778,333
Bond of 28.09.2015		500,000	28.09.2023	7,095	Fixed	507,095
Bond of 24.10.2019		500,000	24.10.2023	-	Fixed	500,000
USD PANDIOS bond of 26.01.2016	201,000	179,496	26.01.2021	2,642	Variable	182,138
Bond 06.04.2020		1,000,000	07.04.2025	2,651	Fixed	1,002,651
Bond 24.10.2019		500,000	25.10.2027	1,715	Fixed	501,715
Bond 06.04.2020		1,000,000	08.04.2030	4,123	Fixed	1,004,123
Bond 24.10.2019		500,000	24.10.2031	3,000	Fixed	503,000
Bond of 17.05.2016		600,000	18.05.2026	1,085	Fixed	601,085
USD bond of 08.06.2016	600,000	535,810	08.06.2026	1,094	Fixed	536,904
TOTAL		**9,224,816**		**100,654**		**9,325,470**

NOTE 13 Bank debt

Syndicated loan

On 14 June 2017, Pernod Ricard SA finalised a new 5-year multi-currency Revolving Credit Agreement for €2.5 billion. The new agreement meant that the syndicated loan from April 2012 could be refinanced in full.

On 26 April 2019, in accordance with clause 6.1.6 of the agreement, the term was extended by one year to 14 June 2024.

At 30 June 2020, no drawdowns had been made by Pernod Ricard SA.

Bilateral loan

On 23 March 2020, Pernod Ricard SA finalised a new 1-year bilateral loan for €600 million with an optional 1-year extension clause.

An amendment was signed on 9 April 2020.

At 30 June 2020, no drawdowns had been made by Pernod Ricard SA.

NOTE 14 Breakdown of corporate income tax

€ thousand	Total	Profit (loss) from continuing operations	Exceptional items
Net profit/loss before tax	1,014,607	1,079,169	(64,563)
Additional contribution	(3,154)		
Income tax prior to consolidation	166,502		
PROFIT AFTER TAX	**1,177,955**	**1,079,169**	**(64,563)**

Within the framework of the tax consolidation, the tax loss carryforwards (tax basis) of the Pernod Ricard tax group amount to €(252) million.

NOTE 15 Increases and decreases in future tax liabilities

Type of temporary differences

€ thousand	Amount of tax
INCREASES	**N/A**
Social solidarity contribution from companies and others	248
Other provisions for risk	-
Provision for pensions and other long-term employee benefits	45,572
DECREASES IN FUTURE TAX LIABILITIES	**45,820**

The tax rate used is the rate in force in 2020, *i.e.* 34.43%.

NOTE 16 Compensation

Compensation paid to Executive Directors and members of the Board of Directors amounted to €3,963,893.

NOTE 17 Operating income

Operating income reached €240 million for FY20, compared to €221 million for FY19. It principally comprised €205 million in rebilling of overheads to Group affiliates, €18 million in royalties, and €17 million in provision reversals.

The net sales of €205 million comprised €58 million in net sales in France and €147 million in net sales abroad.

NOTE 18 Financial income and expenses

€ thousand	Amount at 30.06.2020
Income from investments	1,296,841
Income from other fixed asset securities and receivables	-
Interest and related income	206,472
Reversals of financial provisions and expense transfers	325,997
Foreign exchange gains	70,042
Net gains on disposals of marketable securities	-
TOTAL FINANCIAL INCOME	**1,899,351**

€ thousand	Amount at 30.06.2020
Depreciation, amortisation and provision charges	(266,880)
Interest and related expenses	(391,945)
Foreign exchange losses	(100,843)
Net expenses on disposals of marketable securities	-
TOTAL FINANCIAL EXPENSES	**(759,668)**

NOTE 19 Exceptional items

€ thousand	Amount at 30.06.2020
Net profit on management operations	(93,919)
Net profit on capital operations	7,866
Charges and reversals of financial provisions and expense transfers	21,490
EXCEPTIONAL ITEMS	**(64,563)**

In the year ended 30 June 2020, exceptional items represented an expense of €65 million, mainly reflecting net provisions for risks and charges of €21 million and other non-current income and expenses of €86 million.

NOTE 20 Off-balance sheet commitments

Guarantees granted

Commitments made

€ thousand	Amount at 30.06.2020
Guarantees on behalf of affiliates	54
Other leases	677
Property leases	140,464
TOTAL	**141,195**

Commitments granted include guarantees, in particular those related to bonds, commercial paper and the syndicated loan.

Derivative instruments

Hedging for Pernod Ricard SA	Nominal value *(US$ thousand)*	Fair value at 30.06.2020 *(€ thousand)*
Interest rate swaps	800,000	40,859
Currency swaps	2,998,000	478,555
TOTAL	**3,798,000**	**519,414**

Interest rate swaps provide hedging for Pernod Ricard SA's external or internal debts that bear fixed-rate interest. At 30 June 2020 these broke down as follows:

USD interest rate hedge	Maturity	Net base *(US$ thousand)*
Interest rate swaps	July 2022	600,000
Interest rate swaps	June 2026	100,000
Interest rate swaps	June 2026	100,000

Currency hedge	Maturity	Basis *(US$ thousand)*
Currency swaps	April 2021	500,000
Currency swaps	January 2022	1,500,000
Currency swaps	December 2022	800,000
Currency swaps	December 2022	400,000
Currency swaps	July 2022	(202,000)
CURRENCY SWAPS		**2,998,000**
Financial assets		1,462,233
Financial liabilities		(4,529,938)
TOTAL		**(69,705)**

Payables and receivables denominated in foreign currencies are hedged by currency swaps. The Company had a residual US dollar position of US$(69) million at 30 June 2020.

Other items

Pernod Ricard SA guaranteed the contributions owed by Allied Domecq Holdings Ltd and its subsidiaries to the Allied Domecq pension funds.

Pernod Ricard SA, pursuant to Section 357 of the 2014 Companies Act (Republic of Ireland), has irrevocably guaranteed the liabilities of the following subsidiaries for FY19: Irish Distillers Group Unlimited, Irish Distillers Ltd, Irish Distillers International Ltd, Smithfield Holdings Ltd, Ermine Ltd, Proudlen Liqueurs Ltd, Ind Coope Holding Ltd, The West Coast Cooler Co. Ltd, Comrie Ltd, and Eight Degrees Brewing Company Ltd.

Pernod Ricard SA guaranteed Corby Distilleries Ltd the payment of liabilities which are due by the Group's affiliates involved in the representation agreement for Group brands in Canada, signed on 29 September 2006.

Pernod Ricard SA gave the Directors of Goal Acquisitions (Holding) Limited a comfort letter in which the Group undertook to provide financial support to enable Goal Acquisitions (Holding) Limited to honour its short-term intragroup liabilities.

Pernod Ricard SA has granted a first-demand guarantee of €26,283,122 as part of an internal project. This guarantee was given for a limited duration (from 26 October 2017 to 1 April 2020 or, at the latest, until 1 November 2021).

NOTE 21 Average headcount at 30 June 2020

	Employees	Temporary employees (all types)
Managers (1)	399	-
Supervisors and technicians	43	5
Employees	2	-
AVERAGE HEADCOUNT	**444**	**5**
Work-study contracts	16	-

(1) Including 101 expatriate employees.

NOTE 22 Affiliates and associates at 30 June 2020

€ thousand	Capital	Shareholders' equity before allocation of income	Interest in the entity's share capital *(in%)*	Carrying amount of investment		Loans	Guarantees and endorsements	Net sales (excluding taxes and duties)	Net profit	Dividends received
				Gross	Net					
Investments whose carrying amount exceeds 1% of Pernod Ricard SA's share capital										
AGROS (1) Ul. Chalubinskiego 8 00-613 Warsaw (Poland)	-	194,800	100%	122,008	122,008	-	-	-	-	-
House of Campbell Limited (2) 111/113 Renfrew Road, Paisley PA3 4DY (Scotland)	8,329	77,655	100%	40,538	40,538	-	-	-	-	-
Geo G Sandeman Sons & Co Ltd (3) 400 Capability Green Luton, Bedfordshire, LU1 3AE (England)	-	14,835	30%	9,180	4,150	-	-	989	-	67
Pernod Ricard France SA 10, place de la Joliette, Marseille	94,000	225,132	100%	162,171	162,171	227	-	794,121	19,725	66,600
Pernod Ricard Asia SAS 12, place des États-Unis, 75116 Paris (France)	4,512	214,822	100%	42,457	42,457	-	-	-	131,793	-
Pernod Ricard Central and South America 12, place des États-Unis, 75116 Paris (France)	52,198	17,761	100%	210,153	86,802	-	-	-	(7,761)	-
Pernod Ricard Europe Middle East Africa 12, place des États-Unis, 75116 Paris (France)	40,000	368,315	100%	36,407	36,407	32	-	13,892	3,752,790	1,100,000
Pernod Ricard North America SAS 12, place des États-Unis, 75116 Paris (France)	39,398	42,805	100%	126,735	123,418	-	-	-	822	-
Pernod Ricard Finance SA 12, place des États-Unis, 75116 Paris (France)	232,000	394,639	100%	238,681	238,681	-	-	-	31,724	-
Pernod Ricard Pacific Holdings (4) 167 Fullarton Road Dulwich SA 5065 (Australia)	132,590	98,593	100%	151,789	151,789	-	-	365,855	1,127	-
Lina 3 12, place des États-Unis, 75116 Paris (France)	819,730	16,396,063	100%	11,690,953	11,690,953	-	-	-	(10,591)	-
Lina 5 12, place des États-Unis, 75116 Paris (France)	30,640	571,935	100%	30,631	30,631	-	-	-	(62)	-
Yerevan Brandy Company (5) 2, Admiral Isakov Avenue, Yerevan 375092, (Republic of Armenia)	19,437	146,465	100%	27,856	27,856	-	-	-	5,514	6,063
Havana Club Holding	7,842	(5,436)	50%	5,592	5,592	-	-	-	2,481	8,273
TOTAL 1				**12,895,150**	**12,763,452**				**3,927,561**	**1,181,003**
Affiliates:										
French				8,703	5,787					
Foreign				5,091	4,129					115,798
Investments:										
French				215	192					39
Foreign				660	1					
TOTAL 2				**14,669**	**10,110**					**115,837**
TOTAL 1 + 2				**12,909,820**	**12,773,561**					**1,296,840**

(1) Information from the AGROS financial statements at 30.06.2020.
(2) Information from the House of Campbell Limited financial statements at 30.06.2019.
(3) Information from the Geo G Sandeman Sons & Co Ltd financial statements at 31.12.2019.
(4) Information from the Pernod Ricard Pacific Holdings financial statements at 30.06.2019.
(5) Information from Yerevan Brandy Company's financial statements at 30.06.2019.

NOTE 23 Tax credit

Pernod Ricard SA has a research tax credit in the amount of €1,192,376, a tax credit for sponsorship activities in the amount of €700,500 and a family tax credit in the amount of €388,190.

NOTE 24 Subsequent Events

In July 2020, the Company reduced its share capital by cancelling 3,545,032 shares which it had previously held, acquired in particular as part of the Company's share buyback programme. Following this transaction, the share capital was reduced to €405,908,668, divided into 261,876,560 shares with a par value of €1.55 each.

7.6 Other items relating to the financial statements

The Parent Company financial statements detailed in the previous pages are those of Pernod Ricard SA and are the subject of the Statutory Auditor's report on the annual financial statements.

The Parent Company financial statements detailed in the previous pages are those of Pernod Ricard SA and are the subject of the Statutory Auditor's report on the annual financial statements.

The elements relating to the Company financial statements in the management report of the Board of Directors are included in the following pages. The sections concerned are:

- other financial elements:
  - expenses and charges referred to in article 223 *quater* of the CGI (French Tax Code),
  - the breakdown of supplier payables set out in articles L. 441-6-1 and D. 441-4 of the French Commercial Code,
  - the information on supplier payment terms set out in article D. 441-4 of the French Commercial Code in its wording under Decree no. 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016;
- financial results over the last five financial years;
- dividends distributed over the last five financial years;
- inventory of marketable securities.

Expenses and charges referred to in article 223 *quater* of the CGI (French Tax Code)

It is specified that the total amount of expenses and charges referred to in article 223 *quater* of the French General Tax Code and the amount of the applicable tax due to these expenses and charges amount to:

(€)	**At 30.06.2020**
Expenses and charges	311,406
Corresponding tax	107,217

Supplier payment deadlines

In accordance with the French law on the modernisation of the economy of 4 August 2008 and the ensuing articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the year-end breakdown of Pernod Ricard SA's trade payables is as follows:

€ inc. tax	**At 30.06.2020**
Trade payables not due	**42,145,987**
At 30 days	42,108,381
Between 30 and 45 days	41,843
Beyond 45 days	(3,236)
Trade payables past due	**1,522,718**
Recognised and not paid (A)	71,193
Group invoices	1,208,294
Disputes recognised	243,231

Pursuant to article D. 441-4 of the French Commercial Code in its wording under Decree no. 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016, information on supplier payment terms is as follows:

€	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and over)
(A) Late payment categories						
Number of invoices concerned	6	-	-	-	11	17
Total amount of invoices concerned excluding taxes	58,224	-	-	-	4,495	62,719
Percentage of total purchase amount excluding tax for the financial year	-	-	-	-	-	-
(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables						
Number of excluded invoices	14	21	7	11	28	81
Total amount of excluded invoices excluding tax	348,285	133,795	49,339	24,791	132,747	688,958
(C) Reference payment terms used to calculate late payments (article L. 441-6 or article L. 443-1 of the French Commercial Code)						
☑ Contractual payment terms (45 days end of month, 30 days end of month or 15 days end of month)						
☐ Statutory time frame						

Trade receivable payment times

Since the Company's receivables only comprise receivables from Group companies, some of the information required by article D. 441-1 of the French Commercial Code is not presented below as it is deemed irrelevant.

Information on receivables is set out below:

€ inc. tax	At 30.06.2020
Trade receivables not due	212,645,447
Trade receivables past due	36,219,657
TOTAL	**248,885,104**
O/w disputed receivables	6,752,864

7.7 Financial results over the last five financial years

€	30.06.2016	30.06.2017	30.06.2018	30.06.2019	30.06.2020
Financial position at year-end					
Share capital	411,403,468	411,403,468	411,403,468	411,403,468	411,403,468
Number of shares outstanding	265,421,592	265,421,592	265,421,592	265,421,592	265,421,592
Number of convertible bonds in issue	-	-	-	-	-
Number of bonus shares granted on 16 January 2007 (dividend rights from 1 July 2006)	-	-	-	-	-
Number of shares created by the capital increase of 14 May 2009	-	-	-	-	-
Number of bonus shares granted on 18 November 2009 (dividend rights from 1 July 2009)	-	-	-	-	-
Operating results					
Net sales (excluding taxes and duties)	137,322,737	147,044,350	154,976,030	179,569,040	204,799,992
Profit before taxes, amortisation, depreciation and allowances to provisions	547,695,859	926,378,106	432,466,377	221,535,314	966,689,347
Corporate income tax	160,415,191	114,461,535	179,468,467	151,988,378	163,348,627
Profit after taxes, amortisation, depreciation and allowances to provisions	764,078,429	966,776,001	565,822,841	325,725,565	1,177,954,098
Dividends distributed (1)	496,766,932	536,151,616	626,394,957	828,115,367	-
Earnings per share					
Profit after taxes, but before amortisation, depreciation and allowances to provisions	2.67	3.92	2.31	1.41	4.26
Profit after taxes, amortisation, depreciation and allowances to provisions	2.88	3.64	2.13	1.23	4.44
Dividend paid per share (1)	1.88	2.02	2.36	-	-
Personnel					
Number of employees	373	372	401	422	444
Total payroll	49,175,332	52,442,536	64,087,417	70,178,837	60,952,594
Employee-related benefits paid during the year	25,196,150	22,389,498	29,981,592	30,963,383	26,104,626

(1) The amount of dividends for 2020 will be known with certainty after the Shareholders' Meeting of 27 November 2020 (dividends in respect of the financial year from 1 July 2019 to 30 June 2020).

7.8 Dividends paid over the last five financial years

Financial year €	Date of payment	Net amount	Overall amount for the financial year
	08.07.2016	0.90	-
FY16	30.11.2016	0.98	1.88
	07.07.2017	0.94	0
FY17	22.11.2017	1.08	2.02
	06.07.2018	1.01	
FY18	21.11.2018	1.35	2.36
	10.07.2019	1.18	-
FY19	27.11.2019	1.94	3.12
FY20	10.07.2020 (1)	1.18	-

(1) An interim dividend for FY20 was paid on 10 July 2020. The balance will be decided by the Shareholders' Meeting of 27 November 2020 called to approve the financial statements for the year ended 30 June 2020.

7.9 Inventory of marketable securities

French investments with a net carrying amount in excess of €100,000 €	Number of shares held	Net carrying amount
Lina 3	61,209,716	11,690,953,301
Lina 5	306,400	30,630,500
Pernod Ricard France	1,750,000	162,170,656
Pernod Ricard Asia SAS	2,785,000	42,457,051
Pernod Ricard Central and South America	691,596	86,801,700
Pernod Ricard Europe Middle East Africa	1,000,000	36,407,284
Pernod Ricard Finance SA	29,000,000	238,680,987
Pernod Ricard North America SAS	4,377,500	123,417,557
Résidence de Cavalières	205,950	959,350
Lina 20	600	4,071,400
SUBTOTAL	**101,326,762**	**12,416,549,786**
Other shareholdings in French companies	201,544	948,767
Investments in unlisted foreign companies	25,705,455	356,062,484
TOTAL MARKETABLE SECURITIES AT 30.06.2019	**127,233,761**	**12,773,561,037**

7.10 Statutory Auditors' report on the financial statements

Year ended 30 June 2020

To the Pernod Ricard Shareholders' Meeting

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Pernod Ricard for the year ended 30 June 2020.

These financial statements were approved by the Board of Directors on 1 September 2020 on the basis of the information available at that date in the evolving context of the Covid-19 health crisis and of difficulties in assessing its impact and future prospects.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 30 June 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 July 2019 to the date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics for statutory auditors (*Code de déontologie*).

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Key Audit Matters	Responses as part of our audit
Valuation of investments *(Notes 1.3 and 3 to the financial statements)* As at 30 June 2020, consolidated and non-consolidated investments are recorded in the balance sheet at a net carrying amount of €12,774 million and represent 74% of total assets. They are initially recognised at acquisition cost, excluding ancillary costs. If the value in use of investments is lower than their net carrying amount, a provision for impairment is recognised in financial income/(expense) in the amount of the difference. As disclosed in Note 1.3 to the financial statements, value in use is determined based on a multi-criteria analysis. This takes into account, depending on the nature of the investment, either the share of the subsidiary's equity represented by the investment, or the value based on dividend yield and the financial and economic potential of the subsidiary, with particular reference to the market value of its net assets (for example, by using cash flow projections or identifying unrealised capital gains on assets held by subsidiaries). Estimates of the value in use of these investments are based on complex valuation models for subsidiaries which in turn own several subsidiaries and require management to exercise significant judgment (particularly regarding cash flow assumptions and taking into consideration asset revaluations). Given the weight of investments in the balance sheet, the complexity of the models used and their sensitivity to changes in the data and assumptions underlying estimates, we considered the determination of the value in use of investments to be a key audit matter.	We familiarized ourselves with the Company's controls covering the process for determining the value in use of investments. Our procedures primarily consisted in: • verifying, based on information communicated to us, that the values in use for investments estimated by management are supported by appropriate documentation of the valuation method and amounts used; • obtaining and analysing the valuation report on certain investments produced by the Company's external valuation advisors; • comparing data used in investment impairment tests with source documents by entity and the results of our audit procedures on these subsidiaries; • sample testing the arithmetical accuracy of values in use adopted by the Company. We also assessed the appropriateness of disclosures in Note 1.3 to the financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS PROVIDED TO THE SHAREHOLDERS

We have no matters to report as its fair presentation and its consistency with the financial statements of the information given in the management report of the Board of Directors approved on 1 September 2020 and in the other documents with respect to the financial position and the financial statements provided to Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (*Code de commerce*).

REPORT ON CORPORATE GOVERNANCE

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled enterprises included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

OTHER INFORMATION

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Pernod Ricard by the Shareholders' Meeting held on 13 May 2003 for Deloitte & Associés and on 17 November 2016 for KPMG S.A.

As at 30 June 2020, Deloitte & Associés and KPMG S.A. were in the 17th year and 4th year of total uninterrupted engagement, respectively.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

OBJECTIVE AND AUDIT APPROACH

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 17 September 2020

The Statutory Auditors

French original signed by

KPMG Audit		Deloitte & Associés
A division of KPMG S.A.		
Eric Ropert	Caroline Bruno-Diaz	David Dupont-Noel
Partner	*Partner*	*Partner*

7.11 Statutory Auditors' special report on regulated agreements

Shareholders' Meeting held to approve the financial statements for the year ended 30 June 2020

This is a free translation into English of the Statutory Auditors' special report on regulated agreements that is issued in French and is provided solely for the convenience of English-speaking readers. This report on regulated agreements should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your Company, we hereby present our report on regulated agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in cross-checking the information provided to us with the relevant source documents.

Agreements submitted to the approval of the shareholders' meeting

AGREEMENTS AUTHORISED DURING THE YEAR

We hereby inform you that we have not been advised of any agreement authorised during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements previously approved by the Shareholders' Meeting

AGREEMENTS APPROVED IN PRIOR YEARS THAT REMAINED IN FORCE DURING THE FINANCIAL YEAR

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreement, previously approved by prior Shareholders' Meetings, has remained in force during the year.

€2,500,000,000 Multicurrency Revolving Facility Agreement

The Board of Directors' meeting of 19 April 2017 authorised the signature of a new loan agreement in English entitled "€2,500,000,000 Multicurrency Revolving Facility Agreement" with, amongst others, BNP Paribas and Crédit Agricole Corporate Investment Bank as Mandated Lead Arrangers and Bookrunners and BNP Paribas and Crédit Agricole Corporate & Investment Bank as Original Lenders, under which the lenders would make available to the Company, to Pernod Ricard Finance and to the other companies of the Group party to the agreement, a revolving loan facility of a maximum principal amount of €2,500,000,000.

Pernod Ricard undertook to guarantee under certain conditions, as joint and several guarantor, compliance with the payment obligations of the other borrowing companies of the Group.

This new loan agreement signed on 14 June 2017 reduces the contract margin and extends its maturity.

No amounts were drawn down by Pernod Ricard and its subsidiaries under this loan agreement during the year ended 30 June 2020. Non-use fees for the syndicated loan facility totalled €2,431,771 for the year ended 30 June 2020.

Pernod Ricard invoices a guarantee commission at market rates to Group companies exercising their drawing rights in respect of the guarantee granted by Pernod Ricard to certain of its subsidiaries under the loan agreement; the amount of this commission may vary in line with market conditions. No subsidiaries exercised their drawing rights in the year ended 30 June 2020 and accordingly, Pernod Ricard did not invoice any guarantee commission to its subsidiaries.

This loan agreement provides Pernod Ricard, Pernod Ricard Finance and the other Group companies with a multicurrency revolving credit facility for their financing needs.

Corporate officers involved:

- Mr. Wolfgang Colberg, also member of the Deutsche Bank AG Regional Board (party to the loan agreement).
- Mrs. Veronica Vargas, also Director, Strategic and Acquisition Finance, of Société Générale Group (party to the loan agreement), until 17 September 2019.

Paris-La Défense, 17 September 2020

The Statutory Auditors

KPMG Audit

Division of KPMG S.A.

Eric Ropert — *Partner*

Caroline Bruno-Diaz — *Partner*

Deloitte & Associés

David Dupont-Noel — *Partner*

8.

Combined Shareholders' Meeting

Section

8.1 Agenda – Combined Shareholders' Meeting on 27 November 2020

8.1.1 Item on the agenda presented at the Extraordinary Shareholders' Meeting

1. Amendment of Articles 35 "Ordinary General Shareholders' Meetings" and 36 "Extraordinary General Shareholders' Meetings" of the bylaws: alignment of the bylaws with the Soilihi Law on counting abstentions and blank and spoiled ballots when calculating the majority at Shareholders' Meetings.

8.1.2 Items on the agenda presented at the Ordinary Shareholders' Meeting

2. Approval of the Parent Company financial statements for the financial year ended 30 June 2020.
3. Approval of the consolidated financial statements for the financial year ended 30 June 2020.
4. Allocation of net profit for the financial year ended 30 June 2020 and setting of the dividend.
5. Approval of the agreements referred to in article L. 225-38 *et seq.* of the French Commercial Code.
6. Renewal of the directorship of Mr Alexandre Ricard.
7. Renewal of the directorship of Mr César Giron.
8. Renewal of the directorship of Mr Wolfgang Colberg
9. Setting of the amount of the compensation allocated to the members of the Board of Directors.
10. Approval of the components of the annual compensation paid or granted during FY20 to Mr Alexandre Ricard, Chairman & CEO.
11. Approval of the components of the compensation paid or granted during FY20 to the Corporate Officers.
12. Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO.
13. Approval of the compensation policy items applicable to the Corporate Officers.
14. Authorisation to be granted to the Board of Directors to trade in the Company's shares.
15. Ratification of the decision of the Board of Directors to transfer the Company's registered office and of the subsequent amendment to article 4 "Registered Office" of the Company's bylaws.

8.1.3 Items on the agenda presented at the Extraordinary Shareholders' Meeting

16. Delegation of authority to be granted to the Board of Directors to decide to increase the share capital subject to the limit of 2% through the issue of shares or securities granting access to the share capital, reserved for members of company savings plans with cancellation of preferential subscription rights in favour of such beneficiaries.
17. Delegation of authority to be granted to the Board of Directors to decide to increase the share capital subject to the limit of 2% through the issue of shares or securities granting access to the share capital, reserved for certain categories of beneficiaries with cancellation of the preferential subscription right in favour of such beneficiaries.
18. Amendment to article 21 "Meetings" of the Company's bylaws in order to introduce the possibility for the Board of Directors to take decisions by written consultation under the conditions set by the law (SOILIHI law).
19. Amendment to articles 25 "Compensation of members of the Board", 28 "Censors" and 35 "Ordinary General Shareholders' Meetings" of the Company's bylaws in order to replace the term "Directors' fees" by "compensation" (in accordance with the PACTE law).
20. Powers to carry out the necessary legal formalities.

8.2 Presentation of the resolutions of the Combined Shareholders' Meeting on 27 November 2020

8.2.1 Resolution presented at the Extraordinary Shareholders' Meeting

FIRST RESOLUTION

Amendment of Articles 35 and 36 of the Bylaws on counting abstentions and blank and spoiled ballots when calculating the majority at Shareholders' Meetings in accordance with the Soilihi Law

By voting on the **1st resolution**, we propose to amend the provisions of the bylaws on Shareholders' Meetings (Articles 35 and 36) to update the rules on calculating the majority at Shareholders' Meetings to exclude abstentions and blank or spoiled ballots from the count (Soilihi Law).

This amendment to the bylaws is intended to reflect the new legislation on counting abstentions, which are no longer counted as negative votes when calculating the majority, but are taken into account to calculate the quorum. We propose that you adopt this amendment in the first resolution so that the new vote-counting rules can be applied to subsequent resolutions on the agenda of the Shareholders' Meeting.

8.2.2 Resolutions presented at the Ordinary Shareholders' Meeting

SECOND TO FOURTH RESOLUTIONS

Approval of the annual financial statements and allocation of net profit

The purpose of the **2nd resolution** is to approve the Pernod Ricard Parent Company financial statements for FY20.

The purpose of the **3rd resolution** is to approve the Pernod Ricard consolidated financial statements for FY20.

The purpose of the **4th resolution** is to allocate the net profit. It is proposed that the dividend for FY20 be set at €2.66 per share. An interim dividend payment of €1.18 per share having been paid on 10 July 2020, the balance, amounting to €1.48 per share, would be detached on 9 December 2020 (with a record date of 10 December 2020 and paid on 11 December 2020).

FIFTH RESOLUTION

Approval of the regulated agreements

It is proposed that, by voting on the **5th resolution**, you approve the regulated agreements concluded or still in force during FY20, as described in the Statutory Auditors' special report (see Section 7 "Pernod Ricard SA Parent Company Financial Statements" of the universal registration document). These relate mainly to agreements concluded in the context of financing transactions between the Company and companies or affiliates with which it has Directors or Executives in common.

SIXTH TO EIGHTH RESOLUTIONS

Composition of the Board: renewals of Directors

Information regarding the Directors for whom renewal of the term of office or appointment is proposed, appears in Section 2 "Corporate Governance" of the universal registration document.

The directorship of Mr Alexandre Ricard expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **6th resolution**, you renew his directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the previous financial year.

The directorship of Mr César Giron expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **7th resolution**, you renew his directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the previous financial year.

The directorship of Mr Wolfgang Colberg expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **8th resolution**, you renew his directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the previous financial year.

Thus, at the close of the Shareholders' Meeting, the Board of Directors would comprise thirteen members (including two Directors representing the employees), including six Independent Directors (54.5%) and five women (45%), in accordance with the recommendations of the AFEP- MEDEF Code and the law.

NINTH RESOLUTION

Directors' compensation

The purpose of the **9th resolution** is to set the annual amount of compensation allocated to the Board of Directors. It is proposed that total annual compensation allocated to the Board of Directors be maintained at €1,250,000 for FY21 and subsequent years, until a new decision of a future Shareholders' Meeting.

TENTH RESOLUTION

Approval of the components of the compensation paid or granted during FY20 to Mr Alexandre Ricard, Chairman & CEO of the Company

The purpose of the **10th resolution** is to submit for your approval the components of compensation paid or granted during the year ended to Mr Alexandre Ricard, Chairman & CEO of the Company, in accordance with article L. 225-100 III of the French Commercial Code. The components of the compensation paid or granted to the Executive Director of the Company during the financial year ended and which are to be submitted for approval by the shareholders are as follows:

- the fixed portion;
- the annual variable portion and, if applicable, any multi-year variable portion with objectives contributing to the determination of this variable portion;
- special bonuses;
- stock options, performance shares and any other element of long-term compensation;
- welcome bonus or compensation for termination of service;
- supplementary pension schemes;
- Director's compensation; and
- any other benefits.

All these elements are described in detail in Section 2 "Corporate governance" of the universal registration document, under the "Components of compensation paid or granted during FY20 to Alexandre Ricard, Chairman & CEO" subsection.

ELEVENTH RESOLUTION

Approval of the components of the compensation paid or granted during FY20 to the Corporate Officers of the Company

The purpose of the **11th resolution** is to submit for your approval the components of compensation paid or granted during FY20 to the Directors of the Company, in accordance with articles L. 225-37-3 I and L. 225-100 II of the French Commercial Code. The information referred to in I of article L. 225-37-3 of the French Commercial Code is therefore submitted to the shareholders for approval.

All these elements are described in detail in Section 2 "Corporate governance" of the universal registration document, under the "Components of compensation paid or granted during FY20 to the Corporate Officers" subsection.

TWELFTH RESOLUTION

Approval of the compensation policy applicable to Mr Alexandre Ricard, Chairman & CEO of the Company

The purpose of the **12th resolution** is to submit for your approval the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO of the Company, in accordance with the provisions of article L. 225-37-2 of the French Commercial Code.

Compensation policy items are described in detail in Section 2 "Corporate governance" of the universal registration document, under the "Compensation policy for the Executive Director" subsection.

THIRTEENTH RESOLUTION

Approval of the compensation policy applicable to the Corporate Officers of the Company

The purpose of the **13th resolution** is to submit for your approval the compensation policy items applicable to the Corporate Officers of the Company, in accordance with the provisions of article L. 225-37-2 of the French Commercial Code.

Compensation policy items are described in detail in Section 2 "Corporate governance" of the universal registration document, under the "Compensation policy for the Corporate Officers" subsection.

FOURTEENTH RESOLUTION

Share buybacks

The Shareholders' Meeting of 8 November 2019 allowed the Board of Directors to trade in the Company's shares. The transactions carried out in accordance with this authorisation are described in Section 2 "Corporate governance" of the universal registration document. This authorisation is due to expire on 7 May 2021. It is thus proposed, in the **14th resolution**, that you renew the authorisation for the Board of Directors to trade in the Company's shares for a period of 18 months at **a maximum purchase price of €270 per share**, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase Company shares representing **a maximum of 10% of the Company's share capital**, primarily with a view to:

- allocating or transferring them to employees and Executive Directors of the Company and/or Group companies (including the allocation of stock options and bonus and/or performance shares) or in connection with covering the Company's commitments under financial contracts or options with cash settlement granted to the employees and Executive Directors of the Company and/or Group companies;
- using them for external growth transactions (up to a maximum of 5% of the number of shares comprising the Company's share capital);
- delivering shares upon the exercise of rights attached to securities granting access to the share capital;
- cancelling them; and
- stabilising the share price through liquidity agreements.

These transactions would be carried out during periods considered appropriate by the Board of Directors. However, during a public offering, buybacks would only be carried out provided that they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offering;
- are undertaken to pursue a share buyback programme that was already in progress;
- cannot cause the offer to fail; and
- fall within the scope of one of the following objectives: allocation to the beneficiaries of stock options and bonus and/or performance shares; or to cover its commitments pursuant to financial contracts or options with cash payments; or the free allocation of shares to employees and/or Executive Directors of the Company and/or companies that are or will be related thereto.

FIFTEENTH RESOLUTION

Ratification of the decision of the Board of Directors to transfer the Company's registered office and of the subsequent amendment to article 4 of the Company's bylaws

By a decision dated 22 July 2020 and in accordance with article 4 of the Company's bylaws, the Board of Directors transferred the Company's registered office from 12, Place des États-Unis, 75016 Paris, to 5, Cours Paul Ricard, 75008 Paris. Pursuant to article 4 of the Company's bylaws, the next Ordinary General Meeting is required to ratify the decision of the Board of Directors.

By voting in favour of the **15th resolution**, we propose that you ratify the decision of the Board of Directors and the subsequent amendment to the provisions of the bylaws relating to the Company's Registered Office.

8.2.3 Resolutions presented at the Extraordinary Shareholders' Meeting

The **16th and 17th resolutions** propose delegations of authority granted to the Board of Directors by the Shareholders' Meeting in order to allow the Board of Directors to set up an employee shareholding plan in France and abroad.

Such a shareholding plan could be set up in particular to facilitate access to the Company's share capital for a large number of the Group's employees and to align their interests with those of shareholders.

More precisely, the **16th resolution** allows capital increases reserved for employees and/or Executive Directors who are members of a company savings plan within the Group. The purpose of the **17th resolution** is to allow employees and corporate officers in certain countries outside of France to subscribe to Company shares with similar benefits in terms of economic profile to those offered to employees in the 16th resolution, in particular, when local legal and/or tax constraints make the implementation of the employee shareholding plan in the context of the 16th resolution impossible or difficult.

It is stated that these delegations of authority allow share capital increases and that they could not be used during a public offering for Company shares.

SIXTEENTH RESOLUTION

Delegation of authority to increase the share capital through the issue of shares or securities granting access to the share capital, with cancellation of preferential subscription rights, reserved for members of a company saving plan

By voting on the **16th resolution**, you delegate authority to the Board of Directors to decide on share capital increases reserved for employees and/or corporate officers who are members of an employee savings plan in place within Pernod Ricard. It is specified that the capital increase is limited to a **maximum nominal amount of 2% of the share capital** at the close of this Shareholders' Meeting.

This limit is the same as the limit for the 17th resolution below, with the reminder that it is deducted from the Overall Limit and the maximum amount of any capital increase set respectively in the 13th and 14th resolutions of the Shareholders' Meeting dated 8 November 2019.

The issue price for the new shares or securities granting access to the share capital may not be more than 20% below the average of the listed closing prices of Pernod Ricard shares on the regulated Euronext Paris market during the 20 trading sessions prior to the date of the decision setting the opening date for the subscription period, nor may the issue price exceed this average.

This delegation of authority is granted for 26 months from the date of today's Shareholders' Meeting.

The Board of Directors may not make the decision to use this delegation of authority as from the date on which a third party files a takeover bid for the Company shares unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

SEVENTEENTH RESOLUTION

Delegation of authority to decide on a share capital increase through the issue of shares or securities granting access to the share capital, with cancellation of preferential subscription rights, reserved for certain categories of beneficiaries

By voting on the **17th resolution**, we request that, in accordance with the provisions of the French Commercial Code, you delegate authority to the Board of Directors to decide on a capital increase of a **maximum nominal amount corresponding to 2% of the share capital** at the close of this Shareholders' Meeting, by way of an issue of shares or securities granting access to the share capital, reserved for a certain category(ies) of beneficiaries with cancellation of preferential subscription rights, in favour of such beneficiaries.

The 2% limit of the share capital of this resolution is common with the limit of the 16th resolution above, with the reminder that it is deducted from the Overall Limit and the maximum amount of any capital increase set respectively in the 13th and 14th resolutions of the Shareholders' Meeting dated 8 November 2019.

The 17th resolution seeks to adapt the conditions of the employee shareholding plan set in the 16th resolution to the local legal and/or tax constraints to allow employees and/or corporate officers in certain countries outside France to subscribe to shares of the Company with similar benefits, in terms of economic profile, to those given to employees under the 16th resolution.

The share capital increase may be reserved for (i) certain categories of employees and/or corporate officers, (ii) UCITS or other employee shareholding entities whose unitholders or shareholders are persons described in (i), or (iii) any entity or banking institution with the exclusive purpose of subscribing to Company shares or any other financial instrument in order to facilitate access to the capital of the Company for employees and/or corporate officers outside France or to similar investment formulas.

The issue price of new shares or securities granting access to the Company's capital will be set by the Board of Directors and (a) may not be more than 20% below the average of the listed closing prices of the Pernod Ricard share recorded on the regulated Paris market over the 20 trading sessions preceding the date of the decision setting the opening date of the subscription period under this resolution, nor exceed such average or (b) will be equal to the price set for the shares issued as part of the capital increase reserved for members of company savings plans pursuant to the 16th resolution of this Shareholders' Meeting.

This delegation of authority is granted for 18 months from the date of today's Shareholders' Meeting.

The Board of Directors may not make the decision to use this delegation of authority as from the date on which a third party files a takeover bid for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

EIGHTEENTH RESOLUTION

Amendment to article 21 "Meetings" of the Company's bylaws in order to introduce the possibility for the Board of Directors to make decisions by written consultation under the conditions set by the regulations (SOILIHI law)

By the vote of the **18th resolution**, we ask you to modify the provisions of the bylaws relating to the Board of Directors' meetings (article 21) in order to introduce the possibility for the Board of Directors to take decisions by written consultation under the conditions set by the regulations and to comply with the law on the Simplification, Clarification and Updating of company law (SOILIHI law).

NINETEENTH RESOLUTION

Amendment to articles 25 "Compensation of members of the Board", 28 "Censors" and 35 "Ordinary General Shareholders' Meetings" of the bylaws in order to replace the term "Directors' fees" by "compensation" (in accordance with the PACTE law)

By the vote of the **19th resolution**, we ask you to modify the provisions of the bylaws relating to the compensation of members of the Board of Directors (article 25), to censors (article 28) and to Ordinary Shareholders' Meetings (article 35) in order to replace the term "Directors' fees" by "compensation" in accordance with the law on Business Growth and Transformation (PACTE law).

TWENTIETH RESOLUTION

Powers to carry out the required legal formalities

By voting on the **20th resolution**, the Shareholders' Meeting is asked to authorise the Board of Directors to carry out the required legal formalities, where applicable.

8.3 Draft resolutions of the Combined Shareholders' Meeting on 27 November 2020

8.3.1 Resolution presented at the Extraordinary Shareholders' Meeting

The **first resolution** concerns an amendment to Articles 35 and 36 of the bylaws with a view to updating them in line with new laws and regulations.

FIRST RESOLUTION

(Amendment of Articles 35 and 36 of the bylaws on counting abstentions and blank and spoiled ballots when calculating the majority at Shareholders' Meetings in accordance with the Soilihi Law)

The shareholders, voting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having considered the report of the Board of Directors, resolves to amend Article 35 "Ordinary General Shareholders' Meetings" and Article 36 "Extraordinary General Shareholders' Meetings" of the bylaws to change the rules on calculating the majority at Shareholders' Meetings to exclude abstentions and blank or spoiled votes from the count (the added parts are highlighted in bold and the deleted parts are struck through):

"Article 35 – Ordinary General Shareholders' Meetings

I — In order to validly deliberate, Ordinary General Shareholders' Meetings must be made up of a number of shareholders present or represented holding at least one-fifth of shares having the right to vote. Failing this, the meeting must be convened a second time. At such second meeting, decisions shall be validly taken regardless of the number of shares represented.

*Decisions shall be taken by a majority of the votes **cast by** ~~held by~~ the shareholders present or represented~~. In the event that a secret ballot is held, blank ballots shall not be counted~~, **in accordance with the applicable legal provisions.***

II — An Ordinary General Shareholders' Meeting, whether the annual meeting or a specially convened meeting, listens to the reports of the Board of Directors and Statutory Auditors, and discusses, approves or corrects the financial statements; decides on the allocation of results; sets the dividends to be distributed; votes on agreements made between the Company and its managers; appoints, replaces or re-elects the Directors and Statutory Auditors, provides them with a discharge for the performance of their duties and sets the annual amount of compensation for the entire Board of Directors.

III — In addition, Ordinary General Shareholders' Meetings deliberate and vote on other proposals included in the agenda, provided they are not the exclusive remit of an Extraordinary General Shareholders Meeting. In particular, an Ordinary General Shareholders' Meeting may authorise the Board of Directors to perform all acts that do not require an amendment to the Memorandum and Articles of Association, in the event that such authorisation is required or requested."

"Article 36 – Extraordinary General Shareholders' Meetings

I — In order to validly deliberate, the shareholders present or represented at an initially convened Extraordinary General Shareholders' Meeting must hold at least one-fourth of the shares having the right to vote, and if the meeting is convened a second time, the shareholders must hold one-fifth of the shares having the right to vote.

If the latter quorum is not present, the second meeting may be postponed to a subsequent date no later than two months as from the date on which the meeting was convened.

*Decisions shall be taken by a two-thirds majority of the votes **cast by** ~~held by to~~ the shareholders present or represented~~. In the event that a secret ballot is held, blank ballots shall not be counted~~, **in accordance with the applicable legal provisions.***

II — An Extraordinary General Shareholders' Meeting may make all amendments to the Memorandum and Articles of Association allowed by law. In particular, an Extraordinary General Shareholders' Meeting may decide to convert the Company into a company of another type, in accordance with the requirements prescribed by law.

If there are shares of more than one class, no amendment can be made, and no limitations imposed on the rights of any such class, except by a decision of a special meeting of the shareholders of the class or classes concerned. Such special meeting shall validly deliberate if the shareholders present or represented at an initially convened special meeting hold at least one-third of the shares having the right to vote in the class whose rights are to be amended by the meeting, and if the meeting is convened a second time, the shareholders must hold one-fifth of the shares having such right to vote."

8.3.2 Resolutions presented at the Ordinary Shareholders' Meeting

The purpose of the **2nd, 3rd and 4th resolutions** is to approve Pernod Ricard's Parent Company and consolidated financial statements for FY20 and to approve the allocation of net profit and distribution of **a dividend of €2.66** per share, following the allocation of an interim dividend of €1.18 per share on 10 July 2020.

SECOND RESOLUTION

(Approval of the Parent Company financial statements for the financial year ended 30 June 2020)

Having reviewed the Parent Company financial statements for the financial year ended 30 June 2020, the management report of the Board of Directors and the report of the Statutory Auditors on the annual financial statements, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the financial statements for the financial year ended 30 June 2020 as well as all transactions recorded in the financial statements or summarised in these reports, which show a net profit of €1,177,954,097.56 for the aforementioned financial year.

Pursuant to article 223 quater of the French General Tax Code, the Shareholders' Meeting also takes note of the fact that the total amount of the costs and expenses referred to in paragraph 4 of article 39 of the French General Tax Code amounted to €311,406 for the past financial year, and that the future tax payable with regard to these costs and expenses amounts to €107,217.

THIRD RESOLUTION

(Approval of the consolidated financial statements for the financial year ended 30 June 2020)

Having reviewed the Board of Directors' report on the management of the Group in accordance with article L. 233-26 of the French Commercial Code and the Statutory Auditors's report on the consolidated financial statements, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the consolidated financial statements for the financial year ended 30 June 2020 as presented to it as well as the transactions recorded in the financial statements or summarised in the report on the management of the Group.

FOURTH RESOLUTION

(Allocation of net profit for the financial year ended 30 June 2020 and setting of the dividend)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that the balance sheet for the financial year ended 30 June 2020 shows a net profit of €1,177,954,097.56.

It resolves, on the proposal of the Board of Directors, to allocate and divide this profit as follows:

Profit	**€1,177,954,097.56**
Allocation to the legal reserve	€0 (1)
Balance	€1,177,954,097.56
Previous retained earnings	€1,768,850,935.70
Distributable profit	€2,946,805,033.26
Distributed dividend	€696,591,649.60
Balance allocated to retained earnings	€2,250,213,383.66

(1) The amount of the legal reserve having reached the threshold of 10% of the share capital.

It should be noted that in the event of a change in the number of shares entitled to a dividend compared with the 265,421,592 shares making up the share capital as of 30 June 2020, the total amount of the dividend shall be adjusted accordingly and the amount allocated to "Retained earnings" shall be determined on the basis of dividends actually paid.

A dividend of €2.66 will be distributed for each Company share.

An interim dividend payment of €1.18 per share having been paid on 10 July 2020, the balance amounting to €1.48 per share will be detached on 9 December 2020 (with a record date of 10 December 2020) and paid on 11 December 2020.

The Shareholders' Meeting resolves that the amount of the dividend accruing to treasury shares or shares that have been cancelled on the ex-dividend date will be allocated to "Retained earnings".

The amount distributed of €2.66 per share will be eligible for the 40% tax deduction applicable to individual shareholders who are French tax residents, as provided for in article 158, 3-2° of the French General Tax Code.

Shareholders' equity amounts to €6,116,358,287.67 after allocation of net profit for the financial year.

Dividends distributed over the past three financial years are as follows:

	FY17	**FY18**	**FY19**
Number of shares	265,421,592	265,421,592	265,421,592
Dividend per share *(€)*	2.02 (1)	2.36 (1)	3.12 (1)

(1) Amounts eligible for the 40% tax deduction for individual shareholders who are French tax residents, as provided for in article 158, 3-2° of the French General Tax Code.

The purpose of the 5th **resolution** is to approve the "regulated" agreements previously approved by Pernod Ricard's Board of Directors.

FIFTH RESOLUTION

(Approval of the regulated agreements referred to in articles L. 225-38 et seq. of the French Commercial Code)

Having reviewed the special report of the Statutory Auditors on the regulated agreements referred to in articles L. 225-38 *et seq.* of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, takes note of the conclusions of said report and approves the agreements referred to therein, it being specified that no new agreements were signed in FY20.

The **6th to 8th resolutions** relate to the composition of the Board of Directors and their purpose is, respectively, to renew, for a period of four years, the directorship of Mr Alexandre Ricard, Mr César Giron and Mr Wolfgang Colberg.

SIXTH RESOLUTION

(Renewal of the directorship of Mr Alexandre Ricard)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, resolves to renew the directorship of Mr Alexandre Ricard.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the previous financial year.

SEVENTH RESOLUTION

(Renewal of the directorship of Mr César Giron)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Mr César Giron.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the previous financial year.

EIGHTH RESOLUTION

(Renewal of the directorship of Mr Wolfgang Colberg)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Mr Wolfgang Colberg.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the previous financial year.

The purpose of the **9th resolution** is to maintain the aggregate annual amount of compensation allocated to the Board of Directors for the current financial year, FY21, and subsequent years, until a new decision of the Shareholders' Meeting.

NINTH RESOLUTION

(Setting of the annual amount of compensation allocated to the members of the Board of Directors)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, upon the proposal of the Board of Directors, resolves to set the aggregate annual amount of compensation in respect of FY21 at €1,250,000 for the current and subsequent financial years and until a new decision of the Shareholders' Meeting.

The **10th, 11th, 12th and 13th resolutions** relate to the compensation of the Executive Director and the Corporate Officers; their purpose is to approve, respectively, the components of the compensation paid or granted during FY20 to the Chairman & CEO, Mr Alexandre Ricard (10th resolution) and to the Corporate Officers (11th resolution), and the compensation policy applicable to the Chairman & CEO, Mr Alexandre Ricard (12th resolution) and to the Corporate Officers (13th resolution).

TENTH RESOLUTION

(Approval of the components of compensation paid or granted during FY20 to Mr Alexandre Ricard, Chairman & CEO)

Having reviewed the report of the Board of Directors established in accordance with article L. 225-100 III of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the components of the compensation paid or granted during FY20 to Mr Alexandre Ricard, Chairman & CEO. These components are described in Section 2 "Corporate governance" of the FY20 universal registration document, in the table entitled "Components of compensation paid or granted during FY20 to Mr Alexandre Ricard, Chairman & CEO."

ELEVENTH RESOLUTION

(Approval of the components of compensation paid or granted during FY20 to the Corporate Officers)

Having reviewed the report of the Board of Directors established in accordance with articles L. 225-100 II and et L. 225-37-3 I of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the components of the compensation paid or granted during FY20 to the Corporate Officers. These components are described in Section 2 "Corporate governance" of the FY20 universal registration document, in the table entitled "Components of compensation paid or granted during FY20 to the Corporate Officers."

TWELFTH RESOLUTION

(Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO)

Having reviewed the report of the Board of Directors established in accordance with article L. 225-37-2 of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the principles and criteria for determining, allocating and granting the fixed, variable and exceptional items of total compensation and other benefits granted to the Chairman & CEO by virtue of his office, as detailed in Section 2 "Corporate governance" of the FY20 universal registration document, under the "Compensation policy for the Executive Corporate Officers" subsection.

THIRTEENTH RESOLUTION

(Approval of the compensation policy items applicable to the Corporate Officers)

Having reviewed the report of the Board of Directors established in accordance with article L. 225-37-2 of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the compensation policy applicable to the Directors, as detailed in Section 2 "Corporate governance" of the FY20 universal registration document, under the "Compensation policy for the Corporate Officers" subsection.

The purpose of the **14th resolution** is to renew the authorisation granted to the Board of Directors to implement a share buyback programme for the Company's shares, subject to certain conditions.

FOURTEENTH RESOLUTION

(Authorisation to be granted to the Board of Directors to trade in Company shares)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, authorises the Board of Directors, with the option for it to delegate these powers in turn, in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code and of Regulation no. 596/2014 of the European Parliament and of the Council of 16 April 2014, to purchase Company shares in order to:

(i) allocate shares or transfer them to employees and/or Company Executive Directors and/or its current or future affiliates under the terms and conditions provided for by law, in particular by granting stock options or as part of employee profit-sharing plans; or

(ii) cover its commitments pursuant to financial contracts or options with cash settlement in relation to rises in the stock market price of the Company's shares, granted to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law; or

(iii) make free allocations of shares to employees and/or Company Executive Directors and/or its current or future affiliates pursuant to articles L. 225-197-1 *et seq.* of the French Commercial Code, it being specified that the shares may be allocated, in particular, to an employee savings plan in accordance with the provisions of article L. 3332-14 of the French Employment Code; or

(iv) retain them and subsequently tender them (in exchange, as payment or otherwise) in connection with external growth transactions, subject to a 5% limit of the number of shares comprising the share capital; or

(v) deliver shares upon the exercise of rights attached to securities granting access to the share capital through reimbursement, conversion, exchange, presentation of a warrant or in any other manner; or

(vi) cancel all or some of the shares repurchased in this manner, under the conditions provided for in article L. 225-209 paragraph 4 of the French Commercial Code, and pursuant to the authorisation to reduce the share capital granted by the Combined Shareholders' Meeting of 8 November 2019 in its 12th resolution; or

(vii) allow an investment services provider to act on the secondary market or to ensure the liquidity of the Company's shares by means of liquidity agreements in compliance with the terms of a Code of Conduct approved by the French Financial Markets Authority (AMF).

This programme is also intended to enable the Company to trade in the Company's shares for any other authorised purpose or any purpose that might come to be authorised by law or regulations in force.

The number of Company shares purchased may be such that:

- the Company does not purchase more than 10% of the shares comprising the Company's share capital at any time during the term of the share buyback programme; this percentage applies to the share capital adjusted in accordance with capital transactions carried out after this Shareholders' Meeting; in accordance with the provisions of article L. 225-209 of the French Commercial Code, when shares are repurchased to favour the liquidity of the share under the conditions set out by the applicable regulations, the number of shares taken into account for calculating the 10% cap is equal to the number of shares purchased, less the number of shares sold during the authorisation period; and
- the number of shares held by the Company at any time does not exceed 10% of the number of shares comprising its share capital.

These shares may be purchased, sold, transferred, delivered or exchanged, on one or more occasions, by any means authorised or that may come to be authorised by the regulations in force. These means include, in particular, over-the-counter transactions, sales of blocks of shares, sale and repurchase agreements and the use of any financial derivatives, traded on a regulated market or over-the-counter, or setting up option strategies (purchases and sales of puts and calls and any combinations thereof in compliance with the applicable regulations). Transactions involving blocks of shares may account for the entire share buyback programme.

These transactions may be carried out during periods considered appropriate by the Board of Directors. However, during a public offering period, buybacks may only be carried out if they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offering;
- are undertaken in connection with the pursuit of a share buyback programme that was already in progress;
- fall within the scope of the objectives referred to in items (i) to (iii) above; and
- cannot cause the offer to fail.

The Shareholders' Meeting decides that the maximum purchase price per share shall be €270, excluding acquisition costs.

Under article R. 225-151 of the French Commercial Code, the Shareholders' Meeting sets the total maximum amount allocated to the share buyback programme authorised above at €7,070,667,120, corresponding to a maximum number of 26,187,656 shares purchased at the maximum unit price of €270 as authorised above.

The Shareholders' Meeting delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions provided for by law, in the event of transactions on the Company's share capital, and in particular a change in the par value of the share, a share capital increase *via* the capitalisation of reserves, a granting of bonus shares, stock split or reverse stock split, to adjust the above-mentioned maximum purchase price in order to take account of the impact of such transactions on the share value.

The Board of Directors may also carry out, in accordance with applicable legal and regulatory provisions, the reassignment to another objective of shares previously bought back (including under a previous authorisation) and their sale (on- or off-market).

The Shareholders' Meeting grants the Board of Directors full powers, with the option for it to delegate these powers in turn under the conditions provided for by law, to decide and implement this authorisation, to specify, if necessary, its terms and decide on its conditions with the option to delegate implementation of the share buyback programme, under the conditions provided for by law, and in particular to place all stock exchange orders, enter into any agreements, with a view to keeping registers of share purchases and sales, make all declarations notably to the French Financial Markets Authority (AMF) and to any other official body which may take its place, complete all formalities and, in general, do whatever may be necessary.

This authorisation will be valid for a period of 18 months from the date of this Shareholders' Meeting and cancels, as from this same date, for any unused portion, the authorisation granted to the Board of Directors by the Combined Shareholders' Meeting of 8 November 2019 in its 11th resolution to trade in the Company's shares.

The **15th resolution** concerns the ratification of the decision of the Board of Directors to transfer the Company's registered office.

FIFTEENTH RESOLUTION

(Ratification of the decision of the Board of Directors to transfer the Company's registered office and of the subsequent amendment to article 4 "Registered Office" of the bylaws)

Having reviewed the Board of Director's report, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, ratifies, in accordance with article L. 225-36 of the French Commercial Code, the transfer of the registered office from 12, place des États-Unis, 75116 Paris to 5, Cours Paul Ricard, 75008 Paris, as decided by the Board of Directors at its meeting of 22 July 2020.

This decision resulted in an amendment to article 4 of the Company's bylaws relating to the "Registered Office" as follows (amended parts are in bold):

"Article 4 – REGISTERED OFFICE

The registered office is located at ***5, Cours Paul Ricard, Paris (8th arrondissement [municipal district])****.*

It may be transferred to any other location in the same département [administrative district] or to any other location in a bordering département by a decision of the Board of Directors, subject to ratification by the next Ordinary Shareholders' Meeting, and anywhere else by a decision of an Extraordinary Shareholders' Meeting.

Agencies, offices, branches and warehouses may be created in any country, including abroad, by a decision of the Board of Directors, and the Board of Directors may thereafter transfer or close them as it sees fit".

This decision also gave rise to the publicity formalities required by law.

8.3.3 Resolutions presented at the Extraordinary Shareholders' Meeting

The **16th and 17th resolutions** relate to financial delegations of authority granted to the Board of Directors permitting it to implement a global shareholding plan.

Please note that these delegations authorising share capital increases without preferential subscription rights may not be used during a public offering for the shares of the Company.

SIXTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to decide to increase the share capital subject to the limit of 2% through the issue of shares or securities granting access to the share capital, reserved for members of company savings plans, with cancellation of preferential subscription rights in favour of the members of such savings plans)

Having reviewed the Board of Directors' report and the Statutory Auditors' special report, in accordance with articles L. 225-129, L. 225-129-2 to L. 225-129-6 and L. 225-138 of the French Commercial Code and articles L. 3332-1 *et seq.* of the French Employment Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings:

- delegates its authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions set by law, to decide to increase the share capital, on one or more occasions, in the proportions and at the times it considers appropriate, through the issue of shares or securities granting access to the share capital reserved for members of one or more employee savings plans (or any other members' plan for which article L. 3332-18 of the French Employment Code authorises a reserved share capital increase under equivalent terms) which may be put in place within the Group consisting of the Company and the French or foreign entities falling within the scope of consolidation of the Company's financial statements pursuant to article L. 3344-1 of the French Employment Code;
- resolves to set the maximum nominal amount of capital increases that may be carried out in this respect at 2% of the Company's share capital at the close of this Shareholders' Meeting, it being specified that:
  - this limit is shared with that of the 17th resolution of this Shareholders' Meeting,
  - to this limit shall be added, if applicable, the nominal amount of any shares that may be issued, in respect of adjustments made to preserve, in accordance with the law and regulations and, where applicable, contractual provisions providing for other adjustments, the rights of holders of securities granting access to the capital, as well as the of recipients of stock options (both purchase and subscription plans) or free allocations of shares,
  - the nominal amount of capital increases made pursuant to this authorisation will be deducted from the maximum amount of capital increases with cancellation of the preferential subscription rights set by the 14th resolution of the Shareholders' Meeting of 8 November 2019, as well as from the Overall Limit for capital increases set by the 13th resolution of the same Shareholders' Meeting;
- resolves that the issue price of new shares or securities granting access to the share capital will be determined in accordance with the conditions provided for in article L. 3332-19 of the French Employment Code and may not be more than 20% lower than the average of the closing listed prices of the Pernod Ricard share recorded over the 20 trading sessions preceding the date of the decision setting the opening date of the subscription period for the capital increase reserved for the members of an employee savings plan (the "Reference Price"), nor exceed such average; however, the Shareholders' Meeting expressly authorises the Board of Directors, if it deems appropriate, to reduce or cancel the aforementioned discount, within legal and regulatory limits, in order to take into account, in particular, the legal, accounting, tax and social security treatments that apply locally;
- resolves that the Board of Directors will have all powers to grant the aforementioned beneficiaries, free of charge, in addition to the shares or securities granting access to the capital to be subscribed in cash, shares or securities granting access to the capital to be issued or already issued, in substitution for all or part of the discount on the Reference Price and/or special contribution, it being specified that the benefit resulting from this allocation may not exceed the limits provided for by law or regulations pursuant to articles L. 3332-1 to L. 3332-19 of the French Employment Code;
- resolves to cancel, in favour of the aforementioned beneficiaries, the shareholders' preferential subscription rights to the shares that are the subject of this authorisation; the aforementioned shareholders furthermore waiving all rights to the free allocation of shares or securities granting access to the share capital that may be issued pursuant to this resolution as well as the shares to which the securities will grant entitlement;

- resolves that the Board of Directors shall have all powers to implement this delegation, with the option for it to delegate these powers in turn under the conditions provided for by law, within the limits and under the conditions specified above in order, in particular:
  - to draw up, under the conditions provided for by law, the list of companies for which members of an employee savings plan may subscribe to shares or securities granting access to the capital issued in this way, and benefit, where applicable, from the free allocation of shares or securities granting access to the capital,
  - to decide whether subscriptions may be carried out directly or *via* the intermediary of company mutual funds or other structures or entities permitted by the provisions of the applicable law or regulations,
  - to determine the conditions, in particular in respect of length of service, to be met by the beneficiaries of capital increases,
  - to set the start and end dates of subscription periods,
  - to set the amounts of the issues that will be made pursuant to this authorisation and, in particular, decide on the issue prices, dates, time periods, terms and conditions of subscription, payment, delivery and dividend entitlement (which may be retroactive), as well as the other characteristics, terms and conditions of the issues, within the limits set by law and regulations in force,
  - in the event of a free allocation of shares or securities granting access to the share capital, to set the number of shares or securities granting access to the capital to be issued, the number to be granted to each beneficiary, and decide on the dates, time periods, terms and conditions of allocation of such shares or securities granting access to the share capital within the limits provided for by applicable law and regulations and, in particular, choose either to substitute, in full or in part, the allocation of such shares or securities granting access to the capital for the discounts on the Reference Price provided for above, or to deduct the equivalent value of these shares from the total amount of the special contribution, or to use a combination of these two possibilities,
  - to record the completion of the capital increases for the amount corresponding to the shares subscribed (after any reduction in the event of over-subscription),
  - to offset, where applicable, the costs of the capital increases against the amount of the related share premiums and deduct from the amount of such share premiums the sums required to raise the legal reserve to one-tenth of the new share capital following these capital increases,
  - to take all necessary measures to preserve the rights of holders of securities or other rights granting access to the Company's share capital in accordance with the applicable laws and regulations, and where applicable, any contractual provisions providing for other adjustments, and
  - to enter into all agreements, carry out all transactions directly or indirectly *via* a duly authorised agent, including completing the formalities following capital increases and the corresponding amendments to the bylaws and in general, to enter into any agreement, in particular, in order to successfully complete the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate to the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, and all formalities resulting from the capital increases carried out;
- acknowledges that, if this delegation of authority is used by the Board of Directors, the Board of Directors will report to the next Ordinary Shareholders' Meeting, in accordance with laws and applicable regulations, on the use made of the authorisation granted in this resolution; and
- resolves that the Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a takeover bid for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

This delegation is valid for a period of 26 months from the date of this Shareholders' Meeting.

SEVENTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to decide to increase the share capital subject to the limit of 2% through the issue of shares or securities granting access to the share capital, reserved for certain categories of beneficiaries with cancellation of preferential subscription rights in favour of such beneficiaries)

Having reviewed the Board of Directors' report and the Statutory Auditors' report and in accordance with articles L. 225-129, L. 225-129-2 to L. 225-129-6 and L. 225-138 of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings:

- delegates its authority to the Board of Directors to decide to increase the Company's share capital, on one or more occasions, in the proportions and at the times it considers appropriate, through the issue of shares or securities granting access to the Company's share capital reserved for the categories of beneficiaries defined below;
- resolves to set the maximum nominal amount of capital increases that may be carried out in this respect at 2% of the Company's share capital at the close of this Shareholders' Meeting, it being specified that:
  - this limit is shared with that of the 16th resolution of this Shareholders' Meeting,
  - to this limit shall be added, where appropriate, the nominal amount of any shares that may be issued, in the event of adjustments made to preserve, in accordance with the law and regulations and, where applicable, contractual provisions providing for other adjustments, the rights of holders of securities granting access to the capital, as well as those of recipients of stock options (both purchase and subscription plans) or free allocations of shares,
  - the nominal amount of capital increases made pursuant to this authorisation will be deducted from the maximum amount of capital increases with cancellation of the preferential subscription rights set by the 14th resolution of the Shareholders' Meeting of 8 November 2019, as well as from the Overall Limit for capital increases set by the 13th resolution of the same Shareholders' Meeting;
- acknowledges that this delegation of authority automatically entails shareholders waiving their preferential subscription rights to the shares to which such securities will give right, either immediately or in the future, in favour of the holders of securities issued under this resolution and granting access to the Company's share capital;
- resolves to cancel shareholders' preferential subscription rights to the shares that may be issued pursuant to this resolution, and to reserve the right to subscribe to the category of beneficiaries satisfying the following criteria:

(a) employees and Executive Directors of non-French companies of Pernod Ricard that are related to the Company under article L. 225-180 of the French Commercial Code and article L. 3344-1 of the French Employment Code, in order to enable them to subscribe to the Company's' share capital under conditions that are economically equivalent to those that may be offered to members of one or more company savings plans under a capital increase pursuant to the 16th resolution of this Shareholders' Meeting, and/or

(b) UCITS or other employee shareholding entities, with or without an independent legal personality, that are invested in securities of the Company, and whose unitholders or shareholders are persons described in (a) above, and/or

(c) any banking institution or affiliate of such an institution involved at the Company's request for the purposes of implementing a shareholding or savings plan for the benefit of persons described in (a) above, insofar as recourse to the subscription of the person authorised in accordance with this resolution would be necessary or desirable to allow employees or corporate officers mentioned above to benefit from employee shareholding or savings formulas that are equivalent or comparable in terms of economic advantages to those from which employees would benefit under the resolution reserved for members of a savings plan pursuant to the 16th resolution of this Shareholders' Meeting;

- resolves that the issue price of new shares or securities granting access to the share capital of the Company will be determined by the Board of Directors and (a) may not be more than 20% lower than the average of the closing listed prices of the Company's shares recorded on Euronext Paris over the 20 trading sessions preceding the date of the decision setting the opening date of the subscription period as part of this resolution, nor exceed such average, or (b) will be equal to the price of the shares issued as part of a capital increase reserved for employee members of company savings plans, pursuant to the 16th resolution of this Shareholders' Meeting; and
- resolves that the Board of Directors will have all powers to grant the aforementioned beneficiaries, free of charge, in addition to the shares or securities granting access to the capital to be subscribed in cash, shares or securities granting access to the capital to be issued or already issued, in substitution for all or part of the Reference Price discount and/or special contribution, it being specified that the benefit resulting from this allocation may not exceed the limits set by law or regulations pursuant to articles L. 3332-1 to L. 3332-19 of the French Employment Code.

However, the Shareholders' Meeting expressly authorises the Board of Directors, if it deems appropriate, to reduce or cancel the aforementioned discount, in order to take into account, in particular, the legal, accounting, tax and social security treatments that apply locally.

In the event of an offer made in favour of the beneficiaries mentioned in paragraph (a) above residing in the United Kingdom, in the context of a "share incentive plan", the Board of Directors could also decide that the subscription price of the new shares or securities granting access to the Company's share capital to be issued under this plan may be equal to the lower share price between (i) the listed price of the shares on Euronext Paris at the opening of the reference period used to determine the subscription price of this plan and (ii) the share price recorded following the close of such period, within a given timeframe determined in accordance with local regulations. The price shall be set with no discount on the retained share price;

- resolves that the Board of Directors may, with the option for it to delegate these powers in turn under the conditions provided for by law, determine the subscription formulas that will be presented to the employees in each relevant country, in accordance with the applicable local law, and select the countries among those in which the Group has affiliates within the consolidation scope of the Company, in accordance with article L. 3344-1 of the French Employment Code, as well as those for said affiliates in which employees could take part in the transaction;
- resolves that the amount of the capital increase or that each capital increase will, where applicable, be limited to the amount of each subscription received by the Company, in accordance with the applicable laws and regulations;
- resolves that the Board of Directors shall have full powers to implement this delegation of authority, with the option for it to delegate these powers in turn under the conditions provided for by law, within the limits and under the conditions specified above in order, notably:
  - to determine the beneficiary or list of beneficiaries for the cancellation of preferential subscription rights within the category defined above, along with the number of shares or securities granting access to the Company's share capital to be subscribed by such beneficiary (or each beneficiary),
  - to set the start and end dates of the subscription periods,
  - to set the maximum number of shares or securities granting access to the share capital that may be subscribed by each beneficiary,
  - to set the amounts of the issues that will be made pursuant to this authorisation and, in particular, decide on the issue prices, dates, time periods, terms and conditions of subscription, payment, delivery and dividend entitlement (which may be retroactive), the reduction rules in the event of over-subscription, as well as the other terms and conditions of the issues, within the limits set by law and the regulations in force,
  - to record the completion of the capital increases for the amount corresponding to the shares or securities granting access to the Company share capital subscribed (after any reduction in the event of over-subscription),
  - to offset, where applicable, the costs of the capital increases against the amount of the related share premiums and deduct from the amount of such share premiums the sums required to raise the legal reserve to one-tenth of the new share capital following these capital increases, and
  - to enter into all agreements, carry out all transactions directly or indirectly *via* a duly authorised agent, including completing the formalities following capital increases and the corresponding amendments to the bylaws and in general, to enter into any agreement, in particular, in order to successfully complete the proposed issues, take all measures and decisions and carry out all formalities appropriate to the issue, admission to trading on a regulated market and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, and all formalities resulting from the capital increases carried out;
- acknowledges that, if this delegation of authority is used by the Board of Directors, the Board of Directors will report to the next Ordinary Shareholders' Meeting, in accordance with laws and applicable regulations, on the use made of the authorisations granted in this resolution; and
- resolves that the Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a takeover bid for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

This delegation is valid for a period of 18 months from the date of this Shareholders' Meeting.

Resolutions 18 and 19 address amendments to the bylaws in order to update, respectively, articles 21, 25, 28 and 35 of the bylaws in line with new laws and regulations.

EIGHTEENTH RESOLUTION

(Amendment to article 21 "Meetings" of the Company's bylaws in order to introduce the possibility for the Board of Directors to take decisions by written consultation under the conditions set by the law (SOILIHI law))

Having considered the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, resolves to modify article 21 "Meetings" of the bylaws in order to introduce the possibility for the Board of Directors to make decisions by written consultation under the conditions set by the regulations (the modified sections are indicated in bold):

"Article 21 – Meetings

The Board shall meet as often as required in the Company's interest, either at the registered office or at any other place stated in the notice of the meeting. Meetings shall be convened at the Chairman's initiative, and if the Chairman does not assume the general management of the Company, at the request of the Chief Executive Officer ("Directeur Général"), or, if the Board has not met for more than two months, at the request of at least one-third of the Directors.

Notice of meetings may be given by any means.

Any Director may grant to another Director the power to represent him/her/it at a meeting of the Board, but no Director may represent more than one of his/her/its colleagues. This provision applies to the permanent representative of a legal entity that is a Director.

The actual presence of at least one-half of the members of the Board shall be required for deliberations to be valid. For the purpose of calculating the quorum and majority, Directors shall be deemed present if they participate in the meeting by videoconference or by a means of communication that enables them to be identified and allows them to actually participate in the meeting. The type of applicable means of communications and the requirements for their use are governed by the statutes and regulations in force.

Some decisions, as listed by law and falling within the Board's own remit, may be taken by written consultation of the Directors.

Unless otherwise provided by a provision in this Memorandum and Articles of Association requiring that certain decisions be adopted by a qualified majority, decisions shall be taken by a majority vote of the members present or represented. Each Director shall have one vote, and a Director who is representing one of his/her/its colleagues shall have two votes. In the event of a tie vote, the Chairman shall have the casting vote."

NINETEENTH RESOLUTION

(Amendment to articles 25 "Compensation of members of the Board", 28 "Censors" and 35 "Ordinary General Shareholders' Meetings" of the bylaws in order to replace the term "Directors' fees" by "compensation" (in accordance with the PACTE law)

Having considered the Board of Directors' report, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, resolves to modify articles 25 "Compensation of members of the Board", 28 "Censors" and 35 "Ordinary General Shareholders' Meetings" in order to replace the term "Directors' fees" by "compensation" (amended parts are shown in bold and deleted parts are struck through):

"Article 25 – Compensation of members of the Board

The Directors may receive as compensation for their services a fixed sum established annually for the entire Board of Directors ~~("jetons de présence")~~, the amount of which is determined by a General Shareholders' Meeting and allocated to overheads. When it has been set, such compensation shall remain effective until a new decision of a General Shareholders' Meeting.

At its discretion the Board of Directors shall divide this sum among its members in the shares that it deems appropriate."

"Article 28 – Censors

The Board of Directors may, upon proposal of its Chairman, appoint one or more censors, who may be either individuals or legal entities and may or may not be shareholders.

Their mission shall be determined by the Board of Directors in accordance with the law and the Company bylaws. The Censors may attend the committees established by the Board of Directors.

The Board of Directors shall determine the duration of their term of office, which it may terminate at any time. The term of office of the Censors may be renewed.

The Censors shall be convened to the Board of Directors' meetings, which they shall attend in a consultative capacity; however, their absence shall not impair the validity of the Board of Directors' deliberations.

*The compensation arrangements for the censor or censors shall be determined by the Board of Directors, which may pay them part of the **fixed annual** ~~Directors' fees~~ **compensation** allocated to the Directors by the Ordinary Shareholders' Meeting.*

Censors are bound by the same confidentiality obligations (obligation de discretion) as the Directors."

"Article 35 – Ordinary General Shareholders' Meetings

I – In order to validly deliberate, Ordinary Shareholders' Meetings must be made up of a number of shareholders present or represented holding at least one-fifth of shares having the right to vote. Failing this, the meeting must be be convened a second time. At such second meeting, decisions shall be validly taken regardless of the number of shares represented.

Decisions shall be taken by a majority of the votes cast by the shareholders present or represented, in accordance with the applicable legal provisions.

*II — An Ordinary General Shareholders' Meeting, whether the annual meeting or a specially convened meeting, listens to the reports of the Board of Directors and Statutory Auditors, and discusses, approves or corrects the financial statements; decides on the allocation of results; sets the dividends to be distributed; votes on agreements made between the Company and its managers; appoints, replaces or re-elects the Directors and Statutory Auditors, provides them with a discharge for the performance of their duties and sets the **fixed annual** ~~Directors' fees~~ **compensation** for the entire Board of Directors.*

III — In addition, Ordinary General Shareholders' Meetings deliberate and vote on other proposals included in the agenda, provided they are not the exclusive remit of an Extraordinary General Shareholders' Meeting. In particular, an Ordinary General Shareholders' Meeting may authorise the Board of Directors to perform all acts that do not require an amendment to the Memorandum and Articles of Association, in the event that such authorisation is required or requested."

The purpose of the **20th resolution** is to enable all legal formalities following the Shareholders' Meeting to be carried out.

TWENTIETH RESOLUTION

(Powers to carry out the necessary legal formalities)

The Shareholders' Meeting grants full powers to the bearer of a copy or an extract of the minutes of this meeting to carry out, wherever they may be required, all filing and formalities regarding legal disclosure or other, as necessary.

8.4 Statutory Auditors' report on the issuance of ordinary shares or securities conferring entitlement to share capital, reserved for members of company saving plans

Combined Shareholders' Meeting of 27 November 2020

16TH RESOLUTION

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders' Meeting of Pernod Ricard,

As Statutory Auditors of your Company (hereinafter the "Company"), and in accordance with our engagement pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby present our report on the proposed delegation of authority to the Board of Directors to decide the issue, on one or more occasions, of ordinary shares or securities conferring entitlement to share capital, with cancellation of preferential subscription rights, reserved for members of one or more company savings plans set up by the Group, comprising the Company and the French or non-French companies included in the Company's consolidation scope, in accordance with Article L. 3344-1 of the French Labour Code (*Code de travail*), a transaction on which you are asked to vote.

The nominal amount of immediate or future share capital increases may not exceed 2% of the Company's share capital at the close of this Shareholders' Meeting, which is also the limit provided for in the 17th resolution submitted to this Shareholders' Meeting. The nominal amount of share capital increases will be deducted from the maximum amount of share capital increases with cancellation of preferential subscription rights set by the Shareholders' Meeting of 8 November 2019 in its 14th resolution, and from the overall cap set by this same Shareholders' Meeting in its 13th resolution.

This transaction is submitted for your approval in accordance with Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 *et seq.* of the French Labour Code.

Based on its report, your Board of Directors proposes that you delegate to it, from the date of this Shareholders' Meeting and for a period of 26 months, the authority to decide the issue, on one or more occasions, of ordinary shares or securities and to cancel your preferential subscription rights to the ordinary shares or securities to be issued. Where appropriate, the Board of Directors shall determine the final conditions for this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our responsibility is to express an opinion on the fair presentation of the figures derived from the Company's financial statements, on the proposal to cancel preferential subscription rights and on other information relating to the share issues presented in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines issued by the French Institute of Statutory Auditors (CNCC) relating to this engagement. Those procedures entailed reviewing the content of the Board of Directors' report relating to the transaction and the methods used to determine the share issue price.

Subject to a subsequent examination of the terms and conditions of the issuances to be decided, we have no matters to report as regards the methods used to set the issue price provided in the Board of Directors' report.

As the final terms and conditions of the issuances have not yet been determined, we do not express an opinion on the terms and conditions under which the issuances will be made, or on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue an additional report, if necessary, when your Board of Directors uses the authorisation to issue ordinary shares, securities that are equity securities conferring entitlement to share capital, or other securities conferring entitlement to equity securities to be issued.

Paris-La Défense, 17 September 2020

The Statutory Auditors

KPMG Audit		Deloitte & Associés
Division of KPMG S.A.		
Eric Ropert	Caroline Bruno-Diaz	David Dupont-Noel
Partner	*Partner*	*Partner*

8.5 Statutory Auditors' report on the issuance of ordinary shares or securities conferring entitlement to share capital, with cancellation of preferential subscription rights

Combined Shareholders' Meeting of 27 November 2020

17TH RESOLUTION

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders' Meeting of Pernod Ricard,

As Statutory Auditors of your Company (hereinafter "the Company") and in accordance with our engagement pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de Commerce*), we hereby present our report on the proposed delegation of authority to the Board of Directors to decide the issue, on one or more occasions, of ordinary shares or securities conferring entitlement to share capital of the Company, with cancellation of preferential subscription rights, reserved for:

(a) employees and executive officers of non-French companies of the Pernod Ricard group that are related to the Company under Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code (*Code de travail*), to enable them to subscribe to the Company's share capital under conditions that are economically equivalent to those that may be offered to members of one or more company savings plans, in connection with the share capital increase pursuant to the 16th resolution of this Shareholders' Meeting, and/or

(b) undertakings for collective investment in transferable securities (UCITS) or other entities, with or without legal personality, that manage employee shareholdings invested in the Company's securities, for unit-holders or shareholders that are persons mentioned in (a) above, and/or

(c) any banking institution or affiliate of such an institution involved at the Company's request in implementing a shareholding or savings plan for the benefit of the persons mentioned in (a) above, insofar as subscription by the person authorised under this resolution would be necessary or desirable to enable the employees or executive officers mentioned above to benefit from employee shareholding or savings schemes with equivalent or comparable economic benefits to those received by employees under a company savings plan pursuant to the 16th resolution of this Shareholders' Meeting, a transaction on which you are asked to vote.

The nominal amount of immediate or future share capital increases may not exceed 2% of the Company's share capital at the close of this Shareholders' Meeting, which is also the limit provided for in the 16th resolution submitted to this Shareholders' Meeting. The nominal amount of share capital increases will be deducted from the maximum amount of share capital increases with cancellation of preferential subscription rights set by the Shareholders' Meeting of 8 November 2019 in its 14th resolution, and from the Overall Cap set by this same Shareholders' Meeting in its 13th resolution.

Based on its report, your Board of Directors proposes that you delegate to it, from the date of this Shareholders' Meeting and for a period of 18 months, the authority to decide the issue, on one or more occasions, of ordinary shares or securities and to cancel your preferential subscription rights to the ordinary shares or securities to be issued. Where appropriate, the Board of Directors shall determine the final conditions for the transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our responsibility is to express an opinion on the fair presentation of the figures derived from the Company's financial statements, on the proposal to cancel preferential subscription rights and on other information relating to the share issues presented in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines issued by the French Institute of Statutory Auditors (CNCC) relating to this engagement. Those procedures entailed reviewing the content of the Board of Directors' report relating to the transaction and the methods used to determine the share issue price.

Subject to a subsequent examination of the terms and conditions of the issuances to be decided, we have no matters to report as regards the methods used to set the issue price provided in the Board of Directors' report.

As the final terms and conditions of the issuances have not yet been determined, we do not express an opinion on the terms and conditions under which the issuances will be made, or on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue an additional report, if necessary, when your Board of Directors uses the authorisation to issue ordinary shares, securities that are equity securities conferring entitlement to share capital, or other securities conferring entitlement to equity securities to be issued.

Paris-La Défense, 17 September 2020

The Statutory Auditors

KPMG Audit		Deloitte & Associés
Division of KPMG S.A.		
Eric Ropert	Caroline Bruno-Diaz	David Dupont-Noel
Partner	*Partner*	*Partner*

9. About the company and its Share Capital

Section

9.1 Information about Pernod Ricard

9.1.1 Company name and trading name

Pernod Ricard

9.1.2 Registered office and website

5, Cours Paul Ricard, 75008 Paris (France)

Tel.: +33 (0)1 70 93 16 00

https://www.pernod-ricard.com

Information available on the website is not included in the prospectus

9.1.3 Legal form

Pernod Ricard is a French public limited company (*Société Anonyme* – SA) governed by a Board of Directors.

9.1.4 Applicable law

Pernod Ricard is a company subject to French law, governed by the French Commercial Code.

9.1.5 Date of formation and duration

The Company was formed on 13 July 1939 for a period of 99 years.

The Shareholders' Meeting of 9 November 2012 extended the term of the Company by 99 years to 2111.

9.1.6 Corporate purpose

The corporate purpose, as provided for in article 2 of the Company's bylaws, is set forth below in its entirety:

"The Company's purpose is directly or indirectly:

- the manufacturing, purchase and sale of all wines, spirits and liqueurs, of alcohol and food products, the use, conversion and trading in all forms of finished or semi-finished products, by-products and substitutes generated by the main operations carried out in the distilleries or other industrial establishments of the same type. The above operations may be carried out on a wholesale, semi-wholesale or retail basis and in all locations, in France or outside France. Storage, purchases and sales fall within the above list;
- the representation of any French or foreign entities, producing, manufacturing or selling products of the same type;
- investments in any businesses or operations whatsoever, which may be related to the production and the trading of similar products in any form whatsoever, and the creation of new companies, contributions, subscriptions, purchases of securities or ownership rights under any form, etc.;
- any operations connected with the hotel industry and the leisure industry in general, particularly investment by the Company in any companies, existing or to be created, businesses or operations whatsoever, that may be related to the hotel or leisure industries in general, it being specified that the Company may conduct all these transactions on its own account or on behalf of third parties, either acting alone or through equity investment, partnerships or through companies with any third parties or other companies, and carry them out in any form whatsoever: contributions, mergers, subscriptions or purchases of securities or ownership rights, etc.;
- investments in any French or foreign industrial, commercial, agricultural, property, financial or other companies, whether existing or to be formed;
- the acquisition, disposal and exchange of, and any transactions involving shares, equity interests or partnership holdings, investment certificates, convertible or exchangeable bonds, equity warrants, bonds with equity warrants and generally, any securities or property rights whatsoever;
- any agricultural, farming, arboriculture, livestock, wine-growing operations, etc., as well as any associated or derivative agricultural or industrial operations relating thereto;
- and generally, all industrial, commercial, financial, movable or real property or securities operations related directly or indirectly to the above purposes or being capable of favouring their development."

9.1.7 RCS registration number, NAF business activity code and LEI code

The Company is registered in the Paris Trade and Companies Register under number 582 041 943.

Pernod Ricard's business activity (NAF) code is 7010Z. It corresponds to: Head Office Operations.

Pernod Ricard's LEI is 52990097YFPX9J0H5D87.

9.1.8 Financial year

From 1 July to 30 June of each year.

9.1.9 Entitlement to dividends – Entitlement to share in the issuer's profits

Net profits are made up of the Company's income as derived from the income statement after deduction of overheads and any other social contributions, depreciation of assets, and all provisions for commercial or industrial risks, if any.

From these net profits (reduced when necessary by prior losses), at least 5% is withheld for transfer to the legal reserve. The deduction is no longer mandatory when the legal reserve reaches an amount equal to one-tenth of the share capital. It once again becomes mandatory in the event that, for whatever reason, this reserve falls below one-tenth of the share capital.

For the first distributable profit (dividend) as determined in accordance with the law, an amount corresponding to 6% of the fully paid up share is deducted, subject to the possibility that the Board of Directors authorises shareholders who request to do so to pay up their shares in advance, it being specified that the payments cannot give rise to entitlement to the aforementioned initial dividend.

This initial dividend is not cumulative, *i.e.* if profits for the financial year are not sufficient to make this payment or are only sufficient to make the payment in part, the shareholders cannot claim this on profits generated in the following financial year.

From the available surplus, the Ordinary Shareholders' Meeting may decide to deduct all amounts it considers appropriate, either to be carried forward to the following financial year or to be transferred to extraordinary or special reserves, with or without special allocations.

The balance is distributed among shareholders as an additional dividend.

The Ordinary Shareholders' Meeting is authorised to distribute non-statutory reserves set up in previous years any amounts that it considers should be either:

- distributed to the shareholders or allocated to total or partial depreciation of the shares; or
- accumulated or used for the repurchase and cancellation of shares.

Wholly depreciated shares are replaced by dividend right certificates granting the same rights as the existing shares, with the exception of entitlement to the initial statutory dividend and capital repayment.

Dividend payment terms and conditions are fixed by the Ordinary Shareholders' Meeting or, failing that, by the Board of Directors within the maximum period set by law.

In deliberating on the financial statements for the financial year, the Ordinary Shareholders' Meeting has the option to grant each shareholder the choice between a cash or stock dividend, for all or part of a dividend or interim dividend payment.

Dividends must be paid within a maximum of nine months following the year end. This period may be extended by court ruling. Dividends will be transferred to the French State after the statutory period, *i.e.* five years.

9.1.10 Changes in the share capital and the rights attached to shares

Any changes in the share capital or the voting rights attached to the shares making up the share capital shall be governed by the standard legal provisions as the bylaws do not contain any specific provisions in this respect.

9.1.11 The Statutory Auditors

Deloitte & Associés, member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles regional auditors' association), represented by Mr David Dupont-Noel, whose registered office is at TSA 20303, 92030 La Défense Cedex, reappointed by the Shareholders' Meeting of 19 November 2017 for a term of six financial years, which will end after the Shareholders' Meeting to be convened in 2023 to approve the preceding year's financial statements.

KPMG SA, member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles regional auditors' association), represented by Ms Caroline Bruno-Diaz and Mr Éric Ropert, whose registered office is at Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense Cedex, and whose term of office as passed by the Shareholders' Meeting of 17 November 2016 will end after the Shareholders' Meeting to be convened in 2022 to approve the preceding year's financial statements.

Fees of Statutory Auditors and members of their networks

The fees of the Statutory Auditors and members of their networks for the 12-month financial year are set out in Note 6.8 – *Fees of Statutory Auditors and members of their networks for the 12-month financial year* in Section 6 "Consolidated financial statements" of this universal registration document.

9.2 Information about the share capital

The conditions under which the bylaws submit changes to the share capital and the rights attached thereto are compliant in every aspect with legal stipulations in France. The bylaws do not provide for any overriding provisions and do not impose any special contingencies.

9.2.1 Amount of paid-up capital at 30 June 2020

On 20 July 2011, the Board of Directors recorded that, on 30 June 2011, the share capital had increased by an amount of €758,709.50 following the exercise, since 1 July 2010, of 489,490 stock options granting entitlement to the same number of Pernod Ricard shares.

On 18 July 2012, the Board of Directors recorded that, on 30 June 2012, the share capital had increased by an amount of €912,643.10 following the exercise, since 1 July 2011, of 588,802 stock options granting entitlement to the same number of Pernod Ricard shares.

On 24 July 2013, the Board of Directors recorded that, on 30 June 2013, the share capital had increased by an amount of €172,029.85 following the exercise, since 1 July 2012, of 110,987 stock options granting entitlement to the same number of Pernod Ricard shares. Pernod Ricard's subscribed and fully paid-up share capital thus amounted to €411,403,467.60 on 30 June 2013, divided into 265,421,592 shares with a nominal value of €1.55.

Pernod Ricard's subscribed and fully paid-up share capital has amounted to €411,403,467.60 since 30 June 2014, divided into 265,421,592 shares with a nominal value of €1.55.

9.2.2 Shares not representing capital

There are no shares that do not represent the Company's share capital.

The 5,181,868 Pernod Ricard shares held by Société Paul Ricard are pledged for third parties.

1,352,650 Pernod Ricard shares held by Le Delos Invest I (a company controlled by Société Paul Ricard, within the meaning of article L. 233-3 of the French Commercial Code) are pledged for third parties.

2,827,160 Pernod Ricard shares held by Le Delos Invest II (a company controlled by Société Paul Ricard, within the meaning of article L. 233-3 of the French Commercial Code) are pledged for third parties.

8,392,094 Pernod Ricard shares held by Le Delos Invest III (a company controlled by Société Paul Ricard, within the meaning of article L. 233-3 of the French Commercial Code) were transferred as collateral for the full performance of its obligations under the terms of a financial futures contract entered into on 10 April 2009.

9.2.3 Contingent share capital

Stock options

At 30 June 2020, there were no outstanding Company stock options.

9.2.4 Changes in the share capital over the last five years

Table of changes in the share capital over the last five years

Amount of share capital prior to transaction	Number of shares prior to transaction	Year	Type of transaction	Quantity	Effective date	Shares issued/ cancelled	Share premium/ conversion premium	Number of shares after transaction	Amount of share capital after transaction
€411,403,467.60	265,421,592	2016	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2017	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2018	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2019	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2020	-	-	-	-	-	265,421,592	€411,403,467.60

9.2.5 Changes in voting rights over the last five years

Year (1)	Number of voting rights (2)
Position on 30.06.2016	291,851,991
Position on 30.06.2017	307,831,293
Position on 30.06.2018	311,072,670
Position on 30.06.2019	314,615,287
Position on 30.06.2020	317,440,412

(1) The data provided are from the date of the allocation of share capital and voting rights.
(2) The information concerns the total number of voting rights of the Company, including suspended voting rights.

9.2.6 Allocation of share capital and voting rights on 30 June 2020

	Position on 30.06.2020			Position on 30.06.2019			Position on 30.06.2018		
Shareholders	Number of shares	% of share capital	% of voting rights*	Number of shares	% of share capital	% of voting rights*	Number of shares	% of share capital	% of voting rights*
Société Paul Ricard (1)	41,303,024	15.56	21.30	41,158,221	15.51	21.35	37,686,104	14.2	20.11
Mr Rafaël Gonzalez-Gallarza (2)	1,477,603	0.56	0.93	1,477,603	0.56	0.94	1,477,603	0.56	0.92
Directors and Management of Pernod Ricard	323,330	0.12	0.15	712,183	0.27	0.31	679,446	0.26	0.3
Shares held by Pernod Ricard employees	3,132,107	1.18	1.57	2,629,860	0.99	1.41	2,673,627	1.01	1.39
MFS Investment Management (USA) (3)	24,035,625	9.06	7.57	24,035,625	9.06	6.71	24,035,625	9.06	6.79
Groupe Bruxelles Lambert (Belgium) (4)	19,891,870	7.49	12.45	19,891,870	7.49	11.79	19,891,870	7.49	11.28
Capital Group Companies (USA) (5)	15,736,495	5.93	4.96	26,432,808	9.96	8.4	26,432,808	9.96	8.5
BlackRock Investment Management Limited (UK) (6)	11,849,009	4.46	3.73	12,129,522	4.57	3.86	-	-	-
La Caisse des Dépôts et Consignations (7)	6,543,422	2.47	2.06	3,958,979	1.49	1.26	3,958,979	1.49	1.29
Amundi Asset Management (8)	2,644,214	1.00	0.83	3,952,932	1.49	1.26	3,116,657	1.17	1
Jupiter Asset Management Limited (9)	1,733,757	0.65	0.55	-	-	-	-	-	-
Credit Suisse Group (UK) (10)	1,613,803	0.61	0.51	1,551,978	0.58	0.49	-	-	-
La Française Investment Solutions (11)	1,482,844	0.56	0.47	2,349,046	0.89	0.75	-	-	-
Abu Dhabi Investment Authority (12)	1,378,176	0.52	0.43	-	-	-	-	-	-
Aviva plc (13)	1,353,465	0.51	0.43	-	-	-	-	-	-
Select Equity (14)	1,342,526	0.51	0.42	-	-	-	-	-	-
Invesco (UK) (15)	1,316,178	0.50	0.41	3,198,833	1.21	1.02	2,343,566	0.88	0.75
WCM Investment Management, LLC (USA) (16)	-	-	-	4,150,575	1.56	1.32	-	-	-
Norges Bank Investement Management (Norway) (17)	-	-	-	3,993,532	1.5	1.27	-	-	-
Citigroup Global Markets Limited (UK) (18)	-	-	-	3,774,501	1.42	1.2	-	-	-
Elliott Capital Advisors, LP (USA) (19)	-	-	-	1,668,270	0.63	0.53	-	-	-
OppenheimerFunds Inc. (USA) (20)	-	-	-	1,554,692	0.59	0.49	-	-	-
UBS AG (UK) (21)	-	-	-	1,418,005	0.53	0.45	2,649,652	1	0.85
AllianzGlobal Investor GmbH (Germany) (22)	-	-	-	1,327,405	0.5	0.42	-	-	-
Harris Associates LP (USA) (23)	-	-	-	-	-	-	2,574,800	0.97	0.83
Oppenheimer International Growth Fund (USA) (24)	-	-	-	-	-	-	2,433,882	0.92	0.78
Legal & General Investment Management (UK) (25)	-	-	-	-	-	-	1,616,580	0.61	0.41

	Position on 30.06.2020			Position on 30.06.2019			Position on 30.06.2018		
Shareholders	**Number of shares**	**% of share capital**	**% of voting rights***	**Number of shares**	**% of share capital**	**% of voting rights***	**Number of shares**	**% of share capital**	**% of voting rights***
Treasury shares:	-								
• Shares held by affiliates	-	-	-	-	-	-	-	-	-
• Own shares	4,747,588	1.79	0	1,596,503	0.60	0	1,195,168	0.45	0
Others and public	123,516,556	46.54	41.22	102,458,649	38.60	34.78	132,655,225	49.98	44.79
TOTAL	**265,421,592**	**100.00**	**100.00**	**265,421,592**	**100.00**	**100.00**	**265,421,592**	**100.00**	**100.00**

On the basis of declarations regarding the crossing of legal and statutory thresholds (0.5% of the share capital) notified to the Company principally during the past financial year.

* *Although there is only one class of share, shares held for 10 years in registered form are entitled to double voting rights. Calculated on the basis of a total of 314,615,287 "theoretical" voting rights (including suspended voting rights).*

(1) Société Paul Ricard is wholly owned by the Ricard family. The declaration also covers a total of 169,868 shares held by Le Garlaban; 1,352,650 shares held by Le Delos Invest I; 3,191,928 shares held by Le Delos Invest II; and 8,392,096 shares held by Le Delos Invest III. These four companies are controlled by Société Paul Ricard, under article L. 233-3 of the French Commercial Code. Full ownership of 8,392,094 Pernod Ricard shares held by Le Delos Invest III was transferred by way of a performance guarantee for its bonds in respect of a futures contract agreed on 10 April 2009.
(2) Mr Rafaël Gonzalez-Gallarza signed a shareholders' agreement with Société Paul Ricard, as detailed below.
(3) Declaration of 2 March 2018.
(4) Declaration of 22 June 2017.
(5) Declaration of 18 May 2020.
(6) Declaration of 19 June 2020.
(7) Declaration of 2 June 2020.
(8) Declaration of 23 June 2020.
(9) Declaration of 18 October 2019.
(10) Declaration of 22 May 2020.
(11) Declaration of 18 December 2019.
(12) Declaration of 22 January 2020.
(13) Declaration of 2 March 2020.
(14) Declaration of 20 February 2020.
(15) Declaration of 11 May 2020.
(16) Declaration of 3 June 2019.
(17) Declaration of 1 October 2018.
(18) Declaration of 1 July 2019.
(19) On December 3 2018, Elliott Capital Advisors L.P. informed Pernod Ricard of the holding, by the various Elliott funds, of 1,668,270 shares and 4,991,639 derivative instruments (cash-settled equity swaps). However, the Elliott funds or their affiliates no longer appear on the company's registers, even after requests for information to financial intermediaries. Our requests for clarification to Elliott Capital Advisors L.P. remained unanswered.
(20) Declaration of 19 November 2018.
(21) Declaration of 12 June 2019.
(22) Declaration of 5 June 2019.
(23) Declaration of 20 March 2018.
(24) Declaration of 10 October 2017.
(25) Declaration of 18 December 2017.

Certain Company shares have a double voting right as described in the paragraph entitled "Voting conditions" of the subsection "Information about Pernod Ricard" above. Of the 265,421,592 shares comprising the Company's capital on 30 June 2020, 52,018,820 shares had a double voting right.

On the same date, employees held 3,132,107 shares representing 1.18% of the share capital and 1.57% of the voting rights of the Company.

The Paul Ricard concert party (comprising: Société Paul Ricard, Le Delos Invest I, Le Delos Invest II, Le Delos Invest III, Le Garlaban and Rigivar, as well as Mses Danièle Ricard and Veronica Vargas and Messrs Rafaël Gonzalez-Gallarza, César Giron, François-Xavier Diaz, Alexandre Ricard and Paul-Charles Ricard) holds 43,436,429 Company shares representing 71,583,874 voting rights, *i.e.* 16.37% of the share capital and 22.55% of the voting rights of the Company as at 30 June 2020.

The shareholders' agreement between the Company's shareholders (Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard SA, held by the Ricard family), is described under "Shareholders' agreement" in subsection 2.1.5 "Composition of the Board of Directors" of this universal registration document. It is also available on the website of the French Financial Markets Authority (AMF) (www.amf-france.org).

Shareholdings exceeding the legal thresholds for share capital or voting rights

In a letter received on 4 December 2019, BlackRock Inc. (55 East 52nd Street, New York, NY 10055, USA), acting on behalf of the clients and funds it manages (1), declared that on 3 December 2019, it had exceeded the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,504,728 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 5.09% of the Company's share capital and 4.29% of the voting rights.

In a letter received on 5 December 2019, BlackRock Inc., acting on behalf of the clients and funds it manages (1), declared that on 4 December 2019, it had dropped below the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,054,224 Pernod Ricard shares (2) representing the equivalent number of voting rights, *i.e.* 4.92% of the Company's share capital and 4.15% of the voting rights.

In a letter received on 16 December 2019, BlackRock Inc., acting on behalf of the clients and funds it manages (1), declared that on 13 December 2019, it had exceeded the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,322,646 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 5.02% of the Company's share capital and 4.23% of the voting rights.

In a letter received on 17 December 2019, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 16 December 2019, it had dropped below the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,131,213 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 4.95% of the Company's share capital and 4.17% of the voting rights.

In a letter received on 19 December 2019, BlackRock Inc., acting on behalf of the clients and funds it manages, declared that on 18 December 2019, it had exceeded the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,338,282 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 5.03% of the Company's share capital and 4.23% of the voting rights.

In a letter received on 20 December 2019, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 19 December 2019, it had dropped below the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,184,570 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 4.97% of the Company's share capital and 4.18% of the voting rights.

In a letter received on 23 December 2019, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 20 December 2019, it had exceeded the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,374,267 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 5.04% of the Company's share capital and 4.24% of the voting rights.

In a letter received on 31 December 2019, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 30 December 2019, it had dropped below the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,261,594 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 4.996% of the Company's share capital and 4.21% of the voting rights.

In a letter received on 2 January 2020, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 31 December 2019, it had exceeded the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,289,172 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 5.01% of the Company's share capital and 4.22% of the voting rights.

In a letter received on 6 May 2020, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 5 May 2020, it had dropped below the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,146,251 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 4.95% of the Company's share capital and 4.16% of the voting rights.

In a letter received on 8 May 2020, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 7 May 2020, it had exceeded the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 13,327,488 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 5.02% of the Company's share capital and 4.22% of the voting rights.

In a letter received on 14 May 2020, BlackRock Inc., acting on behalf of the clients and funds it manages declared that on 13 May 2020, it had dropped below the threshold of 5% of the share capital of Pernod Ricard, holding, on behalf of said clients and funds, 12,969,213 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 4.89% of the Company's share capital and 4.10% of the voting rights.

In a letter received on 21 May 2020, The Capital Group Companies, Inc. (333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1406, USA) declared that on 14 May 2020, it had dropped below the threshold of 5% of the voting rights of Pernod Ricard, holding 15,736,495 Pernod Ricard shares representing the equivalent number of voting rights, *i.e.* 5.93% of the Company's share capital and 4.98% of the voting rights.

Additional information on the shareholders

The number of Pernod Ricard shareholders who have registered securities is estimated at approximately 11,350.

Allocation of share capital (Company analysis using identifiable bearer shares at 31.03.2020 and nominative data)	*(in %)*
Paul Ricard concert party	16.4
Board + Management + Employees + Treasury shares	2.5
Groupe Bruxelles Lambert	7.5
US institutional investors	31.3
French institutional investors	8.4
British institutional investors	12.0
Other foreign institutional investors	17.8
Individual shareholders	4.1
TOTAL	**100**

To Pernod Ricard's knowledge, all the shareholders who directly or indirectly, alone or in concert, hold more than 5% of the share capital or voting rights are included in the above table entitled "Allocation of share capital and voting rights on 30 June 2020".

There is no individual or corporate body that exercises direct or indirect control over Pernod Ricard's share capital, whether individually, jointly or in concert.

To the Company's knowledge, there have not been any significant changes in the allocation of the Company's share capital during the last three financial years, other than those shown in the above table entitled "Allocation of share capital and voting rights on 30 June 2020".

Pernod Ricard is the only company of the Group listed on a stock exchange (Euronext Paris).

However, the Group Pernod Ricard now controls Corby Spirit and Wine Limited, holding 45.76% of its share capital and 51.61% of the voting rights. Corby Spirit and Wine Limited is listed on the Toronto Stock Exchange (Canada).

Equity investments and stock options

Detailed information is provided under Section 2 "Corporate governance" of this universal registration document, in relation to the following:

- corporate officers' equity investments in the Company's share capital;
- transactions involving Pernod Ricard shares made by corporate officers in the financial year;
- stock options exercised by Executive Directors during FY20;
- subscription or purchase options to the Group's top ten employees other than corporate officers and options exercised by the Group's top ten employees other than corporate officers during FY20.

9.2.7 Stock market information on Pernod Ricard shares

Pernod Ricard shares (ISIN: FR 0000 120693) are traded on the Euronext regulated market in Paris (Compartment A) (Deferred Settlement Service).

Paris stock exchange volume and share price information over 18 months (source: Euronext Paris)

Date	**Volume** *(thousands)*	**Capital** *(€ million)*	**Average price** *(€)*	**High** *(€)*	**Low** *(€)*	**Price at end of month** *(€)*
January 2019	8,950	1,252	139.94	145.10	136.00	145.00
February 2019	7,472	1,117	149.47	153.45	144.65	151.40
March 2019	7,502	1,179	157.12	161.45	151.30	160.00
April 2019	7,048	1,112	157.78	161.55	153.75	155.35
May 2019	8,615	1,361	157.97	164.25	151.90	157.80
June 2019	8,981	1,442	160.60	164.90	155,75	162.05
July 2019	8,620	1,373	159.30	165.45	154.35	159.05
August 2019	8,822	1,419	160.83	174.65	152.00	173.70
September 2019	8,923	1,496	167.66	179.50	161.25	163.40
October 2019	11,716	1,926	164.41	174.40	156.10	165.50
November 2019	7,535	1,258	166.98	171.70	162.25	166.70
December 2019	8,238	1,331	161.54	167.70	158.75	159.40
January 2020	9,415	1,530	162.45	171.10	154.75	156.50
February 2020	12,693	2,027	159.72	170.40	144.55	146.40
March 2020	22,077	2,925	132.49	155.15	112.25	129.45
April 2020	9,088	1,226	134.89	142.70	125.15	139.10
May 2020	7,777	1,047	134.59	144.40	125.70	140.10
June 2020	10,415	1,496	143.67	149.90	137.30	140.05
July 2020	10 414	1,489	142.94	149.70	138.05	146.00

9.2.8 Other legal information

Related-party transactions

Transactions with related parties are described in Note 6.6 – *Related parties* of the Notes to the consolidated financial statements (Section 6 of this universal registration document).

10.

Additional Information in the Universal Registration Document

Section

10.1 Persons responsible

10.1.1 Names and positions

Person responsible for the universal registration document

Mr Alexandre Ricard

Chairman and CEO of Pernod Ricard

Person responsible for the information

Ms Julia Massies

Vice-President, Financial Communication & Investor Relations

Tel.: +33 (0)1 70 93 17 10

10.1.2 Declaration by the person responsible for the universal registration document and the annual financial report

I hereby certify that, having taken all reasonable measures to ensure that this is the case, the information contained in this universal registration document is, to the best of my knowledge, in conformity with Pernod Ricard's actual situation and that there is no omission which could adversely affect the fairness of the presentation.

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair presentation of the assets and liabilities, financial position and financial results of the Company and all the other companies included in the scope of consolidation, and that the management report set out in Section 10.3.2 of this universal registration document gives an accurate picture of the developments in the business, financial results and financial position of the Company and all the other companies included within the scope of consolidation, together with a description of the main risks and uncertainties that they face.

Mr Alexandre Ricard

Chairman and CEO of Pernod Ricard

10.2 Documents on display

Corporate documents (financial statements, minutes of Shareholders' Meetings, attendance registers for Shareholders' Meetings, list of Directors, Statutory Auditors' reports, bylaws, etc.) for the last three financial years may be consulted at Pernod Ricard's Headquarters at 5, cours Paul Ricard, 75380 Paris Cedex 08, France.

The "Regulatory information" section of the Company's website is available at the following URL:

https://www.pernod-ricard.com/en/investors/our-financial-informations/#field-contenus-dense-3586

This area of the website contains all the regulatory information provided by Pernod Ricard pursuant to the provisions of articles 221-1 *et seq.* of the French Financial Markets Authority (AMF) General Regulation.

10.3 Reference tables

10.3.1 Registration Document

This reference table is based on the headings set out in Annex I and II of Delegated Regulation (EU) 2019/980 of the Commission of 14 March 2019 and refers to the pages of this universal registration document on which the relevant information can be found.

10.3.2 Management report

This Universal Registration Document contains all elements of the management report as required by articles L. 225-100 et seq., L. 232-1, II and R. 225-102 *et seq.* of the French Commercial Code.

Informations	Pages
Position and activity of the Company during the past financial year	152-157
Advances made or difficulties encountered	152-157
Results	152-157
Research and Development activities	144
Forecast developments in the Company's position and outlook	157
Landmark events that occurred between the balance sheet date and the writing of this management report	212
Objective and exhaustive review of the development of the business, financial position and financial results of the Company (particularly its financial debt) and non-financial performance indicators (particularly concerningthe environment and personnel)	86-122; 152-157
Description of the main risks and uncertainties faced by the Company, and notes concerning the Company's use of financial instruments, when the use of such instruments is pertinent to the evaluation of its assets, liabilities, financial position and gains or losses	128-147 ; 201-203
Report on employee profit-sharing plans (as well as those for Directors), transactions that took place as part of stock options plans reserved for salaried employees and Directors, transactions that took place as part of bonus share plans reserved for salaried employees and Directors	72-81 ; 207-209
Activity of the Company's affiliates	10-11
Significant shareholdings in companies based in France	N/A
Disposal of shares in order to ensure that cross-holdings are compliant with the rules	N/A
Information related to the allocation of share capital	79-81 ; 212 ; 270-275
Dividends distributed during the last three years	244
Changes made to the format of the financial statements	N/A
Injunctions or financial penalties for antitrust practices	N/A
Extra-financial statement (*Déclaration de performance extra-financière*)	18-21 ; 26-29 ; 86-122
Information relating to interest and exchange rate risks, as well as risks linked to changes in Stock Market prices	145-146 ; 201-203
Information required by article L. 225-211 of the French Commercial Code in cases of transactions carried out by the Company on its treasury shares	79-81 ; 212
Transactions relating to shares held by Managers	75
Statement of Company results for the last five years	244
Expenses and charges referred to in Article 223 quater of the CGI (French Tax Code)	242
The breakdown of supplier payables set out in articles L. 441-6-1 and D. 441-4 of the French Commercial Code	242
The information on the supplier payment deadlines set out in article L. 441-6-1 of the French Commercial Code in its wording under Decree no. 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016	242-243
Inventory of marketable securities	245
Internal control and risk management	128-129

10.3.3 Corporate governance report

This Universal Registration Document contains contains all elements of the corporate governance report as required by articles L. 225-37 *et seq.* of the French Commercial Code.

Corporate governance report	Pages
Body chosen to serve as the Company's General Management (if the Management structure has changed)	43-56 ; 83-84
List of offices or positions held by each of the Executive Directors in all companies	34-42
Compensation and benefits of any kind for each of the Executive Directors	56-76
Statement and report on the delegations for a share capital increase	77-78
Information required by article L. 225-37-5 of the French Commercial Code that may have an impact on a public offer	44-45 ; 77-83
Shareholders' Meeting and how to take part	82-83
Rights attached to shares	82-83

10.3.4 Annual financial report

This Universal Registration Document includes all elements of the financial report as set forth in articles L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulation.

Information	Pages
Group consolidated financial statements	164-217
Statutory Auditors' report on the consolidated financial statements	218-222
Company annual financial statements	224-242
Statutory Auditors' report on the annual financial statements	246-248
Management report	86-162 ; 242-245
Declaration by the person responsible for the annual financial report	278
Statutory Auditors' fees	213

10.3.5 Management reports, Parent Company financial statements, Group consolidated financial statements and Statutory Auditors' reports for financial years ended 30 June 2019 and 30 June 2018

The following information is included in this universal registration document for reference purposes:

- the Group's management report, the Parent Company and Group consolidated financial statements and the Statutory Auditors' reports on the Company's annual financial statements and the consolidated financial statements for the financial year ended 30 June 2019, as set out on pages 85 to 236 of the 2019 universal registration document (https://www.pernod-ricard.com/en/download/file/fid/9959/), filed on 25 September 2019 under no. D.19-0839;
- the Group's management report, the Parent Company and Group consolidated financial statements and the Statutory Auditors' reports on the Company's annual financial statements and the consolidated financial statements for the financial year ended 30 June 2018, as set out on pages 83–234 of the 2018 Registration Document (https://www.pernod-ricard.com/en/download/file/fid/8834/), filed on 26 September 2018 under no. D.18-0842.

The information included in these two universal registration documents, other than that mentioned above, has been replaced and/or updated, as applicable, with the information contained in this universal registration document.

Financial Communication & Investor Relations Department

Pernod Ricard – 5, Cours Paul Ricard – 75380 Paris CEDEX 08 – France

Pernod Ricard

Créateurs de convivialité

Pernod Ricard

A French public limited company (Société Anonyme – SA) with share capital of €405,908,668

Registered office: 5, Cours Paul Ricard – 75380 Paris CEDEX 08 – Tel.: 33 (0)1 70 93 16 00

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Pernod Ricard

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