2018-2019

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

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This Universal Registration Document has been filed on 25 September 2019 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

Excellent FY19, demonstrating clear business acceleration

WORLD N°1
for Premium and Prestige spirits[(a)]

>160 COUNTRIES
where our brands are distributed

400,000
students sensitized on RESPONSIBLE DRINKING

89 production SITES[(b)]

22%
reduction in water consumption[(c)]

34%
reduction in CO_2 emissions[(c)]

ALEXANDRE RICARD,
Chairman & CEO, declared:

"FY19 was an excellent year, demonstrating clear business acceleration, while investing for longterm value creation. Our PRO growth, at +8.7%, is our highest since FY12.

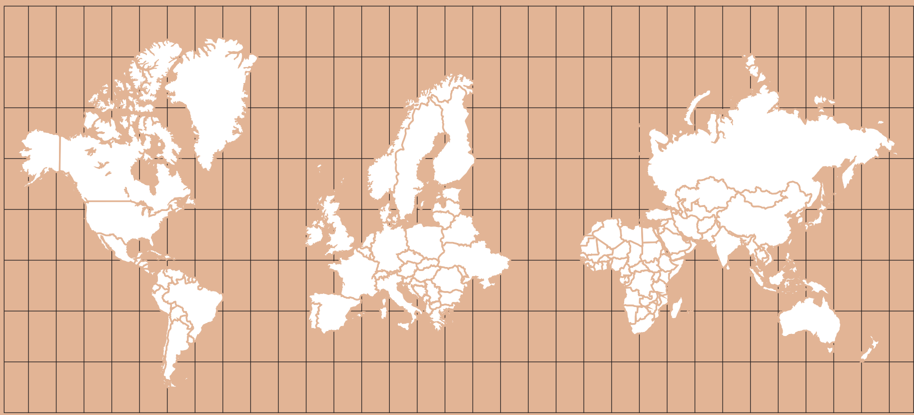
For FY20, we will continue implementing our FY19-21 "Transform & Accelerate" plan, with increasing support for our priority brands, markets, strategic investments and Sustainability & Responsibility 2030 Roadmap. In a particularly uncertain environment, our guidance for FY20 is organic growth in PRO of between +5% and +7%."

KEY FIGURES

€ million	Net sales	Profit from Recurring Operations		Group Net Profit from Recurring Operations[(4)]	Group Net Profit	Proposed dividend
FY19	9,182	2,581	28.1%[(3)]	1,654	1,455	€3.12 per share[(5)]
Organic growth[(2)]	+6.0%	+8.7%				
Reported growth	+5.3%	+9.5%				
FY18[(2)]	8,722	2,358	27.0%[(3)]	1,511	1,577	€2.36 per share

(1) *Organic growth is defined on page 152 of this document.*
(2) *FY18 figures restated for IFRS 15 norm application.*
(3) *Operating margin.*
(4) *Group Net Profit from Recurring Operations: Profit from Recurring Operations, adjusted for financial result from recurring operations, recurring income tax, share of net result of associates, profit from assets held for sale, and non-controlling interest.*
(5) *Dividend proposed for approval by the Shareholders' Meeting of 8 November 2019.*

An international and decentralised group



AMERICA	EUROPE	ASIA/REST OF THE WORLD
€2,545M	€2,672M	€3,965M
€785M	€617M	€1,179M
3,772[d]	9,911[d]	5,415[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 2018.
(b) Number of sites operating as of 30 June 2019.
(c) Reduction per unit of production between FY 2009/10 and FY 2018/19.
(d) Average workforce during the FY 2018/19.
(e) Source: Impact Databank 2017, published in March 2019.
(f) Source: "iSay" survey 2019.

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.

€9,182M
in net sales

€2,581M
Profit from recurring operations

19,098
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]

1. Extracts from the Integrated Annual Report

section 1

Our purpose

To create the conditions for sustainable growth that respects our environment and our communities and is collectively profitable for all our stakeholders.

B*uilding for the Long Term* was the title of the book written in 2005 by my uncle Patrick Ricard on the 30th anniversary of our Group's creation. A visionary declaration or a subject already relevant 15 years ago, I followed in his footsteps by writing the following message to our employees on 18 December 2018: "Our core purpose is to work together to create the conditions for sustainable growth – growth that respects our environment and our communities and is collectively profitable for all our stakeholders: employees, shareholders, customers, consumers and citizens."

So how gratifying it was to see this ethos promoted in a recent statement signed by the heads of 200 of America's largest firms including Amazon's Jeff Bezos, Apple's Tim Cook, JPMorgan Chase's Jamie Dimon, Boeing's Dennis Muilenburg and General Motor's Mary Barra. In a mission statement published on 19 August, they all declared, "Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country." A virtuous circle that reflects the words of BlackRock's Larry Fink, another of the statement's signatories: "Purpose is not the sole pursuit of profits, but the animating force for achieving them."

ALEXANDRE RICARD
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

It is my sincere belief that profit and purpose are not at odds – in fact they go hand-in-hand. Achieving its purpose is the best way for a company to create the most value – value that is more stable and more robust, as it is to the advantage of all stakeholders. Shareholders who choose to take a long-term view are the primary, but not the only, beneficiaries of lasting value. By definition, achieving purpose means taking a long-term view: it requires creating the conditions for healthy growth built on sustainable fundamentals, the performance of which is measured not solely by financial criteria, but also by social and environmental standards. The prevailing trend is no longer a strictly economic definition of corporate performance, but one of sharing and passing on heritage. This may explain why companies where there has been, and remains, a significant family investment perform better over the long term, as confirmed in The Family Business Model by the Credit Suisse Research Institute. According to this study, over the last nine years, family-owned firms outperformed the benchmark index by 47%.

For Pernod Ricard, these values are not new, as evidenced by the creation of our Oceanographic Institute in 1966. Neither did the Group suddenly define its purpose in response to the recent French Action Plan for Business Growth and Transformation. For us, the term we use has always been 'vision' and ours has long been summed up by three words – *Créateurs de convivialité*. Our entire strategy, business model and organisation are driven by this mission.

Being 'creators of conviviality' means bringing people together in moments of sharing and celebration, occasions that are authentic and sincere, simple and generous, sources of joy and togetherness. By fulfilling this vision, we at Pernod Ricard will ultimately achieve our ambition of leadership. If we ensure that our brands are at the centre of each social interaction, we will become the industry leader.

Fulfilling our vision also means ensuring positive returns for as many people as possible. In essence, conviviality is social. It flourishes in an environment of sharing and of respect for one's host, their culture and environment. Conviviality doesn't tolerate excess. It is measured, open-minded and benevolent. This is the philosophy that underpins our new Sustainability & Responsibility roadmap to 2030, *Good Times from a Good Place,* which we launched this Spring. This roadmap is central to our three-year business strategy *Transform & Accelerate,* with planned investment of hundreds of millions of euros over the next decade.

"In essence, conviviality is social. It flourishes in a spirit of sharing, of respect for one's host, for their culture and environment"

Transform & Accelerate is the result of the joint efforts of 1,000 employees who worked tirelessly from January to June 2018 to define it. In its first year, the plan has achieved excellent results – the best since 2012 – which I won't dwell on as they are detailed in the following pages. My aim here is to put this strategy into a broader perspective. It is a story in which we continue to evolve and adapt without ever losing our identity. Being 'long-term' doesn't mean taking our time or avoiding change. On the contrary, change allows us not just to go the distance, but to accelerate to achieve our ambition more quickly. This is what motivates us every day. It's a question of method, of priorities and of mindset.

Pernod Ricard boasts amazing talent, producing and distributing a peerless portfolio of brands around the world, from China and India to the United States and Global Travel Retail, our four 'must-win' markets. I am convinced that today we are the best placed in our sector to capture future growth. What better proof than the results of our recent employee survey in which our employees, voiced their confidence in the future? Their commitment is demonstrated in our exceptionally high level of employee engagement and the record subscription rate for our first employee stock ownership plan.

Finally, a long-term vision is also a mitigating factor against cyclical volatility in periods of macroeconomic uncertainty. Strategy with a sense of purpose is the best way to create value even in downturns, as it looks beyond the current cycle. We have always had clarity of purpose. Our focus today is on speed of action.

Happy reading.

Our history: a social & entrepreneurial adventure


1

2


3

4


5

6

1
1975

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.

2
1988

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

3
1993

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

4
2001

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

5
2005

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, Kahlúa and Malibu liqueurs and Beefeater gin.

Became member of the International Alliance for Responsible Drinking (IARD, formerly ICAP).

2007

Adoption of a code of commercial communications.

6
2008

Acquisition of Vin & Sprit – owner of Absolut Vodka.

2010

Adhesion to the United Nations CEO Water Mandate.

7
2011

Upgrade of Group's credit rating to investment grade.

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' 5 commitments to promote responsible drinking.

2015

Appointment of Alexandre Ricard as Chairman & CEO.

8
2016

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

Signing of the United Nation's Sustainable Development Goals.

9
2017

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 Global Compact LEAD (1) company.

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

10
2019

Acquisition of the super-premium gin Malfy.

Acquisition of majority stake in super-premium Bourbon Rabbit Hole Whiskey.

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

(1) https://www.unglobalcompact.org/take-action/leadership/gc-lead

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, 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 the Group level, we can confidently rely on the constant interaction between Headquarters, Brand Companies and Market Companies.

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, S&R, 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.).

BRAND COMPANIES

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

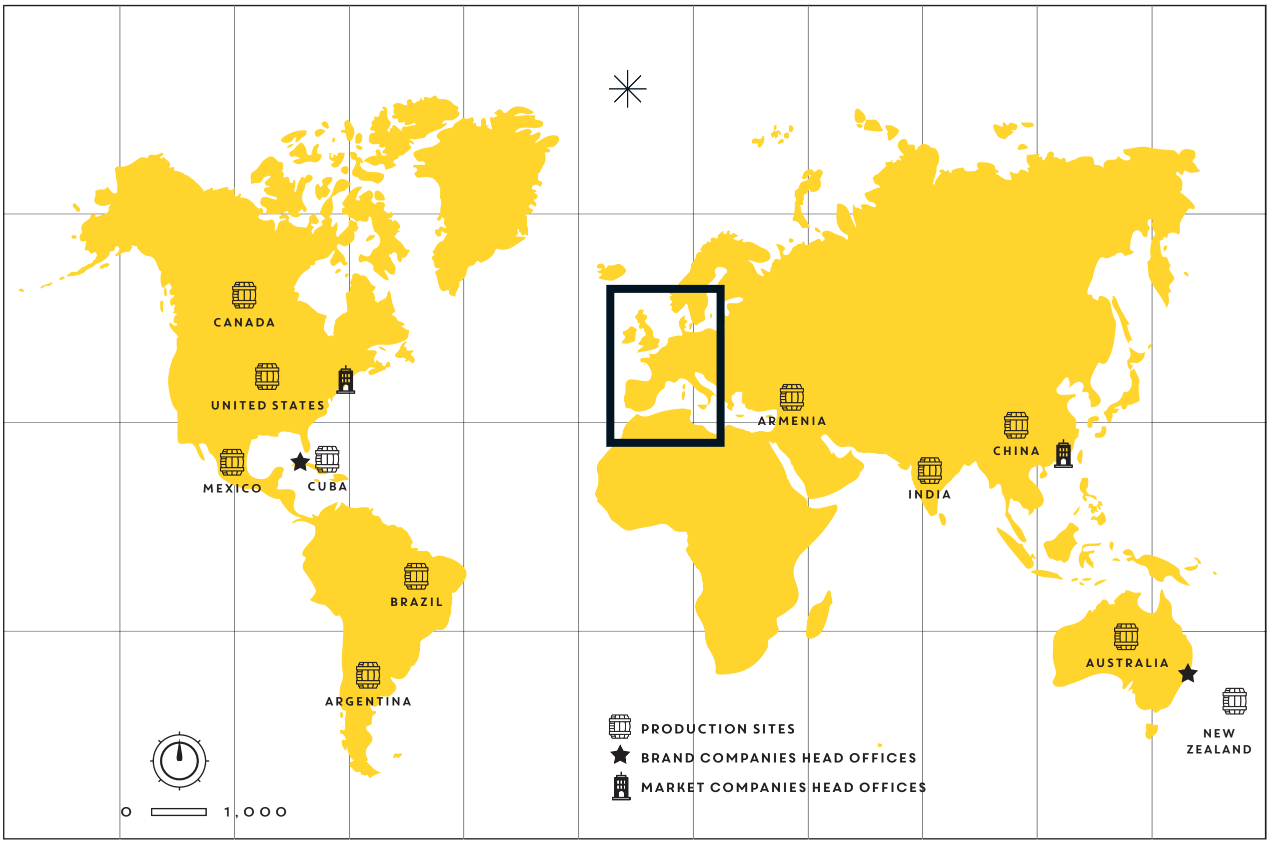
Based in the home country of each brand, the Brand Companies are responsible for developing the overall strategy for their respective brands, as well as activations that can be implemented at the local level by the Market Companies. They are also responsible for production and management of their industrial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

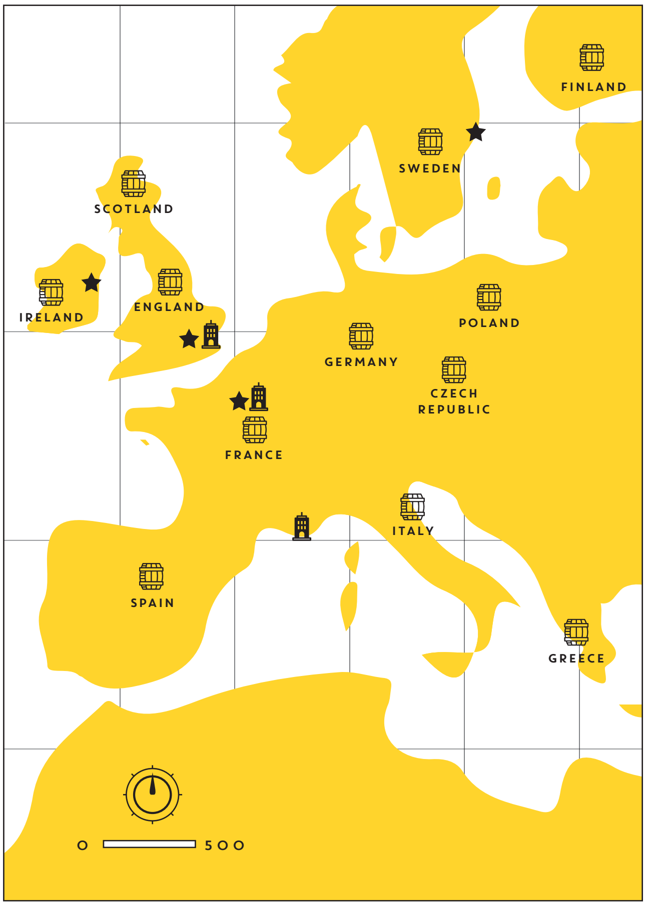
MARKET COMPANIES

PERNOD RICARD NORTH AMERICA
PERNOD RICARD ASIA
PERNOD RICARD EMEA & LATAM [1]
PERNOD RICARD GLOBAL TRAVEL RETAIL
PERNOD SA
RICARD SA

The Market Companies are each linked to a region (Pernod Ricard North America, Pernod Ricard Asia or Pernod Ricard EMEA & LATAM), with the exception of the Group's two founding Market Companies in France, Pernod SA and Ricard SA. Tasked with implementing the Group's strategy and key policies in their respective markets, 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.

(1) Europe, Middle East, Africa and Latin America.





19,140

employees across the world.
37% of total workforce is female;
62% is based in Europe, Africa & Latin America of which 15% in France,
11% in North America and 27% in Asia and the Pacific

73

countries with our own salesforce

89

production sites in 23 countries(1)

4

must-win markets: US, China, India & Travel Retail

more than 160

countries where our brands are distributed

(1) Operating sites as at June 30, 2019.

The Pernod Ricard Mindset: transforming for acceleration

The exceptional commitment of our 19,140 employees, as shown by the latest results of the independent survey I Say [(1)]*, is the key to our success. It is based on the Pernod Ricard Mindset, which can be found in our performance values and our teams' ability to embrace change in an increasingly volatile environment.*

The 'Pernod Ricard Mindset' is a formidable tool for performance: it is the most visible expression of our culture. It stems from the founding principle of our organisation: decentralisation. By respecting the operational autonomy of our subsidiaries, to be as close as possible to consumers, we empower our employees to get involved and take the initiative to find new ways to engage with our markets. Through decentralisation, the Pernod Ricard Mindset combines the power of a large group and the agility of a 'start-up mentality.' It is the result of the perfect alchemy of our 3 cardinal values: an entrepreneurial spirit, mutual trust and a strong sense of ethics.

A decentralised business model cannot succeed without ingraining an entrepreneurial spirit throughout the organisation. Similarly, initiatives can be effective only if mutual trust exists between subsidiaries and their employees. This creates the right conditions for ongoing, spontaneous and direct dialogue, one in which our employees are given free rein to develop initiatives based on their experiences and insights. This approach relies on transparency, openness to others and respect for differences. This is what we mean by 'a strong sense of ethics.'

The foundation of our cultural model, these three values are closely linked to a particular attitude: *convivialité*. The hallmark of the Group, this *convivialité* is what makes Pernod Ricard so unique. We continuously foster sharing and collaboration. We strive to eliminate silos and to share expertise, foster discussions and streamline procedures.

SHAPED BY AN AMBITIOUS HUMAN RESOURCES POLICY

The implementation of the 'Transform & Accelerate' strategic plan presents a real challenge. To support the roll-out of this plan, Pernod Ricard has established an ambitious human resources policy that involves all employees. Talent development is one of the four essentials of our business model. For several months now, this policy has focused on transforming organisations, renewing processes and establishing new working methods, always with the goal of instilling the Pernod Ricard Mindset.

As part of the 'TransfoHRm' project, many initiatives have been launched in this area. This comprehensive project first looked at defining a model of leadership that every manager should strive to attain. Managers from the Group representing its various subsidiaries worked together to establish management principles founded on boldness, a conquering spirit, the ability to adapt and the desire to make the most of diversity. One of our goals is also to show that *convivialité* is a performance accelerator. Being convivial means collaborating, sharing more freely and having direct and sincere relationships, which leads to greater agility, speed and simplicity.

In line with the central role that talent development and digital technology play in its business model, the Group has also rolled out Workday, an innovative, comprehensive human resources management solution. This tool enables all employees, irrespective of role or location, to access and manage all of their personal HR data with a single click. Workday was introduced in record time across almost 80 subsidiaries, making it the largest-scale rollout of the platform at that time.

Finally, this year saw the launch of our first employee shareholding plan, 'Accelerate'. Covering 75% of the Group's workforce in 18 markets, this plan was a major success, with an overall subscription rate of 42%. The subscription rate was particularly high in certain markets, such as India – with over 75% participation – and China – with almost 50%.

Cédric Ramat, EVP Human Resources, Sustainability & Responsibility, said, "The huge response from our employees is a testament to their confidence in our ability to generate value over the long term."

(1) *I Say* survey, July 2019, Willis Towers Watson, see p. 29 for results.

OUR MODEL FOR SUCCESS

The Men and Women of Pernod Ricard

A MODEL

—

Decentralisation

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

VALUES

Entrepreneurial Spirit

—

Autonomy
Initiative-taking
Audacity
Appetite for risk

Mutual Trust

—

Freedom to act
Open dialogue
Right to fail

Sense of Ethics

—

Respect
Transparency
Good stakeholder relations

AN ATTITUDE

—

Conviviality

Our dynamic portfolio management to meet consumer needs & expectations

Pernod Ricard has a unique portfolio of global and local 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 singular competitive advantage for accelerating growth by allowing us to constantly invest in the most promising categories and brands. To ensure an optimal allocation of resources for our key brands, our proprietary brand planning tool – the House of Brands – is used across all our markets.

5 KEY CATEGORIES

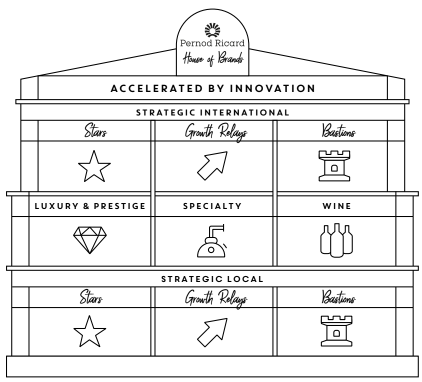
Conscious of the ever-changing market trends and needs of our consumers, the House of Brands evolved over the 2019 fiscal year to include a new category of 'Specialty' brands. By implementing this common framework throughout our business, it enables our Market Companies to prioritise their marketing investments in line with the Group's five strategic brand categories: **Strategic International, Luxury & Prestige, Specialty, Wines and Strategic Local.**

The Group's five brand categories encompass a wide variety of global premium brands with strong long roots. Our **Strategic International** brands are sold in almost every market around the world; **Luxury & Prestige** brands target iconic bars and the most affluent consumers; **Wines** allow us to access other universal convivial moments of consumption such as meals; and **Strategic Local** brands aim to reach local consumers and specific local occasions. Our newest category, **Specialty** brands, meets a growing demand for smaller-scale, authentic 'craft' products. The sense of purpose and transparency of these brands offers a unique and comprehensive value proposition that responds to new consumer trends and expectations. By creating strong consumer connections, this category – that has an attractive profitability – presents significant growth potential for our business.

3 INVESTMENT PRIORITIES

Using the House of Brands ensures that we optimise resources at global and local levels. This dynamic brand management tool allows us to tailor our portfolio of premium brands and investment priorities according to consumption habits, local contexts and the growth potential across all our markets. After identifying the potential of each brand in each segment, our local Market Companies – who distribute our brands directly in their markets – define their respective strategies based on three types of investment priorities: **Stars, Growth Relays and Bastions.**

We invest significantly in our **Stars** – leading brands sold internationally or locally – to enable them to continue leading the way in different categories and actively contribute to the Group's growth. Our **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. Meanwhile, investment in our **Bastions** – brands that are mature or in very competitive sales categories – ensures that we protect their market share, sales and profits.



Drawing on in-depth consumer insight and local knowledge of our markets, 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

ACCELERATED BY INNOVATION

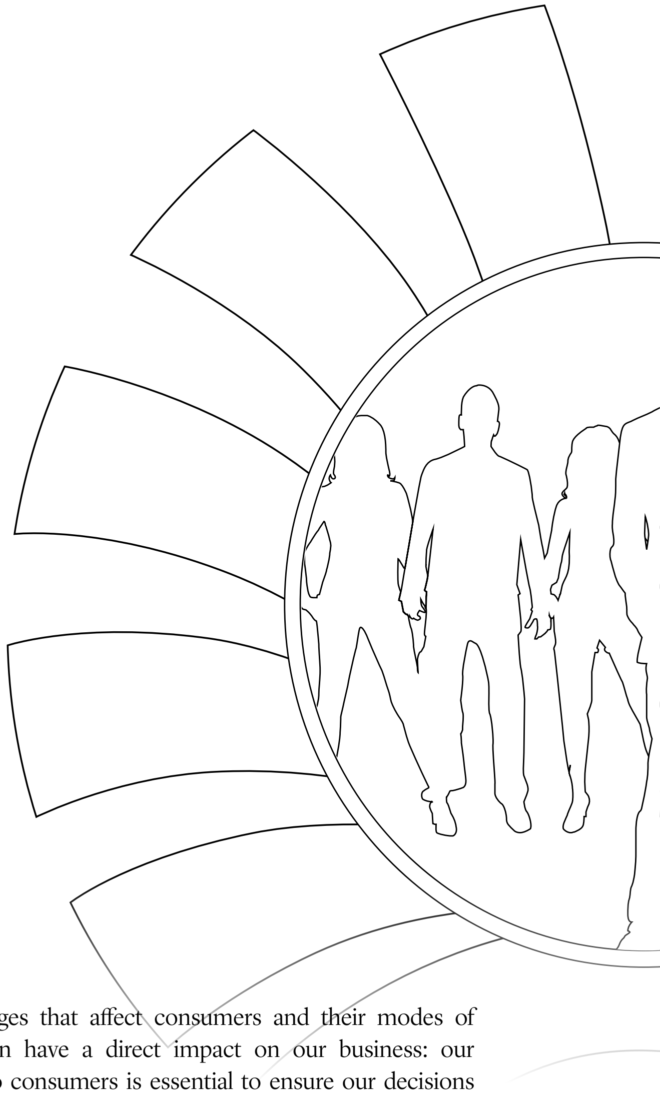
STRATEGIC INTERNATIONAL BRANDS

LE CERCLE

LUXURY & PRESTIGE | **SPECIALTY** | **WINES**

STRATEGIC LOCAL BRANDS

Our Strategy: 'Transform & Accelerate'



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

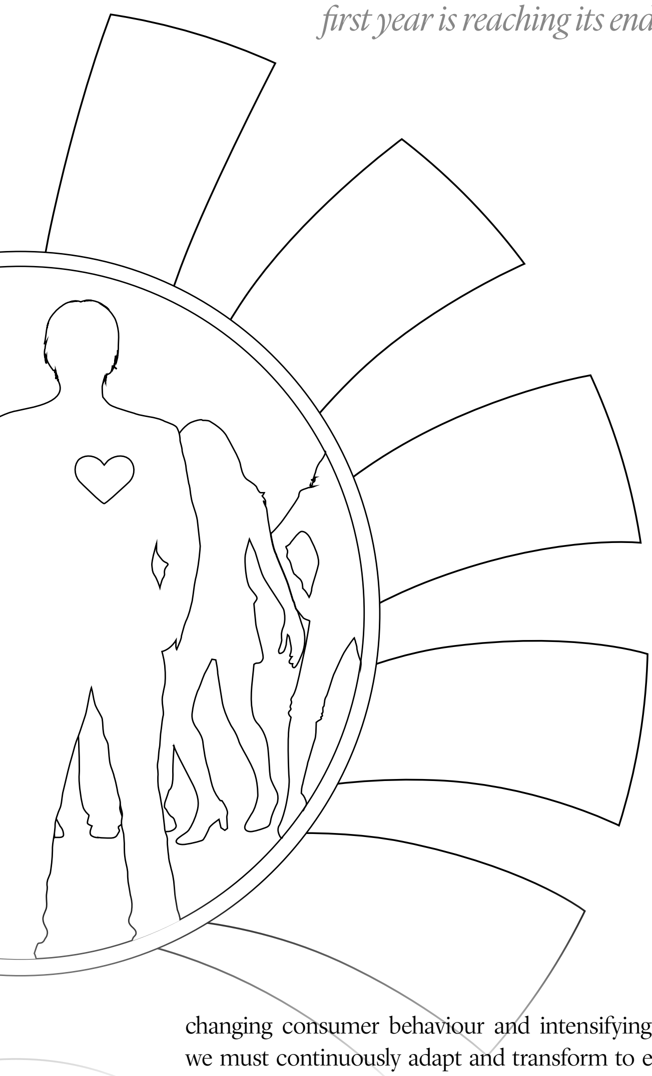
OUR PRIORITY: OUR CONSUMERS

Consumers remain our obsession. Understanding their evolving wants and needs and the trends impacting these is critical. Today's consumer landscape is radically 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 widespread concern about globalisation, leading to a rise in protectionism and a focus on all things local. 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 inventing new types of engagement.

These changes that affect consumers and their modes of consumption have a direct impact on our business: our proximity to consumers is essential to ensure our decisions reflect their motivations. Equally, the rapid pace of change requires speed and agility in our decision-making. These are significant challenges. In recent years, our roadmap based on our 'Mindset for Growth' has succeeded in accelerating, diversifying and geographically extending the Group's sales, as well as preparing us for the future. The pillars of our strategic model – the **four Essentials** based on our historic strengths and **four Accelerators** aimed at leveraging these to meet consumer needs – continue to define our priorities (see our model above).

Looking forward, we need to continue to take this transformation further to accelerate our growth. In an increasingly volatile context and constantly shifting environment of

At Pernod Ricard, conviviality is more than our profession, it's our driving purpose. Bringing people together to share authentic, meaningful moments of conviviality was a guiding principle for our founders and this vision continues today to inspire the Group's 19,140 employees. As 'Créateurs de convivialité,' Pernod Ricard seeks to ensure that each of our Brands are at the heart of every social occasion; and in doing so, we will achieve our ambition of becoming the world leader in the wine & spirits industry. Our three-year strategic plan ***Transform & Accelerate****, whose first year is reaching its end, defines our priorities for achieving this ambition.*



4 ACCELERATORS

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

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

Innovation
Create brand experiences through new products and services

Digital acceleration
Accelerate the integration of digital into everything we do

changing consumer behaviour and intensifying competition, we must continuously adapt and transform to ensure we stay ahead. To this end, our new three-year strategic plan (2019–21) **'Transform & Accelerate'** focuses on two areas:

— How we can get **'More from the Core'**, building on our strengths to **Accelerate** growth,
— How we can best **'Prepare the Future'**, innovating to **Transform** our company.

Not just a slogan, **'Transform & Accelerate'** is a strategy consisting of 21 concrete actions specific to the four key challenges we must meet to outperform the industry. Our mission of **21 for 2021** will make us better, agile, together, allowing us to go the extra mile on the company's transformational journey.

Four challenges

This strategy will allow us to win in the four battlegrounds we have identified to accelerate our growth:

1 / Winning in key markets

2 / Building passion brands

3 / Funding the journey

4 / Valuing our people

We bring Good Times from a Good Place

2019 saw the launch of Pernod Ricard's new 2030 Sustainability & Responsibility (S&R) roadmap. This new strategy is the perfect illustration of our ongoing commitment to creating long-term value for all of our stakeholders.

VANESSA WRIGHT
Group VP Sustainability & Responsibility

What were the challenges in developing this roadmap?

Sustainability is a vast and complex topic that impacts all aspects of our business. To develop our roadmap, we collaborated with over 300 colleagues globally and external experts to identify the key issues facing our business today. Their input combined with our consumers' concerns allowed us to establish a clear strategy that builds on the work we have already done while at the same time being fully aligned with the United Nations 2030 Sustainable Development Goals.

How does this new roadmap go further than previous targets and efforts?

Sustainability and Responsibility (S&R) is an integral part of our past, present and future. What differentiates our new roadmap from our previous approach is that it fully integrates S&R across the entire business from 'grain to glass.' To enable us to continue accelerating the pace of the progress already made – such as a 20% reduction in water consumption or a 30% reduction in carbon emissions (1), we have set ambitious targets for each of the 4 pillars of the new roadmap: Nurturing Terroir, Valuing People, Circular Making, Responsible Hosting. It also represents an opportunity to drive innovation, strengthen our business by differentiating our brands, attracting talent and creating shared value.

How will you measure progress?

We have adopted eight key commitments, with a total of 30 actions, that we will monitor and evaluate through identified KPIs. Responsibility and accountability for each pillar is integrated into the overarching goals of our business and driven by global multidisciplinary teams. This governance structure – that is both a human and financial investment representing more than several hundred million euros over 10 years – ensures that we are transparent about measuring and reporting back on our progress, as well as sharing best practices.

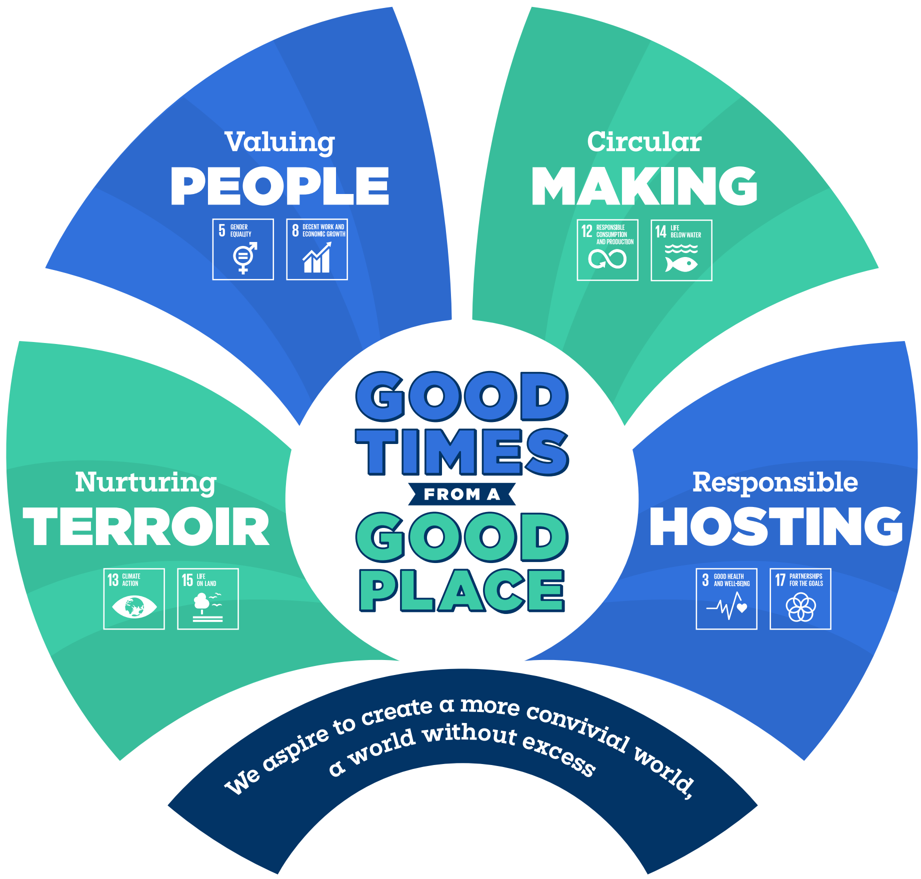
What will be key to success?

Uniting people in one clear direction. By calling this 'Good times from a Good Place' we are directly connecting the S&R roadmap with our company vision in order to achieve the ultimate goal of creating a more convivial world without excess. It's an inspiring rallying cry for everyone across our value chain – from employees to farmers and suppliers to the local communities where we work. It will be crucial for us to work with others to test and learn and find collective solutions.

What role will the Pernod Ricard teams play in the implementation of the 2030 roadmap?

Their role is crucial for embedding the strategy by designing and implementing projects through close collaborative relationships internally and externally. In short, they will contribute to bringing our vision to life! Our Group is a dynamic community of 19,140 committed people. We're passionate hosts seeking a better way to live and work together, as well as respectful guests who want to protect and nurture our environments. S&R intrinsically reflects the 3 Pernod Ricard values: an entrepreneurial approach, mutual trust and strong sense of ethics.

(1) Source: per unit of production between FY10 and FY19.



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[1] 13) and protect 'Life on Land' (SDG 15). To ensure maintaining 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 where we source our ingredients, we are developing sustainable and regenerative agricultural practices to be implemented across our business.

OUR COMMITMENTS

Deploy a regenerative agriculture pilot programme across our 8 wine regions[2] (2025)

Partner with over 5,000 farmers to share our know-how in regenerative agriculture (2030)

100% affiliates will have deployed a project related to the preservation of biodiversity (2030)

VALUING PEOPLE

Our raison d'être, *convivialité*, 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 have reinforced our commitments to human rights, diversity and inclusion among our leadership, health and safety, responsible procurement, training and sustainable bartending.

OUR COMMITMENTS

Equal pay (2022) and gender-balanced top management (2030)

Provide training sessions for our employees at least every 3 years so that they can acquire new skills in anticipation of future needs (2030)

Train 10,000 bartenders on techniques of the bar world of tomorrow taking a zero waste & anti-plastic approach (2030)

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.

OUR COMMITMENTS

100% water balanced in high-risk countries (2030)

50% reduction in carbon intensity in line with Science-Based Targets (2030)

100% ban on single-use plastic POS (2025)

100% recyclable, reusable, compostable or bio-based packaging (2025)

5 pilot projects based on the circular economy model for the distribution of our products (2030)

RESPONSIBLE HOSTING

We believe that we have an important part to play in combating alcohol misuse and supporting the 'Health and Wellbeing' (SDG 3) of our consumers. We are committed to ensuring that they are informed about our products and how to enjoy them responsibly. To that end, we will continue building 'Partnerships for [our] Goals' (SDG 17) at a local and global level.

OUR COMMITMENTS

Expand Responsible Party to reach at least 1 million young adults (2030)

100% affiliates will have at least one programme fighting alcohol misuse (2030)

(1) SDG: Sustainable Development Goals promoted by the United Nations.
(2) Argentina, Australia, California (USA), Champagne (France), China, Cognac (France), New Zealand, Spain.

Our community of inspirational Sustainability & Responsibility leaders

AMAURY THOMAS

Managing Director of Distillerie & Vignobles Thomas

Nurturing terroir

Preserving our legacy
In Cognac, the commitment to sustainable viticulture is a collective challenge for all winegrowers. Finding alternatives to pesticides is essential. Not just for sustainable growth and to preserve our unique savoir-faire, but to safeguard the land that has been transmitted to us by previous generations, and which we will pass on to our children.

Transforming viticulture
Having supplied Martell for three generations, my family has a strong link with Pernod Ricard. Our relationship extends beyond a simple business transaction: it provides an opportunity for us to transform our agricultural model and make it more resilient. We have been working closely with Pernod Ricard to develop new mechanical techniques as a substitute to chemical treatment. As a result, Cognac is the first region in France to use equipment that limits the spray mist of pesticides. Martell has also committed to no longer using the herbicide glyphosate throughout its vineyards.

Our collaboration with Martell has allowed us to engage in other innovative projects, such as selecting new grapes with high resistance to disease. We're also working on initiatives to explore the role of soil and biodiversity in the control of plant disease and are increasing biodiversity in our own vineyards by, for example, planting grass.

KELSEY RAMAGE

Co-founder of Trash Tiki

Valuing people

Recycling everything you can
I've been bartending for 15 years. I met my partner, Iain Griffiths, at Dandelyan, a London bar that was re-using many ingredients at the time. To step up the efforts for promoting anti-waste practices, we created Trash Tiki to educate more people on the importance of reducing waste and to inject some fun into the world of sustainability. We started pop-ups on how to make anti-waste cocktails, held parties, played loud punk music and created a free and open platform online where people could mutually share their recipes. Making sustainability about people and fun gets everyone on board more easily.

Engaging our global community
We began partnering with Pernod Ricard in 2017 when I won the Tahona Society bartending competition by Altos tequila. It gives 50,000 USD to projects that get consumers talking about social engagement or environmental issues. Since then, we collaborated with Absolut Vodka to create the Green Hustle, a global platform for sharing tips and tricks on how to help save the world – from using tasting spoons instead of straws to composting waste and making a case for the use of alternative ingredients. While the website is accessible to all, we are rolling out a global bartender education series to showcase different recipes and ways to end single-use ingredients. For example, after squeezing limes, you can also reuse the husks to make a stock that can become another ingredient – a small step that contributes to reducing consumption and to cutting the cost of purchasing limes in half. We're excited to take our work with Pernod Ricard to the next level with our global sustainability partnership.

While sustainability challenges can seem vast, we are convinced at Pernod Ricard that we can effect real change through collective action. Collaborating with all our partners and stakeholders, pooling ideas and resources, will allow us to focus in on areas where we can make the greatest impact. And as result, it will allow us to move faster, more sustainably and more responsibly, to create a more convivial world, without excess. Four of our partners share their stories.

PATRICIA RICARD

Chairwoman of the Paul Ricard Oceanographic Institute

Circular making

The ocean: cycle of life
People around the world are becoming aware of how our lives and the planet are intimately linked in terms of climate and the environment. Much of the planet is covered by ocean, which is vital to the cycle of life: it produces 50% of the oxygen we breathe, stores 30% of the earth's carbon and regulates climate by absorbing and transporting heat from the sun.

Waste is a resource
At the Paul Ricard Oceanographic Institute, we've been exploring the link between humans and the ocean over the past 52 years. Our scientists have a lot of freedom to work on solutions, inspired by nature, to address the impact of human activity on coastal areas. One area of their research is how to reuse waste. The ocean can teach us much about virtual cycles: waste in nature is a precious resource, which is continually reused for new purposes. Adopting this mindset yields creative solutions, for example, with waste you can start a fish farm – which not only helps to reduce over-fishing, but by bringing fish closer to land thereby reduces the distribution-related carbon impact generated by necessary freezing and transportation to points of sale. This research by our scientists into circular models in nature complements Pernod Ricard's ambition to reduce waste by making its packaging 100% reusable, recyclable, compostable or bio-based.

JOAO PINTO

President of the Erasmus Student Network

Responsible hosting

Responsible Parties
Binge drinking is a big challenge to tackle amongst young adults. As one of Pernod Ricard's 13,000 Responsible Party student ambassadors, we work with hundreds of thousands of students across 1,000 universities in Europe to increase health literacy so students are fully aware of the risks of harmful alcohol consumption. When the programme was launched with the Erasmus Student Network in 2010 there was much scepticism about our approach – instead of saying 'don't drink', rather promoting responsible drinking. But 10 years on, we're proud of the results. A recent study of 32,000 students showed that 88% found the Responsible Party programme useful and 61% said it helped them rethink their approach to drinking.

Empowering people
In fact, when I joined the network five years ago even I was sceptical, but today I'm one of its biggest advocates. What I like about the programme is that it's peer-to-peer, and it empowers young adults to take responsibility for their actions. We train our volunteers to raise awareness and work with policy makers at a local and national level, and have succeeded in putting this topic on the public agenda. Thanks to the dedication of our many volunteers, we've already impacted over 400,000 students in 32 countries. It shows that Pernod Ricard cares about its individual consumers, especially young adults.

Our Board of Directors

The Pernod Ricard Board of Directors oversees the Group's governance in an ethical and transparent manner while ensuring that the business is managed in the best interests of the Group and 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. It is comprised of 15 members, seven 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 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 and shareholders.

In order to further root its work in the Group's daily business operations, the Board has access to the in-house social network and holds one meeting per year in an operating affiliate.

FY19 ACTIVITY

Over the course of FY19, the Board of Directors met 8 times, with an attendance rate of 99.09%. The average length of the meetings was approximately 3 hours. Their main activities were to:

— approve the half-year and annual financial statements;
— review the budget;
— oversee the preparations of 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.

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 over by Alexandre Ricard since 2015 – reviews key subjects for Pernod Ricard SA and the Group, issues recommendations on acquisitions, divestitures and partnership projects and studies all strategic matters of interest to the Company or its 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 selects 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.

53.8% independent directors

40% non-French directors

46.1% female directors

99.09% attendance rate

Alexandre Ricard
Chairman & Chief Executive Officer
Strategic Committee Chairman

Maria Jesus Carrasco Lopez
Employee Director

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

Gilles Samyn
Independent Director
Audit Committee Member

Pierre Pringuet*
Vice-Chairman of the Board of Directors until 23 January 2019,
Strategic Committee Member,
Compensation Committee Member

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

Martina Gonzalez-Gallarza*
Director

Kory Sorenson
Independent Director
Audit Committee Member
Compensation Committee Member

Patricia Barbizet
Lead Independent Director
Nominations, Governance & CSR Committee Chairwoman

Stéphane Emery
Employee Director
Compensation Committee Member

Anne Lange
Independent Director
Strategic Committee Member

Veronica Vargas
Director

Nicole Bouton
Independent Director
Compensation Committee Chairwoman
Nominations, Governance & CSR Committee Member

Ian Gallienne
Independent Director
Strategic Committee Member
Compensation Committee Member

Paul-Charles Ricard
Director
Permanent Representative of Société Paul Ricard

* Following the decision of Ms Martina Gonzalez-Gallarza and Mr Pierre Pringuet to resign from the Board of Directors as from the Shareholders' Meeting of 8 November 2019, the Board of Directors, on the recommendation of the Nominations, Governance and CSR Committee, has decided to propose the appointment of Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin as Directors. Their term of office would be conferred 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.

The Nominations, Governance and CSR Committee and the Board of Directors examined the applications and notably appreciated that Ms Esther Berrozpe Galindo and Philippe Petitcolin could respectively provide the Board of Directors with her marketing expertise and their experience as general manager of an international group and a listed group. Following a review, they also confirmed that Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin fulfilled the AFEP-MEDEF independence criteria adopted by the Company.

Our Executive Board & Executive Committee

The Group's general management is led by the Chairman & CEO, who is assisted by the Executive Committee. Under its 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 also organises the work of the Executive Committee and defines objectives for its members, in particular by signing off the three-year plan, budget and regular business reviews.

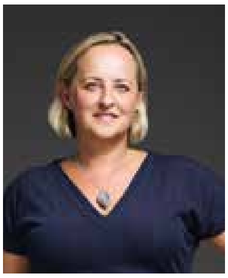
The Executive Committee, the Group's managing body, has 15 members – the five members of the Executive Board (see below) as well as the Managing Directors of the Group affiliates. They meet once per month (11 times annually), either at Headquarters or at an affiliate site. Under the direction of the Chairman & CEO, the Committee helps to define the Group's strategy and plays an essential coordinating role between Headquarters and the affiliates, and among 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 three-year 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 BOARD MEMBERS
(as of 30 June 2019)

Alexandre Ricard
Chairman & Chief Executive Officer, Executive Director

Hélène de Tissot
EVP, Finance, IT & Operations

Christian Porta
Managing Director, Global Business Development



Amanda Hamilton-Stanley
General Counsel & Compliance Officer

Cédric Ramat
EVP, Human Resources, Sustainability & Responsibility

EXECUTIVE COMMITTEE MEMBERS
(as of 30 June 2019)

Alexandre Ricard
Chairman & Chief Executive Officer, Executive Director

Hélène de Tissot
EVP, Finance, IT & Operations

Christian Porta
Managing Director, Global Business Development

Amanda Hamilton-Stanley
General Counsel & Compliance Officer

Cédric Ramat
EVP, Human Resources, Sustainability & Responsibility

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

Paul Duffy
Chairman & CEO of Pernod Ricard North America

Philippe Guettat
Chairman & CEO of Pernod Ricard Asia

Mohit Lal
Chairman & CEO of Pernod Ricard Global Travel Retail

Jean-Christophe Coutures
Chairman & CEO of Chivas Brothers

César Giron
Chairman & CEO of Martell Mumm Perrier-Jouët

Anna Malmhake
Chairwoman & CEO of The Absolut Company

Conor McQuaid
Chairman & CEO of Irish Distillers Group

Bruno Rain
Chairman & CEO of Pernod Ricard Winemakers

Philippe Coutin
Chairman & CEO of Ricard SA and Pernod SA

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.

- **19,140 employees** across close to **80 affiliates** in **73 countries** with Pernod Ricard offices
- **86%** outside of France
- **37%** women [a]
- **1.70%** 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.

- **39 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 Foresights, Equity & Consumer Understanding, 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:** Paul Ricard SA & Others **(16.3%)**, Board/Management/ Employees/Treasury/ Shares **(1.7%)**, Institutional Investors **(78.1%)**, Individual Shareholders **(3.9%)** [a]
- Net debt / EBITDA: **2.3x** [a]
- Market capitalisation: **EUR 43 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.

- **89 production sites** in **23 countries** [a]
- Natural resources from **+280,000 hectares** of land including **5,625 hectares** of vineyards operated by the Group
- **EUR 4.8 billion** [a] in maturing inventory
- **EUR 363 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 its 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

We are committed to nurturing every terroir and its biodiversity, responding to the challenges of climate change to ensure quality ingredients now and for generations to come.

- **Energy consumption** per unit produced: **6.11 kWh** per litre of distilled pure alcohol [d]
- **6.9 millions m³** of **water consumption** [f]
- The **primary materials** used for packaging are **glass (969,052 tonnes)** and **cardboard (84,719 tonnes).** [d]

Our consumer-centric strategy

(see pp. 16-17)

5 CRITICAL AREAS THAT ARE IMPACTING CONSUMERS

- A quest for meaning and new experiences
- A new world order, more protectionism
- The emergence of new middle classes
- Digitisation 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
- Premiumisation & luxury
- Innovation
- Digital acceleration

(a) As at June 30, 2019.
(b) According to the 2019 *I Say* survey.
(c) Per unit of production between fiscal years FY10 and FY19.
(d) In FY19.
(e) TOP 100 Impact 2017.
(f) 25.2 million m³ of water was taken from the Group's industrial sites. Only 6.9 m³ 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) Reduction in Free Cash Flow due to positive one-off items in FY18.

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 the Group** [b]
- Record subscription **rate for first-ever Group Employee shareholding plan: 41.5%** [d]

Create new products and services

- Luxury LeCercle Portfolio: **+14%** in FY19
- **Innovation** represents **approximately 1/4 of our topline growth**
- **+1000 users** from **6 Brand Companies** and **39 Market Companies** monitor their brands and our competitors as well as campaigns and activations via **one single monitoring tool**

Create long-term value

- **+6.0%** organic growth in sales [a]
- **-5%** free cash flow, resulting in an **EUR 342 million** reduction in net debt [i]
- Dividend proposed of **EUR 3.12**, representing a **50%** payout ratio [a]

Producing high-quality products and enhancing our production capacity

- **95.5% 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 (2.6 million tons per year)**

Promote responsible drinking and engage with our partners and communities

- Increased awareness of more **than 400,000 students across 32 countries** about the health effects of alcohol consumption through our Responsible Party Programme [h]
- Group's **economic contributions to communities** estimated of **EUR 6.5 billion** [d]

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

- **-34% of CO_2** emissions (scope 1+2) [c]
- **-22% of water consumption** [c]
- **-69% of non-recycled waste** (landfilled or incinerated) per litre of finished product [c]

Our medium and long-term ambitions

(see pp. 18-19)

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 programme in partnership 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, all strategic brands will work to break stereotypes through responsible marketing initiatives.

PROFIT

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

Deliver 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 2025, we will ban all promotional items made from single-use plastic and 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 Sciences-Based Targets (SBTs).

Our key financial figures

Leadership position

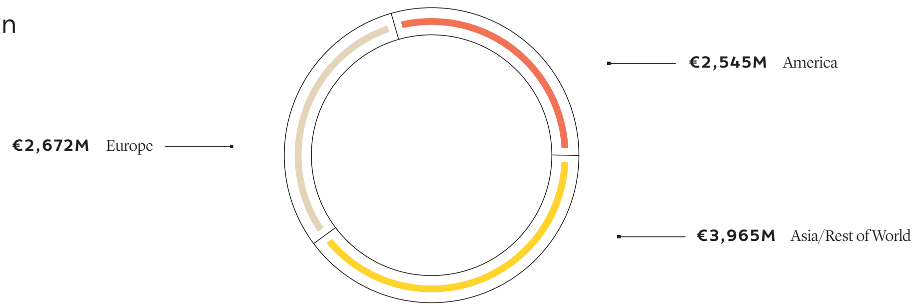
World
N°1
for premium, ultra-premium and prestige spirits(1)

World
N°2
in wine & spirits industry(1)

16
brands amongst the world's top 100(2)

Financial metrics FY19

sales by region



€9,182M
Net sales

€2,581M
profit from recurring operations

€1,654M
Net profit from recurring operations (Group share)

(1) Source: *The Pernod Ricard Market View*, based on IWSR volume data ending 2018.

(2) Source: *Impact Databank 2018*, published in March 2019.

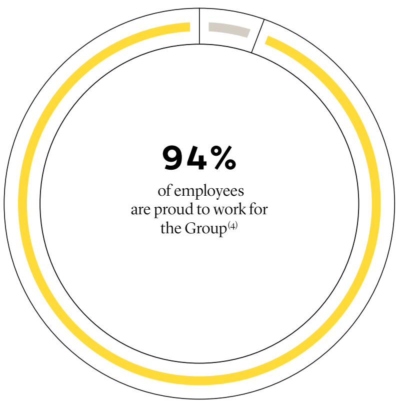
Our key non-financial figures

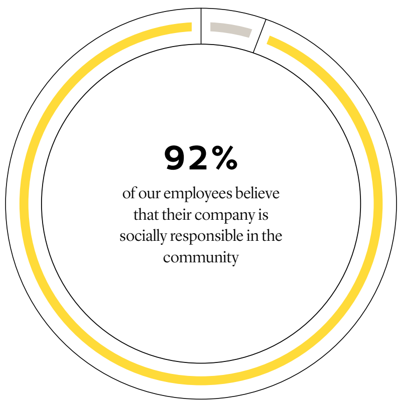
Protecting the planet

22%
reduction in water consumption[3]

34%
reduction in CO_2 emissions[3]

Employee engagement





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 FY19.

(4) Source: Results of the *I Say* survey, July 2019, Willis Towers Watson.

2.
Corporate Governance

section 2

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.

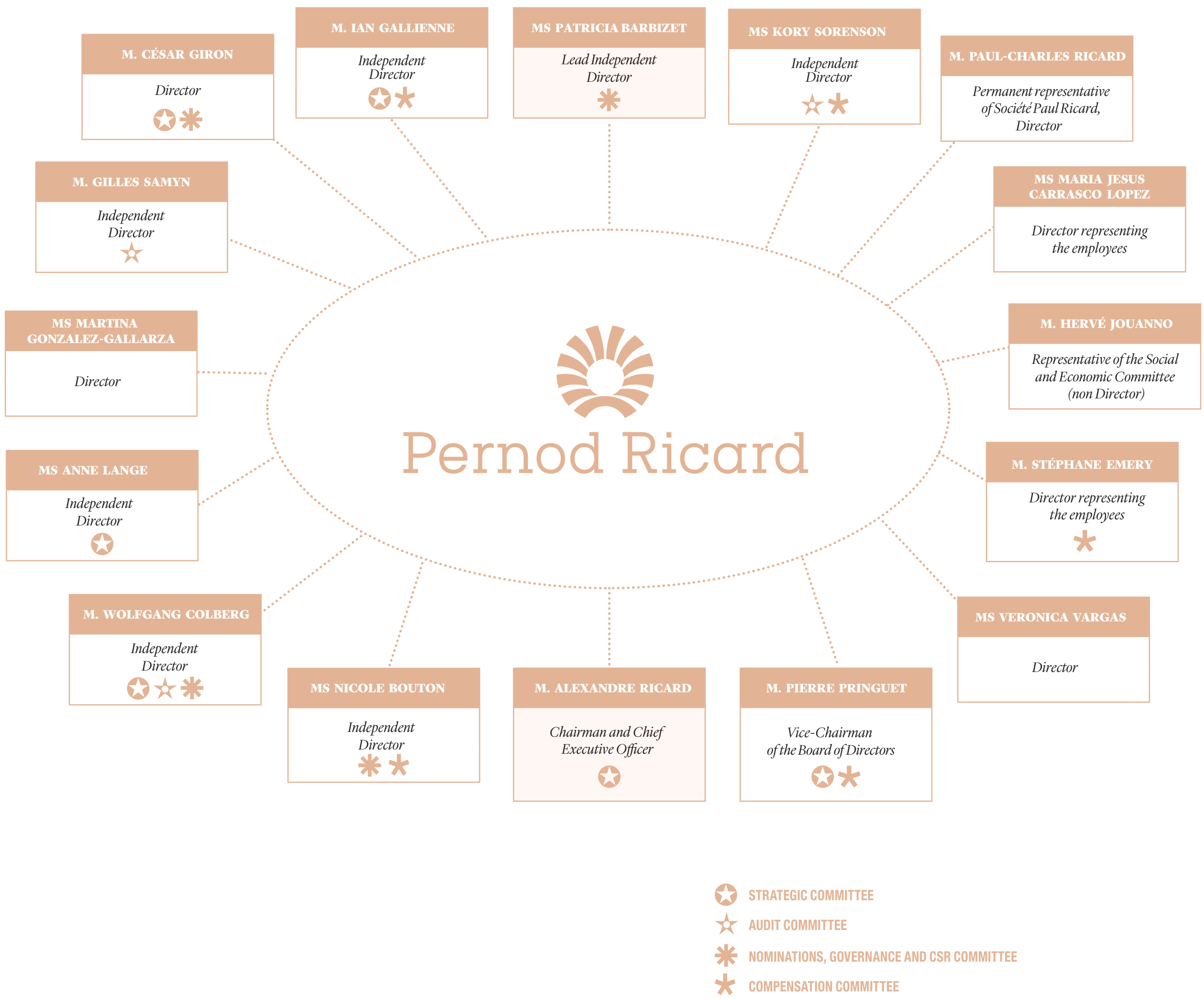
It describes, in the context of the preparation of the financial statements for FY19, the conditions governing the preparation and organisation of the work performed by the Board of Directors and its Committees, the powers entrusted to the Chairman & CEO, the principles and rules used to determine compensation and other benefits granted to the corporate officers, the components of the compensation due or granted to the corporate officers, the compensation policy applicable to the Chairman & CEO, in accordance with article L. 225-37-2 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 and the Human Resources Department.

This report was approved by the Board of Directors on 28 August 2019, 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 2019



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 & CEO *French citizen*	47	M	29.08.2012	AGM 2020	7				(Chairman) ✓
Directors considered as independent by the Board									
Patricia Barbizet Lead Independent Director *French citizen*	64	F	21.11.2018	AGM 2022	1			(Chairwoman) ✓	
Nicole Bouton *French citizen*	71	F	07.11.2007	AGM 2019	12*		(Chairwoman) ✓	✓	
Wolfgang Colberg *German citizen*	59	M	05.11.2008	AGM 2020	11	(Chairman) ✓		✓	✓
Ian Gallienne *French citizen*	48	M	09.11.2012	AGM 2022	7		✓		✓
Gilles Samyn *Belgian and French Citizen*	69	M	06.11.2014	AGM 2022	5	✓			
Kory Sorenson *British citizen*	50	F	06.11.2015	AGM 2019	4	✓	✓		
Anne Lange *French citizen*	51	F	20.07.2016	AGM 2021	3				✓
Directors									
César Giron *French citizen*	57	M	05.11.2008	AGM 2020	11			✓	✓
Martina Gonzalez-Gallarza *Spanish citizen*	50	F	25.04.2012	AGM 2022	7				
Société Paul Ricard *(Represented by Paul-Charles Ricard)* *French citizen*	37	M	09.06.1983	AGM 2021	36				
Pierre Pringuet *French citizen*	69	M	17.05.2004	AGM 2020	15		✓		✓
Veronica Vargas *Spanish citizen*	38	F	11.02.2015	AGM 2021	4				
Directors representing the employees									
Maria Jesus Carrasco Lopez (1) *Spanish Citizen*	48	F	05.12.2018	05.12.2022	1				
Stéphane Emery (2) *French Citizen*	48	M	13.12.2017	13.12.2021	2		✓		
NUMBER OF MEETINGS FY19					**8**	**4**	**6**	**4**	**1**
AVERAGE ATTENDANCE RATE					**99.09%**	**100%**	**96.67%**	**100%**	**83.33%**

(1) Director representing the employees, whose first meeting of the Board of Directors was on 23 January 2019.
(2) Director representing the employees, whose first meeting of the Board of Directors was on 19 January 2018.
** Her directorship will end on the date of the Shareholders' Meeting, when the 12-year term of office will be reached.*

2.3 Duties performed by the Directors

Age: 47 years old

Nationality: French

Business address: Pernod Ricard 12, place des États-Unis 75116 Paris (France)

Number of shares held on 30 June 2019: 91,416

MR ALEXANDRE RICARD

Chairman of the Board & CEO

Mr Alexandre Ricard is a graduate of ESCP Europe, the Wharton School of Business (MBA majoring in finance and entrepreneurship) and of 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 Group Pernod Ricard 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 & 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 & CEO of the Group by the Board of Directors.

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

OFFICES AND MAIN FUNCTIONS HELD ON 30.06.2019 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)

Outside the Group

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

Age: 64 years old

Nationality:
French

Business address:
Témaris & Associés,
40 rue François I[er]
75008 Paris (France)

Number of shares held on 30 June 2019:
3,000

MS PATRICIA BARBIZET

Lead Independent Director since 23 January 2019

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 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of AXA [(1)]
- Lead Independent Director of Total [(1)]
- 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 [(1)]
- CEO of Christie's International Plc (United Kingdom)
- Director of Yves Saint Laurent

(1) *Listed company.*

Age: 69 years old

Nationality:
French

Business address:
Pernod Ricard
12, place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2019:
414,997

MR PIERRE PRINGUET

Vice Chairman of the Board of Directors until 23 January 2019

Mr Pierre Pringuet, a graduate of the École Polytechnique and the École des Mines, started his career in the French civil service. He was an advisor to government minister Michel Rocard (1981–1985), before being given responsibility for the Farming and Food Processing Industries at the Ministry of Agriculture. He joined Pernod Ricard in 1987 as Development Director, playing an active role in the Group's international development and holding the positions of Managing Director of Société pour l'Exportation de Grandes Marques (1987-1996) and then Chairman & CEO of Pernod Ricard Europe (1997-2000). In 2000, he joined Mr Patrick Ricard at the Headquarters as one of Pernod Ricard's two joint Chief Executive Officers, together with Richard Burrows. He was appointed Director of Pernod Ricard in 2004 and led the successful acquisition of Allied Domecq in 2005 and its subsequent integration. In December of the same year, he became the Group's Deputy Chief Executive Officer & Chief Operating Officer. In 2008, Mr Pierre Pringuet carried out the acquisition of Vin&Sprit (V&S) and its brand Absolut Vodka, which completed Pernod Ricard's international development. Following the withdrawal of Mr Patrick Ricard from his operational duties, Mr Pierre Pringuet was appointed Chief Executive Officer of Pernod Ricard on 5 November 2008. He performed his duties as Chief Executive Officer until 11 February 2015, when his term of office expired pursuant to the Company's bylaws. Mr Pierre Pringuet was President of the Association Française des Entreprises Privées (AFEP) (French Association of Private Enterprises) from June 2012 until May 2017.

Mr Pierre Pringuet was Vice Chairman of the Board of Directors from 29 August 2012 to 23 January 2019.

He holds the ranks of Officer of the Legion of Honour, Knight of the National Order of Merit and Commander of the Order of Merit in Agriculture.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of Iliad [(1)]
- Director of Cap Gemini [(1)]
- Member of the Supervisory Board of Vallourec [(1)]
- Director of Avril Gestion SAS (Avril Group)

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

- Chairman of the Sully Committee
- President of the Association Française des Entreprises Privées (AFEP)

(1) *Listed company.*

Age: 71 years old

Nationality:
French

Business address:
Friedland Gestion
4, rue de la Paix
75002 Paris (France)

Number of shares held
on 30 June 2019:
1,450

MS NICOLE BOUTON

Independent Director

Ms Nicole Bouton is a graduate of the Institut d'Études Politiques in Paris. From 1970 to 1984, she held the positions of Sub-Manager and then Deputy Manager in the Central Administration function of Crédit Commercial de France. From 1984 to 1996, Ms Nicole Bouton went on to hold the positions of Deputy Manager, Manager and finally Managing Director of Lazard Frères et Cie and Lazard Frères Gestion. In 1996, she was appointed as a member of the Executive Committee of Banque NSMD (ABN AMRO France group) and became Manager responsible for Institutional and Bank Clients before being appointed a member of the Management Board in 2000. She also took up the duties of Vice-Chairwoman of the ABN AMRO France Holding Company the same year.

She was also appointed as Chairwoman of the Management Board and then Vice-Chairwoman of the Supervisory Board of Asset Allocation Advisors and Chairwoman of the Banque du Phénix, which she merged with Banque NSMD in October 1998. Ms Nicole Bouton left ABN AMRO in 2001, and in 2002 she founded Groupe Financière Centuria, which she chaired until June 2010. In this capacity, she chairs several affiliates including Financière Accréditée, which was acquired in 2006. She is also a Director of several other affiliates of Groupe Financière Centuria. At the end of June 2010, she sold her shares in Centuria and remained Chairwoman of Financière Accréditée until its sale in 2016. She was appointed as Chairwoman of the Strategic Committee of Friedland Gestion, an investment management company, alongside two new partners.

Ms Nicole Bouton has been a Director of Pernod Ricard since 2007.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Chairwoman of the Strategic Committee of Friedland Gestion
- Director of Chœur & Orchestre de la Sorbonne

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

- Chairwoman of Centuria Capital
- Chairwoman of Centuria Luxembourg (affiliate of Centuria Capital)
- Chairwoman of Financière Centuria Asset Management (affiliate of Centuria Capital)
- Chairwoman of Centuria Accréditation (affiliate of Centuria Capital)
- Chairwoman of Financière Accréditée (affiliate of Centuria Capital)
- Director of AMOC (Opéra Comique)

Age: 59 years old

Nationality:
German

Business address:
CVC Capital Partners
WestendDuo,
Bockenheimer
Landstrasse 24
60323 Frankfurt am Main (Germany)

Number of shares held
on 30 June 2019:
1,076

MR WOLFGANG COLBERG

Independent Director

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 (1990-1993), then Head of the Business Analyst Team and Economic Planning (Headquarters) (1993-1994), 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. He has been Industrial Partner at CVC Capital Partners since 2013 and was appointed as Senior Adviser at CVC Advisers in 2019.

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

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of Thyssenkrupp AG [(1)] (Germany)
- Director of Burelle SA [(1)]
- Senior Adviser, CVC Advisers (Germany)
- Industrial Partner, CVC Capital Partners (Germany)
- Chairman of the Supervisory Board of ChemicalInvest Holding 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

- None

(1) *Listed company.*

Age: 48 years old

Nationality: French

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

Number of shares held on 30 June 2019: 1,000

MR IAN GALLIENNE

Independent Director

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 and of Adidas since 2016.

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

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 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)
- Manager of the Board of Directors of Sienna Capital (Luxembourg)
- Manager of Serena 2017 SC
- Manager of Société Civile Château Cheval Blanc
- Director of Compagnie Nationale de Portefeuille SA (Belgium)

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)
- Director of Steel Partners NV (Belgium)
- Director of Gruppo Banca Leonardo SpA (Italy)
- Member of the Supervisory Board of Kartesia Management SA (Luxembourg)
- Manager of Ergon Capital II SARL (Luxembourg)
- Director of Ergon Capital SA (Belgium)

(1) *Listed company.*

Age: 57 years old

Nationality: French

Business address: Martell Mumm Perrier-Jouët 112, avenue Kléber 75116 Paris (France)

Number of shares held on 30 June 2019: 4,348

MR CÉSAR GIRON

Director

After graduating from the École Supérieure de Commerce de Lyon, Mr César Giron joined the Group Pernod Ricard 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 & CEO of Wyborowa SA in Poland in December 2003.

From July 2009, Mr César Giron acted as Chairman & CEO of Pernod until his appointment, on 1 July 2015, as Chairman & 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 OUTSIDE THE GROUP ON 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

Within the Group

- Chairman & CEO of Martell Mumm Perrier-Jouët
- Chairman & CEO of Martell & Co SA
- Chairman & CEO of Champagne Perrier-Jouët
- Chairman & 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)

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

- Director of Lirix

Age: 50 years old

Nationality:
Spanish

Business address:
Pernod Ricard
12, place
des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2019:
1,100

MS MARTINA GONZALEZ-GALLARZA

Director

Ms Martina Gonzalez-Gallarza graduated from the Jesuit ICADE Business School in Madrid (*Licenciatura*) and holds a PhD in Marketing from the University of Valencia. She pursued her career in the academic world and held various roles in the Faculty of Business Studies at the Universitat Politècnica de València, including Manager of the Marketing Department and Head of the International Office. In 2004, she joined the Catholic University of Valencia where she held the position of Dean of the Business Studies Faculty until 2008. In November 2008, Ms Martina Gonzalez-Gallarza joined the Marketing Department where, currently as a Full Professor, she has been researching consumer behaviour (with more than 50 articles published in academic journals and more than 100 papers presented at conventions or international conferences) and teaches international Master's programmes in Valencia (Chamber of Commerce, UV and UCV) and abroad (at the IAE in Rennes and at the IGC in Bremen (Germany) and at the LUISS University in Rome (Italy)). She was a visiting scholar at Columbia University (New York City), at ESCP Europe (France) and at the University of Sassari (Sardinia, Italy).

In addition, Ms Martina Gonzalez-Gallarza is a member of the American Marketing Association, and of the Spanish and French Marketing Associations.

Ms Martina Gonzalez-Gallarza has been a Director of Pernod Ricard since 2012.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- None

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

- None

Age: 51 years old

Nationality:
French

Business address:
Pernod Ricard
12, place
des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2019:
1,000

MS ANNE LANGE

Independent Director

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, in 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 sits on the Board of listed companies (Orange, Pernod Ricard, Econocom Group, FFP (financial company, holding of the Peugeot family) and on the Board of the IN Group (previously Imprimerie Nationale)).

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 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of Orange [1]
- Director of Econocom Group [1] (Belgium)
- Director of FFP [1]
- Director of IN Group

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

- Founder and Manager of Mentis

(1) *Listed Company.*

Age: 37 years old

Nationality: French

Business address: Martell Mumm Perrier-Jouët 112, avenue Kléber 75116 Paris (France)

Number of shares held by Mr Paul-Charles Ricard on 30 June 2019: 182,226

Number of shares held by Société Paul Ricard on 30 June 2019: 28,051,679

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 30.06.2019 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.*

MR GILLES SAMYN

Independent Director

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.

Age: **69 years old**

Nationality:
Belgian and French

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

Number of shares held
on 30 June 2019:
1,000

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director of AOT Holding Ltd (Switzerland)
- Manager of Astra Oil Company LLC (AOC) (USA)
- Director of Astra Transcor Energy NV (ATE) (The Netherlands)
- Chairman of the Board of Directors of Filux SA (Luxembourg)
- Manager of Gosa SDC (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)
- Managing Director of Investor SA (Belgium)
- President of Maison des Maths et du Numérique ASBL (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)
- 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
- *Commissaris* of Agesca Nederland NV (Netherlands)
- Representative of ACP SA, Director of Antwerp Gas Terminal NV (Belgium)
- Director of Banca Leonardo SpA (Italy)
- Director of Belgian Ice Cream Group NV (Belgium)
- Chairman of Belgian Sky Shops SA (Belgium)
- Managing Director of Carpar SA (Belgium)
- Director of Carsport 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)
- Chairman of Newcor SA (Belgium)
- Director of Newtrans Trading SA (Belgium)
- Managing Director of Safimar SA (Belgium)
- Managing Director of SCP SA (Luxembourg)
- Chairman of the Board of Directors of Segelux SA, ex-Gesecalux SA (Luxembourg)
- Director of Société Civile Château Cheval Blanc
- Manager of Sodisco SARL
- Chairman of Solvayschoolsalumni ASBL (Belgium)
- Director of Starco Tielen NV (Belgium)
- Chairman of the Board of Directors of Swilux SA (Luxembourg)
- Member of the Investment Committee of Tikehau Capital Partners SAS
- Director of Transcor East Ltd (Switzerland)
- Director of TTR Energy SA (Belgium)
- Chairman of Unifem SAS
- Permanent Representative of Compagnie Immobilière de Roumont SA, Director of BSS Investments (Belgium)

(1) *Listed Company.*

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

- 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 Directors 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)

Age: 50 years old

Nationality:
British

Business address:
Pernod Ricard
12, place
des États-Unis
75116 Paris (France)

Number of shares held
on 30 June 2019:
1,000

MS KORY SORENSON

Independent Director

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), and member of the Boards of life and non-life reinsurance affiliates in the United States, 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 30.06.2019 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)
- 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
- 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)

(1) *Listed company.*

Age: 38 years old

Nationality:
Spanish

Business address:
Pernod Ricard
12, place
des États-Unis
75116 Paris (France)

Number of shares held
on 30 June 2019:
8,570

MS VERONICA VARGAS

Director

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 joined the London team in 2009, where she continues to be 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, and has been a permanent representative of Rigivar SL, a member of the Supervisory Board of Société Paul Ricard SA since 2009.

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

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 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: 48 years old

Nationality:
Spanish

Business address:
Pernod Ricard España – c/* Arequipa, 1 28043 Madrid – Spain

MS MARIA JESUS CARRASCO LOPEZ

Director representing the employees, whose first meeting of the Board of Directors was on 23 January 2019

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 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- None

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

- None

Age: 48 years old

Nationality:
French

Business address:
Ricard
6, rue Newton
75116 Paris (France)

MR STÉPHANE EMERY

Director representing the employees whose first meeting of the Board of Directors was on 19 January 2018

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

He started his career in July 1994 within the Group Pernod Ricard 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 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 has also been a Director representing the employees of the Ricard Corporate Foundation since 2010.

OFFICES AND MAIN FUNCTIONS HELD OUTSIDE THE GROUP ON 30.06.2019 OR AT THE DATE OF RESIGNATION WHERE APPLICABLE

- Director representing the employees of the Ricard Corporate Foundation

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

- None

The Directors hold no other employee positions in the Group, with the exceptions of: Mr César Giron, Chairman & 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 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 & CEO. In addition, Mr Pierre Pringuet was appointed Vice Chairman of the Board of Directors on 29 August 2012, a position from which he resigned on 23 January 2019, when the Board of Directors created the position of Lead Independent Director. 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 & 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 & 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 & 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. These Committees are mostly composed of Independent Directors [1], the Company going beyond the recommendations of the AFEP-MEDEF Code on Board independence (Audit Committee: 100% vs 67% recommended; Compensation Committee: 75% vs 50% recommended; Nominations, Governance and CSR Committee: 75% vs 50% recommended; and Strategic Committee: 50% vs no recommendation).

2.4.2 Powers of the Chairman & CEO

As Chairman of the Board of Directors, the Chairman & 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 & 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 & 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 & 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 9 November 2017, the Board of Directors authorised the Chairman & 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. It is specified that this authorisation had been partially used as the Company granted a €26,283,122 first demand bank guarantee in the context of an internal project.

On 21 November 2018, this authorisation was renewed for a period of one year, with the Chairman & CEO being authorised 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 of the Vice Chairman and tasks assigned to him until 23 January 2019

The Board of Directors of 23 January 2019, upon the recommendation of the Nominations, Governance and CSR Committee, decided to put an end to the functions of Vice Chairman, it being specified that the various tasks assigned to him and described above have been taken over internally.

In accordance with the bylaws of the Company, the role of the Vice Chairman of the Board of Directors is to chair the meetings of the Board of Directors or of the Shareholders' Meeting should the Chairman of the Board be unable to attend.

On the recommendation of the Nominations, Governance and CSR Committee and pursuant to the Internal Regulations of the Board of Directors, as part of the monitoring of and compliance with the rules of good governance, and particularly those relating to conflicts of interest, and in view, in particular, of the Vice Chairman's expertise in corporate governance, the Board has entrusted the Vice Chairman with the following specific duties:

- in agreement with the Chairman & CEO, to represent Pernod Ricard in its high-level relations notably with public authorities and professional associations at a national and international level; and
- to take an active role, in conjunction with the Nominations, Governance and CSR Committee, in managing corporate governance matters and, in agreement with the Chairman & CEO, to represent Pernod Ricard in dealings with third parties on these issues while ensuring an adequate response from Pernod Ricard to the requirements of the shareholders and, more generally, of other stakeholder.

2.4.5 Role of the Lead Independent Director and assigned missions as from 23 January 2019

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 & 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 & CEO;
- leads the process of assessing the functioning of the Board of Directors and reports on this evaluation to the Board;
- prevents any occurence 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.

2.4.6 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 2018 (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 [1] in registered form. However, the Board's Internal Regulations recommend that Directors acquire and hold at least 1,000 Company shares.

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 has been composed of 13 members since the General Meeting of 21 November 2018, 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.

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 human 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 FY19.

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

Criteria	Objectives	Implementation and results achieved FY19
Composition of the Board of Directors	Balanced representation of women and men within the Board of Directors	**Representation of women:** • Gradual evolution: • 21.4% at the Shareholders' Meeting of 15 November 2011; • 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; and • 46.1% at the Shareholders' Meeting of 21 November 2018. At the end of Shareholders' Meeting of 8 November 2019, the Board will comprise 42% female Directors.
	Guidelines to be issued in order to ensure the best balance possible by seeking complementary characteristics from both an international and human diversity perspective, 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; and • 38.5% at the Shareholders' Meeting of 21 November 2018. At the end of Shareholders' Meeting of 8 November 2019, 42.8% of the Directors will be of foreign nationality.
		Experience: • Sector Knowledge: appointment of Mr Paul-Charles Ricard in 2012; • Finance and Strategy: appointment of Ms Veronica Vargas in 2015; • Marketing/Consumer Behaviour: appointment of Ms Martina Gonzalez-Gallarza in 2012; • Economy and Finance: appointment of Ms Kory Sorenson in 2015; • Innovation and Digital: appointment of Ms Anne Lange in 2016; and • General Management, Corporate Governance and Luxury Goods appointment of Ms Patricia Barbizet in 2018.
	Appointment of one or two Directors representing the employees (see article 16 of the bylaws)	2 Directors representing the employees since the Shareholders' Meeting of 2018 [1]: • appointment on 13 December 2017 by the Group Committee (France) of the first Director representing the employees; and • appointment on 5 December 2018 by the European Group Committee of the second Director representing the employees.
Directors' Independence	50% Independent Directors (see article 8.1 of the AFEP-MEDEF Code) + significant representation of Independent Directors (see article 3, Internal Regulations)	53.8% Independent Directors At the close of the Shareholders' Meeting of 8 November 2019, 66.6% of Directors will be independent.
Age of Directors	No more than one-third of Directors older than 70 years (see article 18, paragraph 4 of the bylaws)	Objective achieved

(1) As the Board of Directors was reduced from 14 to 12 at the Shareholders' Meeting of 2015, only one Director representing the employees was appointed in December 2017 by the Group Committee (France). At the close of the Shareholders' Meeting of 2018, the Board comprising 13 Directors, and as provided for the article 16 of the bylaws, a second Director representing employees was appointed by the European Group Committee on 5 December 2018.

2.5.2 Changes in the composition of the Board of Directors

During FY19

The Shareholders' Meeting of 21 November 2018 renewed the directorships of Ms Martina Gonzalez-Gallarza and Messrs Ian Gallienne and Gilles Samyn for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year. In addition, at this same Shareholders' Meeting, Ms Patricia Barbizet was appointed Director for a period of four years.

During FY20

As Ms Kory Sorenson's directorship expires at the close of the Shareholders' Meeting held on 8 November 2019, it will be proposed that the Shareholders' Meeting (5th resolution), in accordance with the recommendations of the Nominations, Governance and CSR Committee, renew her directorship for a four-year period expiring at the close of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the previous financial year.

In addition to this, following the decision of Ms Nicole Bouton not to stand for renewal, Ms Bouton will leave the Board of Directors of Pernod Ricard at the close of the Shareholders' Meeting of 8 November 2019.

Furthermore, following the decisions of Ms Martina Gonzalez-Gallarza and Mr Pierre Pringuet to resign from the Board of Directors as from the Shareholders' Meeting of 8 November 2019, the Board of Directors has decided, on the recommendation of the Nominations, Governance and CSR Committee, to propose the appointment of Ms Esther Berrozpe Galindo (6th resolution) and Mr Philippe Petitcolin (7th resolution) as Directors. Their term of office would be conferred 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.

The Nominations, Governance and CSR Committee and the Board of Directors reviewed the candidates and determined in particular that Ms Esther Berrozpe Galindo could provide the Board of Directors with her expertise in marketing and General Management, gained in an international group. They also determined that Mr Philippe Petitcolin could provide the Board with his General Management experience, gained in a listed company. Following a review, they also confirmed that Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin fulfilled the AFEP-MEDEF independence criteria adopted by the Company.

Thus, at the close of the Shareholders' Meeting of 8 November 2019, the Board of Directors would comprise 14 members (including two Directors representing the employees), of which eight Independent Directors (66.6%) and five women (41.6%), 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, six Directors would be of foreign nationality.

Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin's professional experiences are set out below:

Ms Esther Berrozpe Galindo

49 years old, Spanish and Italian nationalities

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.

Mr Philippe Petitcolin

67 years old, French nationality

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.

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 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	1	2	3	4	5	6	7	8	Qualification selected by the Board
Executive Director									
Alexandre Ricard *Chairman & 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
Nicole Bouton	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
Esther Berrozpe Galindo (1)	X	X	X	X	X	X	N/A	X	Independent
Philippe Petitcolin (1)	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
Martina Gonzalez-Gallarza	X	X	X	X	X	X	N/A	X	Non-independent**
Société Paul Ricard *(Represented by Paul-Charles Ricard)*		X	X		X		N/A		Non-independent
Pierre Pringuet			X	X	X		N/A	X	Non-independent
Veronica Vargas	X	X			X	X	N/A		Non-independent
Directors representing the employees***									
Maria Jesus Carrasco Lopez (2)				N/A					Representing the employees
Stéphane Emery (3)				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.*

** *Independent in the light of the AFEP-MEDEF criteria but considered as Non-independent by the Board of Directors due to the shareholders' agreement between Société Paul Ricard and Mr Rafaël Gonzalez-Gallarza, her father.*

*** *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.*

(1) *The appointments of Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin will be submitted to the approval of the Shareholders' Meeting of 8 November 2019.*

(2) *Director representing the employees, whose first meeting of the Board of Directors was on 23 January 2019.*

(3) *Director representing the employees, whose first meeting of the Board of Directors was on 19 January 2018.*

In the context of 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, Director linked 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. It is reminded that Mr Ian Gallienne's experience in finance as well as his good knowledge of the Group are an asset to the Board of Directors of Pernod Ricard. Lastly, it should be noted that Mr Gilles Samyn spent part of his career with the GBL group (or companies to which GBL is linked) but no longer holds a position within this group, such that his independence is not affected.

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;
- Mr Ian Gallienne is not a member of the Nominations, Governance and CSR Committee; and
- GBL does not intend to seek the appointment of additional Directors, as indicated in the aforementioned AMF declaration.

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

- 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;
- 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 15 members (including the Directors representing the employees).

Thus, these elements demonstrate 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 24 July 2019, following the recommendation of the Nominations, Governance and CSR Committee, confirmed that seven out of 13 Board members (excluding the Directors representing the employees) are deemed to be independent: Ms Patricia Barbizet, Ms Nicole Bouton, Ms Anne Lange and Ms Kory Sorenson and Messrs. Wolfgang Colberg, Ian Gallienne and Gilles Samyn, representing more than half of the Board of Directors (53.84%), as required by the AFEP-MEDEF Code.

2.5.4 Succession plan

The Nominations, Governance and CSR Committee, under the leadership 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 timescales:

- 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, which examines the succession plan each year during the Executive Session. The Board and the Committee are particularly vigilant in keeping this information confidential.

2.5.5 Directors' Code of Conduct

Article 5 of the Internal Regulations, adopted by the Board of Directors on 17 December 2002, recently amended on 28 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 by the Board of Directors on 20 July 2017 in particular in order to comply with the European regulation 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 30 days prior to the publication of the annual and half-year results and 15 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 28 August 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 notably to assess the operations of the Board and to discuss the succession plan. One Executive Session was held in FY19.

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 FY19

During FY19, the Board of Directors met eight times with an attendance rate of 99.09%. The average duration of the meetings of the Board of Directors was *circa* three hours.

	Board of Directors	Audit Committee	Nominations, Governance and CSR Committee	Compensation Committee	Strategic Committee
Alexandre Ricard	8/8				1/1
Patricia Barbizet (1)	4/4		1/1		
Nicole Bouton	8/8		4/4	6/6	
Wolfgang Colberg	8/8	4/4	4/4		1/1
Ian Gallienne	8/8			6/6	1/1
César Giron	8/8		4/4		1/1
Martina Gonzalez-Gallarza	8/8				
Anne Lange	8/8				1/1
Pierre Pringuet	8/8			5/6	0/1
Gilles Samyn	7/8	4/4			
Société Paul Ricard *(represented by Paul-Charles Ricard)*	8/8				
Kory Sorenson	8/8	4/4		6/6	
Veronica Vargas	8/8				
Directors representing the employees					
Maria Jesus Carrasco Lopez (2)	3/3				
Stéphane Emery	8/8			6/6	

(1) Since the appointment of Ms Patricia Barbizet as a Director at the Shareholders' Meeting of 21 November 2018, four meetings of the Board of Directors have been held. Ms Patricia Barbizet was also appointed Chairwoman of the Nominations, Governance and CSR Committee by the Board of 23 January 2019, upon the proposal of said Committee. Since her appointment, one meeting of the Nominations, Governance and CSR Committee was held during the year.

(2) During FY19, three meetings of the Board of Directors were held since the appointment of Ms Maria Jesus Carrasco Lopez as a Director representing the employees.

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 Board's culture, which encourages discussions between the Directors and General Management. The Directors particularly appreciate the conviviality and professionalism of the Board.

However, in a constructive approach, the Directors noted that, despite an improvement, the balance between presentations and debates should continue to improve and that presentation materials, notably financial, should be provided earlier.

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 FY19	• During FY19, 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. • 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 28 August 2019 established the FY20 compensation policy for the Chairman & CEO to be submitted to the approval of the Shareholders' Meeting (10^{th} resolution) and evaluated his variable compensation for FY19 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. • The Board of Directors reviewed the annual assessment of its operations at its meeting of 24 July 2019, 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 28 August 2019, the Audit Committee comprised:** **Chairman:** Mr Wolfgang Colberg (Independent Director) **Members:** Mr Gilles Samyn (Independent Director) Ms Kory Sorenson (Independent Director) The three 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 FY19, 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 FY19	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 2018 during the meeting held on 11 February 2019; • review of the consolidated financial statements at 30 June 2019 (reviewed at the meeting held on 27 August 2019): 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 Auditors and the draft financial reporting presentation; • 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 4 December 2018 and 11 June 2019 were devoted mainly to risk management). An updating of the Group's risk-mapping was carried out in 2019 and submitted to the Audit Committee, and the development of data analytics to strengthen internal audit approaches continued in 2019. Moreover, digital marketing and use of the cloud were subject to cross-functional reviews in FY19 in order to reinforce the processes implemented within the affiliates of the Group; • 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 27 August 2019; • examination of the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 30 internal audits were performed in FY19 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 FY19 at the meeting held on 11 June 2019. The audit plan was prepared and approved, taking into account the Group's main risks.
Outlook FY20	In FY20, 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, FY19 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 FY20 audit plan.

2.7.3 Nominations, Governance and CSR Committee

Composition	**On 28 August 2019, the Nominations, Governance and CSR Committee comprised:** **Chairwoman:** Ms Patricia Barbizet (Lead Independent Director) **Members:** Ms Nicole Bouton (Independent Director) Mr Wolfgang Colberg (Independent Director) Mr César Giron (Director) Three out of the four Directors who are members of the Nominations, Governance and CSR Committee are Independent Directors (75%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%. Mr Alexandre Ricard, Chairman & 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 FY19, this Committee met four times, with and 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) 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 FY19	In FY19, 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 FY20	In FY20, 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 28 August 2019, the Compensation Committee comprised:** **Chairwoman:** Ms Nicole Bouton (Independent Director) **Members:** Mr Ian Gallienne (Independent Director) Mr Pierre Pringuet (Director) Ms Kory Sorenson (Independent Director) Mr Stéphane Emery (Director representing the employees) Three out of the four Directors who are members of the Compensation Committee (excluding the Director representing the employees [1]) are Independent Directors (75%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%. **In FY19, the Compensation Committee met six times, with an attendance rate of 96.67%.**

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, 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 FY19	Further details of the work of the Compensation Committee are provided in 2.1.8 "Compensation policy". During FY19, the members of the Compensation Committee considered in particular the policy for the allocation of options and/or performance-based shares, in order to renew the related resolutions at the Shareholders' Meeting in November 2019, as well as the structure of the variable compensation for the Chairman & CEO.
Outlook for FY20	In FY20, the Committee will continue with the tasks it is carrying out for the Board of Directors, notably the review of the governance rules and market practices regarding Executive Directors' compensation, in line with the application of the so-called "PACTE" law no. 2019-486 of 22 May 2019 on growth and business transformation, and the Order governing the transposition of European Directive no. 2017/828 of 17 May 2017 on Directors' compensation in listed companies, and in particular on determining the equity ratio.

(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 28 August 2019, the Strategic Committee comprised:** **Chairman:** Mr Alexandre Ricard (Chairman & CEO) **Members:** Mr Wolfgang Colberg (Independent Director) Mr Ian Gallienne (Independent Director) Mr César Giron (Director) Ms Anne Lange (Independent Director) Mr Pierre Pringuet (Director) Three out of the six Directors who are members of the Strategic Committee are Independent Directors (50%), it being noted that the AFEP-MEDEF Code does not make any recommendation regarding the Strategic Committee's independence. **In FY19, the Strategic Committee met once with an attendance rate of 83.33%.** 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 FY19	During FY19, 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 new FY19-21 "Transform & Accelerate" strategic plan.
Outlook for FY20	In FY20, the Committee will continue with the tasks it is carrying out for the Board of Directors, and notably the 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.

2.8 Compensation policy

2.8.1 Corporate officers' compensation

This subsection was prepared with the assistance of the Compensation Committee.

Compensation policy for members of the Board of Directors

The conditions governing Directors' compensation within the total amount of Directors' fees 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' fees for FY19

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 Chairmen of the Compensation Committee and the Nominations, Governance and CSR Committee each receive an additional €8,500.

The Vice Chairman of the Board of Directors received additional annual Directors' fees of €40,000 on a pro-rata temporis basis during the financial year. Following his resignation and the creation of the position of Lead Independent Director, the Lead Independent Director received the same amount of Directors' fees on a pro-rata temporis basis during the financial year.

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 videoconference 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 & CEO does not receive Directors' fees.

Of the €1,250,000 allocated by the Shareholders' Meeting of 21 November 2018, a total of €1,053,375 in Directors' fees was paid to Directors in FY19, in accordance with the rules set out above.

Table of compensation (in euros) received by Non-Executive Directors (Table 3 AMF nomenclature)

Members of the Board	Amounts paid in FY18	Amounts paid in FY19
Ms Patricia Barbizet	N/A	60,083
Ms Nicole Bouton	87,500	115,458
Mr Wolfgang Colberg	113,500	133,000
Mr Ian Gallienne	91,000	102,000
Mr César Giron	69,500	82,000
Ms Martina Gonzalez-Gallarza	54,000	62,500
Ms Anne Lange	68,000	64,000
Mr Pierre Pringuet	109,500	109,333
Société Paul Ricard represented by Paul-Charles Ricard (1)	43,500	52,000
Mr Gilles Samyn	73,000	82,000
Ms Kory Sorenson	101,500	106,000
Ms Veronica Vargas	54,000	62,500
Ms Maria Jesus Carrasco Lopez (2)	N/A	7,500
Mr Stéphane Emery (3)	7,500	15,000
Mr Sylvain Carré (4)	7,500	N/A
Mr Manousos Charkoftakis (5)	7,500	N/A
TOTAL	**887,500**	**1,053,375**

N/A: not applicable.

(1) Permanent representative of Société Paul Ricard, Director
(2) From 23 January 2019, the date on which she took part in her first meeting of the Board of Directors.
(3) From 19 January 2018, the date on which he took part in his first meeting of the Board of Directors.
(4) Until 2 December 2017, date of the end of his term as Director representing the employees.
(5) Until 28 November 2017, date of the end of his term as Director representing the employees.

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

In addition to compensation as Directors, 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.

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

Fixed compensation

Mr César Giron receives gross fixed compensation for his duties as Chairman & CEO of Martell Mumm Perrier-Jouët which amounted to €474,350 for FY19.

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 100% 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 FY19, he received gross variable compensation in October 2018 of €404,779 relating to FY18, *i.e.* 88.32% of his fixed compensation for FY18.

Special bonus

No special bonuses were awarded or paid in respect of FY19.

Stock option and performance-based share allocation

On 21 November 2018, 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:

- 5,863 stock options with an external performance condition (€123,346 at IFRS value); and
- 1,915 performance-based shares with an internal performance condition (€246,688 at IFRS value).

The details of the overall stock option and performance-based share allocation policy are shown below (pages 69-70 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 8 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 2019, the estimated gross amount of the annuity potentially paid under the supplementary defined-benefit pension scheme for Mr César Giron would be €148,727 per year.

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

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

During FY19, Mr César Giron qualified for a company car and a part-time chauffeur.

2.8.3 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 which amounted to €58,620 for FY19.

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 FY19, he received gross variable compensation of €5,891 relating to FY18.

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 €8,830 from incentive agreements and €8,453 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.

2.8.4 Compensation policy for the Executive Director

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 8 November 2019 (in its 10th resolution appearing in Part 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.

It is specified that this report has been drawn up under the supervision of the Compensation Committee.

Principles and rules for determining the policy

The compensation policy for the Executive Director is set by the Board of Directors based on the recommendation of the Compensation Committee and the following principles for determination:

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.

Overview 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.

Simplicity and consistency

Based on the recommendations of the Compensation Committee, the Board of Directors seeks to implement a compensation policy for the Executive Director that is straightforward, easy to understand and consistent with that of the Group's senior executives.

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 each recipient 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 remuneration.

Lastly, the variable compensation policy (in particular setting the criteria for the annual variable portion as well as the performance conditions for stock options and performance-based shares) is kept under regular review, based on the Group's strategic priorities and in alignment with shareholders' interests.

Role of the Compensation Committee

The Compensation Committee oversees the strict application of all these principles in the context of its work and its recommendations to the Board of Directors, both for drawing up the compensation policy for the Executive Director and for determining the amounts of compensation allocated.

Potential change of governance

Where a new Chairman & 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 & CEO shall also apply to them. The Board of Directors, on the recommendation of 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.

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; and
- market analyses for comparable functions.

A study is regularly carried out with the help of specialist 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 might 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 & CEO, a new Chief Executive Officer or Deputy Chief Executive Officer(s), these same principles will apply.

Compensation as Chairman of the Board

The Executive Director does not receive compensation (Directors' fees) in respect of offices he holds in the Company or in Group companies.

Variable annual portion

The purpose of variable annual compensation is to encourage the Executive Director to achieve 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 and may be modified on an occasional basis. For FY20, the Board of Directors decided, on the recommendation of the Compensation Committee, to add an operating leverage criterion consistent with the Group's strategy, and replace the "net debt/EBITDA ratio" criterion with a recurring Free Cash Flow criterion.

As such, the criteria are:

- **achievement of the target for Profit from Recurring Operations**: target 20% and maximum 37.5% if significantly exceeded, restated for foreign exchange and scope effects. 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 incentives helps bring together the Group's various affiliates, 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**: target 20% and maximum 37.5% if significantly exceeded, restated for foreign exchange and scope effects. This criterion takes account of all of the Group's financial items which fall under the responsibility of the Executive Director over the financial year, and thus helps to align his compensation with shareholders' remuneration;
- **achievement of the target for Recurring Free Cash Flow:** target 20% and maximum 37.5% if significantly exceeded, restated for foreign exchange and scope effects. This criterion measures the Group's financial performance and value creation;
- **operating leverage:** target 20% and maximum 37.5% if significantly exceeded, restated for foreign exchange and scope effects. The inclusion of this criterion in the calculation of the variable portion paid to the Executive Director is in line with the Group's strategy to improve its operating margin; 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. 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.

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.

Also, 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 compensation (excluding retirement benefits) related to leaving his or her previous position.

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.

With this in mind, the Shareholders' Meeting of 8 November 2019 will be asked to authorise the Board of Directors to grant stock options (21st Resolution) and/or performance-based shares to employees and Executive Directors of the Company and Group companies (20th Resolution), subject to 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 total performance of the Pernod Ricard share (Total Shareholder Return) compared to the total 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;
- in 6th, 5th or 4th position, 83% of the options will be exercisable; and
- in 3rd, 2nd or 1st position, 100% of the options will be exercisable.

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.

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 elements distributed). 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 21th 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 *prorata 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);
- if two of the three criteria are satisfied: eight months' compensation (1);
- if one of the three criteria is satisfied: four months' compensation (1);
- if no criteria is satisfied: no compensation will be paid.

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

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).

Lastly, pursuant to the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting held on 17 November 2016 (5th resolution).

Supplementary pension scheme

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 their 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.

Pursuant to the regulated agreements and commitments procedure, this commitment was approved by the Shareholders' Meeting of 17 November 2016 (5th resolution).

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)		X		X	X		X	

(1) *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.*

2.8.5 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)

€	2017/2018	2018/2019
Compensation due for the financial year (1)	2,490,510	2,853,227 (2)
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	473,195	549,996
Value of performance-based shares allocated during the financial year	951,734	1,099,888
Value of performance-based shares allocated during the financial year in respect of the supplementary pension scheme (3)	109,521	131,658
Supplementary cash payment in respect of the supplementary pension scheme (3)	109,653	131,708
TOTAL	**4,134,613**	**4,766,477 (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)

	2017/2018		2018/2019	
€	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	950,000	950,000	1,100,000	1,100,000
Variable annual compensation (1)	1,534,155	1,243,075	1,745,810 (3)	1,534,155
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 (Directors' fees)	N/A	N/A	N/A	N/A
Benefits in kind (2)	6,355	6,355	7,417	7,417
TOTAL	**2,490,510**	**2,199,430**	**2,853,227**	**2,641,572**

N/A: not applicable

(1) The variable compensation due in respect of the prior year is paid in year 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 the shareholders.

Stock options granted to 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
FY19	21.11.2018	Purchase	€549,996	26,143	€137.78	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 22.11.2022 to 21.11.2026

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

Date of plan
Mr Alexandre Ricard exercised no options during FY19

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
21.11.2018	4,269	€549,928	22.11.2022	22.11.2022	Average achievement of the annual budget targets in respect of Profit from recurring operations in the current and subsequent two years (three consecutive years).
21.11.2018	511 [(1)]	€65,827	22.11.2022	22.11.2022	Average achievement of the annual budget targets in respect of Profit from recurring operations in the current and subsequent two years (three consecutive years).
21.11.2018	6,842	€549,960	22.11.2022	22.11.2022	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.
21.11.2018	819 [(1)]	€65,831	22.11.2022	22.11.2022	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.

(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	Information about and terms of any acquisition rights and/or obligations
06.11.2014	6,855 [(1)]	Average achievement of the annual budget targets in respect of Profit from recurring operations in the current and subsequent years. Outperformance of Pernod Ricard shares (TSR) in the market compared with that of the Eurostoxx 600 (SX3R) Food & Beverage index over three years

(1) The initial allocation was 11,600 shares (the internal performance condition was achieved in the proportion of 78% and the external performance condition in the proportion of 66%, putting the total achievement at 59%).

Equity ratio between the level of compensation of the Chairman & CEO and the average and median compensation of the Company's employees

This information is presented in accordance with the very recent terms of Law no. 2019-486 of 22 May 2019 on growth and business transformation, known as the "PACTE" law, in order to be immediately compliant with the new transparency requirements for Directors' compensation.

It is likely to evolve naturally over time as further precisions and official positions in this respect are made available to companies.

FY15	Alexandre Ricard (Deputy Chief Executive Officer then Chairman and CEO)	Pierre Pringuet (Chief Executive Officer)	Danièle Ricard (Chairwoman of the Board of Directors)
Ratio versus average compensation	14.01	26.38	0.88
Ratio versus median compensation	25.29	47.61	1.58

Alexandre Ricard (Chairman & CEO)	FY16	FY17	FY18	FY19
Ratio versus average compensation	22.39	48.09	33.76	40,17
Ratio versus median compensation	41.58	85.98	56.21	67,43

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

- FY15: Alexandre Ricard took office on 11 February 2015. His fixed compensation consists of 7 months of fixed compensation as Deputy Chief Executive Officer and 5 months of fixed compensation as Chairman and Chief Executive Officer. His bonus, stock options and performance shares granted during this year were those determined in respect of his duties as Deputy Chief Executive Officer.
- 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%.

2.8.6 Components of the compensation due or granted in respect of FY19 to Mr Alexandre RICARD, Chairman & CEO, subject to the shareholders' approval

The law on transparency, the fight against corruption and the modernisation of economic life (known as "Sapin II"), promulgated on 9 December 2016, requires that the fixed, variable and exceptional components constituting the total compensation and benefits of all kinds paid or granted to corporate officers for the prior financial year be submitted for approval each year to the Ordinary Shareholders' Meeting (9th resolution submitted to the Shareholders' Meeting of 8 November 2019 and appearing in Part 8 "Combined Shareholders' Meeting" of this universal registration document). This vote is binding (as opposed to the advisory vote previously provided for by the AFEP-MEDEF Code).

The components of compensation paid or granted in respect of FY19 to Mr Alexandre Ricard, Chairman & CEO, were approved by the Board of Directors at its meetings of 28 August 2018, 21 November 2018 and 28 August 2019, on the recommendation of the Compensation Committee, in application of the compensation policy – namely the principles and criteria for determining, allocating and granting components of compensation – applicable to the Chairman & CEO and approved by the Shareholders' Meeting of 21 November 2018 (10th resolution).

Components of compensation	Amounts	Remarks
Fixed compensation	€1,100,000	• At its meeting held on 28 August 2018, the Board of Directors, on the recommendation of the Compensation Committee, decided to increase Mr Alexandre Ricard's gross annual fixed compensation to €1,100,000 for FY19 and until the end of his term.
Variable compensation	€1,745,810	• At its meeting held on 28 August 2019, 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 FY19. • Considering the quantitative and qualitative criteria set by the Board meeting on 28 August 2018 and the achievements recognised as of 30 June 2019, the amount of the variable portion was assessed as follows: • for the quantitative criteria, the variable portion amounted to 126.71% 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 30%, maximum 55%): 40.55%, • achievement of the budgeted Group net profit from recurring operations (target 20%, maximum 40%): 31.16%, • deleveraging (net debt/EBITDA) (target 30%, maximum 55%): 55%;

Components of compensation	Amounts	Remarks
Variable compensation	€1,745,810	• for the qualitative criteria, the variable portion approved amounted to 32% of Mr Alexandre Ricard's annual fixed compensation, versus a target of 30% and a maximum of 45%, breaking down as follows: • increase, by value, Pernod Ricard USA's sales at a faster rate than the broader market (6-9%): 2%, • ensure strong sales growth in value for growth drivers: Pernod Ricard China, Pernod Ricard India and Global Travel Retail (6-9%): 9%, • improve Absolut's growth by accelerating its international expansion (6-9%): 3%, • improve operating leverage (6-9%): 9%, • develop and launch a new S&R strategy with the formalisation of the 2030 objectives (6-9%): 9%. • Consequently, the total amount of Alexandre Ricard's variable compensation for FY19 as Chairman & CEO was set at €1,745,810, *i.e.* 158.71% of his fixed annual compensation for FY19 (vs a target of 110%). The variable compensation in respect of FY18 and FY17 respectively represented 161.49% and 130.85% of his annual fixed compensation.
Multi-year variable compensation	N/A	• Mr Alexandre Ricard does not qualify for any multi-year variable cash compensation.
Compensation as Chairman of the Board of Directors	N/A	• As an Executive Director, Mr Alexandre Ricard does not receive any compensation in his capacity as Chairman of the Board of Directors (Directors' fees).
Special bonus	N/A	• Mr Alexandre Ricard does not qualify for any special bonus.
Allocation of stock options and/or performance-based shares	€549,996 (total IFRS value of stock options with an external performance condition) €549,928 (total IFRS value of performance-based shares with an internal performance condition) €549,960 (IFRS value of performance-based shares with internal and external performance conditions)	• During FY19, the Board of Directors' meeting held on 21 November 2018 decided, on the recommendation of the Compensation Committee, to grant Mr Alexandre Ricard: • **26,143 stock options** (*i.e.* approx. 0.010% of the Company's share capital) all subject to the external performance condition specified in the subsection "Allocation of stock options" in Section 2.8.4 above, • **4,269 performance-based shares** (*i.e.* approx. 0.0016% of the Company's share capital) all subject to the internal performance condition specified in the subsection "Allocation of performance-based shares" in Section 2.8.4 above, • **6,842 performance-based shares** (representing approximately 0.0026% of the Company's share capital), all subject to the internal and external performance conditions specified in the subsections "Allocation of stock options" and "Allocation of performance-based shares" in Section 2.8.4 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 Section 2.8.4 above).
Welcome bonus or compensation for termination of office	No payment	• Mr Alexandre Ricard, as Chairman & CEO, benefits from: • a one-year non-compete clause specified in the subsection "Non-compete clause" in Section 2.8.4 above, • an imposed departure clause (maximum of 12 months' compensation) specified in the subsection "Imposed departure clause" in Section 2.8.4 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	Remarks
Supplementary pension scheme	€131,658 (total IFRS value of performance-based shares with internal and external performance conditions) €131,708 (payment in cash of 5% of the fixed and variable annual compensation)	• Pursuant to the the Board of Directors' decision at its meeting of 31 August 2016, in respect of his supplementary retirement plan, Mr Alexandre Ricard receives 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%). This decision was approved by the Shareholders' Meeting of 17 November 2016 (16th resolution). • Grant of: • 511 performance-based shares, subject to an internal condition, and • 819 performance-based shares, subject to internal and external conditions. • 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 Section 2.8.4 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 Section 2.8.4 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	€7,417	• Mr Alexandre Ricard benefits from a company car.

N/A: Not applicable

2.8.7 Other aspects of the compensation policy

Overall stock option and performance-based share allocation policy

During FY19, 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 21 November 2018, 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.

As in the past, nearly 1,000 employees were rewarded, so that the Company could target not only Senior Managers but also foster the loyalty of young Managers with potential (identified as "talents") in the Group's affiliates worldwide.

The 21 November 2018 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 total performance of Pernod Ricard shares compared with the total performance of a panel of 12 comparable companies over three years, only considering positioning on the median or higher;
- retain the internal performance criterion applicable to performance-based shares, *i.e.* the average level of achievement of annual objectives of profit from recurring operations, assessed over three consecutive financial years;
- maintain a mixed award between stock options and performance-based shares for Executive Committee members, including the Executive Director, thereby allowing for a fair reward for achieving internal and external criteria; and
- maintain performance-based share awards for all beneficiaries, with the number of shares varying depending on the classification of the beneficiary's 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 21 November 2018 stood at 109,492 stock options.

All of the stock options under the plan are subject to an external performance condition and will become exercisable from November 2022 depending on the positioning of the total performance of Pernod Ricard shares compared to the total 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 total performance of the Pernod Ricard share and the total performance of a Panel from 21 November 2018 to 21 November 2021 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;
- in 6th, 5th or 4th position, 83% of the options will be exercisable; and
- in 3rd, 2nd or 1st position, 100% of the options will be exercisable.

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 internal and external performance conditions

At its meeting of 21 November 2018, the Board of Directors granted 6,842 performance-based shares with internal and external performance conditions (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 2022 depending on the internal performance condition over three consecutive FY (FY19, 20 and 21 – see below) and the positioning of the total performance of Pernod Ricard shares compared to the total performance of a Panel of 12 comparable companies (see above). This external benchmark condition will be evaluated over a three-year period following the plan allocation, *i.e.* from 21 November 2018 to 21 November 2021 inclusive.

The volumes subject to the external performance condition will be those determined at the close of the 2020/21 accounts after applying the internal condition. Final volumes will be determined at the end of the external benchmark condition evaluation period in accordance with subsection "Allocation of stock options" in Section 2.8.4.

Allocation of performance-based shares with internal condition

A total of 333,141 performance-based shares (excluding shares related to the supplementary pension scheme) were awarded by the Board of Directors at its meeting of 21 November 2018, 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 FY (FY19, 20 and 21).

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.

History of allocations of stock options – Situation at 30 June 2019 (Table 8 AMF nomenclature)

	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2015	Plan dated 17.11.2016	Plan dated 09.11.2017	Plan dated 21.11.2018
Date of authorisation by Shareholders' Meeting	02.11.2009	02.11.2009	09.11.2012	06.11.2015	06.11.2015	06.11.2015	06.11.2015
Date of Board of Directors' meeting	15.06.2011	27.06.2012	06.11.2013	06.11.2015	17.11.2016	09.11.2017	21.11.2018
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	948,050	415,400	349,640	278,575	150,008	124,050	109,492
of which by the corporate officers of Pernod Ricard SA	77,450	71,000	51,700	28,200	39,445	39,445	32,006
of which by Mr Pierre Pringuet (1)	65,220	60,000	26,000	N/A	N/A	N/A	N/A
of which by Mr Alexandre Ricard (2)	N/A	N/A	16,500	20,700	31,400	25,050	26,143
of which by Mr César Giron	12,230	11,000	9,200	7,500	8,045	7,000	5,863
Commencement date of options	16.06.2015	28.06.2016	07.11.2017	07.11.2019	18.11.2020	10.11.2021	22.11.2022
Expiry date	15.06.2019	27.06.2020	06.11.2021	06.11.2023	17.11.2024	09.11.2025	21.11.2026
Subscription or purchase price *(in euros)*	68.54	78.93	88.11	102.80	105.81	126.53	137.78
Number of shares subscribed or purchased	893,993	-	-	-	-	-	-
Total number of stock options cancelled or lapsed (3)	54,057	415,400	349,640	96,068	-	-	-
of which allocated to Mr Pierre Pringuet (1)	978	60,000	26,000	N/A	N/A	N/A	N/A
of which allocated to Mr Alexandre Ricard (2)	N/A	N/A	16,500	-	-	-	-
of which allocated to Mr César Giron	138	11,000	9,200	-	-	-	-
Subscription or purchase options remaining	-	-	-	182,507	150,008	124,050	109,492

N/A: not applicable.

(1) Only options cancelled or allocated to Mr Pierre Pringuet in his capacity as Executive Director (i.e. until 11 February 2015) are included.
(2) Only options cancelled or allocated to Mr Alexandre Ricard in his capacity as Executive Director (i.e. from 29 August 2012) are included.
(3) Options cancelled after the beneficiaries failed to meet the continuous service and/or performance conditions. During FY19, 94,018 stock options granted under the 06.11.2015 plan were cancelled in application of the external performance condition (66% of the amounts initially awarded).

On 30 June 2019, 566,057 options (all for share purchases) were in circulation, corresponding to approximately 0.21% of the Company's share capital; all these options were "in the money" (at the Pernod Ricard share closing price on 28 June 2019 = €162.05).

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

History of allocations of performance-based shares – Situation as at 30 June 2019 (Table 10 AMF nomenclature)

	Plan dated 06.11.2014	Plan dated 06.11.2015	Plan dated 17.11.2016	Plan dated 09.11.2017	Plan dated 21.11.2018
Date of authorisation by Shareholders' Meeting	06.11.2014	06.11.2015	06.11.2015	06.11.2015	06.11.2015
Date of Board of Directors' meeting	06.11.2014	06.11.2015	17.11.2016	09.11.2017	21.11.2018
Number of performance-based shares allocated	583,240	418,923	461,376	371,511	341,313
of which to corporate officers of Pernod Ricard SA	34,000	10,650	15,815	13,820	14,356
of which to Mr Pierre Pringuet	18,200	N/A	N/A	N/A	N/A
of which to Mr Alexandre Ricard	11,600	8,500	13,200	11,820	12,441
of which to Mr César Giron	4,200	2,150	2,615	2,000	1,915
Vesting date of the performance-based shares	07.11.2018	07.11.2019	18.11.2020	10.11.2021	22.11.2022
End date for share lock-in period	07.11.2018	07.11.2019	18.11.2020	10.11.2021	22.11.2022
Presence of performance condition	Yes	Yes	Yes	Yes	Yes
Number of performance-based shares cancelled (1)	226,270	80,640	55,350	22,769	5,244
of which allocated to Mr Pierre Pringuet	7,445	-	-	-	-
of which allocated to Mr Alexandre Ricard	4,745	-	-	-	-
of which allocated to Mr César Giron	1,217	-	-	-	-
Vested performance-based shares (2)	356,970	455	-	-	-
Unvested performance-based shares (3)	0	337,828	406,026	348,742	336,069

N/A: not applicable.
All performance-based shares are subject to performance conditions and the beneficiaries must still be working for the Company. Performance 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 for the 2014 plans. During FY19, all the shares awarded under the 2015 plan were confirmed in application of the performance condition (they remain subject to the condition of continued presence in the Company until 6 November 2019).*
(2) *Allocated shares that vested and were transferred to the beneficiaries. The shares relating to the 2015 plan were transferred to the beneficiaries in advance following the death of a beneficiary.*
(3) *For the November 2014, 2015 and 2016 plans, the performance condition was evaluated in full. For the November 2017 and November 2018 plans, it will only be evaluated at the close of FY20 and FY21 respectively.*

Stock options granted to the Group's top 10 employees other than Executive Directors and options exercised by the Group's top 10 employees other than Executive Directors during FY19 (Table 9 AMF nomenclature)

	Number of options allocated/shares subscribed or purchased	Weighted average price *(€)*	Plans
Options granted during the financial year by the issuer and any companies within its Group granting options to the top ten employees of the Company and any such Group company, receiving the highest number of options (1)	42,308	137.78	21.11.2018
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	37,025	68.54	15.06.2011

(1) *During FY19, only seven people within Pernod Ricard SA were affected by these allocations.*

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 share ownership plan

During the 2018/19 financial year, the Group launched its first Employee Share Ownership Plan ("Accelerate 2019"), rolled out in 18 countries representing approximately 75% of the Group's workforce.

Following the reservation period (from 29 April to 13 May 2019) and the cancellation period (from 19 to 21 June 2019), 5,840 employees had subscribed to the plan, representing an overall participation rate of 41.5%; exceptionally high subscription rates were recorded in India (76.39%), France (56.89%) and China (48.06%).

The substantial participation of eligible employees in this plan is a source of genuine satisfaction for Pernod Ricard. It underlines their confidence in the Group and its growth prospects.

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 pension 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 members of the Compensation Committee 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 & 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 & 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 FY19 (the same amount as in FY18). In addition to this, variable compensation (relating to FY18) of €6.5 million was paid (compared with €6.4 million in FY18).

The total recurring expense in respect of pension commitments for members of the Executive Committee, including the Executive Director, was €5 million in the financial statements for the year ended 30 June 2019 (compared with €4.4 million as at 30 June 2018).

Transactions involving Pernod Ricard shares made by corporate officers in FY2019 (article 223-26 of the AMF General Regulation)

First name, surname, Company name	Shares	Financial instrument	Type of transaction	Date	Price *(in euros)*	Amount of transaction *(in euros)*
Mr Alexandre Ricard	Chairman and CEO	Shares	Acquisition	07.11.2018	138.40	948,732
		Shares	Acquisition	18.11.2018	140.4500	1,262,505
Ms Patricia Barbizet	Lead Independent Director	Shares	Acquisition	26.11.2018	142.6523	67,760
		Shares	Acquisition	28.11.2018	142.2747	74,694
		Shares	Acquisition	20.06.2019	163.6300	106,360
		Shares	Acquisition	21.06.2019	163.9100	106,542
		Shares	Acquisition	24.06.2019	163.5600	114,492
Mr César Giron	Director	Shares	Disposal	13.09.2018	134.74	100,787
		Shares	Acquisition	07.11.2018	138.40	412,847
Ms Anne Lange	Director	Shares	Acquisition	04.07.2018	137.5000	19,938
		Shares	Acquisition	26.07.2018	138.6500	21,491
		Shares	Acquisition	30.10.2018	132.6000	26,520
		Shares	Acquisition	13.03.2019	154.9500	61,980
Mr Pierre Pringuet	Director	Shares	Acquisition	07.11.2018	138.40	1,488,492
Société Paul Ricard	Director	Shares	Equity futures contract	02.07.2018	0	0
		Shares	Acquisition	30.08.2018	135.07	3,390,234
		Shares	Acquisition	30.08.2018	135.13	1,160,249
		Shares	Acquisition	30.08.2018	135.16	276,817
		Shares	Acquisition	31.08.2018	135.09	3,707,230
		Shares	Acquisition	05.09.2018	135.22	1,465,388
		Shares	Acquisition	14.09.2018	134.78	10,485,588
		Shares	Acquisition	14.09.2018	134.78	1,549,998
		Shares	Acquisition	14.09.2018	134.79	2,722,758
		Shares	Acquisition	14.09.2018	134.80	3,612,669
		Shares	Acquisition	17.09.2018	134.73	2,829,406
		Shares	Acquisition	17.09.2018	134.74	10,751,877
		Shares	Acquisition	17.09.2018	134.74	1,596,694
		Shares	Acquisition	17.09.2018	134.77	3,470,410
		Shares	Acquisition	18.09.2018	134.69	3,347,051
		Shares	Acquisition	18.09.2018	134.69	12,506,041
		Shares	Acquisition	18.09.2018	134.70	1,865,581
		Shares	Acquisition	18.09.2018	134.70	4,041,021
		Shares	Acquisition	19.09.2018	133.99	3,483,704
		Shares	Acquisition	19.09.2018	133.99	4,287,725
		Shares	Acquisition	19.09.2018	134.00	2,009,996
		Shares	Acquisition	19.09.2018	134.00	13,668,316
		Shares	Acquisition	20.09.2018	133.95	14,198,658
		Shares	Acquisition	20.09.2018	133.97	4,822,765
		Shares	Acquisition	20.09.2018	133.97	3,751,082
		Shares	Acquisition	20.09.2018	133.97	2,143,562
		Shares	Acquisition	21.09.2018	135.73	3,308,419
		Shares	Acquisition	21.09.2018	135.84	1,013,399
		Shares	Acquisition	21.09.2018	135.94	421,815
		Shares	Acquisition	21.09.2018	135.95	730,187
		Shares	Acquisition	24.09.2018	135.99	2,899,390
		Shares	Acquisition	24.09.2018	136.00	411,669
		Shares	Acquisition	24.09.2018	136.00	418,062

First name, surname, Company name	Shares	Financial instrument	Type of transaction	Date	Price *(in euros)*	Amount of transaction *(in euros)*
Société Paul Ricard	Director	Shares	Acquisition	24.09.2018	136.00	181,696
		Shares	Acquisition	25.09.2018	136.09	2,949,485
		Shares	Acquisition	25.09.2018	136.13	1,039,367
		Shares	Acquisition	25.09.2018	136.24	897,949
		Shares	Acquisition	25.09.2018	136.24	1,319,899
		Shares	Acquisition	19.10.2018	131.28	4,931,031
		Shares	Acquisition	19.10.2018	131.57	1,109,164
		Shares	Acquisition	19.10.2018	131.61	1,568,706
		Shares	Acquisition	19.10.2018	131.62	965,697
		Shares	Acquisition	23.10.2018	129.04	7,830,426
		Shares	Acquisition	23.10.2018	129.35	5,303,260
		Shares	Acquisition	23.10.2018	129.53	4,209,738
		Shares	Acquisition	23.10.2018	129.57	3,174,436
		Shares	Acquisition	23.10.2018	129.93	10,306,214
		Shares	Acquisition	24.10.2018	129.88	589,405
		Shares	Acquisition	24.10.2018	129.90	1,245,767
		Shares	Acquisition	24.10.2018	129.92	343,515
		Shares	Acquisition	24.10.2018	129.92	315,844
		Shares	Acquisition	25.10.2018	130.31	458,677
		Shares	Acquisition	25.10.2018	130.32	1,470,396
		Shares	Acquisition	25.10.2018	130.71	102,474
		Shares	Acquisition	25.10.2018	130.74	93,869
		Shares	Acquisition	26.10.2018	131.78	18,448,906
		Shares	Acquisition	26.10.2018	131.78	3,624,005
		Shares	Acquisition	26.10.2018	131.78	5,798,474
		Shares	Acquisition	26.10.2018	131.91	4,550,878
		Shares	Acquisition	29.10.2018	130.99	749,023
		Shares	Acquisition	29.10.2018	131.06	1,103,886
		Shares	Acquisition	29.10.2018	131.14	4,203,271
		Shares	Acquisition	29.10.2018	131.18	981,612
		Shares	Acquisition	30.10.2018	131.49	642,451
		Shares	Acquisition	30.10.2018	131.49	131,757
		Shares	Acquisition	30.10.2018	131.50	61,542
		Shares	Acquisition	12.11.2018	143.11	3,768,248
		Shares	Acquisition	12.11.2018	143.24	4,175,356
		Shares	Acquisition	12.11.2018	143.25	20,131,633
		Shares	Acquisition	12.11.2018	143.27	7,186,358
		Shares	Acquisition	13.11.2018	144.50	2,153,057
		Shares	Acquisition	13.11.2018	144.50	5,780,148
		Shares	Acquisition	13.11.2018	144.52	2,023,335
		Shares	Acquisition	13.11.2018	144.53	19,938,333
		Shares	Equity futures contract	14.12.2018	0	0
		Shares	Acquisition in connection with the settlement of an equity futures contract	28.12.2018	144.05	199,999,944
		Transfer of stock put options	Transfer of stock put options	25.04.2019	3.69	268,030

Corporate officers' equity investments in the Company's share capital (situation at 30 June 2019)

Members of the Board of Directors	Number of shares at 30.06.2019	Percentage of share capital at 30.06.2019	Number of voting rights at 30.06.2019	Percentage of voting rights at 30.06.2019
Executive Directors				
Mr Alexandre Ricard (Chairman & CEO)	91,416	0.03%	91,416	0.03%
Directors				
Mr César Giron	4,348	N.M.	4,348	N.M.
Ms Martina Gonzalez-Gallarza	1,100	N.M.	1,100	N.M.
Mr Pierre Pringuet	414,997	0.16%	537,741	0.17%
Société Paul Ricard represented by Mr Paul-Charles Ricard [1]	41,158,221	15.51%	67,163,241	21.35%
Ms Veronica Vargas	8,570	N.M.	8,570	N.M.
Independent Directors				
Ms Patricia Barbizet	3,000	N.M.	3,000	N.M.
Ms Nicole Bouton	1,450	N.M.	1,650	N.M.
Mr Wolfgang Colberg	1,076	N.M.	1,152	N.M.
Mr Ian Gallienne	1,000	N.M.	1,000	N.M.
Ms Anne Lange	1,000	N.M.	1,000	N.M.
Mr Gilles Samyn	1,000	N.M.	1,000	N.M.
Ms Kory Sorenson	1,000	N.M.	1,000	N.M.
Director representing the employees [2]				
Ms Maria Jesus Carrasco Lopez	-	N.M.	-	N.M.
Mr Stéphane Emery	-	N.M.	-	N.M.

N.M.: 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 6 November 2015, 9 November 2017 and 21 November 2018 and, where applicable, their use thereof during FY19 are summarised in the following tables.

The authorisations and financial delegations set out below were approved by the Shareholders' Meetings of 6 November 2015 and 9 November 2017 for a period of 38 months and 26 months , as well as by the Shareholders' Meeting of 21 November 2018 (1). Some of these authorisations expired on 5 January 2019 or will expire on 8 January 2020.

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 30.06.2019	Features/Terms
Ordinary shares and/or securities granting access to the share capital with preferential subscription rights (14th resolution)	€10 billion*	€135 million	None	The amount of capital increases carried out under the 15th, 16th, 17th, 18th, 19th, 20th and 21th resolutions of the AGM of 09.11.2017 will be deducted from the overall limit of €135 million set in this 14th resolution. The nominal amount of debt securities issued under the 15th resolution of the AGM of 09.11.2017 will be deducted from the limit of €10 billion set in this 14th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests on the occasion of a capital increase (16th resolution).
Ordinary shares and/or securities granting access to the share capital by public offer without preferential subscription rights (15th 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 14th resolution of the AGM of 09.11.2017. All of the capital increases carried out under the 16th, 17th, 18th, 19th and 21st resolutions will be deducted from the limit of €41 million set in this 15th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests on the occasion of a capital increase (16th resolution).
Equity securities and/or securities giving access to equity securities to be issued without preferential subscription rights (17th resolution)	€4 billion*	€41 million	None	Will be deducted from the limits set for capital increases in the 14th and 15th resolutions of the AGM of 09.11.2017. Amounts may be increased by a maximum of 15% in the event of additional requests (16th resolution)
Shares and/or securities granting access to the share capital in consideration for contributions in kind granted to 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 14th and 15th resolutions of the AGM of 09.11.2017
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 (19th 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 14th and 15th resolutions of the AGM of 09.11.2017
Capitalisation of premiums, reserves, profits and other items (20th resolution)	N/A	€135 million	None	Will be deducted from the overall limit set for capital increases in the 14th resolution of the AGM of 09.11.2017

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

N/A: Not applicable.

(1) *In addition, the Board of Directors has been authorised to buy back shares within the limit of 10% of the share capital. This authorisation was approved on 21 November 2018, for a period of 18 months. All information relating to the share buyback programme is in the following section.*

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 06.11.2015 (22nd)	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	341,313 (0.13% 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 06.11.2015 (23rd)	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	109,492 (0.04% of share capital)	Independent limit (sub-limit for Executive Directors of 0.21% of the 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 21.11.2018 (13th)	Expiry date of the 15th resolution of the AGM of 09.11.2017	08.01.2020	2% of the share capital on the date of the Shareholders' Meeting	None	Will be deducted from the limits set for capital increases in the 14th and 15th resolutions of the AGM of 09.11.2017
Shares or securities granting access to share capital, reserved for a certain categories of beneficiaries	AGM of 21.11.2018 (14th)	Expiry date of the 15th resolution of the AGM of 09.11.2017	08.01.2020	2% of the share capital on the date of the Shareholders' Meeting, shared with the 13th resolution of the Shareholders' Meeting of 21.11.2018	None	Will be deducted from the limits set for capital increases in the 14th and 15th resolutions of the AGM of 09.11.2017

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 30.06.2019	Features/Terms
Share buyback	AGM of 21.11.2018 (12th)	18 months	20.05.2020	(10% of share capital)	(1)	Maximum purchase price: €240
Share buyback	AGM of 09.11.2017 (12th)	18 months	08.05.2019	(10% of share capital)	(1)	Maximum purchase price: €200
Cancellation of treasury shares	AGM of 09.11.2017 (13th)	26 months	08.01.2020	(10% of share capital)	None	-

(1) *A summary of Company transactions carried out during FY19 as part of the share buyback programme is shown below in the paragraph on the "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 FY19 (1 July 2018 – 30 June 2019)

Authorisations granted to the Board of Directors

During the Combined Shareholders' Meeting of 9 November 2017, 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 €200 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 21 November 2018 authorised the Board of Directors to trade in the Company's shares under the same conditions and at a maximum purchase price set at €240 per share, for a period of 18 months. This authorisation cancelled the authorisation granted by the Shareholders' Meeting of 9 November 2017 with effect from 21 November 2018, 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 2019 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 21 November 2018, which remains in force at the date this document was filed, will expire on 20 May 2020. The Shareholders' Meeting of 8 November 2019 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 8 November 2019".

Situation at 30.06.2019	
% of direct and indirect treasury shares	0.60%
Number of shares held	1,596,503
Number of shares cancelled in the last 24 months	None
Nominal value	2,474,580
Gross carrying amount	€198,998,529
Portfolio market value*	€258,713,311

* *Based on the closing price at 28.06.2019, i.e. €162.05.*

Summary of transactions performed by the Company on its own shares during FY19

The following table details the transactions performed by the Company on treasury shares within the scope of the share buyback programme during FY19.

	Total gross flows from 01.07.2018 to 30.06.2019									Positions open at 30.06.2019			
	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	170,571	170,571	570,000	160,000	370,000	90,099	-	-	538,645	740,000	-	-	-
Maximum term	-	-	-	13.12.2021	15.11.2018	21.06.2019	-	-	-	13.12.2021	-	-	-
Average Price *(in euros)*	144.8094	145.0918	156.5724	-	-	-	-	-	80.5424	120.0024	-	-	-
Average exercise price *(in euros)*	-	-	-	137.78	100.37838	68.54	-	-	-	-	-	-	-
Amount *(in euros)*	24,700,284	24,748,453	89,246,262	22,044,800	37,140,001	6,175,385	-	-	43,383,762	88,801,798	-	-	-

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

Under the share buyback programme authorised by the Shareholders' Meeting of 21 November 2018 and implemented by the Board of Directors, 570,000 shares were purchased on the market at a weighted average price of €156.5724 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 Employee Shareholding Plan). In addition, an optional hedge was subscribed for 160,000 shares by acquiring the same number of 3-year American call options. The Company also purchased 370,000 shares through the exercise of American call options.

Pursuant to authorisations granted by the Combined Shareholders' Meeting of 21 November 2018, the Board of Directors of the same date implemented a stock option allocation plan and a performance-based share allocation plan.

The 90,000 shares bought on the stock market and the 160,000 American calls, which enabled the same number of Pernod Ricard shares to be acquired, were allocated to hedge part of these stock option and performance-based share allocation plans.

480,000 shares were bought on the market and were allocated to cover the Employee Shareholding Plan.

Treasury shares constitute reserves covering the various stock option and performance-based share allocation plans still in force, as well as the Employee Shareholding Plan. During the period, transfers were made within these reserves of treasury shares: 356,970 shares were allocated to beneficiaries of the performance-based share plan of 6 November 2014 (at the end of the four-year vesting period), and 24,851 shares were allocated to beneficiaries of the bonus share allocation plan of 17 November 2016 (vesting of the second third of the shares allocated), and 455 shares were subject to statutory early release, in addition to 156,369 shares transferred to cover the rights of beneficiaries who had exercised stock options.

The 370,000 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 €100.4.

Cancellation clauses attached to shares sold under sale and repurchase agreements were used as and when rights were exercised (or performance-based shares vested). During the period, 90,099 shares were cancelled pursuant to these clauses at an average price of €68.54.

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

- purchased 170,571 shares for a total amount of €24,700,284; and
- sold 170,571 shares for a total amount of €24,748,453.

Distribution of treasury shares on 30 June 2019

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 8 November 2019

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 21 November 2018 allowing the Board of Directors to trade in the Company's shares is due to expire on 20 May 2020, a resolution will be proposed at the Shareholders' Meeting of 8 November 2019 (11th resolution – see Section 8 "Combined Shareholders' Meeting" of this universal registration document) to grant a further authorisation to the Board to trade in the Company's shares at a maximum purchase price of €260 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 1,596,503 shares (*i.e.* 0.60% of the share capital) at the time of the last declaration relating to the number of shares and voting rights on 30 June 2019, the maximum number of shares that can be bought will be 24,945,656 (*i.e.* 9.40% 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 11th resolution to be put to the vote of the shareholders on 8 November 2019. 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 2 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 2018 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 Company may purchase a number of shares 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 based on 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 liquidity of the share under the conditions set out by the applicable regulations, the number of shares taken into account for calculating the 10% limit equates with 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, the use of any financial derivative instruments traded on a regulated or over-the-counter market, and the setting up of 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 commitments subscribed prior to the offer period;
- are undertaken within the scope of the pursuit of a share buyback programme that was already in progress;
- fall within the scope of the objectives referred to in points (i) to (iii); and
- cannot cause the offer to fail.

The Board of Directors may also, in compliance with the applicable legal and regulatory provisions, reallocate the previously repurchased shares (including those repurchased under a previous authorisation) to another objective or carry out a disposal of those shares (on or off the market).

This authorisation would be valid for a period of 18 months from the Shareholders' Meeting of 8 November 2019 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 21 November 2018 in its 12th 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 2019" in Section 9 "About the Company and its share capital", in the subsection "Information about the share capital".

Threshold crossings declared during FY19 are also indicated in the table entitled "Allocation of share capital and voting rights on 30 June 2019" 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 2.8.4 "Compensation policy for the Executive Director", 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.

Any 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 not thereafter choose another method of participating in the Shareholders' Meeting.

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.

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 2019, the General Management of the Group was carried out by the Chairman & CEO. He forms the permanent body for coordinating the Management of the Group.

Composition of the Executive Board on 30 June 2019:

- **Alexandre Ricard, Chairman & CEO,** Executive Director;
- **Christian Porta,** Managing Director, Global Business Development Director;
- **Hélène de Tissot,** EVP Finance, IT and Operations;
- **Amanda Hamilton-Stanley,** General Counsel and Compliance Officer; and
- **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.

The Group Communication Department and the Internal Audit Department also report directly to the Chairman & CEO.

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.

Composition of the Executive Committee on 30 June 2019:

- the Executive Board; and
- the Chairmen of the Brand Companies:
  - Chivas Brothers, Jean-Christophe Coutures, Chairman & CEO,
  - Martell Mumm Perrier-Jouët, César Giron, Chairman & CEO,
  - Pernod Ricard Winemakers, Bruno Rain, Chairman & CEO,
  - Irish Distillers Group, Conor McQuaid, Chairman & CEO,
  - The Absolut Company, Anna Malmhake, Chairwoman & CEO; and
- the Chairmen of the Market Companies:
  - Pernod Ricard North America, Paul Duffy, Chairman & CEO,
  - Pernod Ricard Asia, Philippe Guettat, Chairman & CEO,
  - Pernod Ricard Europe, Middle East, Africa and Latin America, Gilles Bogaert, Chairman & CEO,
  - Pernod Ricard Global Travel Retail, Mohit Lal, Chairman & CEO,
  - Ricard SAS and Pernod SAS, Philippe Coutin, Chairman & CEO.

2.13.3 Non-discrimination policy and divers1ity 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 has been reflected this year in the implementation 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.

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[1]", the share of women has risen from 19% to 26% between 2015 and 2019; for the Executive Committee, the increase has been from 7% to 20%;
- our S&R roadmap has a target of gender balance by 2030.

(1) *The "Top 500" comprised 457 employees in 2015, and 484 in 2019. It includes 50 different nationalities, with the eight largest representing a little less than three-quarters of the Group's workforce.*

3.
Sustainability & Responsibility

section 3

3.1 Pernod Ricard brings Good Times from a Good Place

3.1.1 A strategy centred around a vision: "*Créateurs de convivialité*"

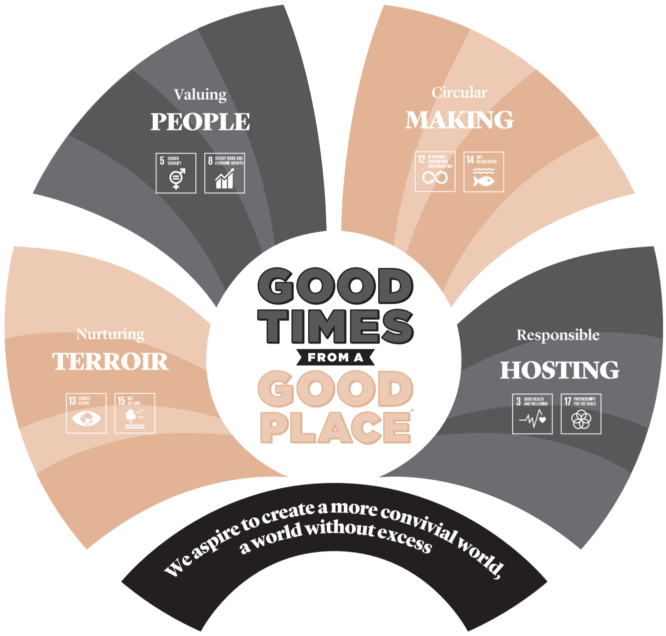
3.1.1.1 The Manifesto

Créateurs de convivialité: true to Pernod Ricard's founding spirit, the Group has been bringing people together, inviting them to share authentic experiences and making new friends 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 to live and work together, to bring 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 our business.

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



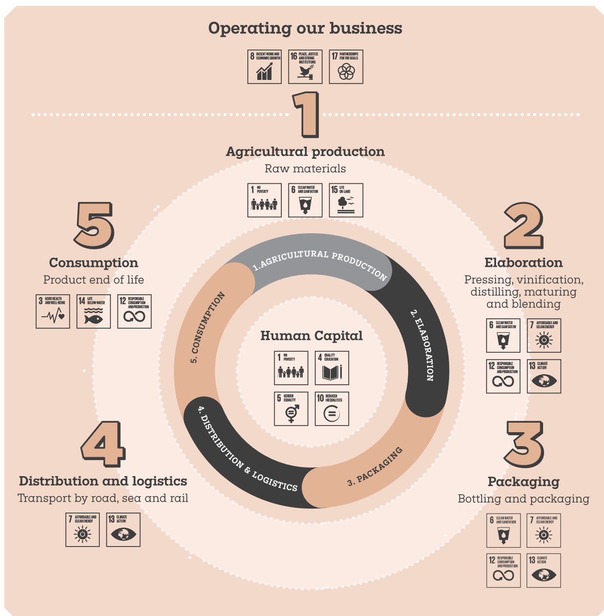
3.1.1.2 Addressing stakeholder expectations across the entire business, from grain to glass

In line with the Pernod Ricard consumer-centric model, the Group's Sustainability & Responsibility strategy is centered around a robust framework with four pillars: Nurturing *Terroir*, Valuing People, Circular Making and Responsible Hosting – all of which directly support the **United Nations Sustainable Development Goals (SDGs)** to help achieve prosperity for the planet and its people. In 2018, the Group received LEAD [1] status for its work with the UN Global Compact – notably on working towards the SDGs.

Each pillar includes ambitious targets for 2030 aimed at driving innovation, brand differentiation and employee attraction. All pillars are based on a 2030 timeline with 2020 and 2025 milestones, in line with the schedule set out by the SDGs.

The strategy is primarily focused on contributing to the eight UN SDG 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.

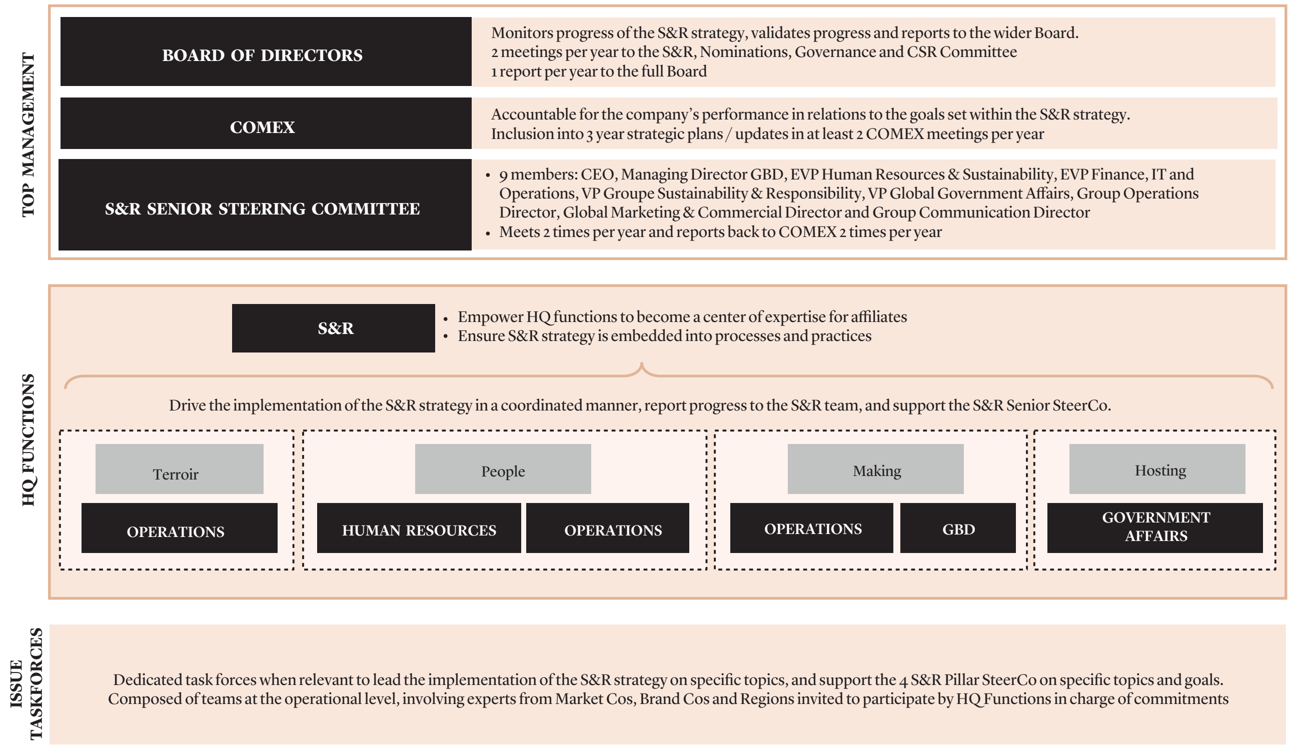
Pernod Ricard's Sustainability & Responsibility strategy was built on the material risks of its business, consumer concerns and the world's agenda. The strategy is the result of a long process from qualitative interviews to the involvement of sustainability experts with over 300 colleagues globally and external experts. More than 20 workshops were held with representatives from Brand Companies, Market Companies, Regions, HQ and the Top Management team to build the strategy. From this data, ambitious goals were developed where Pernod Ricard's impact could be greatest.



(1) *Global Compact LEAD companies are recognised annually for high levels of engagement as participants of the United Nations Global Compact.*

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

Within the context of the 2014/95/EU Directive on the disclosure of extra-financial information, as indicated in French law (article R. 225-105 of the French Commercial Code), Pernod Ricard is required to publish an "Extra-Financial Statement" (namely DPEF – *déclaration de performance extra-financière*). This Statement requires the Group to publish its business model and information on key extra-financial risks in relation to environmental, social, societal, Human Rights, tax evasion [pursuant to law no. 2018-898 on fighting fraud] and corruption issues. 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 extra-financial risks, please refer to subsections 3.2.1 and 3.2.2 below.

3.2.1 Presentation of the methodology

Pernod Ricard adopted the following methodology:

- the Group's risk mapping served as a reference point when identifying the main extra-financial risks for the "Extra-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 Management Department. Updated in 2018, the Group's risk mapping presents and classifies the risks according to their potential impact and occurrence in all areas of the Group's activities. Some of these risks are specific to sustainability issues. The Group's significant risks and the process for identifying them are described 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 ranging from operations to legal, to human resources, to public affairs, to finance were also involved *via* a dedicated workshop to validate and, when relevant, redefine the top eight risks and opportunities;
- the resulting eight extra-financial risks and opportunities were subsequently presented to and validated by the Executive Board.

3.2.2 The eight risks and opportunities identified

The definitions of the eight main risks and opportunities are indicated in the table below. Targets, policies, due diligence procedures, and key performance or means 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 deployed policies, depending on the issues addressed.

Given the nature of our activities, we consider that “tax evasion” mentioned in article L. 225-102-1 of French Commercial Code does not constitute a major extra-financial risk for the Group and does not warrant development in this “Extra Financial Statement”. Nevertheless, “tax evasion” is taken into account 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 impacts**	**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.) leading to Human Rights violations and 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 impacts on the environment (reduction of water availability, generation of CO_2 emissions, harm on biodiversity). Moreover, climate change could 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 the Group’s activities, Pernod Ricard may violate anti-corruption laws and other similar regulations, in its own operations or along its supply chain, leading to reputational damage and financial penalty.	***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:** considering the digital transformation of its activities, Pernod Ricard might infringe on the legal provisions on data privacy (GDPR, General Data Protection Regulation) and fail to protect the personal data of its consumers, leading to reputational damage and financial penalty.	***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 attract and retain the competencies needed for its activities, leading to business difficulties and a deterioration in its financial results.	***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 are half of the population. They are customer groups and talent pools that cannot be neglected. Pernod Ricard builds on this diversity and promotes it, 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’ health and safety may be exposed to occupational injuries (burns, physical traumas, falls, toxic inhalation, etc.), major industrial accidents (fires, explosions, etc.) or natural disasters.	***3.3.2 Valuing People*** 3.3.2.3 Working conditions and health & safety

Risk/opportunity	Sub-risk/opportunity	Definition	Subsections of Section 3
Physical risks related to 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 ingredients' availability on the market. Pernod Ricard could be slow to react to these changes and fail to adapt its industrial sites.	***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 alter the quality, quantity and geographical localisation of agricultural raw materials.	***3.3.3 Circular Making*** 3.3.3.2 Climate change: reduction and adaptation
Environmental impacts from Operations	**Energy efficiency** **GHG emissions** **Water management** **Waste management**	**Risks:** due to the industrial nature of it activities and the fast evolution of environmental regulations, Pernod Ricard may fail to be fully compliant with new regulations and respond to stakeholder expectations, leading to reputational damage. Moreover, the price volatility of energy may impact Pernod Ricard's most energy-intensive activities (distilleries) and make it difficult to secure energy supply. In addition, Pernod Ricard most water-intensive activities may impact water's availability – especially if they are located in water stressed areas and water quality. **Opportunities:** by reducing energy consumption and GHG emissions, Pernod Ricard can reduce its operational costs. By implementing a virtuous circular mindset, Pernod Ricard could minimise waste at every step of its value chain and help preserve natural resources. Moreover, through a good waste management system, Pernod Ricard could transform waste into a 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 and may worsen 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 deteriorate (toxic contamination, alteration of taste, introduction of foreign objects into the bottles, etc.) without this being detected, 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 taken by Government to tackle the harmful use of alcohol**	**Risks:** Pernod Ricard's reputation may be impacted by consumers' misuse of alcohol, and Pernod Ricard's activities may 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 Fight alcohol misuse 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

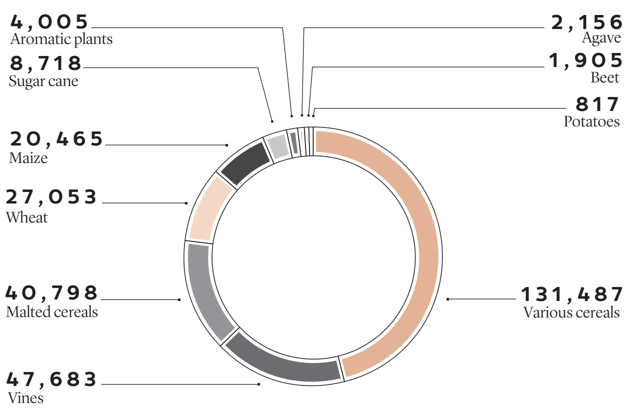
3.3 The four pillars of the Good Times from a Good Place roadmap

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 285,000 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 every *terroir* and its biodiversity, responding to the challenges of climate change 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 FY19, a total of around 2.6 million tonnes of agricultural raw materials was used from: the Group's vineyards and farms (67,936 tonnes), direct purchases of raw agricultural products (430,763 tonnes), or purchases of processed products such as sugar and alcohol (2,101,550 tonnes).

AGRICULTURAL LAND CORRESPONDING TO RAW MATERIALS USED IN FY19 (HECTARES)



Pernod Ricard is committed to developing and promoting environmentally friendly farming practices, both through its own farming and in the agricultural product supply chains:

- reducing the use of fertilisers;
- using crop protection products that are less harmful to the environment;
- 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 ambition is to become a leader in sustainable and regenerative agriculture [1] within the wine industry and be exemplary in the sustainable performance of its vineyards. The vineyards run directly by the Group cover 5,625 hectares in seven main countries: New Zealand (45%), Australia (24%), Argentina (9%), France (13%), Spain (5%), China (2%) and the United States (2%).

Policies	Objectives	Achievements
2020 Environmental Roadmap	100% of the vineyards operated by the Group are certified according to environmental standards 100% of our vineyards drip irrigated	99% of the vineyards are now certified. 100% of our vineyards are fitted with drip irrigation system
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 with the wine industry	Pernod Ricard will develop regenerative agricultural models for vineyards that could later be shared with the wine industry

To address its new ambitions for 2030, Pernod Ricard will start by defining Group Sustainable Agricultural Principles. Opportunities for regenerative agriculture experimentation and collaboration with academic partners to test innovative agriculture techniques and practices will also be explored.

(1) *Regenerative agriculture refers to a system of farming principles and practices that increase biodiversity, enriches soils, improves drainiage basins watersheds, captures carbon in soil and enhances ecosystem services. Over the long term, it leads to increased yields, resilience to climate instability, and higher health and vitality for farming communities.*

Certification according to environmental standards

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/BNIC (Cognac producers organisation) integrated viticulture principles
United States	California Sustainable Winegrowing Alliance (CSWA)
Spain	ISO 14001/Synergia
Argentina	ISO 14001
China	ISO 14001

Consumption of synthetic crop protection products

The total amount of active ingredients used in the vineyards operated by the Group is 39.4 tonnes. Below are some examples of practices to reduce the use of synthetic crop protection products:

- maintaining grass between vine rows instead of bare soil;
- using pheromones instead of agrochemicals to combat insects (sexual confusion);
- using mineral fungicides which are less hazardous to the environment (150.9 tonnes of sulphur and 4.2 tonnes of copper used in FY19).

280 hectares of vineyards, representing 5% of the Group's total, are managed according to organic agriculture standards that do not use any synthetic crop protection products.

Consumption per hectare of active ingredient *(kg ai/ha)*	**FY13**	**FY18**	**FY19**	**FY13 – FY19**
Synthetic fungicides	10.45	4.23	4.45	-57%
Herbicides	2.68	1.91	2.46	-8%
Insecticides	0.34	0.09	0.10	-72%
TOTAL	**13.47**	**6.24**	**7.00**	**-48%**

Consumption of water and energy in the vineyards

In FY19, the vineyards operated by the Group used:

- 9.6 million m^3 of water, mainly for irrigation purposes. This is done using the drip irrigation technique, now used for 100% of the Group's irrigated vineyards, reducing the water supplied to what is strictly necessary;
- 14,044 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 and the Group commits to implementing resilient agricultural practices in partnership with suppliers to adopt practices that respect the land and neighbouring ecosystems. More specifically, Pernod Ricard will:

- support suppliers in sustainably increasing agricultural productivity and production;
- adapt and build resilience to climate change while reducing greenhouse gas emissions;
- help maintain ecosystems progressively improving land and soil quality.

Policies	Objectives	Achievements
2030 S&R Roadmap	100% of our *terroirs* mapped and risk-assessed	In FY20, the methodology for the mapping and the risk assessment will be defined and the procurement team will be trained in this methodology
	100% of key raw materials [1] sourced certified according to selected sustainability standards	In FY21, preferred standard for each crop commodity will be selected and standards will be introduced in sourcing requirements
	100% of key raw materials [1] covered by projects addressing pressing sustainability issues (water, agrochemicals, etc.)	This action will be launched in FY22
	50% reduction of the intensity of the Group's Scope 3 carbon footprint (CO_2e per unit) [2] (see subsection 3.3.3.2 "Climate change: reduction and adaptation")	In FY21, opportunities to reduce carbon emissions for main crops will be identified working closely with suppliers and with organisations promoting sustainable agriculture

(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.
(2) Footprint caused by agricultural raw materials for each litre of alcohol.

There are two aspects to the Group's actions in respect 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 are examined to secure sustainable supplies.

The direct purchasing of agricultural products by affiliates results in several partnership initiatives such as:

- 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 NGO Fondo Para La Paz and Ocotempa, a Mexican coffee community, to develop a sustainable model for coffee production. This "Coffee for Change" programme comprises social, economic and environmental criteria. Within four years, 100% of the coffee sourced by Kahlúa will be sustainably grown;
- the Group has made sugar cane a priority as 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, whose purpose is to develop internationally recognised responsible practices for the sugar cane sector.

To meet its 2030 ambitions, on top of developing Group Sustainable Agricultural Principles, the Group will start by conducting a *terroir* risk mapping exercise of its agricultural supply chains. The aim of this exercise is to map the origins of agricultural raw materials and identify social and environmental risks and opportunities in the local environment where they are grown. From the findings of the risk mapping, the Group will define preferred standards for each crop, introduce them in the sourcing requirements and get all key agricultural raw materials certified by a third party.

3.3.1.3 Preserve and enhance biodiversity

Pernod Ricard is committed to protecting and developing the biodiversity of ecosystems in all regions 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.

There are several noteworthy measures taken by affiliates related to biodiversity such as:

- rehabilitation programme in an area of nine hectares of wetlands in the Kaituna region in New Zealand. Protection of a local falcon species via a fund supported by the donation of one New Zealand dollar for each bottle of wine sold from the Brancott Estate "Living Land" series;
- reforestation & biodiversity programmes in Ireland, Australia and France.

The Group has drawn up a list of 31 protected or sensitive natural areas close to its production sites throughout the world, and it is monitoring these closely. These areas are mainly located in Scotland, Ireland, France and Sweden.

To meet its 2030 ambitions the Headquarters will define guidelines for affiliates in relation to strategic biodiversity projects (selection of projects, global partners, identification of key performance indicators). Equipped with these guidelines, each affiliate will then identify and implement a biodiversity project. Brand Companies will focus on restoring biodiversity losses in the *terroirs* close to their production sites and Market Companies, will develop local partnerships 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 as "*Créateurs de convivialité*" – sharing, warmth, care and respect for all. The Group promotes diversity and inclusion throughout its business and works with its suppliers to create shared value in its supply chain.

This pillar is all about respect; respect for everyone in our marketing, respect for all those the Group works with across its supply chain and respect for its 19,098 employees (FY19 average) located across the globe – increasing employee attraction, lowering supply chain risks and meeting rising consumer expectations around transparency. Due to the seasonal aspect of its activities, especially during harvest periods, 5.8% of the annual average headcount is on fixed-term contracts. Rather than using contractors, Pernod Ricard prefers to contract 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

To support the Pernod Ricard Human Resources strategy, linked to the Global Strategic Framework of Pernod Ricard, a new **leadership model** has been developed to help the Group achieve its ambition of becoming the Industry Leader. This model will guide all Pernod Ricard employees to develop their leadership skills and be better prepared to deliver in the face of challenges, to drive change and to align themselves to the Group strategy.

The leadership model has been developed through a collaborative process involving more than 60 Senior Managers, who defined the leadership behaviours Pernod Ricard needs to ensure its future success. A selection of 19 competencies were extracted from this exercise. These competencies were then grouped into six attributes that represent specific leadership capabilities and expected behaviours.

The newly defined leadership competencies will be observed, acquired and improved with appropriate development strategies and action plans. These development strategies will then be translated into individual development plans with 70 % of the plan focused on job assignments, 20% on learning from others and 10% on dedicated training. These plans are mutual commitments between employee and manager on priority development targets, realistic and tangible actions to achieve the targets, resources needed, timing for completion and the ways to measure success. At Pernod Ricard there is a mindset of employees owning their career and development; as such each of them should have an individual development plan.

2030 S&R roadmap: Pernod Ricard is committed to developing the employability of all its employees throughout their working lives, 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 internal HR strategy and processes as well as the introduction of a Group HR reporting system

In line with its three-year strategic Plan "**Transform & Accelerate**", the Group launched its HR strategy named "**TransfoHRm**" this year, which sets the goal of making *Convivialité* a genuine performance accelerator by:

- putting the employee experience at the centre;
- deploying diverse teams to improve both individual and collective performance; and
- introducing a culture of success based on empowerment and accountability, all supported by digital technology.

Talent management system, Workday

Until last year, different local HR tools were being used to manage the Group's talents, their performance & development. With the recently launched employee-centric tool, Workday, Pernod Ricard will be able to streamline business processes, speak a common language and unify and enhance the reliability of information worldwide. The implementation of Workday also allows Pernod Ricard to accelerate data-driven actions for increased efficiency, and to ensure fairer and more consistent processes across the Group. By putting employees and their managers at the centre, this will speed up decision-making to have the right talent in the right position, with the right skills, at the right moment of their career. Accessible on computers and smartphones, employees can access information related to their position, career path, remuneration, assessments at all times.

Annual performance and development reviews

Pernod Ricard wants to develop its employees, preparing them to take on new challenges. The Group considers that everyone should have at least one formal performance, talent review, and ongoing development meetings each year with their manager. For that to happen, a new talent and performance annual cycle titled Let's Talk Talent has been developed and launched across the Group in 2019. Let's Talk Talent puts the employee at the centre by clarifying the expectations in terms of performance and competencies. It enables employees to meet several times a year with their managers to discuss and receive transparent and objective feedback about their performance in the role, their career perspectives and their individual development plan. Let's Talk Talent also brings consistency and alignment in assessment of performance and talent identification across the business with common definitions and an integrated vision of performance, leadership competencies, sustained performance and potential. In addition, it ensures transparency and consistency of reviews through calibration processes and facilitates staffing of open positions, mobility, and succession plans for key jobs.

Pernod Ricard University

At Pernod Ricard University, dedicated programme Managers have been collaborating with the Business and HR Departments since 2011 to identify Learning & Development needs and design programmes with top institutions, consultants and internal functional experts. The format of training is a blend of e-learnings, class-room and experiential sessions assembled in a fine balance to deliver the greatest impact. For example, in the spirit of the Group Leadership Model, 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 in 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, 624 employees have benefitted from the "Mixers" programme, 204 from the "Shakers" programme.

Blenders is a two-phase global Leadership Programme designed in response to Pernod Ricard business challenges, through which the Group will help its 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, which reflects the skills and behaviours required to lead the teams and provides participants with a benchmark for addressing their professional development.

  Following the assessments, Individualised Development Plans were designed according to each person's needs.
- Phase 2: from January 2019, participants started their development journeys with various external activities dedicated to strengthening their competencies, such as trainings, seminars, etc.

Pernod Ricard University L&D programmes are rolled out and delivered virtually, locally or at the historical Château La Voisine site near Paris acquired by Paul Ricard in 1957. Diversity is an absolute requirement, so participants will always find themselves in a cohort comprised of colleagues from different parts of the world, types of business, or cultures. This is critical to create that special bond that ties the Group together and that we call - *Convivialité*.

To leverage the power of the new employee-centric tool, Workday, Pernod Ricard University launched **Workday Learning** in June 2019. Through this new Learning platform, Pernod Ricard employees can access all of Pernod Ricard University training offering, enroll in a training program, follow e-Learnings, and have access to their learning history.

***Leadership Assessment and Development Centre* – LeAD UP Programme**

The Group continues to set up Leadership Assessment and Development Centres to assess capabilities and leadership potential, identify strengths and competencies to be developed, empower high potential individuals, develop them into key leaders, and encourage individuals' ownership of their career of employees from all Group affiliates. The LeAD UP programme offers two-day sessions during which participants take part in individual interviews, undertake case studies, and benefit from extensive feedback sessions on site and one month after the workshop.

Key performance indicators

Number and %	FY18	FY19
% of the payroll invested by the Group in training	2.1%	1.7%
Number of employees trained (2)	16,411	17,179
% of total workforce trained (2)	89%	90%
Training hours (2)	417,831	382,215
Average number of hours of training received by employees per year (2)	25	22
% of employees who received at least one performance review (1)	91%	91%
Number of employees participated in the LeAD UP programme (1)	177	187

(1) Permanent contracts.
(2) Fixed-term and permanent contracts.

3.3.2.2 Diversity

As a consumer-centric company, Pernod Ricard is convinced that its people need to reflect its consumers and the world in which the Group operates in. Understood as a source of richness and a real performance driver for the Company, Pernod Ricard has made diversity a focus of leadership, through the "Better Balance" initiative, which for the time being, focuses on nationality and gender, the two most urgent and relevant areas to foster a better balance of profiles within management teams. The Group also addresses other aspects of diversity with local management teams in a locally relevant way.

Policies	Objectives
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) Balance teams considered achieved with a range of 40-60% of women and men.

Action plans and next steps

"**Better Balance**" is a strategic programme launched in 2016 aimed at raising awareness among the teams and determining a global, long-term action plan. This joint commitment is supported by several global initiatives, in particular the introduction of targets, over 40 awareness-raising workshops in 27 countries, attended by over 1,000 Managers, mentoring programmes, leadership training, Development Centres, and the introduction of flexibility measures across the affiliates. These global initiatives are implemented through local programmes specific to each affiliate. In addition, the Group develop a dedicated site on its Intranet to share messages with employees across the Group.

In the first years of the "Better Balance" programme, two of the Executive Committee' members were official sponsors to engage the commitment of Top Management.

Regarding gender pay equity, the Company will launch a global project in the first semester of FY20 partnering with an external independent specialist on pay equity. This global initiative will entail an audit of over 70 countries and identify the behavioural drivers and roots causing remuneration discrepancies between male and female employees. This project will be embedded in a long-term systematic review of our compensation and talent practices to ensure strict pay equity across the Group.

The Group strives to integrate young people through different types of contracts (apprenticeships, training etc.). The Group also recruits and develops young graduates through VIE (*volontariat international en entreprise*, international volunteers in business) and international Young Graduate Programmes such as 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 [1] (YAC).

Regarding disability, affiliates comply with local legal requirements and efforts are made to improve the integration of disabled workers. In FY19, 45 affiliates carried out work on adapting premises and investing in appropriate equipment, providing training and raising awareness of employees, conducting joint work with specialised establishments, participating in dedicated forums, recruiting disabled workers, 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 when recruiting, during training, and in professional development.

Key Performance Indicators

Representation of women at 30 June (permanent contracts)

Number and %	FY18	FY19
Group employees	6,396 (37%)	6,609 (37%)
Non-managers	4,713 (36%)	3,878 (34%)
Managers	1,682 (37%)	2,731 (41%)
Top management	142 (26%)	195 (33%)
Management Committees of affiliates	24.4%	24.0%

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 93% of the workforce. In the managerial population [2], the proportion of women has been constantly increasing for the last seven years.

Breakdown of positions with permanent contracts filled by women

Number and %	FY18	FY19
Internal transfers (recruitment)	164 (45%)	79 (27%)
External hires	1,096 (44%)	1,036 (42%)

(1) Founded in 2013, the YAC is a think tank made up of nine employees under age 30 to provide Top Management with their generation's view on Group strategic issues. The YAC has a two-year mandate to develop transversal initiatives such as the "Green Office Challenge" or "Talent 4 Talent".

(2) Change of internal definition this fiscal year: Band E and above.

3.3.2.3 Working conditions and Health & Safety

Employee engagement

The Group has a very high level of employee engagement. To measure the effectiveness of its HR Strategy on this commitment, Pernod Ricard relaunched its employee opinion survey "iSay" in June 2019, which has been carried out every two years since 2011 in conjunction with Willis Towers Watson.

In this edition, 88% of employees completed a questionnaire with over 100 questions available in 35 languages, with each edition being similar to be able to measure progress. It indicated an engagement level of 88%, far surpassing other businesses in the Fast-Moving Consumer Goods sector. These surveys also make it possible to identify the main areas in which the Group will aim to implement specific action plans.

Moreover, this commitment is visible through low and stable voluntary departure and absenteeism rates.

Number and %	FY18	FY19
Total departure rate (2)	12.7%	13.6%
Number of resignations (2)	1,322	1,309
Voluntary departure rate (2) (1)	7.6%	7.3%
Employees that completed the "iSay" Survey (3)	82%(4)	88%
Engagement rate ("iSay") (3)	88%(4)	88%
Absenteeism rate (3)	3.65%	3.73%

(1) The rate of voluntary departure is obtained by dividing the number of resignations by the average workforce with permanent contracts.
(2) Permanent contracts.
(3) Fixed-term and permanent contracts.
(4) "iSay" survey results of FY17.

Welfare, social protection and labour relations

Policies and objectives

Compensation policy

The compensation policy is based on the decentralised business model, except for the Group Senior Management, whose compensation is overseen by Headquarters. Each affiliate manages its policy locally while upholding a set of common rules: develop a performance culture, offer compensation that is competitive with local market practices, and set up straightforward, meaningful and motivating compensation packages.

Total payroll is included in paragraph Note 3.5 – Expenses by type of Section 6 "Consolidated financial statements". This year, payroll represented 13% of net sales (unchanged from the previous year).

Signature of social agreements

Each year, the affiliates sign roughly one hundred agreements with the various social partners throughout the world , thereby encouraging the enhancement of social dialogue. The number of agreements signed depends on local legislation changes.

The agreements signed by affiliates during the year ended mainly compensation and profit-sharing, collective 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 as profit-sharing and incentive plans to over 5,517 employees amounted to more than €40 million, to which matching contributions were added (additional sum paid to employees for investments in the Company savings plan) amounting to nearly €5 million. Moreover, long-term profit-sharing policies (such as allocating performance-based shares) have been implemented again in FY19 for nearly 1,000 employees across all of the countries in which the Group operates.

In 2019, the Group launched **Accelerate**, its very first Employee Share Ownership Plan. This first edition of the Plan has been deployed across 18 countries, covering 75% of Group's employees, with the clear objective to associate employees directly with the Group's future development and growth. The initiative proved highly successful, with an overall subscription rate of 41.5%, a level 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 where it is present. In addition, it firmly believes in the importance of providing a working environment which optimises working conditions.

- **European Works Council**: with more than 50% of its staff based in Europe, the Group has mainly focused its actions on the European employee representatives, through the European Works Council. This council gathers one or more representatives of every affiliate within the European Union with more than 50 people, and totals 24 representatives in FY19. The European Works Council meets for three days each year, including one day dedicated to specific training offered to all representatives. A select committee, elected by their peers, comprises five members from five different countries and meets at least once a year. The select committee may act on its own initiative to respond to any social measure that might be taken in Europe involving at least two European countries in which Pernod Ricard has local teams.

  To share information, a mini-site, available on the Intranet publishes content every 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 union organisations in the French affiliates. At these meetings, the Group's business activity is reviewed, together with an analysis of employment trends and changes forecast during the year ahead.

The Group Committee and the European Committee are chaired by the Group's Chairman & CEO, Alexandre Ricard, and moderated by the Human Resources Department;

- **Integration of Pernod Ricard to the Global Deal**: Pernod Ricard has officially joined the Global Deal. The Global Deal is a multi-stakeholder partnership with the objective of addressing the challenges in the global labour market and enabling all people 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 promote concrete initiatives and voluntary commitments. Pernod Ricard affiliates in partner countries will have access to their own local platforms.

Number and %	FY18	FY19
Employees benefitting from welfare protection plan (death and invalidity) with a benefit equivalent to at least one year of the employee's fixed annual salary (1)	84.6%	92.4%
Employees benefitting from health insurance (1) (2)	95.9%	99.7%
Total gross amount paid as profit-sharing and incentive plans	€36 million	€40 million
Number of social agreements signed	115	125
Number of affiliates that signed at least one company agreement during the year	29	30

(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 & Safety

Pernod Ricard constantly strives to eliminate occupational accidents, hazards, and diseases for all of its employees and contractors. Pernod Ricard's approach to Health & Safety (H&S) is underpinned by the vision, "*Créateurs de convivialité*", the Group is 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	Objectives
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 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 ambition 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 ambition also requires management systems, and in that purpose the Group's active production sites are required to be certified ISO 45001. Pernod Ricard is also convinced by and actively works on Health & Safety culture, in which everyone is personally 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 best potential of improvement. Third-party audits have been conducted (10 sites) to develop a 3-year action plan focusing on 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 levers for 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 and agreed upon a governance model.

From 2020 to 2025, the Group will **communicate & roll out the roadmap** to measure and communicate progress.

Key Performance Indicators

Workplace accidents and % of sites certified	FY18	FY19 (1)
Number of work accidents with lost time (4)	156	161
Frequency rate (4) (2)	5	4.61
Severity rate (4) (3)	0.13	0.08
Number of fatalities (4)	1	0
% of production sites certified ISO 45001 or ISO 18001	92%	82.6%

(1) The scope in relation to lost-time accidents, frequency and severity rate have changed and are not comparable to last year because this year the scope includes interim staff. See subsection 3.6.1 "Methodology note".
(2) Frequency rate = number of non-fatal work 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.
(4) Interim, fixed term and permanent contracts.

3.3.2.4 Human Rights

Operating in more than 73 countries and mindful of the new challenges related to globalisation, Pernod Ricard values its employees, suppliers, and communities and recognises that it is its responsibility and ethical duty to ensure Human Rights are respected across the Group's global operations and value chain, adhering to internationally recognised standards and addressing any gaps that may arise.

Policies	Objectives
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 CSR Commitment 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. Human Resources 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 the adoption, respect, and promotion of the policy. The visits to affiliates by cross-functional internal audit teams include elements of social evaluation. Managing Directors' performance evaluations includes social as well as societal and economic aspects of performance. The targets considered 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 by leveraging 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 on the long term.

In FY20, to embed a UNGPs approach, Pernod Ricard will start by focusing on its own employees with the assistance of a third-part to increase awareness and in the creation of a Self-Assessment Questionnaire (SAQ) for the Human Resources network across the Group. The objective of the SAQ will be to 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 along its value chain.

3.3.2.5 Responsible supply chain

Due to its diversity of 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 impacts on society and the environment are 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	Objectives
2030 S&R roadmap	• By 2025, in its product and services supply, Pernod Ricard sets out to have no direct suppliers with high or moderate risks.[1]

Agricultural products supply

See subsection 3.3.1 "Nurturing *Terroir*".

Product & services supply

- Have a precise knowledge of the sustainability impacts, risks in our supply chains, and engage Pernod Ricard key suppliers through collaboration to reduce impacts 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**, for products and services, covering all purchases made by the entire workforce. It is available in English, French, Spanish, Portuguese, and Mandarin. At Group level it is now required that all vendors supplying Dry & Wet Goods as for POS/VAPs are covered by the Responsible Procurement process;
- **Pernod Ricard Procurement Code of Ethics**, in line with 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, Spanish, and Portuguese;
- **Sustainability model clauses** for contracts, 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 own suppliers and subcontractors, and is therefore responsible for its application.

(1) *According to the risk mapping tool used internally.*

Actions plans and next steps

Implemented throughout the Group, the **Blue Source** process allows affiliates to deploy the strategy of Responsible Procurement locally with their suppliers and subcontractors:

- **supplier CSR commitments:** to be signed by suppliers and subcontractors with the aim of increasing awareness on Human Rights and labour law, health & safety, environmental impact, responsible drinking, integrity and fair business practices. This document is currently being updated o include additional 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 and subcontractors should be assessed as a priority according to set criteria of the Company: production or service, size, country presence, turnover, 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, social, ethics, and supply chain. Pernod Ricard recommends its suppliers to be re-evaluated every two years to identify areas for improvement and to assess the effectiveness of their action plans;
- **social and ethical audits following the SMETA (Sedex Members Ethical Trade Audit) standards**, in line with the AIM Progress "Mutual Recognition Programme".

Number of suppliers	FY18	FY19
That signed the Supplier CSR Commitment	1,693	2,675
Analysed through the Risk Mapping tool	2,483	1,878 (1)
Identified as risky who are covered by an EcoVadis assessment	465	521
Audited	130	144

(1) Change of follow-up methodology for 2019 in order to be consistent with the other Responsible supply chain KPIs: the Group now takes into account the number of suppliers which have been analysed through the Risk Mapping tool and not the total number of evaluations 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 environmental impacts of their day-to-day activities. As an example, Pernod Ricard offers an online learning module covering merchandising, designed for Marketing and Communications employees, and highlighting 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 conduct the following next steps:

- 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 around the world. 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 process including labour rights and Human Rights considerations;
- expand Responsible Procurement process on key other indirect categories. (1)

3.3.3 Circular Making

The world is under huge pressure with finite resources. Pernod Ricard intends to do its part in decreasing the use of natural resources and minimising waste at every step of the value chain by 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. In order to be 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 the reduction of resources consumed, waste disposed, and ultimately reduce Pernod Ricard's impact on the environment.

3.3.3.1 Environmental management

Pernod Ricard strives to implement strong environmental management systems, throughout the business. They are the foundations of the Group' strategy, by helping it tackle long-term environmental risks, reduce its environmental impact and size opportunities at every layer of its activities. Environmental management systems aim at disseminating the Group's environmental standards throughout business activities and integrating environmental considerations in its management practices, to manage risks and transform the business into a more circular model.

(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 added value packaging (AVP), 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.).

Policies	Objectives	Achievements
2020 Environmental Roadmap	• 100% of the Brand Companies have conducted an assessment of their long-term environmental risks.	**100%**
	• 100% of the Group's employees at administrative sites work in offices conforming to the internal Green Office guidelines.	**63%**

Pernod Ricard deploys environmental management systems to address environmental priorities and implement tangible actions, throughout 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 objectives, monitoring the performance, circulating guidelines that include minimum requirements and sharing best practices. Each Brand Company is required to evaluate its performance against these requirements annually and, when necessary, to implement compliance action plans;
- Pernod Ricard's activities, both for the Brand Companies and the Market Companies, are required to comply with the environmental requirements outlined in the Group environmental guidelines:
  - affiliates are accountable for complying with local legal requirements, and report to the Headquarters any incidents or noncompliance occurring in their affiliate,
  - affiliates are accountable for assessing their long-term risks, identifying and determining ways to reduce their own environmental impact and apply the Group's policy locally,
  - major production sites are required to be certified in accordance with ISO 14001. In 2018/2019, 95.5% of production sites were certified according to the ISO 14001 standards which cover 99.9% of production,
  - Group employees and administrative sites are required to meet the requirements detailed in the "Green Office" guidelines.

This year, one environmental incident was reported to local authorities, one administrative non-compliance was found, and 18 complaints were received from third parties. This includes all types of potential impact that a manufacturing site may have, in particular odours and noise. The events are described below:

- a minor hydrocarbon spillage in a waterway in Scotland;
- a notification relating to a boiler from the local authorities following inspection at our Italian production site;
- nine noise complaints in Ireland, Australia and New Zealand and nine odour complaints in Scotland and France.

A root cause analysis was conducted for all these events and action plans drawn to implement corrective actions.

As of 30 June 2019, no provisions have been made for environmental risks. Some affiliates had to provide guarantees when applying for operating permits from the authorities. These do not correspond to specific amounts but ensure the affiliates' solvency to deal with any consequences of pollution or any other environmental accident.

3.3.3.2 Climate change: reduction and adaptation

Towards alignment with TCFD recommendations

Climate change is one of the greatest challenges of our generation, calling for urgent action. Combatting climate change is a major focus of Pernod Ricard's environmental policy: the Group intends to reduce the CO_2 equivalent emissions generated along its supply chain and adapt its business to ensure it is resilient. For greater transparency, Pernod Ricard follows the recommendation 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 integrated into its strategy. It is within this vein that 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, in charge of implementing its climate change strategy.

Board supervision: the Board of Directors evaluates Pernod Ricard's S&R commitments' relevance and 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 carry out the integration of climate-related issues into the Group's three-year strategic plans and budgets, in compliance with its strategic orientations. 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 in charge of 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 approach to climate change, while the S&R HQ Team ensures that strategy is effectively embedded into processes and practices. The S&R Senior Steering Committed, considered as a Top Management's governance body is composed of nine members, representing 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 Communication Director. The Committee assesses and manages climate-related risks and opportunities. It sets actions plans and supervises the implementation of the strategy by the operations 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' strategy and financial planning
Transition risks	**Policy and legal**			
	Long-term risk: • Energy and GHG emissions regulations could 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:** • The regulations could 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), or indirect impacts through price increase of raw materials procurement (especially for glass, which is an energy intensive activity).	• Pernod Ricard implements measures to reduce greenhouse gas emissions: directly at its production sites through energy efficiency and renewable energy, and indirectly with its suppliers and the optimisation of 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 it was not anticipated enough.	**Products**	**Medium impact:** • The Group estimated that a shift in consumer preferences could lead to a decrease on market share.	• The risk of shift in consumer preferences is taken into account in the Group marketing strategy; for example, Pernod Ricard eco-design policy aims at making 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, market price volatility could impact grains; as for grapes, wine alcohol content could increase and different parameters could impact the wine quality. • Changes in precipitation patterns can affect the groundwater reserves on which some production sites rely on and ultimately the availability and quality of water.	**Supply chain & Operations**	**High impact:** • The financial implications due to agricultural supply chain disruption could be significant. It could lead to an increase price of raw materials.	• To face extreme variability in weather patterns, the Group uses hedging tools to limit the extent of seasonal volatility due to climate factors and includes environmental factors into 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' strategy and financial planning
Physical risks	**Chronic**			
	Long-term risk: • The Group and its suppliers' facilities are exposed to a 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 of the supply of certain products no longer allowing the Group to meet consumer demand.	• Implementation of preventive measures and physical protection devices; audit of industrial sites in cooperation with insurer; establishment of business continuity management systems.
Resource efficiency	**Short-term risk:** • Pernod Ricard's exposure to future energy and tax regulations accelerate the implementation of energy efficiency programs within its operational sites as well as in its supply chain.	**Supply chain & Operations**	**Low impact:** • Efficiency programmes can reduce operational 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 operational cost reduction is considered in financial planning.
Market	**Long-term opportunity:** • Developing quality products that respect the environment might encourage consumers, whose expectations in terms of sustainable consumption are growing rapidly, to choose Pernod Ricard's products.	**Products**	**Medium impact:** • The Group estimated that it could lead to an increase of 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).
Product and services	**Short-term opportunity:** • The increase demand for lower emissions products and services and the integration 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 estimated that it could lead to an increase of market share.	• Innovation and digital are considered as strategic priorities; different entities are working on innovative projects.

Adaptation of the production facilities to lower carbon technologies is likely to require capital expenditure. No climate-related risk is supposed to significantly impact the following areas: acquisitions or divestments and access to capital.

Resilience of the organisation

Pernod Ricard expects to implement climate-related scenario analysis in the next couple of years. This year, the Group submitted a greenhouse gas emission reduction target to the Science-Based Targets (SBT) initiative. In June 2019, the SBT initiative approved our targets, which are aligned with a below 2°C scenario for our Scope 1 and 2 emissions and the 2°C scenario for the Scope 3 emissions.

Risk management

The identification of climate-related risks and opportunities takes place during the global risk mapping of the Group and the mapping of environmental risks:

- the global risk mapping, based on local business risks identified by Group affiliates and functional risks identified by the Group's functions, is updated every two to three years by the internal audit team. This team reports to the Chairman and CEO presents its results to the Executive Committee and the Audit Committee. Monitoring of Group's major risks is performed annually;

- the environmental risk mapping is based on a multi-criteria mapping tool filled by affiliates and monitored at Group level. Affiliates identify and rate environmental risks throughout the product's life cycle based on two criteria: their severity (including potential financial impact), scored from 1 to 7 and their probability, scored from 1 to 5.

Regarding management of these risks, each major risk identified is translated into a mitigation plan placed under the responsibility of a Group Director. Environmental risks' mitigation plans are under the responsibility of the VP Operations. The environmental roadmap of the Group also sets environmental actions plans on main environmental risks.

Contribute to reducing climate change

Policies	Objectives	Achievements and next steps
2020 Environmental Roadmap	Focus on reducing the impact of production sites (Scopes 1 and 2): • Reduction of carbon emissions per unit produced by 30% at production sites, between 2009/2010 and 2019/2020.	• Since 2009/2010, carbon emissions per unit at production sites have been reduced by 33.8%.
2030 S&R roadmap	Through the new S&R strategy, the Group has set itself new ambitious goals to speed up progress and extend the perimeter of its actions (Scopes 1, 2 and 3), as follow: • by 2030: reduction of absolute carbon emissions of production sites by 30% (Scopes 1 and 2), base year 2018, validated by SBTinitiative to be in line with the below 2°C scenario; • by 2030: reduction of the intensity of Scope 3 carbon footprint by 50%, base year 2018; validated by SBTinitiative to be in line with the 2°C scenario; • by 2025: 100% renewable electricity used in production sites and administrative offices.	• Weight reduction for many of many bottle types has already led to a significant reduction in the carbon footprint related to glass. • A taskforce will be set up with the main distilleries to identify technologies that will support achieving Scope 1 SBTs. • Discussion with our main suppliers will be held to set carbon reduction action plans contributing to Scope 3 emissions. • A reporting tool and process will be designed and implemented to better measure progress against SBT target. • The share of renewable electricity used is 76% for production sites, and 10% for administrative offices.

The activities of Pernod Ricard generate carbon emissions in several ways, and these contribute to climate change:

- directly, due to the use of fossil fuels on sites (Scope 1) and due to the electricity consumed, which generated 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 contribute to reducing climate change, the Group follows a two-step approach consisting:

- in 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

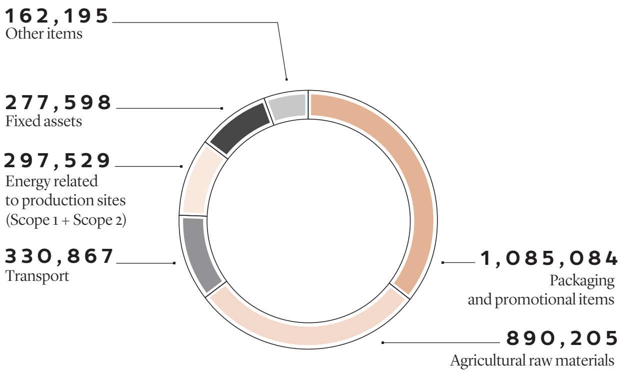
Global performance	Unit	FY10	FY18	FY19
Energy				
Total energy consumed	MWh LHV	1,465,872	1,447,315	1,502,451
Energy consumption per unit (distilled alcohol)	MWh PCI/kl PA	7.49	6.22	6.11
% of renewable energy	%	7	14	14
% of renewable electricity	%	29	75	76
Carbon footprint				
Direct emissions (Scope 1)	$t\ CO_2e$	259,896	250,542	262,378
Indirect emissions (Scope 2)	$t\ CO_2e$	97,758	46,270	35,151
Direct and Indirect emissions (Scope 1 + Scope 2)	$t\ CO_2e$	357,654	296,812	297,529
Indirect emissions (Scope 3)	$t\ CO_2e$	N/A	2,492,641	2,745,949
Carbon footprint of the Group (Scopes 1, 2 and 3)	$t\ CO_2e$	N/A	2,789,453	3,043,478
Carbon emissions intensity at production site level (Scopes 1 and 2)	$t\ CO_2e$/kl PA	1.83	1.28	1.21

Overview of the relevant categories of the Group's carbon footprint

Pernod Ricard's overall carbon footprint reveals that across the entire value chain, 36% of emissions are generated by the production of packaging (mainly glass) and POS materials, 29% by the production of agricultural raw materials. Next, come emissions generated by transportation (11%), the energy used on production sites (Scope 1 and Scope 2) (10%) the acquisition of fixed assets (9%) and other activities such as business travel (5%). Compared to last year, the Group's carbon footprint has increased significantly from 2.7 to 3 million tonnes of CO_2 equivalent emissions as the data exhaustivity has been improved: POS materials have been included, as well as non-traditional packaging materials such as PET, ceramic, etc.

Packaging and POS materials

Packaging and POS materials are the most greenhouse gas emitting activity along Pernod Ricard's value chain. To reduce the carbon impact of these activities, the Group focuses on enhancing the eco-design of packaging, through the decrease of packaging weight and the optimisation of materials used (see subsection 3.3.3.4 "Circular packaging and distribution").



Agriculture practices

Agriculture is the second most greenhouse gas emitting activity of Pernod Ricard's value chain. Pernod Ricard's products inherently rely on agriculture: building and contributing to improving agricultural standards is therefore a strategic priority for the Group.

On its own land, the Group promotes regenerative agriculture, which can contribute to capturing carbon in soils. Moreover, the Group collaborates with agricultural suppliers to define preferred standards for each crop, so as to find the best solutions to reduce greenhouse gas emissions depending on the crop's specificities.

Transport

Pernod Ricard seeks to optimise land transport by implementing better loading of vehicles, adjusting schedules or using efficient vehicles. In the US, the Group is also a member of Smartways Association, aiming at reducing land transportation emissions; in Europe, the Absolut Company is a member of the Clean Shipping Project.

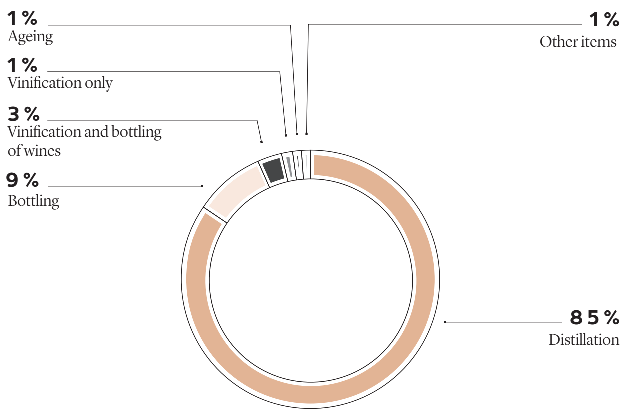
Production sites

At production sites, the Group pursues actions on two fronts: improving energy efficiency and expanding less carbon-intensive energy. To encourage these transitions, the Group has introduced an internal carbon price of €50 per ton of CO_2 equivalent for investments.

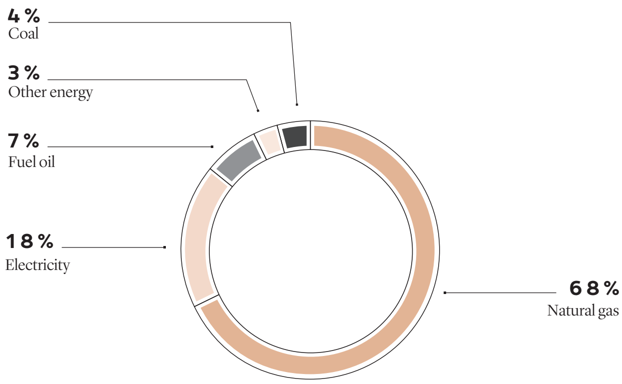
Operationally, production sites must improve energy efficiency through a continuous monitoring of energy consumption and in-depth energy assessments, to set energy-efficiency targets and launch consumption reduction programmes (*i.e.*: renewal of processes, technologies, etc.). Several large sites have implemented ISO 50001 certified energy management systems.

Moreover, the Group is working to replace heavy fuel oil and coal with cleaner sources of energy like natural gas and plans to only use renewable electricity by 2025. This year, Scope 1 (direct CO_2 equivalent emissions) increased by 4.7% in line with the 5.7% production volume increase, whereas Scope 2 (indirect CO_2 equivalent emissions) decreased significantly from 46,270 to 35,151 tonnes due to electricity and indirect energy CO_2 equivalent emission factors update and installation of a large photovoltaic project in Australia. In terms of carbon intensity, this leads to a 5.2% reduction per unit between FY18 and FY19 for Scopes 1 and 2 carbon emissions.

DISTRIBUTION 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 damages 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 a number of years, resulting in the complete elimination of CFCs. The programme aims to reduce the proportion of HCFC gases, with the aim of eliminating them completely by 2020;

- Nitrogen and sulphur oxide emissions (NOx and SOx) contributing indirectly to the greenhouse effect and environmental acidification. These compounds are produced by fossil fuel combustion. As emissions of these atmospheric pollutants for the alcoholic beverages sector are low compared to worldwide emissions, they appear to have no material impact for Pernod Ricard, and the Group does not consider it appropriate to monitor such emissions on an annual basis. However, the major distilleries ensure that they comply with the legal limits set for discharge of these pollutants.

3.3.3.3 Preserve water resources

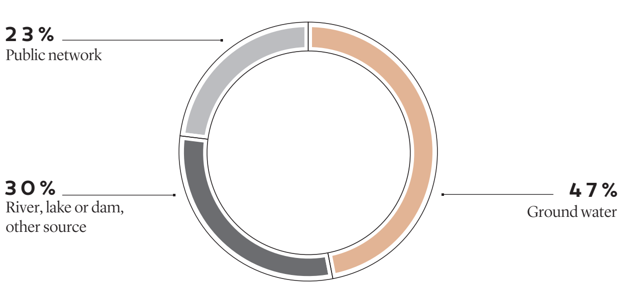
Water is an essential component of the products manufactured by Pernod Ricard. From irrigating crop, to processing raw materials, distilling, blending *eaux-de-vie* and formulating products, water is used at every stage of the product's life cycle, directly or indirectly.

In this context, the Group faces several challenges: it must reduce water consumption, particularly in areas with hydric stress; preserve water quality by monitoring pollutants rejected by production sites and be fully compliant with evolving environmental laws. Pernod Ricard has been a member of the United Nations Chief Executive Officer Water Mandate since September 2010, reinforcing its commitment to the protection of the planet's water resources.

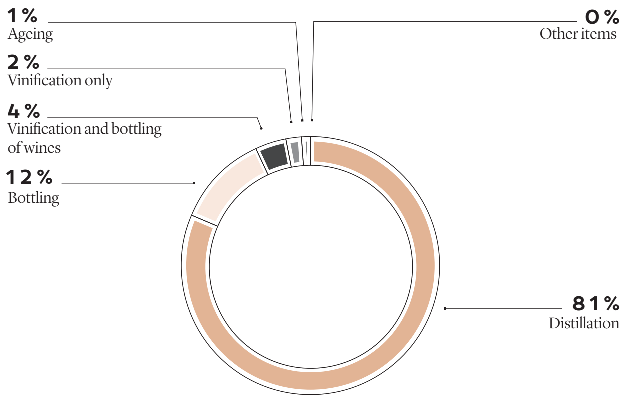
Policies	Objectives	Achievements and next steps
2020 Environmental Roadmap	At production sites: • reduction of water consumption by 20% per unit produced between 2009/2010 and 2019/2020. • 100% of sites located in high water risk areas have implemented an action plan for managing water resources.	• Water consumption has been reduced by -22% and targets are therefore exceeded. • 82% of the water use in high risk areas is covered by an action plan for managing water resources.
2030 S&R roadmap	• Further reduction of water use tensity by 20% from FY18 to FY30.	• In FY20, production sites will identify water reduction opportunities based on best available technologies per activities (distillation, wineries, bottling...) to define water use excellence target for each sites.
	• For 100% of production sites located in replenishment of the equivalent of 100% of water consumed by production sites in the same watershed.	• In FY20, the Group will define methodologies to quantify water associated with replenishment projects in order to support affiliates in establishing action plans.
	• Exploring innovative ways to reuse organic waste.	• 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 FROM INDUSTRIAL SITES(M³)



DISTRIBUTION OF WATER CONSUMPTION BY ACTIVITY



To reduce direct water consumption at production sites, the Group focuses its efforts on two main drivers: setting up systems for measuring and monitoring water use and identifying measures to save, reuse and recycle water. This year, this led to a reduction of water use especially in distilleries which reduced water use per litre of pure alcohol produced by 2.7% compared to last year.

Along the value chain, the drip irrigation technique is used for 100% of the vineyards operated by the Group, reducing the water used to what is strictly necessary. Moreover, given the predominance of the supply of agricultural raw materials in the Pernod Ricard's water footprint [1], the Group works at local level 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 management tailored to meet local challenges

Because water resources are unevenly distributed, risk level vary depending on the location of the Group's production sites. To better understand and identify priorities, Pernod Ricard has categorised its production sites as high risks, significant risks and low risks, using the Overall Water Risk Index. For each category of risk, a specific water management strategy is applied:

Area's risk level	Pernod Ricard situation	Water management strategy
High risks	• 6 sites, in India, Argentina and Australia. • 3.4% of the Group's total water consumption.	Sites must take specific actions with local communities and other stakeholders to contribute to improving the local water management plan.
Significant risks	• 10 sites, located in India, USA, China, Armenia, and Mexico. • 7% of the Group's total water consumption.	Site must perform studies of their water catchment areas to ensure there is a balance, monitor any change in risk, and maintain a dialogue with the main stakeholders.
Low risk	• 73 sites. • 90% of the Group's total water consumption.	Sites must at a minimum manage water resources efficiently on their premises.

To date, the Indian, Australian and Armenian sites have defined a water management strategy and are at the action implementation phase.

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., according to the waste water quality requirements. The Group will also explore innovative projects for treating these waste water.

FY19, 76% of waste water was discharged into a public sewer system, 18% was discharged into the environment following treatment, and 6% was recycled for vineyard irrigation.

Global performance	Unit	FY10	FY18	FY19
Total volume of water used	m³	7,095,145	6,726,120	6,921,074
Total volume of water abstracted	m³	28,052,000	25,913,313	25,238,963
Total volume of waste water released	m³	5,445,849	4,390,900	4,359,797
Water consumption per unit produced at production sites	m³/ kl PA	36.3	28.9	28.1
Chemical oxygen demand (COD) released into the natural environment (t)	t	-	926	929

3.3.3.4 Circular packaging and distribution

The impact of the Group's activities on the environment begins with the design of the products and packaging and continues throughout their life cycle. The product and packaging development phases represent a key lever to reduce the Group's environmental footprint: packaging accounts for 36% of the Group's carbon footprint (see subsection 3.3.3.2).

For this reason, Pernod Ricard adopts a full life cycle view, by implementing eco-design principles when developing new products, and participating in local packaging's collection and recycling schemes, in order to reduce its overall environmental footprint and minimise end waste.

In 2017, the Group made a commitment to the French Association of Private Enterprises (Association Française des Entreprises Privées – AFEP) to take concrete measures to address circular economy alongside 32 other companies. It also joined the New Plastic Economy and is a member of the CE100 network from the Ellen MacArthur Foundation.

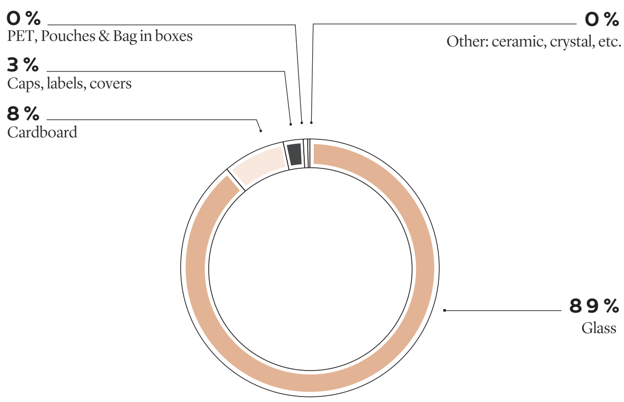
(1) Analysis of the Group's water footprint indicates that by far the most water-intensive activity in the value chain is the supply of agricultural raw materials, representing 99% of the Group's water consumption. In comparison, the direct water consumption of production sites represents less than 1% of the Group's water consumption.

Policies	Objectives	Achievements and action plans to 2030
2020 Environmental Roadmap	• Aim for 100% of consumer packaging to be recyclable.	• In FY17, the Group assessed that 99% of the primary packaging is recyclable according to CITEO/ADELPHE specifications.
2030 S&R Roadmap	• From 2022, 100% of new projects adopt eco-design principles reducing impact according to Life Cycle Assessment (LCA). • By 2025, 100% of promotional items made from single-use plastic are banned. • By 2030, 100% of packaging is recyclable, reusable, compostable or bio-based. • By 2030, the Group will pilot five R&D projects on circular ways of distributing Wine & Spirits. • By 2030, launch initiatives to support recycling in 10 key markets with low recycling levels.	• In FY20, the Group will finalise and circulate sustainable packaging guidelines; will establish reporting to measure progress against targets and will engage marketing in the implementation of these new guidelines.

Implement eco-design principles

The first focus of Pernod Ricard's action is to implement eco-design principles into product development processes to improve their lifecycle and minimise end waste. In terms of packaging, glass and cardboard are the main materials used. The Group uses a Life Cycle Analysis software which enables Marketing, development and procurement teams to assess the environmental impact of their brands and new developments in order to identify priorities to reduce their environmental impact. In 2016, Group's priority brands have conducted a life-cycle analysis with this tool.

BREAKDOWN OF THE WEIGHT OF PACKAGING



Promote circular packaging

- The first focus of circular packaging is to optimise the quantity of packaging used. Many examples have been recorded in the Group.

Product	% of glass weight saved after modification
Imperial Blue (India)	-6% (FY18)
Olmeca (Mexico)	-22%(FY19)
Absolut (Sweden)	-13% (FY15)
Jameson (Ireland)	-5% (FY19)
Ballantine's (Scotland)	-13% (FY18)

- A second focus is to ensure packaging are recyclable. All primary packaging has been reviewed in 2017 to identify all non-recyclable primary packaging and packaging components that might compromise the recycling of primary packaging according to the recyclability criteria of CITEO. More than 99% of the Group's packaging (by weight) is recyclable. By 2025, 100% of packaging used by the Group will be recyclable, reusable, compostable or bio-based.
- The third aspect is to incorporate more recycled material into packaging. By 2025, the Group will reach 50% post-consumer glass recycled content and 25% PET recycled content. Absolut increased the share of recycled material into its packaging: the percentage of cullet in its glass bottles has raised to 45%.
- The fourth aspect is based on the use of bio-materials when recycled content option is not available: some brands have replaced plastic caps made from oil with caps produced from sugarcane ethanol.

Promote sustainable point-of-sale

By 2025, 100% of single-use plastic point-of-sale (POS) will be eliminated. All non-biodegradable plastic straws and cocktail stirrers have already been banned by the Group. By 2030, the remaining POS will be reusable, recyclable or compostable.

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 the products. The key issue is therefore to improve waste sorting solutions for consumers so that packaging can be recycled or reused. Pernod Ricard set up or joined several projects throughout the world to improve recycling or reuse of packaging:

- Europe: Group contribution of around €6 million to national schemes aimed at improving the collection and recycling of domestic packaging, including glass;
- United States: 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;
- India: deposit system to collect empty bottles in cafés, hotels and restaurants and reused at production sites.

3.3.3.5 Reduce waste

Limiting waste generated 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 are recycled.

Policies	Objectives	Achievement in FY19
2020 Environmental Roadmap	• Aim for zero waste to landfill at production level.	• 953 tonnes of waste have been discarded in landfill sites this year, which represents 200 tonnes increase vs. last year.

Limiting of food waste

The Group implements measures to minimise food waste at every step of its value chain:

- upstream agriculture: to reducing food waste by reusing the by-products from the production of certain foods, such as broken rice in India or sugarcane molasses in Cuba, to produce alcohol. Moreover, in developed countries, where most of the agricultural raw materials used by the Group come from, the quality of infrastructure associated with short supply routes prevent the products such as cereals from perishing. As for grapes, musts or wine, they are delivered directly to the Group's wineries by producers, limiting losses in the supply chain;
- production sites: focus on recycling waste generated through the transformation of raw agricultural materials (spent grains, vinasse and grape pomace): 99% of waste are recycled to manufacture animal feed, produce biogas, make farm compost or for other industrial purposes;
- consumer level: waste generated is very low since wine and 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 generate mostly non-hazardous waste (99% of total waste) and some hazardous waste (1% of total waste):

- non-hazardous waste: packaging waste (glass, paper, cardboard and plastics); waste arising from the transformation of farm raw materials that are 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 ambition is to move towards zero landfill waste by 2020. To reach this goal, the affiliates will pursue their efforts to reduce the quantity of waste generated and identify recycling and recovery processes. Regarding hazardous waste that requires the use of a specific treatment process to prevent environmental risks, the Group will continue to identify appropriate treatment processes locally.

Key Performance Indicators

Global performance	Unit	FY18	FY19	FY18-FY19
Total quantity of waste (1)	t	37,242	42,361	+14%
Quantity of waste recycled	t	35,729	39,569	+11%
Quantity of waste incinerated	t	765	1,838	+140%
Quantity of waste to landfilled	t	748	953	+27%
% of solid waste recycled or recovered	%	96%	93%	-3%
Quantity of waste landfilled per litre of finished product	g/L	0.73	0.91	+26%
Quantity of hazardous waste treated externally	t	505	482	-5%

(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 since, due to its small quantity, this waste is most often stored on site for a certain amount of time. In addition, this waste may also be generated during ad hoc cleaning operations. For these reasons, this data item is not strictly speaking a performance indicator for the current year.*

This year, some waste such as sludge and general waste were included in the reporting which led to a significant rise of total waste generated on production sites.

In addition, in Sweden, a part of non-conformed products could not be recycled and were incinerated, which increases significantly incinerated waste.

Waste to landfill also rose from 748 to 953 tonnes for two main reasons: disruption of composting company treating organic sludges in New Zealand and saturation of incineration centres in France. An action plan will be set to achieve our zero waste to landfill ambition next year.

Despite this abnormal situation, 93% of waste is recycled.

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 in terms of the prevention of risks associated with alcohol abuse, but also a strict policy in terms of food safety during product preparation.

The control of product health and safety is based on the implementation of the hazard analysis critical control point (HACCP) method which aims to identify all the points for potential risks in the manufacturing process and to control these with appropriate preventive measures. Brand Companies that are producing Group's strategic brands are certified ISO 9001 representing 99.9% alcohol produced. In addition, and despite the fact that Wines & Spirits are less exposed to food safety risks than the products of other food industry segments, Pernod Ricard decided also to proceed with 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 different specific guidelines, the aim being 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 according to an internal cross-audit process.

An absolute priority for the Group is to ensure its products comply with the regulations that apply to each of its various markets.

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 and to immediately inform the affiliate concerned so that corrective action can be taken. In the case of a serious product safety concern, the system also informs Headquarters instantly, allowing for rapid response. Each affiliate has a crisis management procedure that can be activated particularly in the case of a health risk caused by a product with, if necessary, a product recall. These procedures are subject to regular testing, training for people involved and updates.

Quality indicators including the number of complaints rate are presented to the Senior Management.

Furthermore, a health risk management Committee chaired by the Group's Operations Director ensures the monitoring of risks linked to product health safety and in particular emerging risks linked to scientific knowledge or new regulations. The Committee relies notably upon on a regulatory watch and an annual Group chemical analysis plan, which in 2018 covered 74 finished products with a total of over 3,800 analyses completed.

To our knowledge, the Group's products do not contain nano-ingredients. In addition, the Group is committed to ensuring complete traceability of its products in terms of GMOs (genetically modified organisms) to assure consumers that the labelling regulations for products containing GMOs are strictly complied with. 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 removes the risk that GMO material may be present in the 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.

	FY18	FY19
% of sites ISO 22000 certified by June of the fiscal year	78%	81%
% ISO 22000 certified in volume produced covering all the Group's strategic brands	99%	99.8%
% Brand Companies that are producing Group's strategic brands are certified ISO 9001 representing 99.9% alcohol produced	99.5%	100%
Number of complaints received through the "Complaint Management System" during the fiscal year	4,500	3,800

3.3.4 Responsible Hosting

Pernod Ricard believes that its products bring people together and serve a valuable role 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 that it has a role to play to prevent and reduce harmful use of alcohol. Pernod Ricard fights alcohol misuse in society by taking action on harmful drinking – engaging with its stakeholders for real change and continuously developing and strengthening its responsible marketing practices.

Addressing alcohol abuse cannot be achieved by Pernod Ricard alone, and partnerships with other industry members, governments and local communities are necessary for success. Positive change can only be reached in unison with others, with one collective voice.

3.3.4.1 Fight alcohol misuse

Pernod Ricard is committed to reducing the alcohol misuse and promoting moderate drinking. This goal is fully aligned with its vision of "*Créateurs de convivialité*" as there is no conviviality in excessive or inappropriate drinking. It is also aligned with its Premiumisation strategy: the Group wants its consumers to consume better and high-quality products, not more.

Pernod Ricard believes that targeted action on the ground is an effective way to tackle inappropriate consumption. The Group has more than 100 programmes and campaigns worldwide to fight alcohol misuse, often working with its peers and external partners, with a focus on prevention of underage drinking, drink driving and pregnancy drinking, and promoting moderate and responsible consumption of alcohol.

The Group's "Responsible Hosting" strategy is piloted by the Public Affairs team. Its strong presence in Brussels allows it to better liaise with the European Institutions and it has an office in Geneva from which to liaise with international organisation. The Alcohol in Society Department coordinates the Group's "Responsible Hosting" strategy and its fight against inappropriate alcohol consumption worldwide, thanks to its network of S&R and Public Affairs leaders.

Reduce harmful use of alcohol: Pernod Ricard fully supports the World Health Organization's (WHO) goal of reducing harmful drinking by 10% across the world by 2025. For this, Pernod Ricard has a new Responsible Hosting strategy focusing on tackling alcohol misuse.

Policies	Objectives
2030 S&R Roadmap	• By 2030, each affiliate of Pernod Ricard across the world will have at least one programme in partnership, at scale and evaluated, following new HQ guidelines, to fight alcohol misuse. • By 2030, Pernod Ricard will expand the concept of Responsible Party worldwide and develop key partnerships beyond Erasmus Students Network, reaching 1 million young adults.

Action plans and next steps

Programmes

- Fight alcohol misuse: Pernod Ricard will continue its engagement to tackle inappropriate consumption of alcohol, in the spirit of the 5 producers' commitments of the International Alliance for Responsible Drinking (IARD, see below), in partnership with the industry, civil society and local authorities of responsible consumption.
- Responsible party: Responsible Party is Pernod Ricard's flagship programme, run in partnership with the Erasmus Students Network (ESN), across 32 countries in Europe. It has reached over 400,000 students over the past 10 years. Responsible Party aims at raising awareness amongst exchange students about the dangers of excessive drinking and reducing harm during student parties. Pernod Ricard's ambition is to expand this programme worldwide by 2030, reaching 1 million young adults worldwide.

IARD and collaboration with industry

Pernod Ricard acknowledges the mandate given to economic operators in the area of production and trade of alcoholic beverages by Heads of State and governments at the United Nations in the Political Declaration on Non-Communicable Diseases in 2018.

Pernod Ricard is a member of the IARD, a non-profit organisation dedicated to reducing inappropriate consumption of alcohol, working with the leading global beer, wine and spirit producers, but also with the public sector, civil society and private stakeholders. IARD aligns with the WHO's Noncommunicable Diseases Global Monitoring Framework and committed 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 adapted to local needs and contexts.

To strengthen its effort in minors' protection from alcohol marketing, it has developed a partnership with social media platforms ensuring that its online alcohol marketing meet the same high standards that apply to traditional marketing activities and that they are working effectively on expanding this initiative.

The Group collaborates with its peers on the agenda set by the IARD, and strongly commits to reducing harmful drinking, including the target of reducing the harmful use of alcohol by at least 10% by 2025 and to positively impact a broad range of SDGs.

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. Therefore, Pernod Ricard enlists its employees and consumer facing staff within the Group worldwide with the common goal of reducing alcohol harm and promoting moderate responsible drinking, both internally and externally.

Pernod Ricard will put in place an internal training on alcohol to raise awareness on the harmful use of alcohol (2020) and train 100% of its employees and consumer facing staff (2030) to ensure it makes employees aware of their responsibilities within the Group.

The three next steps for Pernod Ricard will be to design global guidelines for its alcohol harm prevention programmes to improve their impact in all its markets, to expand the Responsible Party outside Europe and with new key partners, and to set up a new training module for all its employees on alcohol and on the dangers of harmful use of alcohol.

3.3.4.2 Responsible marketing

Objectives and policies

Pernod Ricard believes that strong self-regulation commitments are effective in meeting the ethical expectations of its consumers and stakeholders in the rapidly-changing world of today's media 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 its commercial communications 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 on responsible marketing of alcoholic beverages, with a special focus on digital marketing. In September 2014, IARD, of which Pernod Ricard is a member, joined forces to establish the Digital Guiding Principles which were the first ever set of global guidelines for beverage alcohol producers' online marketing and social media use. The Group extended the scope of its Code for Commercial Communications (CCC) to require the content of any online marketing to meet the same high standards that apply to traditional marketing activity. These industry-wide commitments were fully embedded in Pernod Ricard's internal CCC in 2015. In 2018, Pernod Ricard reached 61% of full compliance on these principles. The ambition that was set by Alexandre Ricard and his counterparts from the other companies of the sector is to reach 80% of compliance in 2019.

Responsible Marketing Panel (RMP)

Ethical control over advertising is the responsibility of the RMP. Created in 2005, the RMP is in charge of screening all advertising material due to be rolled out. It is composed of five people and a secretary general. They are all independent from the Marketing Department, and monthly report to the Executive Committee. Two members of the Executive Committee have an arbitral status 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 must statute upon it within seven days. All decisions are taken collectively by the RMP's members and are binding on 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 of the markets concerned.

The Panel provides formal opinions on every campaign submitted: approval of the campaign, approval subject to modification, or rejection, in which case the campaign must be re-submitted.

An e-learning on the CCC was launched in 2014 with a mandatory status for marketers, legal and CSR functions.

Since the Panel was set up in 2005, 2719 campaigns were reviewed, and 1768 confidential advices were requested. For 2019, 153 formal requests over which 148 received a green assessment. 112 copy advices were received.

Action plans and next steps

With the implementation of the Pernod Ricard CCC, the Group will continue to deliver a brand experience of *Convivialité* and responsibility in compliance with industry commitments and advertising authority requirements. The Group will update its CCC and relaunch the e-learning in October 2019. Guidelines for the CCC will be rolled out in 2020.

3.3.4.3 Consumer information

Policies and objectives

Pernod Ricard is committed to providing quality information to its consumers on the ingredients used, the nutritional value of its products, and how to consume them responsibly.

On 4 June 2019, spiritsEUROPE [1] – together with Pernod Ricard and several other European company members and trade association members – has signed a Memorandum of Understanding (MoU) agreed with the European Commission regarding the voluntary communication losure by the European spirits companies of the ingredients and nutritional information of their products sold on the European market.

The objective of the MoU is to ensure that the products placed on the European Union's markets by those companies disclose the energy information on the label of their products and provide the ingredients and other nutritional information online. The target was set at 66% of the products placed in the EU market by 31 December 2022.

Pernod Ricard has the ambition to go beyond the target set by the MoU and has decided to progressively implement it worldwide – where the communication of this information is not restricted by local legislations or regulations – and to all the products of its portfolio.

You are reminded that all affiliates with a distribution business incorporate the "pregnant woman" warning logo on all bottles distributed in European Union countries. In 2013, Pernod Ricard gradually extended the application of this logo to all bottles distributed by Pernod Ricard worldwide (notwithstanding regulatory constraints).

Action plans and next steps

By December 2020, 25% of Pernod Ricard's products placed on EU market will carry the energy information on-label and will provide the ingredients and other nutritional information online. The target will be increased to 50% by December 2021, and 66% by December 2022.

To implement its commitment to provide information online, Pernod Ricard cooperates with the global supply chain standardisation body GS1 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, particularly the General Data Protection Regulation (GDPR), is a critical issue for the Group. This issue has significantly affected how Pernod Ricard, in the context of increasing 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.

(1) spiritsEUROPE represents one of Europe's most valuable agri-food export sectors and, with it, the interests of 31 associations of spirits producers as well as nine leading multinational companies – for more information on spiritsEUROPE, see https://spirits.eu.

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 (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 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/our-commitments/public-affairs/), which includes a chapter related to the fight against corruption, was amended in 2018 in order to address influence peddling (*trafic d'influence*), as well as providing 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 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, with a confidential process protecting them effectively from any retaliation.
- **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 efforts

- **"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.
- **"Gifted!"**: an app rolled-out in most of the Pernod Ricard affiliates, accessible on smartphones or on personal computers, to declare and authorise gifts and hospitalities in accordance with the provisions of the Gifts and Hospitality Policy.
- **MOOC (Massive Online Open Course)**: e-learning tool providing trainings for employees about corruption and internal control principles, based on educational videos produced by experts from the Legal Department and questions based on "learning by doing" approach.

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 complies strictly with the High Authority's lobbying activities reporting obligations; Transparency International even recognised its detailed reporting practice in their presentation of committed firms.
- The Group has been a member of Transparency International since 2013 and actively supports the promotion of transparency and integrity around lobbying and actions led 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 all 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 move forward on this subject and show an example through their commitments under their ethics and social responsibility policy or governance.
- This joint declaration on lobbying was reinforced and updated for its publication in May 2019, including new signatories who renew their commitments: https://transparency-france.org /actu/declaration-commune-entreprises-membres-de-transparency -international-france-lobbying.
- Proactive member of Friends of Transparency EU Forum since 2017 (https://transparency.eu/about/friends/)

Action plans and next steps

- Maintain cooperation with Transparency Internationa.
- Include into the yearly global public affairs teams' seminar a systematic component on the ethics of lobbying.
- Training course on lobbying "Lobbying the Art of Influencing" (part of the course is delivered by Transparency International): update and target a larger audience for the training course "Lobbying, the Art of influencing". This training covered 40 people over five years from many different functions and affiliates. The aim is to systematically cover all newcomers in Public Affairs.

3.4.1.4 Tax policy

A significant contribution to local communities

The Group complies with all laws and regulations in force in each of the countries in which it operates, as well as the applicable international standards.

In 2019, Pernod Ricard's income tax charge on recurring items (profit from recurring operations and financial result from recurring operations) was €586 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 €6.5 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 and 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 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 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 to have been put in place 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.

International transparency promotion

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 below cross-reference tables summarise the presentation of the information constituting the Group's vigilance plan 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 relating to the business activities of the Group and its main suppliers and subcontractors during the financial year. Several working groups made up of representatives from the Sustainability & Responsibility, Purchasing, Human Resources, 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. 99), Global "iSay" survey canvassing the views of employees on 14 topics (p. 96)		
		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. 109)	Identification of geographical areas at risk using the WRI Aqueduct Water Risk Assessment tool for water management and an internally developed questionnaire (p. 106)
Activities of suppliers and subcontractors	Proactive supplier analysis based on the Blue Source process, which includes the Risk Mapping Tool (p. 99) Identification of environmental and social risks in agricultural activities (p. 92)		

Pernod Ricard faces a range of internal and external risks. The main risks currently estimated by the Group are reported in the Section 5 "Management report" under the subsection "Risk management". The mapping processes described below were drawn from Pernod Ricard's existing risk management tools, such as those described earlier.

In addition, in line with the requirement to publish an "Extra-Financial Statement", the Group has published its main Sustainability and Responsibility risks and opportunities.

3.4.2.2 Deployment of measures to mitigate risk and prevent serious harm

Pernod Ricard has introduced risk mitigation measures tailored to the different situations resulting from its activities. These measures may be introduced for the entire Group or for an affiliate, either individually or in association with other industry players, competitors or suppliers.

	Human Rights	Health and safety	Environment
Group's own operations	Code of Business Conduct, Global Human Rights Policy, Pernod Ricard Charter		
	Business Workplace Diversity Charter Better Balance Initiative (p. 95) Training programme (p. 93) Social dialogue and company agreements (p. 96)	Health and safety management system for industrial sites in accordance with the OHSAS 18001 standard (p. 100) Key principles for managing working conditions that define the minimum requirements (p. 100) QSE Guidelines: product quality, personnel safety, environmental impact management, protection of insured capital (p. 100) HACCP method and ISO 22000 certification (p. 105) Industry commitments and the Pernod Ricard Code on Commercial Communications (p. 110)	Group Environmental Policy (p. 100) 2020 Environment Roadmap (p. 104) ISO 14001 certification policy QSE Guidelines: product quality, personnel safety, environmental impact management, protection of insured capital (p. 100)
Supplier and subcontractor activities	Proactive supplier analysis on Blue Source process (p. 98), 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. 96)		
		Protection of insured capital and the prevention of major industrial risks: more than 60 industrial sites audited each year (p. 117) Complaints handling system (see p. 109). External audit the Responsible Marketing Panel (p. 111) 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. 109)
Supplier and subcontractor activities	Blue Source process (p. 98)		

3.4.2.4 Early warning and whistleblowing 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 might have regarding a practice or situation deemed to be contrary to or inconsistent with this Code, the associated policies or any legal or regulatory standard.

During FY19, Pernod Ricard launched a Group-wide early warning system titled Speak-Up to allow 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 hours a day, seven days a week. Any report deemed to be serious is the subject of an internal analysis and investigation conducted under the aegis of an Integrity Committee comprising the following Group-level functions: Legal, Internal Audit, Human Resources and S&R. If any violations are identified, the Integrity Committee examines their severity and decides on the measures to be taken. 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 undertaken. The results have already been extensively published and audited with complete transparency in this report (see Sections 2, 3 and 4 in particular);
- 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	90
		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	92
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	93
		4.7; 5.1; 5.5; 10.3	Diversity	94
		3.6; 3.8; 3.9; 8.8; 10.3	Health & Safety and working conditions	96
		8.7; 8.8; 10.2	Human Rights	98
		4.4; 4.7; 12.2; 12.6; 12.8; 16.2	Responsible supply chains	98
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	Efficient management system	99
		7.2; 7.3; 12.4; 13.1;	Climate change: reduction and adaptation	100
		6.1; 6.3; 6.4; 12.4; 12.5; 14.1	Preserve water resources	105
		12.2; 12.4; 12.5; 12.8; 14.1	Circular packaging and distribution	106
		3.5	Product quality and safety	108
3 GOOD HEALTH AND WELL-BEING; 17 PARTNERSHIPS FOR THE GOALS	12 RESPONSIBLE CONSUMPTION AND PRODUCTION		**Responsible Hosting**	
		3.4; 3.5; 3.6; 12.8 17.14	Fight alcohol misuse	109
		3.4; 3.5; 12.8	Responsible marketing	110
		3.4; 3.5; 12.8	Consumer information	111
16 PEACE, JUSTICE AND STRONG INSTITUTIONS			**The Group's ethical practices**	
			Data privacy	111
		16.5	Corruption prevention and anti-competitive practices	112
		16.5	Transparency and integrity of strategies and influencing practices	112
			Tax policy	113

3.6 Methodology note and third-party verification

3.6.1 Methodology note relating to extra-financial reporting

3.6.1.1 Period & scope of reporting

Reporting of corporate, environmental and societal data is performed annually and relates to the period from 1 July 2018 to 30 June 2019. 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 period concerned. When a company joins the Group scope in the time concerned and is controlled by the Group, its corporate data is immediately included in full in the figures, regardless of the equity stake held by Pernod Ricard. At each financial year-end, the list of entities in the Group's social reporting is compared to the one in the Financial Reporting to ensure its completeness. In FY19, reporting covers 135 entities.

The consolidation scope and level of detail for corporate data have changed since FY19; indeed the social data are no longer reported by affiliate but by legal entity, which explains the increase in the number of entities covered. Also:

- in France, a specific entity, Lillet, dedicated to the brand, is now reported under Ricard & Pernod; the CRPR (Pernod Ricard research centre) closed this year;
- in Europe, PR Andorra has been created;
- in Latin America, the IT teams of Brazil, Mexico, Argentina and Uruguay who used to have dedicated affiliates are now reported respectively under PR Brasil, PR Mexico, PR Argentina and PR Uruguay; PR Dominicana that used to be reported under Global Travel Retail is now under PR EMEA LATAM;
- in North America, the IT teams of the USA and Canada are now reported under PR North America; two entities have been created following the Group's latest acquisitions, the Foreign Affair Winery and Ungava Spirits;
- there was no change in Asia and in the Pacific in FY19.

The Asia-Pacific Region includes the Asia distribution network and the Group's Wines business, which 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. This year, the distinction has been made between the Brand Companies and the Market Companies for Australia and New Zealand resulting in two entities for each of those countries.

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 presence in the world. The data collected enables Pernod Ricard to be increasingly socially responsible in respect of its employees all over the world.

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) which 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 situated in the same country. These entities do not have to give information to the Group's reporting system.

As regards the ethical monitoring of advertising by the Responsible Marketing Panel (RMP), controls are mandatory for all the Strategic International Brands and the Strategic Wine brands (which account for around 78% of advertising and promotion investments). Since February 2013, they have also been mandatory for Strategic Local Brands (which account for around 12% of advertising and promotion investments). Controls encompass advertising, the Internet and sponsorship. Since September 2013, the Panel has reviewed the Code's compliance with all new products.

Like all Group advertising, promotions must also comply with the Code.

In cases of ethical issues, it is recommended that marketing teams submit their proposed promotions to the Panel.

Scope of environmental reporting

Pernod Ricard's environmental reporting relates to production sites and vineyards under the Group's operational control on 30 June of the financial year in question and which have been in operation throughout the entire year. It does not cover administrative sites (head offices or sales offices), or logistics warehouses when these are located outside industrial sites (this relates to only a few isolated warehouses), since their environmental impacts are not significant compared to those located within industrial sites.

The FY19 reporting covers:

- 89 manufacturing sites. This figure is lower than in 2017/2018 following the disposal or closure of two production sites: Bessan in France and San Juan in Argentine. The industrial scope taken into account for this financial year therefore covers a production volume of 1,045 million litres (finished product either bottled or in bulk), compared with 1,030 million in 2017/2018, and a volume of distilled alcohol of 246 million litres in 2018/2019 compared to 233 million litres in 2017/2018. Comments on the results are provided in the different sections of the subsection "Protect the planet" in this document;
- 5,625 hectares of vineyards, located mainly in New Zealand, Australia, France, Spain, the United States, Argentina and China. Key results related to vineyards are set out in subsection "Sustainable agriculture and performance of our vineyards".

3.6.1.2 Clarification relating to indicators

Social indicators

Age and seniority are calculated based on staff on permanent contracts.

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 that appears on their employment contracts; 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 staff on permanent contracts. 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 a 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 volunteers on the VIE programme.

Maternity/paternity/parental leaves are included in the absenteeism rate.

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 for the calculation of absenteeism rate, while calendar days are used for the workplace accident frequency and severity rates.

Commuting accidents are no longer included in the number of accidents, thus are not used to calculate the frequency and severity rates. Conversely, the 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 recognised, 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.

Environmental indicators

The Group footprint on agricultural land is assessed by the areas on which farm raw materials purchased 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 several ratios, based on the type of business in which the Group has classified them for:

- 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. In the case 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%, in order to enable a better interpretation of results and trends.

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, including specific definitions of each indicator, passed on to all Managers involved in the process in charge of collecting and consolidating data.

Pernod Ricard constantly seeks to improve the collection and analysis of its data, and therefore updates its procedures and user guide each year in line with the evolving needs of the Group. 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 the applicable national or international frameworks. The updates also result from contributions made by affiliates when updating data and auditors' feedback. Any changes made since the previous year are highlighted.

A consolidation tool has been used to gather and process the data for FY19, supplied by local entities. For social indicators, a new tool has been created and used to gather and process the data from FY19.

Methods for consolidating and checking the data

After being submitted by the management, data is gathered at management entity level, then at Region or Brand level, to be sent to the Headquarters. At each level, the data is processed and consolidated. Each entity that collects and includes data is responsible for the indicators supplied and certifies the data as well as its control.

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 in comparison with previous years and between the indicators themselves. For social indicators, at each step, the affiliates can explain any variations versus the fiscal year before.

Once all of the data have been collected, Headquarters performs consistency checks to identify any reporting or input errors, and 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 extra-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 2019

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 2019 (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 the company's website or 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;
- 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, the report on the main social and environmental risks relating to this activity and the impacts thereof with regard to the respect for human rights and the fight against corruption and tax evasion, together with the subsequent policies and their results.
- 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 the Statement includes 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 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.
- We assessed the process of selecting and validating the main risks.
- We inquired as to the existence of internal control and risk management procedures set up by the company.
- We assessed the consistency of the results and key performance indicators used with regard to the main risks and policies presented.
- We verified that the Statement includes a clear and reasoned explanation justifying the absence of policy regarding one or more of these risks.
- 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 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 17% and 80% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that in our judgment were of most significance (see Appendix);
- 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 eight people between March and September 2019.

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, 19 September 2019

One of the Statutory Auditors,

Deloitte & Associés

David Dupont Noel	Julien Rivals
Partner, Audit	*Partner, Sustainability*

(1) *See Appendix*

(2) ***Entity targeted by detailed tests on social indicators**: Havana Club, Irish Distillers, Pernod Ricard New Zealand, Pernod Ricard Winemakers New Zealand, Pernod Ricard Espana, Pernod Ricard Winemakers Spain, Martell & Co SA, GH Mumm.*
***Entity targeted by detailed tests on environmental indicators**: San José, Vendeville, Fox and Geese, Midleton, Kilmalid, Glenburgie, The Glenlivet & Dalmunach (waste water released and COD only), Fort Smith (Direct CO2 equivalent emissions – scope 1 and waste to landfilled only), Vineyards Argentina, Vineyards Espana, Vineyards New Zealand (consumption of phytosanitary products only).*

APPENDIX

Quantitative indicators:

- **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, Number of affiliates providing efforts to improve the integration of disabled workers
- **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, Total quantity of glass used, 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 indicators:

- Reduce waste, Improve sustainability performance and develop regenerative agriculture in the Group's vineyards, Human Rights, Responsible supply chain, Fight alcohol misuse, Responsible marketing, Transparency and integrity of strategies and influencing practices, Certification according to environmental standards.

4. Risk Management

section 4

4.1 Internal control and risk management procedures

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 internal control policies and procedures in effect within the Group 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 findings of the work 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 it with 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 affiliate's Chairman & CEO 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

FY19 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 AMF reference framework for risk management and internal control, as does its application guide, itself updated in July 2010; and
- performing audits: 30 internal audits were conducted in FY19. The purpose of these audits was to ensure that the Group's internal control principles were properly applied at its affiliates. They also reviewed the processes in place, best practices and potential for improvement in various cross-business areas (Brand Homes, IT mobility).

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 be strengthened 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 the members of the Executive Board.

The **internal control principles** outline the common ground of all the 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 the effectiveness of their internal controls. Responses to the questionnaires are documented and reviewed by the Regions and the Group's Internal Audit Department. All of 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 their 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 the 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.

Budgetary control focuses on three key areas: the annual budget (reforecast several times during the year), monthly reporting to monitor performance, and the strategic plan. Budgetary control is exercised by the management control teams attached to the Finance Departments at the Headquarters, in the Regions and in the 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 the Board of Directors;
- a multi-year strategic plan is established for the Group's main brands every three years;
- a single management and consolidation system allows each affiliate to input all its accounting and financial data directly.

Centralised treasury management is led by the Treasury Unit of the Group's Finance Department.

4.1.2.4 Legal and operational control of Headquarters over its 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 "Overview of Pernod Ricard" of this universal registration document, is an important component of the control of affiliates.

4.2 Risk factors

In 2018, the Group updated its risk matrix, which lists risks by importance and probability of occurrence. It is shown below to allow readers to picture the challenges, and should be read in conjunction with the explanatory texts that follow. Every three years, the main risks facing Pernod Ricard are mapped for all Group affiliates and functions. 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 the impact. The matrix is a management tool for controlling risks.

HIGH — IMPACTS OF RISKS —

· Loss of major site/ strategic inventory · Toxic contamination		
	· Cyberattack	· Pressure on prices · Geopolitical and macroeconomic instability · Negative media/ social media campaign · Regulatory changes · Climate change and environmental damage
· Supply disruption · Human safety risk	· Brand portfolio challenges and non-adaptation to new trends (incl. inventory management) · Major litigation · Product quality issues	· Financial risks (FX, interest rates, credit)
· Pensions	· Talent management · Fraud	· Counterfeiting/IP rights

— PROBABILITY INDEX — HIGH

Risk hierarchy

Risks relating to business activities	Pressure on prices
	Geopolitical and macroeconomic instability
	Negative media/social media campaign
	Cyberattack
	Brand portfolio challenges and non-adaptation to new trends (incl. inventory management)
	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 rates • Credit
	Pensions

Risk factors exist in a limited number of categories depending on their nature. Within each category, the most important risk factors are presented first.

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 growing 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 expenditure, or even to reduce or freeze its prices in order to protect its market share, thereby weighing on its results.

Potential impacts on the Group

Potential impacts include:

- the increased negotiation power of its 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;
- cheaper prices driving lower value 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

Pernod Ricard faces the rise of protectionism, the increase of geopolitical tensions and terrorism, to which can be added the risk of the resurgence of a larger global macroeconomic crisis. These risks are not limited to emerging markets: the recent past has shown political and economic disruption in many markets. Brexit is a perfect example, with Pernod Ricard having in particular significant production assets in the United Kingdom and Scotch whisky representing around a quarter of its global net sales. The trade war between the United States and Europe, on the one hand, and China on the other is another good illustration.

Potential impacts on the Group

Consequences may include a significant decrease in sales or margins linked to the Group's inability to sell and/or consume foreign products, an increase in custom tariffs or even destruction of assets.

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 markets and has leading brands in all major 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. Finally, in certain cases, the Group may increase its prices in order to mitigate the impact on margins. Similarly, 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 reputation of the Group or a genuine incident in relation with Pernod Ricard brands could have a significant impact on the Group's image and reputation. Further widespread negative media coverage could lead to jeopardizing the 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 the awareness on the impacts of social media and sharing good practices in terms of communication, external measures mainly lay the emphasis on the monitoring of social networks and the promotion of 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:

- leakage, loss, theft of personal, strategic or confidential data, and the resulting chain of potential repercussions;
- system failure;
- 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

The Group has drawn up a cybersecurity-specific roadmap based on the establishment of dedicated governance and resources.

It also has cyber insurance providing coverage of €20 million.

The Group strives to strengthen the security of its infrastructure, its websites and its 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 failure to adapt to emerging 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, little/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 constant 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 to 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 excess stocks 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;
- there has been a digital transformation across the organisation. This includes the creation of a Digital Acceleration Team, the development of new Group tools (e.g. Digital CRM engine; programmatic media buying desk; in-house digital content studios; social listening systems), eCommerce platforms (Drinks&Co, Uvinum), the transformation of HR and Finance systems (underway), all deployed with appropriate training;
- the monitoring of all strategic, local and trade inventory levels receives significant attention, with a particular focus on ageing goods given the investment (FY19: approximately €5 billion on the balance sheet). The latter includes regular meetings involving the Group CEO and CFO and Brand Companies to agree on 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 impact the Group's sales.

Risk control and mitigation

Quality risk management is based on a joint Quality Management approach implemented worldwilde 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 guidelines 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;
- 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;
- ISO 22000 for food safety management.

At the end of June 2019, 80.9% of bottling sites were ISO 9001 and ISO 22000 certified in accordance with these four standards, covering 99.8% of total bottled production.

1 *Note that this risk is also covered in Section 3.3.3.6 of the Extra-Financial Reporting.*

7. Supply disruption

Risk identification and description

Some raw materials that the Group uses for the manufacture of its products are commodities that are 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 has the effect of creating risk-charged interdependence should one of them fail to fulfil its obligations (e.g. following a major accident at one of its production sites or production quality issues).

Potential impacts on the Group

An unexpected rise in the cost of raw materials or packaging materials could significantly increase its operating costs.

The Group may not be able to increase its prices to offset these increased costs without suffering reduced volume, sales and operating profit, which could negatively impact the Group's results.

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 a commitment to selecting quality suppliers applying responsible environmental, social and ethical practices, through the so-called "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.

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 context of tension in the talent market is heightened by the search for scarce skills (e.g. digital jobs), 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 existing 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; as such, 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 work spaces and managerial awareness-raising programmes.

1 *Note that this risk is also covered in Section 3.3.2.1 of the Extra-Financial Reporting.*

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, its accelerating digitalisation and to constantly evolving threats.

Potential impacts on the Group

From theft to cyber criminality, 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 control the effectiveness of the measures in place.

II. Industrial and environmental risks

1. Climate change and environmental damage [1]

Risk identification and description

The environment is one of the biggest challenges facing Pernod Ricard. This challenge can be seen in the following:

- the impact of climate change on our activities, with threats to the supply of raw materials including grapes and grain, or through risks related to the management of water resources (earthquakes, floods, etc.); and
- damage caused by Pernod Ricard in its operations (greenhouse gas 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 the 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, changes to certain qualitative parameters and change in phytosanitary pressure, and 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 water needs 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 three 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 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.).

A comparable risk exists for the water supply of production sites. The availability and quality of water are therefore key factors for the quality of our 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 waste water 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.

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 causes identified 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 inflammable products (e.g. alcohol);
- a natural catastrophe such as an earthquake, hurricane or flood;
- a malicious act.

Several of our sites are located in seismic zones, particularly in New Zealand, Armenia, California and Mexico.

Other areas, including the San José plant in Cuba, are exposed to cyclonic risk.

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 60 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 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 that can be used in the event of site unavailability.

3. Toxic contamination [1]

Risk identification and description

The Group purchases most raw materials used in the manufacture of its wines and spirits from farmers (grapes, cereals, agave, etc.) or from 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) or physical (foreign body) 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, 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 3.3.6 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;
- psychosocial risks.

Potential impacts on the Group

The main potential effects on the Group stem from personal injuries. Reputational impact related to inadequate management of working conditions must also be taken into account.

The most serious impacts are therefore:

- the death of several employees, subcontractors, visitors or third parties;
- permanent disability of several employees, subcontractors, visitors or third parties;
- occupational illness.

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. To date, the main industrial sites are assessed by an external company in accordance with specific criteria in terms of both the safety culture and the OHSAS 18001 management system for Health and Safety at Work.

Building on this overview and the commitment of senior management, the Group has signalled its goal of becoming leader in the wine and spirits sector in terms of Health and Safety by 2025. 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;
- 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.

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.

Such as, for instance, the US Foreign Corrupt Practices Act, the UK Bribery Act or the Sapin II law in France. 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 all around the world.

Potential impacts on the Group

Company employees regularly interact with political and administrative officials. The nature of Pernod Ricard's activity (production of wines and spirits enjoyed at the table or in a bar , and for which the Group's motto is "*Créateurs de convivialité*") means that inappropriate invitations may 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 business countries, which provide for 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 activities and specific to production, distribution and cross-functions risks. Pernod Ricard is also committed to a zero-tolerance policy as clearly communicated by Top Management, rules for employees and stakeholders and user friendly dedicated digital tools to support its compliance efforts ("Speak Up" – a global whistleblowing hotline, "Gifted!" an app accessible on smartphones in order to declare and authorise gifts and hospitalities – e-learning platform – MOOC – based on educational videos and quizzes in order to make employees able to identify and manage the risk of corruption).

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 is a signatory of the joint declaration on lobbying presented by Transparency International's corporate members and 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.*

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 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, at around 16%, 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, for instance as regards television advertising or the sponsoring of sporting events. These limits could hinder or restrict the Group's capacity to maintain or reinforce consumer behaviour in relation to its brands and their recognition on major markets and significantly affect the Group's operating environment;
- **labelling**: changes to labelling requirements for alcoholic beverages could diminish the appeal of these products in the eyes of consumers, thereby resulting in a fall in the sales of such beverages. Furthermore, such changes could have the consequence of increasing costs, thereby affecting the Group's results; and
- **access to distribution**: regulatory authorities in the countries in which the Group trades could seek to restrict consumers' access to Group products, with actions such as the prohibition of alcohol in Bihar (India), which led to the termination of Pernod Ricard's operations in this state.

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 the professional bodies to which it belongs, or directly when the subject concerns the Group specifically.

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 interlocutors, 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.

2. Major litigation

Risk identification and description

In common with other companies in the Wines & Spirits sector, the Group is occasionally subject to class 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 2019, these provisions totalled €524 million, compared with €548 million at 30 June 2018 (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, the legal teams send a monthly report to teams at Headquarters in charge of coordination.

3. Counterfeiting/IP rights

Risk identification and description

The Group's brands are a fundamental element of its competitiveness.

The unauthorised reproduction of the Group's brands, their imitation or the use of signs liable to create confusion in the public mind with the Group's brands, and the refilling of genuine bottles with fraudulent liquids are key concerns in a large number of markets, particularly in developing markets.

Practices of this nature are liable to cause serious danger for consumers, including endangering their health.

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 and 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 the 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 on 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 can take the form of investigations on the ground or on the Internet, legal action combined with initiatives to raise awareness of local authorities, and technical/technological measures taken to step up the protection of Group products. Examples of such measures include a programme built on the principle of the smart bottle, introduced in strategic markets such as China (where it is known locally as "The Code"), allowing consumers to check the authenticity of Martell, Chivas Regal and Absolut products themselves using a QR code integrated into the packaging of these products.

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 all necessary information on to the aforementioned teams for action.

IV. Financial risks

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

In all cases, 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.

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 2019, the Group's debt consisted of floating-rate debt (9%) and fixed-rate debt (91%), 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 (EUR and USD) would result in an increase or decrease of €8 million in the cost of net financial debt.

A relative fluctuation of +/-50 basis point in interest rates (USD and EUR) would generate an equity gain or loss of approximately €1.4 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.

1 *Note 4.9 to the consolidated financial statements.*

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.

4. Pension funds [2]

Risk identification and description

The Group's unfunded pension obligations amounted to €559 million as of 30 June 2019. During FY19, the Group's contributions to pension plans totaled €51 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.

In addition, defined benefit plans (mainly affiliates in the United Kingdom, North America and the rest of Europe) are subject to an annual actuarial valuation on the basis of country-specific assumptions.

1 *Note 4.9 to the consolidated financial statements.*
2 *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 who coordinates 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);
- 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); • business interruption losses with a compensation period generally between 12 and 36 months depending on the Company.
	• Limits on compensation: • main compensation limit of €1,050 million, covering all damage and business interruption losses. The programme includes additional limits, for example to cover natural events.
	• 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 in the general civil liability programme for recall outlay, the cost of the relevant products, business interruption and outlay on rebuilding Pernod Ricard's image following accidental or criminal contamination of products that present a threat of harm to 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 2019. Changes may have been negotiated for FY20. 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, it 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 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, 28 August 2019

Mr Alexandre Ricard

Chairman and CEO

5.

Management Report

section

5.1 Key figures from the consolidated financial statements for the year ended 30 June 2019

5.1.1 Income statement

The term "Restated" refers only to restatements of FY18 required under IFRS 15 (for details, please see Note 1.1.2.1.1 in Section 6 "Notes to the annual consolidated financial statements"). Where the term does not appear, IFRS 15 has not had any impact on the data.

€ million	30.06.2018 Restated	**30.06.2019**
Net sales	8,722	9,182
Gross margin after logistics expenses	**5,289**	**5,648**
Advertising and promotion expenses	(1,429)	(1,512)
Contribution after advertising & promotion costs	3,860	4,137
Profit from recurring operations	2,358	2,581
Operating profit	**2,296**	**2,375**
Financial income/(expense) from recurring operations	(301)	(310)
Corporate income tax	(392)	(582)
Share of net profit/(loss) of associates	0	0
NET PROFIT	**1,603**	**1,482**
o/w:		
• non-controlling interests	26	27
• Group share	1,577	1,455
EARNINGS PER SHARE – BASIC *(in euros)*	**5.97**	**5.51**
EARNINGS PER SHARE - DILUTED *(in euros)*	**5.94**	**5.48**

5.1.2 Balance sheet

€ million	30.06.2018	**30.06.2019**
Assets		
Non-current assets	21,737	22,665
Of which intangible assets and goodwill	*16,858*	*17,074*
Current assets	7,821	8,375
Assets held for sale	-	5
TOTAL ASSETS	**29,558**	**31,045**
Liabilities and shareholders' equity		
Consolidated shareholders' equity	14,978	16,182
Non-current liabilities	10,838	10,185
Current liabilities	3,743	4,676
Liabilities held for sale	-	2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**29,558**	**31,045**

5.1.3 Net financial debt

€ million	30.06.2018	30.06.2019
Gross non-current financial debt	7,239	6,434
Gross financial debt from recurring operations	452	1,121
Non-current hedging instruments - assets	-	(13)
Hedging instruments from recurring operations - assets	(1)	-
Non-current derivative instruments - liabilities	25	2
Derivative instruments from recurring operations - liabilities	-	-
Cash and cash equivalents	(754)	(923)
NET FINANCIAL DEBT	**6,962**	**6,620**
Free cash flow [(1)]	1,433	1,366

(1) The calculation of free cash Flow is set out in the note 5.3 - Net debt of the Management Report.

5.1.4 Cash flow statement

€ million	30.06.2018	30.06.2019
Self-financing capacity before financing interest and taxes	2,535	2,711
Net interest paid	(288)	(308)
Net income tax paid	(371)	(521)
Decrease/(increase) in working capital requirement	(100)	(181)
Net change in cash flow from operating activities	**1,776**	**1,701**
Net change in cash flow from investment activities	**(404)**	**(516)**
Net change in cash flow from financing activities	**(1,287)**	**(1,034)**
Cash flow from discontinued operations	-	-
Foreign currency translation adjustments	(8)	1
Cash and cash equivalents at start of period	**677**	**754**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**754**	**923**

5.2 Analysis of business activity and results

Pernod Ricard uses alternative performance indicators when conducting an analysis of its activity. These indicators are set out on page 152.

Excellent year, demonstrating clear business acceleration.

Very strong FY19 delivery...

- sales at +6.0%, while optimising wholesaler inventories in USA;
- strong price effect on strategic brands: +2% ;
- accelerated completion of Operational Excellence FY16-20 roadmap (€200m savings) one year in advance;
- profit from recurring operations (PRO): +8.7%, the highest since FY12;
- PRO margin improvement: +74bps;
- strong cash conversion at 88%[(1)] and Recurring free cash flow +4%, but Free cash flow -5% due to non-recurring items.

... and investment paving the way for future success

- roll-out of Transform & Accelerate strategic plan, with significant progress made in year 1;
- active portfolio management, in particular through gin and American whiskey acquisitions;
- launch of new 2030 Sustainability & Responsibility roadmap;
- strengthened route-to-market in USA and Global Travel Retail;
- sustained A&P investment at 16.5% of Sales, focused on core priorities;
- significant increase in ageing stocks +€0.3bn to develop leadership in cognac and enhance whisky position.

Inflection in financial policy:

- FY19 dividend increased to €3.12 (payout ratio of 50%);
- share buy-back programme of up to €1bn, across FY20 and FY21.

(1) Ratio of Recurring Operating Cashflow to PRO.

Pernod Ricard has successfully started implementing its 3-year plan:

Pernod Ricard Créateurs de convivialité	TRANSFORM AND ACCELERATE	MEDIUM-TERM AMBITION	FY19 ACHIEVEMENTS
STRATEGIC PILLARS	Leverage unique premium portfolio		Innovation: **+26 %** Luxury: **+14%**
	WIN IN **4 KEY MARKETS:** Develop USA	**MSD**[1] growth	+ **4** % (Sell-out)[4]
	Broaden leadership in China	**HSD to LDD**[2] growth	**+21%**
	Broaden leadership in India	**LDD**[3] growth	**+20%**
	Develop premium+ Travel Retail leadership		**+6%**
	Leverage our **Sustainability & Responsibility** strategy		Roll-out of **2030 roadmap**, building on previous **2020 plan**
FINANCIAL KPIs	**SALES**	+4% to +7%	+ **6.0%**
	REVENUE GROWTH MANAGEMENT	Promotional effectiveness Active price management	**+2%**
	OPERATIONAL EXCELLENCE	FY16-20: **€200m** FY20-21: **€100m**	**100% complete** -
	SUSTAINED A&P INVESTMENT	c. 16%	**16.5%**
	STRUCTURE COST DISCIPLINE	< Sales growth	**+4%**
	OPERATING LEVERAGE	c. 50-60bps	**+74bps**

1 MSD: Mid-Single-Digit.

2 HSD: High-Single-Digit.

3 LDD: Low-Double-Digit.

4 Internal estimate of Spirits market growth +4.5%.

5.2.1 Presentation of results

5.2.1.1 Group Net profit per share from recurring operations – diluted

€ million	30.06.2018 Restated	**30.06.2019**
Number of shares in circulation - diluted	265,543,003	265,419,549
Profit from recurring operations	2,358	2,581
Operating margin	27.0%	28.1%
Financial income/(expense) from recurring operations	(301)	(314)
Corporate income tax on recurring operations	(520)	(586)
Non-controlling interests, discontinued operations and share of net profit from equity associates	(26)	(27)
GROUP NET PROFIT FROM RECURRING OPERATIONS (1)	**1,511**	**1,654**
GROUP NET EARNINGS PER SHARE FROM RECURRING OPERATIONS – DILUTED *(In euros)*	**5.69**	**6.23**

(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*	30.06.2018 Restated	30.06.2019	Reported growth		Organic growth [1]	
Net sales	8,722	9,182	460	5%	512	6%
Gross margin after logistics expenses	5,289	5,648	359	7%	346	7%
Advertising and promotion expenses	(1,429)	(1,512)	(83)	6%	(82)	6%
Contribution after advertising & promotion expenses	3,860	4,137	277	7%	265	7%
PROFIT FROM RECURRING OPERATIONS	**2,358**	**2,581**	**223**	**9%**	**207**	**9%**

(1) *Organic growth is defined on page 152*

America *€ million*	30.06.2018 Restated	30.06.2019	Reported growth		Organic growth [1]	
Net sales	2,485	2,545	60	2%	40	2%
Gross margin after logistics expenses	1,629	1,698	69	4%	10	1%
Advertising and promotion expenses	(495)	(504)	(9)	2%	(5)	1%
Contribution after advertising & promotion expenses	1,134	1,193	59	5%	5	0%
PROFIT FROM RECURRING OPERATIONS	**735**	**785**	**50**	**7%**	**(1)**	**0%**

(1) *Organic growth is defined on page 152*

Asia/Rest of World *€ million*	30.06.2018 Restated	30.06.2019	Reported growth		Organic growth [1]	
Net sales	3,564	3,965	401	11%	443	12%
Gross margin after logistics expenses	2,030	2,308	278	14%	301	15%
Advertising and promotion expenses	(528)	(592)	(64)	12%	(68)	13%
Contribution after advertising & promotion expenses	1,502	1,716	213	14%	233	15%
PROFIT FROM RECURRING OPERATIONS	**996**	**1,179**	**183**	**18%**	**195**	**19%**

(1) *Organic growth is defined on page 152*

Europe *€ million*	30.06.2018 Restated	30.06.2019	Reported growth		Organic growth [1]	
Net sales	2,674	2,672	(1)	0%	28	1%
Gross margin after logistics expenses	1,630	1,643	13	1%	36	2%
Advertising and promotion expenses	(406)	(415)	(9)	2%	(10)	2%
Contribution after advertising & promotion expenses	1,224	1,228	4	0%	26	2%
PROFIT FROM RECURRING OPERATIONS	**626**	**617**	**(10)**	**-2%**	**13**	**2%**

(1) *Organic growth is defined on page 152*

5.2.2 Organic net sales growth of Strategic International Brands

In millions of 9-litre cases	Volume 30.06.2018	Volume 30.06.2019	Organic growth [1] in net sales	Volume growth	Price/mix
Absolut	11.4	11.1	-3%	-2%	-1%
Chivas Regal	4.4	4.5	6%	2%	3%
Ballantine's	7.1	7.6	7%	7%	-1%
Ricard	4.5	4.4	-3%	-2%	-1%
Jameson	7.3	7.7	6%	6%	0%
Havana Club	4.6	4.6	0%	1%	-1%
Malibu	3.8	3.7	-1%	-2%	1%
Beefeater	2.9	3.2	8%	8%	-1%
Martell	2.4	2.6	18%	11%	8%
The Glenlivet	1.1	1.2	9%	8%	1%
Royal Salute	0.2	0.2	16%	15%	1%
Mumm	0.8	0.7	1%	-2%	3%
Perrier-Jouët	0.3	0.3	5%	0%	6%
STRATEGIC INTERNATIONAL BRANDS	**50.7**	**51.9**	**7%**	**2%**	**4%**

(1) Organic growth is defined on page 97

Net sales were €9,182 million, representing reported growth of +5.3%, as a result of:

- organic growth of +6.0%, with strong growth across all key spirits categories and strong performance in must-win markets;
- a currency effect of €(32) million over the year, driven by a stronger USD more than offset by weakness in emerging market currencies;
- a negative scope effect of €(19) million.

Pernod Ricard continued to benefit from its premium portfolio, with strong sales growth across all key spirits categories:

- Strategic International Brands: +7%, continued strong growth, notably on Jameson, with acceleration on Martell and Scotch whiskies, dampened by impact of USA wholesaler optimisation;
- Strategic Local Brands: +12%, acceleration driven by Seagram's Indian whiskies;
- Specialty Brands: +12%, continued dynamism, particularly for Lillet, Altos, Monkey 47, ultra premium Irish Whiskey range and Smooth Ambler;
- Strategic wines: -5%, due to value strategy in UK and USA inventory management;
- Innovation: contributing approximately 25% of Group topline growth, in particular thanks to Martell Blue Swift, Chivas XV, Lillet, Beefeater Pink and Monkey 47.

Strong performance in must-win markets:

- USA: sell-out broadly in line with market [1] and strengthening of route-to-market;
- China: +21%, excellent performance thanks to strong dynamism of Martell and growth relays;
- India: +20%, with continued expansion of Seagram's Indian whiskies and Strategic International Brands;
- Travel Retail: +6%, strong growth driven by all regions.

By region, FY19 sales driven mainly by Asia:

- Americas: +2%, acceleration in Canada, dynamic growth in Latam and sell-out broadly in line with market in USA[1], but sales dampened by wholesaler inventory optimisation;
- Asia-Rest of World: +12%, strong acceleration driven mainly by China, India and Turkey and continued good growth in Japan;
- Europe: +1%, slight growth in contrasted environment, with continued strong growth in Eastern Europe partly offset by Western Europe (difficult market in France and commercial disputes).

5.2.3 Contribution after advertising & promotion costs

The gross margin (after logistics expenses) amounted to €5,648 million, with an increase of +7% [2] (+39bps), due to:

- strong pricing on Strategic brands of: +2%;
- increase in cost of goods (in particular agave, glass and GNS in India) offset by accelerated completion of Operational Excellence FY16-20 roadmap one year early;
- negative mix linked mainly to Seagram's Indian whiskies and USA wholesaler inventory management.

Advertising and Promotion expenses were up +6% [1] to €1,512 million (-2 bps), an increase broadly in line with sales, with strong arbitration and focus behind strategic priorities (China and India in particular).

5.2.4 Profit from Recurring Operations

Profit from recurring operations was up +8.7% [1], or €223 million, to €2,581 million. This represented margin expansion of +74bps [1], a strong improvement thanks to positive pricing, Gross margin improvement and Structure cost discipline. Structure costs increased +4% [1], a moderate increase in context of business acceleration, thanks to strong discipline

(1) Estimate of spirits market growth at +4.5%.
(2) Organic growth is defined on page 152.

and resource focus on key priorities. The currency effect (+1%, or +€25 million) was primarily due to the stronger US Dollar but partially offset by weaker emerging market currencies, most notably the Turkish Lira, Indian Rupee and Chinese Renminbi. The scope effect remained limited (-0%, or €(9) million). Including the currency and scope effect, Profit from Recurring Operations grew +9,5% on a reported basis.

5.2.5 Financial income/(expense) from recurring operations

Financial expenses from recurring operations were €(314) million, compared with €(301) million the previous period. This represented a slight increase in financial expense from recurring operations mainly due to higher short-term USD interest rates over the period and increased financing costs in emerging markets.

The debt structure at 30 June 2019 was as follows:

- the bond portion was approximately 93% of gross debt;
- the fixed rate portion was 82% of total debt;
- the maturity of gross debt was 6 years;
- the Group had €0.9 billion in cash and €2.5 billion in undrawn syndicated credit facility;
- structuring the debt by currency (USD: 55%) provides a natural hedging mechanism with debt by currency matched with cash flow by currency.

5.2.6 Group Net Profit from recurring operations

Tax on Profit from Recurring Operations stood at €(586) million. This represents a tax rate on recurring items close to 26%, a slight increase vs. FY18 driven by profit increase in countries with a higher tax rate.

Non-controlling interests amounted to €(27) million.

Group Net Profit from recurring operations increased by +9.5% to €1,654 million. Diluted Net Profit per share from recurring operations stood at €6.23, up +10%.

5.2.7 Group Net Profit

Other non-recurring operating income and expenses amounted to €(206) million. Non-current financial income (expense) equalled net income of €3 million. Non-current tax was a net income of €4 million.

Accordingly, Group Net Profit stood at €1,455 million, a decrease of (8)% on FY18. This decrease in Group share of Net profit, despite excellent PRO growth, was driven mainly by one-off items in FY19 and an unfavourable basis of comparison due to positive exceptional items in FY18 (sale of bulk Scotch whisky inventory; reimbursement of French tax on dividends and revaluation of deferred tax assets and liabilities in USA).

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 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 statements. The following table shows the change in Net debt over the year:

€ million	30.06.2018	30.06.2019
Profit from recurring operations	**2,358**	**2,581**
Other operating income and expenses	**(62)**	**(206)**
• Depreciation of fixed assets	216	226
• Net change in impairment of goodwill and property, plant and equipment and intangible assets	73	69
• Net change in provisions	(35)	7
• Restatement of contributions to pension funds acquired from Allied Domecq and others	14	3
• Fair value adjustments on commercial derivatives and biological assets	(1)	(7)
• Net (gain)/loss on disposal of assets	(48)	0
• Share-based payments	35	40
Sub-total of depreciation and amortisation, change in provisions and other	**254**	**339**
SELF-FINANCING CAPACITY BEFORE FINANCING INTEREST AND TAX*	**2,549**	**2,714**
Decrease/(increase) in working capital requirements	(100)	(181)
Net interest and tax payments	(659)	(829)
Net acquisitions of non-financial assets and other	(358)	(338)
FREE CASH FLOW	**1,433**	**1,366**
of which recurring free cash flow	1,422	1,477
Net disposal of financial assets and activities, contributions to pension plans acquired from Allied Domecq and others	(60)	(181)
Change in the scope of consolidation	-	-
• Capital increase and other changes in shareholders' equity	-	-
• Dividends and interim dividends paid	(551)	(645)
• (Acquisition)/disposal of treasury shares	(23)	(121)
Sub-total dividends, purchase of treasury shares and other	**(575)**	**(766)**
DECREASE/(INCREASE) IN DEBT (BEFORE FOREIGN EXCHANGE IMPACT)	**798**	**420**
Opening IFRS 15 impact		16
Foreign currency translation adjustments	91	(94)
DECREASE/(INCREASE) IN DEBT (AFTER FOREIGN EXCHANGE IMPACT)	**889**	**342**
Net debt at beginning of period	(7,851)	(6,962)
Net debt at end of period	(6,962)	(6,620)

* *Excluding investments in pension funds acquired from Allied Domecq.*

5.4 Outlook

For FY20, in a particularly uncertain environment, Pernod Ricard expects:

- continued execution of the Transform & Accelerate[1] strategic plan, focused on embedding dynamic growth and delivering operating leverage, in order to maximise long-term value creation;
- dynamic Sales growth to continue, albeit growth rates to moderate in India and China, consistently with plan assumptions;
- dynamism in USA following inventory optimisation by wholesalers in FY19;
- increased investment behind key Capex and strategic inventories;
- launch of a share buy-back programme of up to €1 billion over FY20 and FY21;
- soft Q1 expected due to unfavourable comparison base in Asia-RoW (+23% in FY19) but dynamic start in USA.

The guidance for FY20 is organic growth in Profit from Recurring Operations between +5% and +7%[2].

5.5 Financial policy

In view of the Group's strong cash generation and the decline in the Net Debt/EBITDA ratio, the financial policy is evolving. While maintaining its investment grade rating, the Group's priorities are to:

1. continue to invest in future organic growth, particularly through strategic inventory and capex
2. pursue its active portfolio management and execution of value-creating M&A
3. increase dividend payments by increasing the payout ratio to around 50%, from FY19
4. launch a share buyback programme of up to €1 billion between FY20 and FY21.

A proposed dividend of €3.12 per share will therefore be put to vote at the Shareholders' Meeting of 8 November 2019.

In addition to raising the payout ratio, Pernod Ricard is further announcing its intention to implement a share buy-back programme for a maximum amount of €1bn. This programme is due to be implemented over FY20 and FY21 and the shares acquired through this programme are due to be cancelled.

This share buy-back programme will be implemented depending on market conditions. As a result, the timing, volumes and purchase price will be decided from time to time. Furthermore, Pernod Ricard may decide to suspend or terminate this programme at any time, without further notice or justification. This buy-back programme is undertaken in the context of continued implementation of the Group's strategic plan, in consistency with its financial policy priorities.

5.6 Recent Developments

In line with a history of de-risking and its long-term strategic objectives, the Trustee of Pernod Ricard's largest pension plan in the UK is actively considering further de-risking options.

This strategy includes the purchasing of annuity policies with insurers which, if completed, could imply a reduction of Group equity, estimated at circa €(0.9) billion.

(1) The Transform & Accelerate strategic plan described on page 146
(2) These perspectives have been prepared in a manner comparable to the historical financial information, and in line with the Group's accounting methods, notably those described in Note 5.7 "Definitions and additional information related to the use of non-IFRS measures" of this Universal Registration Document.

5.7 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.

5.7.1 Organic growth

Organic growth is calculated after excluding the impacts of exchange rate movements and acquisitions and disposals.

Exchange rate impacts are 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.

5.7.2 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.

5.7.3 "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 the Group net profit excluding other non-current operating income and expenses, non-recurring financial items and corporate income tax on non-recurring items.

5.7.4 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.

5.7.5 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.

5.8 Material contracts

5.8.1 Significant contracts not related to financing

5.8.1.1 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 Limited. 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.

5.8.1.2 Sale and repurchase agreements

During FY19, 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*.

5.8.2 Financing contracts

5.8.2.1 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.

The Credit Agreement contains the 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 Agreement also sets 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).

5.8.2.2 Solvency ratio (total consolidated Net debt/consolidated EBITDA)

The Solvency Ratio must be 5.25 or less. At 30 June 2019, the Group was compliant with this solvency ratio (see "Liquidity risks" in this management report).

The Credit Agreement incorporates the main terms of the 2012 Credit Agreement and, in addition, provides 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 Agreement also contains a clause under which the taking of control of the Company by any 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.

5.8.2.3 Bond issuance

The nominal amount of the Bonds and the interest thereon 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 *thousands of currency*	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
USD bond of 07.04.2011	1,000,000		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)	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%

	Amount *US$ thousands*	Amount *€ thousands*	Place of issue	Nominal value *thousands of currency*	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
Bond of 20.03.2014		850,000	Regulated market of Euronext Paris	100	22.06.2020	Payable annually in arrears on 20 March	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 2%
Bond of 29.09.2014		650,000	Regulated market of Euronext Paris	100	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 2.13%
Bond of 28.09.2015		500,000	Regulated market of Euronext Paris	100	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 1.88%
USD PANDIOS bond of 26.01.2016	201,000		A single counterparty	1,000	26.01.2021	Payable each half-year from 26 July 2016	Repayment of bond debt to extend the maturity of the Group's debt	Floating rate
Bond of 17.05.2016		600,000	Regulated market of Euronext Paris	100	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%
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%

5.8.2.4 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.

5.8.2.5 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 Ester, 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.

5.8.2.6 Factoring agreement Pacific

On 18 March 2013, a new agreement for the sale of receivables was signed between Premium Wine Brands Pty [1], 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 6

6.1 Consolidated income statement

The word "restated" refers solely to the restatement of the FY18 financial statements required by the application of IFRS 15 (see detail in Note 1.1.2.1.1 to the consolidated financial statements below). When the information presented is not restated, this means that the aggregates in question are not impacted by IFRS 15.

€ million	30.06.2018 restated	30.06.2019	Notes
Net sales	8,722	9,182	2
Cost of sales	(3,433)	(3,533)	2
Gross margin after logistics expenses	**5,289**	**5,648**	**2**
Advertising and promotion expenses	(1,429)	(1,512)	2
Contribution after advertising and promotion expenses	**3,860**	**4,137**	**2**
Structure costs	(1,502)	(1,556)	
Profit from Recurring Operations	**2,358**	**2,581**	
Other operating income and expenses	(62)	(206)	3.1
Operating profit	**2,296**	**2,375**	
Financial expenses	(375)	(346)	3.2
Financial income	74	36	3.2
Financial results	**(301)**	**(310)**	
Corporate income tax	(392)	(582)	3.3
Share of net profit/(loss) of associates	0	0	
NET PROFIT	**1,603**	**1,482**	
O/w:			
• non-controlling interests	26	27	
• Group share	1,577	1,455	
Earnings per share – basic *(in euros)*	5.97	5.51	3.4
Earnings per share – diluted *(in euros)*	5.94	5.48	3.4

6.2 Consolidated statement of comprehensive income

€ million	30.06.2018	30.06.2019
Net profit for the period	1,603	**1,482**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**257**	**267**
Amount recognised in shareholders' equity	*321*	*319*
Tax impact	*(64)*	*(52)*
Equity instruments		**66**
Unrealised gains and losses recognised in shareholders' equity		*67*
Tax impact		*(1)*
Recyclable items		
Net investment hedge	**1**	**(3)**
Amount recognised in shareholders' equity	*1*	*(3)*
Tax impact	-	-
Cash flow hedges [1]	**18**	**7**
Amount recognised in shareholders' equity	*26*	*11*
Tax impact	*(8)*	*(4)*
Translation differences	**(178)**	**112**
Other comprehensive income for the period, net of tax	99	**448**
COMPREHENSIVE INCOME FOR THE PERIOD	**1,701**	**1,930**
O/w:		
• Group share	1,680	1,900
• non-controlling interests	21	30

(1) Including €(2) million recycled through profit or loss in FY19.

6.3 Consolidated balance sheet

Assets

€ million	30.06.2018	30.06.2019	Notes
Net amounts			
Non-current assets			
Intangible assets	11,539	11,683	4.1
Goodwill	5,319	5,391	4.1
Property, plant and equipment	2,424	2,549	4.2
Non-current financial assets	886	1,419	4.3
Investments in associates	11	14	
Non-current derivative instruments	2	20	4.3/4.10
Deferred tax assets	1,556	1,590	3.3
TOTAL NON-CURRENT ASSETS	**21,737**	**22,665**	
Current assets			
Inventories and work in progress	5,472	5,756	4.4
Trade receivables and other operating receivables	1,122	1,226	4.5
Income taxes receivable	177	105	
Other current assets	280	359	4.6
Current derivative instruments	17	6	4.3/4.10
Cash and cash equivalents	754	923	4.8
TOTAL CURRENT ASSETS	**7,821**	**8,375**	
Assets held for sale	0	5	
TOTAL ASSETS	**29,558**	**31,045**	

Liabilities and shareholders' equity

€ million	30.06.2018	30.06.2019	Notes
Shareholders' equity			
Capital	411	411	6.1
Share premium	3,052	3,052	
Shared earnings and currency translation adjustments	9,757	11,069	
Group net profit	1,577	1,455	
Group shareholders' equity	**14,797**	**15,987**	
Non-controlling Interests	181	195	
TOTAL SHAREHOLDERS' EQUITY	**14,978**	**16,182**	
Non-current liabilities			
Non-current provisions	448	420	4.7
Provisions for pensions and other long-term employee benefits	526	559	4.7
Deferred tax liabilities	2,593	2,756	3.3
Bonds – non-current	6,777	6,071	4.8
Other non-current financial liabilities	463	363	4.8
Non-current derivative instruments	31	16	4.10
TOTAL NON-CURRENT LIABILITIES	**10,838**	**10,185**	
Current liabilities			
Current provisions	143	149	4.7
Trade payables	1,951	2,187	
Income tax payable	225	157	
Other current liabilities	960	1,058	4.11
Bonds – current	93	944	4.8
Other current financial liabilities	360	177	4.8
Current derivative instruments	11	5	4.10
TOTAL CURRENT LIABILITIES	**3,743**	**4,676**	
Liabilities related to assets held for sale	-	2	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**29,558**	**31,045**	

6.4 Changes in consolidated shareholders' equity

€ million	Capital	Premiums	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 01.07.2017	411	3,052	11,014	(198)	(56)	(208)	(309)	13,706	180	13,886
Comprehensive income for the period	-	-	1,577	257	18	(172)	-	1,680	21	1,701
Capital increase	-	-	-	-	-	-	-	-	-	-
Expense related to share-based payments	-	-	34	-	-	-	-	34	-	34
(Acquisition)/disposal of treasury shares	-	-	-	-	-	-	8	8	-	8
Sale and repurchase agreements	-	-	-	-	-	-	(28)	(28)	-	(28)
Dividends and interim dividends distributed	-	-	(551)	-	-	-	-	(551)	(23)	(574)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(52)	-	-	-	-	(52)	2	(50)
CLOSING POSITION ON 30.06.2018	**411**	**3,052**	**12,022**	**59**	**(38)**	**(380)**	**(329)**	**14,797**	**181**	**14,978**

€ million	Capital	Premiums	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	12,022	59	(38)	(380)	(329)	14,797	181	14,978
IFRS 9 impact [1]	-	-	(1)	-	-	-	-	(1)	-	(1)
Opening position on 01.07.2018 restated	411	3,052	12,022	59	(38)	(380)	(329)	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	-	-	-	-	-	-	(54)	(54)	-	(54)
Sale and repurchase agreements	-	-	-	-	-	-	(5)	(5)	-	(5)
Dividends and interim dividends distributed	-	-	(668)	-	-	-	-	(668)	(19)	(687)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(22)	-	-	-	-	(22)	4	(19)
CLOSING POSITION ON 30.06.2019	**411**	**3,052**	**12,826**	**327**	**34**	**(276)**	**(388)**	**15,987**	**195**	**16,182**

(1) IFRS 9 impact analysis set out in Note 1.1.2.1.2 to the consolidated financial statements below.

6.5 Consolidated cash flow statement

€ million	30.06.2018	30.06.2019	Notes
Cash flow from operating activities			
Group net profit	1,577	1,455	
Non-controlling interests	26	27	
Share of net profit/(loss) of associates, net of dividends received	0	0	
Financial (income)/expenses	301	310	
Tax (income)/expenses	392	582	
Net profit from discontinued operations	-	-	
Depreciation of fixed assets	216	226	
Net change in provisions	(35)	7	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	73	69	
Changes in fair value of commercial derivatives	3	(3)	
Changes in fair value of biological assets	(4)	(3)	
Net (gain)/loss on disposal of assets	(48)	0	
Share-based payments	35	40	
Self-financing capacity before financing interest and taxes	**2,535**	**2,711**	
Decrease/(increase) in Working Capital Requirements	(100)	(181)	5.1
Interest paid	(361)	(340)	
Interest received	73	32	
Tax paid/received	(371)	(521)	
NET CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	**1,776**	**1,701**	
Cash flow from investing activities			
Capital expenditure	(374)	(388)	5.2
Proceeds from disposals of property, plant and equipment and intangible assets	17	50	
Change in the scope of consolidation	-	-	
Purchases of financial assets and activities	(109)	(192)	
Disposals of financial assets and activities	62	14	
NET CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	**(404)**	**(516)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(551)	(645)	
Other changes in shareholders' equity	-	-	
Issuance of long-term debt	320	163	5.3
Repayment of long-term debt	(1,033)	(431)	5.3
(Acquisitions)/disposals of treasury shares	(23)	(121)	
Other transactions with non-controlling interests	-	-	
NET CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	**(1,287)**	**(1,034)**	
Cash flow from non-current assets held for sale	-	-	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (BEFORE FOREIGN EXCHANGE IMPACT)	**85**	**151**	
Opening IFRS 15 impact		16	
Foreign currency translation adjustments	(8)	1	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (AFTER FOREIGN EXCHANGE IMPACT)	77	**169**	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	677	754	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**754**	**923**	

6.6 Notes to the consolidated financial statements

CONTENTS

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 12, place des États-Unis, 75016 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 and spirits.

The consolidated financial statements for the financial year ended 30 June 2019 were approved by the Board of Directors on 28 August 2019.

Note 1 Accounting principles and significant events

Note 1.1 Accounting principles and 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 2019 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 2019 are consistent with those used for the consolidated financial statements to 30 June 2018, with the exception of standards and interpretations adopted by the European Union applicable to the Group from 1 July 2018 (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 2018

The standards, amendments and interpretations applicable to Pernod Ricard with effect from 1 July 2018, relate to:

- IFRS 15 (Revenue from Contracts with Customers): see Note 1.1.2.1.1 below;
- IFRS 9 (Financial Instruments): see Note 1.1.2.1.2 below;
- the amendments to IFRS 2 (Classification and Measurement of Share-based Payment Transactions);
- IFRIC 22 (Foreign currency transactions and advance consideration);
- the amendments to IAS 28 (Investments in associates and joint ventures);
- the IFRS improvements cycle 2014-2016.

Other than IFRS 15 and IFRS 9, the impacts of which are described in Notes 1.1.2.1.1 and 1.1.2.1.2 below, none of these amendments and interpretations had an impact on the Group's financial statements.

Standards, amendments and interpretations for which application is mandatory after 1 July 2019

The standards, amendments and interpretations applicable to Pernod Ricard from 1 July 2019 are as follows:

IFRS 16 (Leases)

The Group will apply the simplified retrospective transition method. The choice of this transition method means that comparative information from previous periods will not be restated.

The identification of existing contracts and the collection of the data needed to estimate the impact of IFRS 16 on the Group's results and financial position have been finalised. The estimated impacts related to the first-time application of the standard, based on leases identified to date, are as follows:

- increase of approximately €500 million in the total balance sheet (assets and liabilities), in line with the amount of lease commitments at 30 June 2019 (see Note 6.3). The bulk of the impacts relates to premises occupied by the Group;
- immaterial full-year impact of less than €10 million on each of operating profit, financial income and net income;
- full-year improvement of between €80 million and €90 million in cash flows from operating activities and decline in cash flows from financing operations in the same amount.

The standard provides for various simplification measures, and the Group has adopted those that allow the exclusion of contracts with a term of less than 12 months and those relating to low-value assets, as well as those enabling application of the new standard to leases that qualified as finance leases under IAS 17. In addition, the value of the right-of-use asset is deemed to be equal to the amount of the lease liability.

IFRIC 23 (Uncertainty over Income Tax Treatments)

The Group does not expect to see a material impact on its consolidated financial statements following the adoption of this interpretation.

Other standards and amendments

- the amendments to IFRS 9 (Prepayment Features with Negative Compensation);
- the IFRS improvements cycle 2015-2017.

2.1 Impacts related to the first-time application of IFRS 15 and IFRS 9

2.1.1 IFRS 15 (Revenue from Contracts with Customers)

Accounting principles amended following the application of IFRS 15 are presented in Note 2 – *Segment information*.

This new standard replaces previously existing provisions, including IAS 11 (Construction Contracts) and IAS 18 (Revenue from Ordinary Activities).

The Group has applied the full retrospective method of transition to the new standard, which has been applied in its financial statements since 1 July 2018. The comparative periods have been restated for the impacts of the standard, with the exception of the balance sheet and the cash flow statement, for which the impacts are immaterial. At 30 June 2018, the main impacts of IFRS 15 on the balance sheet were an increase of €16 million in cash and a reduction of net working capital in an equivalent amount.

The impact of its application is immaterial as regards revenue recognition. In particular, it has no impact on:

- Profit from Recurring Operations;
- revenue recognition standards.

The two main areas of potential impact identified to date are:

- services paid to direct or indirect customers for visibility or promotional arrangements: reclassification from advertising and promotion expenses to a decrease on net sales;
- third-party bottling contracts for Group products in India: increase in net sales and cost of sales following the analysis of agent vs. principal considerations.

The impacts of the new standard on the comparative financial statements are presented below.

Restatement of the financial statements

Consolidated income statement for the period ended 30 June 2018:

€ million	30.06.2018 as reported	IFRS 15 impact	30.06.2018 restated
Net sales	8,987	(265)	8,722
Cost of sales	(3,383)	(50)	(3,433)
Gross margin after logistics expenses	**5,604**	**(315)**	**5,289**
Advertising and promotion expenses	(1,720)	291	(1,429)
Contribution after advertising and promotion expenses	**3,884**	**(24)**	**3,860**
Structure costs	(1,526)	24	(1,502)
Profit from Recurring Operations	**2,358**	**-**	**2,358**
Other operating income and expenses	(62)		(62)
Operating profit	**2,296**		**2,296**
Financial expenses	(375)		(375)
Financial income	74		74
Financial results	**(301)**		**(301)**
Corporate income tax	(392)		(392)
Share of net profit/(loss) of associates	-		-
NET PROFIT	**1,603**		**1,603**
O/w:			
• non controlling interests	26		26
• Group share	1,577		1,577
Earnings per share – basic *(in euros)*	5.97		5.97
Earnings per share – diluted *(in euros)*	5.94		5.94

Segment information at 30 June 2018

€ million	30.06.2018 as reported	IFRS 15 impact	30.06.2018 restated
Net sales	8,987	(265)	8,722
Gross margin after logistics expenses	5,604	(315)	5,289
Advertising and promotion expenses	(1,720)	291	(1,429)
Contribution after advertising and promotion expenses	3,884	(24)	3,860
PROFIT FROM RECURRING OPERATIONS	**2,358**	**-**	**2,358**

America

€ million	30.06.2018 as reported	IFRS 15 impact	30.06.2018 restated
Net sales	2,546	(62)	2,485
Gross margin after logistics expenses	1,690	(62)	1,629
Advertising and promotion expenses	(533)	38	(495)
Contribution after advertising and promotion expenses	1,157	(24)	1,134
PROFIT FROM RECURRING OPERATIONS	**735**	**-**	**735**

Asia/Rest of the World

€ million	30.06.2018 as reported	IFRS 15 impact	30.06.2018 restated
Net sales	3,648	(84)	3,564
Gross margin after logistics expenses	2,164	(134)	2,030
Advertising and promotion expenses	(662)	134	(528)
Contribution after advertising and promotion expenses	1,502	-	1,502
PROFIT FROM RECURRING OPERATIONS	**996**	**-**	**996**

Europe

€ million	30.06.2018 as reported	IFRS 15 impact	30.06.2018 restated
Net sales	2,792	(119)	2,674
Gross margin after logistics expenses	1,749	(119)	1,630
Advertising and promotion expenses	(525)	119	(406)
Contribution after advertising and promotion expenses	1,224	-	1,224
PROFIT FROM RECURRING OPERATIONS	**626**	**-**	**626**

Breakdown of net sales

€ million	30.06.2018 as reported	IFRS 15 impact	30.06.2018 restated
Strategic International Brands	5,623	(218)	5,405
Priority Premium Wines	480	(5)	475
Strategic Local Brands	1,717	(56)	1,661
Other income	1,166	15	1,181
TOTAL	**8,987**	**-**	**8,722**

2.1.2 IFRS 9 (Financial Instruments)

Accounting principles amended following the application of IFRS 9 are as follows:

- financial assets in Note 4.3 – *Financial assets*;
- trade receivables in Note 4.5 – *Trade receivables and other operating receivables*;
- financial liabilities in Note 4.8 – *Financial liabilities*;
- derivatives in Note 4.10 – *Interest rate, foreign exchange and commodity derivatives*.

IFRS 9 is applied in accordance with the retrospective method for phases 1 and 2, and the prospective method for phase 3 as of 1 July 2018, without restating comparable periods. This standard replaces IAS 39, which was applied until 30 June 2018.

At that date, consolidated shareholders' equity was negatively impacted in the amount of €(1) million by the first-time application of IFRS 9. The impact stems from the impairment of trade receivables.

None of the other provisions of IFRS 9 had an impact on consolidated equity at 1 July 2018. The analyses conducted by the Group and their various conclusions are set out by phase below.

Phase 1 – Classification and measurement of financial assets and financial liabilities

The Group analysed its financial assets in the context of the new classification proposed by IFRS 9, based on its management model and the contractual characteristics of its financial assets. The Group's financial assets (excluding assets covered by IAS 19) consist mainly of equity instruments (chiefly securities of non-consolidated companies), loans, receivables and deposits.

Following this analysis, equity instruments that were previously classified as "Available-for-sale financial assets" under IAS 39 (€13 million at 30 June 2018) have been reclassified as "Equity instruments measured at fair value through equity" under IFRS 9. This reclassification is justified by the fact that:

- these assets, by their nature, do not generate cash flows consisting solely of the payment of interest and the repayment of principal at specified dates;
- the Group did not use the option of classifying these assets at fair value through profit or loss. In the future, and whenever equity instruments are purchased, analysis will be conducted to determine the Group's management intention, which will govern the method used to account for changes in fair value.

Fair value measurement methods are set out in Note 4.9 – *Financial instruments* of these notes. They have not been modified.

Financial assets are still presented on the "Financial assets" line in the balance sheet, and are classified (excluding assets governed by IAS 19) depending on their category and measurement method, as described in Note 4.9 – *Financial instruments* of these notes.

Other financial assets (loans, receivables, deposits and guarantees) are not affected by a change in valuation method and continue to be measured using the amortised cost method.

The analysis carried out did not result in the identification of financing renegotiation operations requiring restatement.

Phase 2 – Financial asset impairment model

The analysis focused mainly on the impairment of trade receivables, as the Group does not have material non-Group loans, or any financial receivables.

The Group opted for the simplified method for measuring impairment losses on its trade receivables. The review of the history of losses recorded on these receivables did not reveal a material amount. In addition, receivables are often insured against possible payment defaults, thereby reducing the risk of loss. The adjustment recognised (negative impact of €(1) million on the Group's shareholders' equity) relates to several receivables that are individually immaterial.

Phase 3 – Hedge accounting

The analysis carried out did not result in the identification of changes to be made to the Group's accounting method for hedging instruments.

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 results may 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 2019 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, in view of the contribution of business carried out in Argentina to the Group's financial statements, the impact of the application of IAS 29 was deemed immaterial, and no corresponding restatements have 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. Employee share ownership plan

The Group implemented the first employee share ownership plan in its history in FY19. The details of the plan and its impact on the consolidated financial statements are described in Note 6.2.2 – *Employee share ownership plan*.

2. Acquisitions and disposals

During the year, the Group continued its active portfolio management policy with the acquisition of high-potential brands and the sale of brands deemed non-strategic. None of these various transactions had a material impact on the consolidated financial statements for the financial year under review.

Note 2 Segment information

Accounting principles amended following the application of IFRS 15

Net sales

The Group's Net sales is comprised mainly of sales of finished products, and is recognised in the income statement when the control of the products in question is transferred. It is measured at the fair value of the consideration received or due, 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 IAS 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 recognised in 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 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 and 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 segments presented are identical to those used in reporting 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. Reporting by operating segment follows the same accounting policies as those used for the preparation of the consolidated financial statements. Intra-segment transfers are transacted at market prices.

At 30.06.2018 restated *€ million*	**America**	**Asia/Rest of the World**	**Europe**	**Total**
Income statement items				
Segment net sales	3,668	5,343	4,206	13,218
O/w intersegment sales	*1,183*	*1,779*	*1,533*	*4,496*
Net sales (excluding Group)	**2,485**	**3,564**	**2,674**	**8,722**
Gross margin after logistics expenses	1,629	2,030	1,630	5,289
Contribution after advertising and promotion expenses	1,134	1,502	1,224	3,860
Profit from Recurring Operations	735	996	626	2,358
Other information				
Current investments	59	48	283	390
Depreciation, amortisation and impairment	29	47	206	282

At 30.06.2019 *€ million*	America	Asia/Rest of the 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 expenses	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

Breakdown of sales

€ million	Net sales at 30.06.2018 restated	Net sales at 30.06.2019	Change *(€ million)*	Change *(%)*
Strategic International Brands	5,405	5,811	406	8%
Strategic Local Brands	1,661	1,754	93	6%
Priority Premium Wines	475	451	(24)	-5%
Other income	1,181	1,166	(15)	-1%
TOTAL	**8,722**	**9,182**	**460**	**5%**

Since FY19, the segmentation below has been used for financial communication. The same segmentation was applied to the year ended 30 June 2018 for comparison purposes.

€ million	Net sales at 30.06.2018 restated	Net sales at 30.06.2019	Change *(€ million)*	Change *(%)*
Strategic International Brands	5,405	5,811	406	8%
Strategic Local Brands	1,668	1,754	86	5%
Priority Premium Wines	475	451	(24)	-5%
Specialities	263	301	38	14%
Other income	911	865	(46)	-5%
TOTAL	**8,722**	**9,182**	**460**	**5%**

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	30.06.2018	30.06.2019
Impairment of property, plant and equipment and intangible assets	(73)	(69)
Gains or losses on asset disposals and acquisition costs	29	(29)
Net restructuring and reorganisation expenses	(38)	(77)
Disputes and risks	(1)	3
Other non-current operating income and expenses	22	(33)
OTHER OPERATING INCOME AND EXPENSES	**(62)**	**(206)**

At 30 June 2019, other operating income and expenses consisted mainly of:

- impairment of property, plant and equipment and intangible assets in the amount of €69 million, resulting notably from brand impairment testing, mainly on the Brancott Estate brand;
- gains or losses on asset disposals, relating mainly to the sale of the Graffigna brand;
- restructuring costs linked to various reorganisation projects;
- other non-recurring operating income and expenses, particularly related to the increase in the Group's defined benefit plan commitment in the United Kingdom under the Guaranteed Minimum Pension system, resulting in a €34 million expense (see Note 4.7 – *Provisions*).

Note 3.2 Financial income/(expense)

€ million	30.06.2018	30.06.2019
Interest expense on net financial debt	(357)	(329)
Interest income on net financial debt	73	32
Net cost of debt	**(284)**	**(297)**
Structuring and placement fees	(2)	(2)
Net financial impact of pensions and other long-term employee benefits	(14)	(5)
Other net current financial income (expense)	0	(10)
Financial income/(expense) from recurring operations	**(301)**	**(314)**
Foreign currency gains/(loss)	1	2
Other non-current financial income/(expense)	(1)	1
TOTAL FINANCIAL INCOME/(EXPENSE)	**(301)**	**(310)**

At 30 June 2019, the net cost of debt included financial expenses of €253 million on bonds, €12 million on interest rate and currency hedges, €14 million on factoring and securitisation agreements, and €18 million in other expenses.

Weighted average cost of debt

The Group's weighted average cost of debt was 3.9% over FY19 compared to 3.5% over FY18. 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	30.06.2018	30.06.2019
Current income tax	(382)	(483)
Deferred income tax	(10)	(99)
TOTAL	**(392)**	**(582)**

Analysis of effective tax rate – Net profit from continuing operations before tax

€ million	30.06.2018	30.06.2019
Operating profit	2,296	2,375
Financial results	(301)	(310)
Taxable profit	**1,994**	**2,064**
Theoretical tax charge at the effective income tax rate in France (1)	(687)	(711)
Impact of tax rate differences by jurisdiction	276	228
Tax impact of variations in exchange rates	1	(1)
Re-estimation of deferred tax assets linked to tax rate changes	86	(9)
Impact of tax losses used/not used	2	1
Impact of reduced/increased tax rates on taxable results	0	0
Taxes on distributions	24	(47)
Other impacts	(94)	(44)
EFFECTIVE TAX CHARGE	**(392)**	**(582)**
EFFECTIVE TAX RATE	**20%**	**28%**

(1) At the standard rate of 34.43%.

The US tax reform, known as the "Tax Cuts and Jobs Act" of 22 December 2017, resulted in a revaluation of deferred tax assets and liabilities following the reduction of the US federal tax rate, resulting in a tax gain of €55 million in the year ended 30 June 2018.

Following the invalidation by the French Constitutional Council of the dividend tax system (known as the "3% tax") in October 2017, the Group recognised income related to the reimbursement of the tax, estimated at €71 million in the year ended 30 June 2018.

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. 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	30.06.2018	30.06.2019
Unrealised margins in inventories	87	99
Fair value adjustments on assets and liabilities	22	21
Provisions for pension benefits	90	94
Deferred tax assets related to losses eligible for carryforward	870	908
Provisions (other than provisions for pension benefits) and other items	487	468
TOTAL DEFERRED TAX ASSETS	**1,556**	**1,590**
Accelerated tax depreciation	116	124
Fair value adjustments on assets and liabilities	2,218	2,339
Pension and other hedging assets	259	294
TOTAL DEFERRED TAX LIABILITIES	**2,593**	**2,756**

Tax loss carryforwards (recognised and unrecognised) represent potential tax savings of €1,202 million and €1,165 million at 30 June 2019 and 30 June 2018 respectively. The potential tax savings at 30 June 2019 and 30 June 2018 relate to tax loss carryforwards with the following expiry dates:

FY18

	Tax effect of loss carryforwards *€ million*	
Year	**Losses recognised**	**Losses not recognised**
2018	1	1
2019	0	0
2020	1	0
2021	2	0
2022 and after	682	190
No expiry date	184	103
TOTAL	**870**	**296**

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**

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

	30.06.2018	30.06.2019
Numerator *(€ million)*		
Group net profit	1,577	1,455
Denominator *(in number of shares)*		
Average number of outstanding shares	264,113,889	264,173,497
Dilutive effect of performance-based share allocations	1,062,410	1,043,157
Dilutive effect of stock options and subscription options	366,703	202,895
Average number of outstanding shares – diluted	**265,543,003**	**265,419,549**
Earnings per share *(€)*		
Group earnings per share – basic	5.97	5.51
Group earnings per share – diluted	5.94	5.48

Note 3.5 Expenses by type

Operating profit notably includes depreciation, amortisation and impairment expenses as well as personnel expenses as follows:

€ million	30.06.2018	30.06.2019
Depreciation, amortisation and impairment on property, plant and equipment and intangible assets	(288)	**(293)**
Salaries and payroll costs	(1,260)	(1,286)
Pensions, medical expenses and other similar benefits under defined benefit plans	(47)	(43)
Expense related to share-based payments	(33)	(40)
TOTAL PERSONNEL EXPENSES	**(1,340)**	**(1,369)**

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	30.06.2017	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2018
Goodwill	5,535	17	-	(1)	(94)	0	5,456
Brands	12,937	33	-	(3)	(209)	0	12,757
Other intangible assets	382	33	-	(1)	(10)	2	407
GROSS VALUE	**18,854**	**82**	**-**	**(5)**	**(314)**	**3**	**18,620**
Goodwill	(138)	-	-	-	1	0	(137)
Brands	(1,294)	-	(71)	1	31	0	(1,334)
Other intangible assets	(270)	-	(29)	1	7	0	(291)
AMORTISATION/IMPAIRMENT	**(1,702)**	**-**	**(101)**	**2**	**39**	**0**	**(1,762)**
INTANGIBLE ASSETS, NET	**17,152**	**82**	**(101)**	**(3)**	**(274)**	**2**	**16,858**

		Movements in the year					
€ million	30.06.2018	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	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**

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.

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.

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.

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. During FY19, the cash flow projection methodology with respect to working capital requirements and investments was refined so as to reflect the specific features of white and maturing alcohols with greater precision. The change had an impact on measurement but not on the amount of impairment recognised in respect of brands or goodwill. The present values of discounted cash flows are sensitive to these assumptions as well as to consumer fashions 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.

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	Carrying amount of goodwill at 30.06.2019	Carrying amount of brands at 30.06.2019	Value in use – Discount rate 2018	Value in use – Discount rate 2019	Value in use – Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,814	3,812	5.87%	5.73%	From -1% to +2.5%
America		2,678	6,110	6.87%	6.74%	From -1% to +2.5%
Asia/Rest of the World		899	1,627	7.71%	7.83%	From -1% to +2.5%

In impairment tests applied to goodwill and brands, the long-term growth assumptions used were determined by taking into account growth rates measured in recent financial years and growth perspectives taken from the budget and the Group's strategic plans.

The amount of any impairment of indefinite-life intangible assets at 30 June 2019 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 bp 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	(24)	(65)	(308)	(26)
America	(14)	(129)	(503)	(15)
Asia/Rest of the World	(43)	(67)	(145)	(48)
TOTAL	**(81)**	**(260)**	**(956)**	**(89)**

Moreover, the various levels of sensitivity set out above would not result in any risk of 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. Items of property, plant and equipment are written down when their recoverable amount falls below their net carrying amount. 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

In accordance with IAS 17, assets acquired under finance lease contracts are capitalised, and a corresponding lease debt is recognised, when the lease contract transfers substantially all the risks and rewards related to ownership of the asset to the Group. Buildings which have been subject to sale and lease-back contracts are treated in a similar manner.

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.

€ million	30.06.2017	Movements in the year: Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2018
Land	346	6	-	(1)	(8)	(1)	341
Buildings	1,206	25	-	(17)	(23)	56	1,247
Machinery and equipment	1,882	52	-	(57)	(52)	57	1,883
Other property, plant and equipment [(1)]	713	62	-	(18)	(13)	20	763
Assets in progress	146	191	-	0	(5)	(99)	233
Advance on property, plant and equipment	38	10	-	-	0	(44)	5
GROSS VALUE	**4,331**	**346**	**-**	**(93)**	**(102)**	**(10)**	**4,473**
Land	(34)	-	(3)	1	2	0	(34)
Buildings	(507)	-	(41)	14	10	2	(522)
Machinery and equipment	(1,116)	(1)	(101)	53	29	0	(1,136)
Other property, plant and equipment	(338)	0	(43)	17	7	1	(357)
Assets in progress	-	-	0	-	0	-	0
DEPRECIATION/IMPAIRMENT	**(1,995)**	**(1)**	**(188)**	**84**	**47**	**3**	**(2,049)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,336**	**345**	**(188)**	**(8)**	**(55)**	**(7)**	**2,424**

(1) *Including biological assets.*

€ million	30.06.2018	Movements in the year: Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2019
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	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)	0	(106)	42	0	0	(1,198)
Other property, plant and equipment	(357)	0	(46)	35	1	1	(366)
Assets in progress	-	-	-	-	0	-	0
DEPRECIATION/IMPAIRMENT	**(2,049)**	**0**	**(198)**	**111**	**2**	**1**	**(2,132)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,424**	**353**	**(198)**	**(17)**	**1**	**(15)**	**2,549**

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

Non-consolidated securities are recorded on 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 expense – 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. For other non-consolidated securities, the measurement criteria normally applied are the share of shareholders' equity and future profitability.

Loans, guarantees and deposits

Loans, guarantees and deposits are valued at amortised cost.

	30.06.2018		30.06.2019	
€ million	Current	Non-current	Current	Non-current
Net financial assets				
Available-for-sale financial assets*	-	13	N/A	N/A
Equity instruments*	N/A	N/A	-	194
Other financial assets	-	763	-	1,096
Net loans and receivables				
Loans, receivables and deposits	-	108	-	129
Total net non-current financial assets	**-**	**886**	**-**	**1,419**
Derivative instruments	17	2	6	20
FINANCIAL ASSETS	**17**	**888**	**6**	**1,438**

* *The application of IFRS 9 resulted in the disappearance of the "Available-for-sale financial assets" category on 1 July 2018 and the creation of a new category, "Equity instruments". See Note 1.1.2.1.2 – IFRS 9 (Financial Instruments).*

N/A: not applicable.

The table below shows the movements of financial assets, excluding derivative instruments:

		Movements in the year					
€ million	30.06.2017	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2018
Other financial assets	528	34	-	(1)	(4)	208	765
Available-for-sale financial assets	23	0	-	(1)	0	(2)	19
Guarantees and deposits	112	10	-	(6)	(6)	47	157
Investment-related receivables	0	1	-	-	0	-	1
GROSS VALUE	**663**	**46**	**-**	**(8)**	**(10)**	**253**	**943**
Provisions for other financial assets	(6)	-	0	-	0	4	(2)
Impairment losses recognised on available-for-sale financial assets	(6)	-	-	-	0	-	(6)
Provisions for guarantees and deposits	(1)	-	3	-	(1)	(50)	(49)
Impairment losses recognised on investment-related receivables	0	-	-	-	0	-	0
IMPAIRMENT	**(13)**	**-**	**3**	**-**	**(1)**	**(46)**	**(57)**
NON-CURRENT FINANCIAL ASSETS, NET	**650**	**46**	**3**	**(8)**	**(11)**	**207**	**886**

€ million	Movements in the year						
	30.06.2018	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	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
Loans, guarantees and deposits	159	14	-	(9)	4	23	191
GROSS VALUE	**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 on equity instruments*	N/A	-	-	0	0	(7)	(7)
Provisions for loans, guarantees and deposits	(49)	-	-	-	(1)	(11)	(62)
IMPAIRMENT	**(57)**	**-**	**0**	**0**	**(1)**	**(11)**	**(70)**
NON-CURRENT FINANCIAL ASSETS, NET	**886**	**124**	**0**	**(11)**	**(15)**	**436**	**1,419**

* *The application of IFRS 9 resulted in the disappearance of the "Available-for-sale financial assets" category on 1 July 2018 and the creation of a new category, "Equity instruments". See Note 1.1.2.1.2 – IFRS 9 (Financial Instrume: nts).*

N/A: not applicable.

Other financial assets at 30 June 2019 included €1,083 million of plan surplus related to employee benefits, compared to €754 million at the end of June 2018 (see Note 4.7 – *Provisions*).

At 30 June 2019, equity instruments consisted mainly of the unconsolidated securities of Jumia Technologies AG acquired during the year and measured at fair value through equity in the amount of €150 million based on the closing share price of €23.33 on 28 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 and spirits before being sold.

The breakdown of inventories and work in progress at the balance sheet date is as follows:

€ million		Movements in the year				
	30.06.2017	Change in gross value	Change in impairment	Foreign currency gains and losses	Other movements	30.06.2018
Raw materials	125	16	-	(5)	0	136
Work-in-progress	4,500	162	-	(50)	1	4,614
Goods in inventory	451	30	-	(16)	2	467
Finished products	275	38	-	(13)	0	300
GROSS VALUE	**5,351**	**245**	**-**	**(83)**	**3**	**5,517**
Raw materials	(10)	-	1	0	0	(9)
Work-in-progress	(13)	-	2	0	(1)	(11)
Goods in inventory	(13)	-	0	0	0	(13)
Finished products	(10)	-	(3)	1	0	(13)
IMPAIRMENT	**(46)**	**-**	**0**	**2**	**(1)**	**(45)**
NET INVENTORIES	**5,305**	**245**	**0**	**(82)**	**3**	**5,472**

€ million	30.06.2018	Movements in the year: Change in gross value	Change in impairment	Foreign currency gains and losses	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**

At 30 June 2019, ageing inventories intended mainly for use in whisky and cognac production accounted for 78% of work-in-progress. Pernod Ricard is not significantly dependent on its suppliers.

Note 4.5 Trade receivables and other operating receivables

Trade receivables and other operating 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 2018 and 30 June 2019 by due date:

€ million	Net carrying amount	Not due	Due in respect of the following terms: < 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 30.06.2018	1,122	884	137	53	27	5	16
O/w impairment	*(60)*	*(12)*	*(1)*	*(4)*	*(1)*	*(2)*	*(40)*
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)*

Changes in the impairment of trade receivables and other operating receivables were as follows:

€ million	FY18	FY19
At 1 July	**65**	**60**
Allowances during the year	13	12
Reversals during the year	(8)	(3)
Used during the year	(7)	(2)
Foreign currency gains and losses	(3)	0
At 30 June	**60**	**67**

At 30 June 2019, 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.

In FY18 and FY19 the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €610 million at 30 June 2018 and €674 million at 30 June 2019. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

Continuing improvement *€ million*	Carrying amount of continuing involvement: Amortised costs	Held to maturity	Available for sale	Financial liabilities at fair value	Fair value of continuing involvement	Maximum exposure
Guarantee deposit- factoring and securitisation	8	-	8	-	8	8

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	30.06.2018	30.06.2019
Advances and down payments	27	29
Tax accounts receivable, excluding income taxes	153	164
Prepaid expenses	77	85
Other receivables	23	80
TOTAL	**280**	**359**

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, 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 provisions for risks and charges in the balance sheet is as follows:

€ million	30.06.2018	30.06.2019
Non-current provisions		
Provisions for pensions and other long-term employee benefits	526	559
Other non-current provisions for risks and charges	448	420
Current provisions		
Provisions for restructuring	43	44
Other current provisions for risks and charges	100	105
TOTAL	**1,117**	**1,128**

2. Changes in provisions (other than provisions for pensions and other long-term employee benefits)

€ million	30.06.2018	Movements in the year: Allowances	Reversals (used)	Reversals (not used)	Foreign currency gains and losses	Scope changes	Other movements	30.06.2019
Provisions for restructuring	43	42	38	3	0	-	-	44
Other current provisions	100	14	6	6	3	-	1	105
Other non-current provisions	448	65	20	85	9	-	3	420
TOTAL PROVISIONS	**591**	**121**	**65**	**94**	**11**	**-**	**4**	**569**

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 2019, the amount of provisions booked by the Group in respect of all disputes or risks in which it is involved amounted to €524 million. 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;
- 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 FY18 and FY19 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 2019, fully or partly funded benefit obligations totalled €4,844 million, equivalent to 95% 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 2018 and 30 June 2019:

	30.06.2018			30.06.2019		
€ million	**Pension benefits**	**Medical expenses and other employee benefits**	**Total**	**Pension benefits**	**Medical expenses and other employee benefits**	**Total**
Net (asset)/ liability at beginning of period	(37)	165	128	(375)	148	(227)
Expenses for the period	41	9	50	72	8	80
Actuarial (gains)/losses [(1)]	(312)	(12)	(324)	(317)	(1)	(318)
Employer contributions	(57)	-	(57)	(51)	-	(51)
Benefits paid directly by the employer	(9)	(10)	(19)	(15)	(10)	(25)
Changes in the scope of consolidation	0	0	0	0	0	0
Foreign currency gains and losses	(1)	(5)	(6)	15	2	18
Net (asset)/ liability at end of period	**(375)**	**148**	**(227)**	**(671)**	**147**	**(524)**
Amount recognised in assets [(2)]	(754)	-	(754)	(1,083)	-	(1,083)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	**379**	**148**	**526**	**412**	**147**	**559**

(1) *Recognised as items of other comprehensive income.*
(2) *See Note 4.3 – Financial assets.*

The net expense recognised in the income statement in respect of pensions and other long-term employee benefits is broken down as follows:

	30.06.2018			30.06.2019		
Expense for the year *(€ million)*	**Pension benefits**	**Medical expenses and other employee benefits**	**Total**	**Pension benefits**	**Medical expenses and other employee benefits**	**Total**
Service cost	44	3	47	40	3	43
Interest on provision	(2)	5	3	(12)	5	(7)
• O/w interest on the commitment	137	5	143	139	5	144
• O/w interest on the assets	(140)	-	(140)	(151)	-	(151)
• O/w interest on the limitation of the assets	-	-	-	0	-	0
Fees/levies/premiums	9	-	9	10	-	10
Impact of plan amendments/reduction of future rights	(6)	(1)	(8)	34	0	33
Impact of liquidation of benefits	(3)	-	(3)	-	-	-
Actuarial (gains)/losses	-	1	1	-	1	1
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-			
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**41**	**9**	**50**	**72**	**8**	**80**

On 26 October 2018, the ruling of the High Court of Justice in the Lloyds case resulted in an obligation to equalise the value of commitments between men and women in the calculation of the Guaranteed Minimum Pension system in the United Kingdom. An initial valuation resulted in the recognition of an increase of €34 million in the commitment in respect of the Group's defined benefit plans in the United Kingdom, in other operating income and expenses.

Changes in provisions for pensions and other long-term employee benefits are shown below:

Net liabilities recognised in the balance sheet *€ million*	**30.06.2018** Pension benefits	Medical expenses and other employee benefits	Total	**30.06.2019** Pension benefits	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	5,480	165	5,645	5,092	148	5,240
Service cost	44	3	47	40	3	43
Interest cost (effect of unwinding of discount)	137	5	143	139	5	144
Employee contributions	2	1	3	2	1	3
Benefits paid	(302)	(10)	(312)	(262)	(10)	(272)
Administrative fees/premiums/levies	(1)	-	(1)	(1)	-	(1)
Plan amendments/reduction of future rights	(6)	(1)	(8)	34	0	33
Liquidation of benefits	(3)	-	(3)	-	-	-
Actuarial (gains)/losses	(202)	(10)	(212)	(50)	(1)	(50)
Currency translation adjustments	(58)	(5)	(62)	(30)	2	(27)
Changes in scope of consolidation	0	0	0	0	0	0
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	**5,092**	**148**	**5,240**	**4,965**	**147**	**5,113**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	5,517	-	5,517	5,478	-	5,478
Interest income on plan assets	140	-	140	151	-	151
Experience gains/(losses) on plan assets	122	-	122	265	-	265
Employee contributions	2	-	2	2	-	2
Employer contributions	57	-	57	51	-	51
Benefits paid	(293)	-	(293)	(248)	-	(248)
Administrative fees/premiums/levies	(9)	-	(9)	(10)	-	(10)
Plan amendments/reduction of future rights	-	-	-	-	-	-
Liquidation of benefits	-	-	-	-	-	-
Currency translation adjustments	(56)	-	(56)	(45)	-	(45)
Changes in scope of consolidation	-	-	-	-	-	-
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**5,478**	**-**	**5,478**	**5,645**	**-**	**5,645**
Present value of funded benefits	4,981	-	4,981	4,844	-	4,844
Fair value of plan assets	5,478	-	5,478	5,645	-	5,645
Deficit/(surplus) on funded benefits	**(497)**	**-**	**(497)**	**(801)**	**-**	**(801)**
Present value of unfunded benefits	111	148	259	121	147	268
Effect of ceiling on plan assets (including the impact of IFRIC 14)	11	-	11	9	-	9
NET (ASSETS)/LIABILITIES RECOGNISED IN THE BALANCE SHEET	**(375)**	**148**	**(227)**	**(671)**	**147**	**(524)**

At 30.06.2019	Actuarial value of cumulative benefit obligations		Fair value of plan assets		Limitation of plan assets		Recognised in liabilities and shareholders' equity		Amount recognised in assets	
	€ million	*%*	*€ million*	*%*	*€ million*	*%*	*€ million*	*%*	*€ million*	*%*
United Kingdom	3,936	77%	4,914	87%	0	0%	93	17%	(1,071)	99%
United States	372	7%	223	4%	0	0%	149	27%	0	0%
Canada	287	6%	263	5%	(9)	100%	44	8%	(11)	1%
Ireland	254	5%	176	3%	0	0%	78	14%	0	0%
France	144	3%	13	0%	0	0%	132	24%	0	0%
Other countries	119	2%	56	1%	0	0%	64	12%	(1)	0%
TOTAL	**5,113**	**100%**	**5,645**	**100%**	**(9)**	**100%**	**559**	**100%**	**(1,083)**	**100%**

The breakdown of pension assets between the different asset classes (bonds, shares, etc.) is as follows:

	30.06.2018		30.06.2019	
Breakdown of pension assets	**Pension benefits**	**Medical expenses and other employee benefits**	**Pension benefits**	**Medical expenses and other employee benefits**
Shares	18%	Not applicable	11%	Not applicable
Bonds	35%	Not applicable	43%	Not applicable
Other money market funds	0%	Not applicable	1%	Not applicable
Property assets	6%	Not applicable	3%	Not applicable
Other items	40%	Not applicable	42%	Not applicable
TOTAL	**100%**	**NOT APPLICABLE**	**100%**	**NOT APPLICABLE**

Contributions payable by the Group in FY20 in respect of funded benefits are estimated at €52 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**
2020	261	8
2021	266	8
2022	271	7
2023	279	8
2024	286	8
2025-2029	1,561	39

At 30 June 2018 and 30 June 2019, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

	30.06.2018		30.06.2019	
Actuarial assumptions in respect of commitments	**Pension benefits**	**Medical expenses and other employee benefits**	**Pension benefits**	**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 in respect of the expense for the period	30.06.2018 Pension benefits	30.06.2018 Medical expenses and other employee benefits	30.06.2019 Pension benefits	30.06.2019 Medical expenses and other employee benefits
Discount rate	2.62%	3.50%	2.78%	3.40%
Average rate of increase in annuities	3.34%	Not applicable	3.29%	Not applicable
Average salary increase	2.81%	3.39%	2.60%	3.16%
Expected increase in medical expenses				
• Initial rate	Not applicable	6.65%	Not applicable	6.22%
• Final rate	Not applicable	4.75%	Not applicable	4.61%

Actuarial assumptions at 30.06.2019 *(pensions and other long-term employee benefits)* **By region**	United Kingdom	United States	Canada	Eurozone countries	Other non-eurozone countries
Discount rate	2.30%	3.42%	3.10%	1.33%	3.31%
Average rate of increase in annuities	3.44%	Not applicable	Not applicable	1.33%	1.87%
Average salary increase	2.12%	3.50%	3.00%	2.38%	3.97%
Expected increase in medical expenses					
• Initial rate	5.50%	6.66%	5.28%	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): 0.25%;
- medium-term rate (5-10 years): 0.50%;
- long-term rate (more than 10 years): 1.00% to 1.60%.

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 benefits	Medical expenses and other employee benefits	Total
Commitments at 30.06.2019	4,965	147	5,113
Commitments at 30.06.2019 with a 0.5% decrease in the discount rate	5,372	157	5,529
Commitments at 30.06.2019 with a 0.5% increase in the discount rate	4,603	138	4,742

The impact of a change in the rate of increase in medical expenses would be as follows:

In respect of post-employment medical coverage *€ millions*	With current rate	Effect of a change: 1% increase	Effect of a change: 1% decrease
On the present value of the benefit obligations at 30.06.2019	113	12	(10)
Expense for FY19	5	0	0

The experience gains or losses on the benefit obligations and plan assets are set out below:

€ million	30.06.2019 Pension benefits	30.06.2019 Medical expenses and other employee benefits
Amount of experience losses or (gains) on benefit obligations	(117)	(7)
Percentage compared with amount of benefit obligations	-2.4%	-4.9%
Amount of financial assumption losses or (gains) on benefit obligations	326	7
Percentage compared with amount of benefit obligations	6.6%	4.8%
Amount of demographic assumption losses or (gains) on benefit obligations	(258)	0
Percentage compared with amount of benefit obligations	-5.2%	-0.3%
Amount of experience losses or (gains) on plan assets	(265)	-
Percentage compared with amount of plan assets	-4.7%	0.0%
Amount of experience losses or (gains) on the limitation on assets	(2)	-
Percentage compared with amount of plan assets	0.0%	0.0%
Average duration	15.22	13.19

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.

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.

1. Breakdown of net financial debt by type and maturity

€ million	30.06.2018			30.06.2019		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	**93**	**6,777**	**6,869**	**944**	**6,071**	**7,015**
Syndicated loan	-	-	-	-	-	-
Commercial paper	280	-	280	-	-	-
Other loans and financial debts	80	463	542	177	363	540
Other financial liabilities	**360**	**463**	**822**	**177**	**363**	**540**
GROSS FINANCIAL DEBT	452	7,239	7,691	1,121	6,434	7,555
Fair value hedging derivative instruments – assets	-	-	-	-	(13)	(13)
Fair value hedging derivative instruments – liabilities	-	25	25	-	2	2
Fair value hedging derivative instruments	**-**	**25**	**25**	**-**	**(12)**	**(12)**
Net investment hedging derivative instruments – assets	-	-	-	-	-	-
Net investment hedging derivative instruments – liabilities	-	-	-	-	-	-
Net investment hedge derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Net assets hedging derivative instruments – assets	(1)	-	(1)	-	-	-
Net asset hedging derivative instruments - liabilities	-	-	-	0	-	0
Net assets hedging derivative instruments	**(1)**	**-**	**(1)**	**0**	**-**	**0**
FINANCIAL DEBT AFTER HEDGING	452	7,265	7,716	1,121	6,422	7,543
Cash and cash equivalents	**(754)**	**-**	**(754)**	**(923)**	**-**	**(923)**
NET FINANCIAL DEBT	**(303)**	**7,265**	**6,962**	**198**	**6,422**	**6,620**

The analysis of the change in net financial debt based on the changes in cash and non-cash is described below:

€ million	30.06.2018	Changes in cash flows	Changes in cash flows with no cash impact				30.06.2019
		Total cash flow	Scope	Foreign Exchange impact	Change in fair value	Other items	
Bonds	**6,869**	**12**	**-**	**101**	**33**	**-**	**7,015**
Syndicated loan	0	-	-	-	-	-	0
Commercial paper	280	(280)	-	-	-	-	0
Other loans and financial debts	542	(1)	-	(2)	-	1	540
GROSS FINANCIAL DEBT	7,691	(269)	-	100	33	1	7,555
Fair value hedging derivative instruments – assets	-	-	-	-	(13)	-	(13)
Fair value hedging derivative instruments – liabilities	25	-	-	-	(24)	-	2
Fair value hedging derivative instruments	**25**	**-**	**-**	**-**	**(37)**	**-**	**(12)**
Net assets hedging derivative instruments – assets	(1)	-	-	-	0	-	0
Net assets hedging derivative instruments	**(1)**	**-**	**-**	**-**	**0**	**-**	**0**
FINANCIAL DEBT AFTER HEDGING	7,716	(269)	-	100	(4)	1	7,543
Cash and cash equivalents	**(754)**	**(151)**	**-**	**(1)**	**-**	**(16)**	**(923)**
NET FINANCIAL DEBT	**6,962**	**(421)**	**-**	**98**	**(4)**	**(15)**	**6,620**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments

At 30.06.2018 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% Debt after hedging	% Net debt after hedging
EUR	3,521	281	3,802	(221)	3,580	49%	51%
USD	4,174	(98)	4,076	(8)	4,068	53%	58%
GBP	(25)	(92)	(117)	(1)	(118)	-2%	-2%
SEK	(9)	-	(9)	0	(9)		
Other currencies	31	(67)	(36)	(523)	(559)	0%	-8%
FINANCIAL DEBT BY CURRENCY	**7,691**	**25**	**7,716**	**(754)**	**6,962**	**100%**	**100%**

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)		-1%
SEK	8	-	8	(18)	(10)		-0%
Other currencies	37	(223)	(186)	(555)	(740)	-2%	-11%
FINANCIAL DEBT BY CURRENCY	**7,555**	**(12)**	**7,543**	**(923)**	**6,620**	**100%**	**100%**

3. Breakdown of debt by currency and nature of interest rate hedge

At 30 June 2018 *€ million*	Debt after hedging by currency	Fixed-rate debt (1)	Capped floating-rate debt	Floating-rate debt	% (Fixed-rate + capped floating-rate debt)/debt after hedging	Cash	% (Fixed-rate + capped floating-rate debt)/Net debt
EUR	3,802	2,655	-	1,147	70%	(221)	74%
USD	4,076	3,406	-	670	84%	(8)	84%
GBP	(117)	-	-	(117)	N.M.	(1)	N.M.
SEK	(9)	-	-	(9)	N.M.	0	N.M.
Other currencies	(36)	22	-	(58)	N.M.	(523)	N.M.
TOTAL	**7,716**	**6,084**	**-**	**1,633**	**79%**	**(754)**	**87%**

(1) Hedge accounting and other derivatives.

N.M.: Not material.

At 30.06.2019 *€ million*	Debt after hedging by currency	Fixed-rate debt (1)	Capped floating-rate debt	Floating rate debt	% (Fixed-rate + capped floating-rate debt)/debt after hedging	Cash	% (Fixed-rate + capped floating-rate debt)/Net debt
EUR	3,573	2,659	-	913	74%	(243)	80%
USD	4,145	3,494	-	651	84%	(60)	86%
GBP	3	-	-	3	N.M.	(48)	N.M.
SEK	8	-	-	8	N.M.	(18)	N.M.
Other currencies	(186)	14	-	(199)	N.M.	(555)	N.M.
TOTAL	**7,543**	**6,168**	**-**	**1,375**	**82%**	**(923)**	**93%**

(1) Hedge accounting and other derivatives.

N.M.: not material.

4. Breakdown of fixed-rate/floating-rate debt before and after interest rate hedging instruments

€ million	30.06.2018				30.06.2019			
	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	6,770	88%	6,084	79%	6,871	91%	6,168	82%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	946	12%	1,633	21%	672	9%	1,375	18%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**7,716**	**100%**	**7,716**	**100%**	**7,543**	**100%**	**7,543**	**100%**

At 30 June 2019, before taking account of any hedges, the Group's gross debt was 91% fixed rate and 9% floating rate. After hedging, the floating-rate portion was 18%.

5. Schedule of financial liability maturity

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 2018 and 30 June 2019.

At 30 June 2018 *€ 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	-	(7,679)	(323)	(38)	(891)	(1,071)	(1,587)	(727)	(3,042)
Interest	-	(1,886)	(123)	(126)	(249)	(232)	(176)	(104)	(876)
GROSS FINANCIAL DEBT	**(7,691)**	**(9,565)**	**(447)**	**(164)**	**(1,140)**	**(1,303)**	**(1,763)**	**(830)**	**(3,918)**
Cross-currency swaps	-	-	-	-	-	-	-	-	-
• Flows payable	-	-	-	-	-	-	-	-	-
• Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(43)	(33)	(15)	(2)	(7)	(5)	(1)	(1)	(2)
DERIVATIVE INSTRUMENTS LIABILITIES	**(43)**	**(33)**	**(15)**	**(2)**	**(7)**	**(5)**	**(1)**	**(1)**	**(2)**
TOTAL FINANCIAL LIABILITIES	**(7,734)**	**(9,598)**	**(461)**	**(166)**	**(1,147)**	**(1,308)**	**(1,764)**	**(831)**	**(3,921)**

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)**

6. Syndicated loan

At 30 June 2019, no drawdowns had been made from the multi-currency syndicated loan of €2,500 million.

7. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2019 *€ million*
EUR 850 million	2.00%	20.03.2014	22.06.2020	849
USD 1,000 million	5.75%	07.04.2011	07.04.2021	888
USD 201 million	Spread +6-month LIBOR	26.01.2016	26.01.2021	180
USD 1,500 million	4.45%	25.10.2011	15.01.2022	1,350
USD 800 million	4.25%	12.01.2012	15.07.2022	721
EUR 500 million	1.88%	28.09.2015	28.09.2023	496
EUR 650 million	2.13%	29.09.2014	27.09.2024	658
EUR 600 million	1.50%	17.05.2016	18.05.2026	599
USD 600 million	3.25%	08.06.2016	08.06.2026	522
USD 850 million	5.50%	12.01.2012	15.01.2042	752
TOTAL BONDS				**7,015**

8. 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 June 2018 *€ 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	1,026	(272)	754	-	-	-
Liabilities and shareholders' equity						
Bank debt	1,094	(272)	822	-	-	-

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 and shareholders' equity						
Bank debt	661	(121)	540	-	-	-

Note 4.9 Financial instruments

1. Fair value of financial instruments

€ million	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	30.06.2018: Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	13	-	-	13	13
Guarantees, deposits, investment-related receivables		-	-	108	-	108	108
Trade receivables and other operating receivables		-	-	1,122	-	1,122	1,122
Other current assets		-	-	280	-	280	280
Derivative instruments – assets	Level 2	19	-	-	-	19	19
Cash and cash equivalents	Level 1	754	-	-	-	754	754
Liabilities and shareholders' equity							
Bonds		-	-	-	6,869	6,869	7,175
Bank debt		-	-	-	791	791	791
Finance lease debt		-	-	-	31	31	31
Derivative instruments – liabilities	Level 2	43	-	-	-	43	43

€ million	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	30.06.2019: 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 and shareholders' equity							
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

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 closing date, adjusted for the Group's credit risk. For floating-rate bank debt, fair value is approximately equal to the 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 was calculated for each loan by discounting future cash flows using an interest rate reflecting 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 are consistent 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 2019, the impact was not significant.

2. Risk management

Management and monitoring of financial risks is performed by the Financing and Treasury Department, which has eight staff members. 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

At 30 June 2019, the Group's cash and cash equivalents totalled €923 million (compared with €754 million at 30 June 2018). An additional €2,760 million of renewable medium-term credit facilities with banks was confirmed and drawn at €260 million. 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's short-term financial debt after hedging was €1,121 million at 30 June 2019 (compared to €452 million at 30 June 2018).

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 Baa2/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 2019, 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 2019, the delayed availability cash amounted to €141 million, including €134 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 2019, 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 in € million)*

At 30.06.2019 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	243	-	-	243
Total floating-rate liabilities	(128)	(245)	0	(373)
NET FLOATING-RATE DEBT BEFORE HEDGING	**115**	**(245)**	**0**	**(130)**
Derivative instruments	(540)	-	-	(540)
NET FLOATING-RATE DEBT AFTER HEDGING	**(425)**	**(245)**	**0**	**(670)**

Schedule of maturity of floating-rate debt and hedging in USD *(notional value in € million)*

At 30.06.2019 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	60	-	-	60
Total floating-rate liabilities	(84)	(189)	-	(273)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(24)**	**(189)**	**-**	**(214)**
Derivative instruments	314	(514)	(177)	(377)
NET FLOATING-RATE DEBT AFTER HEDGING	**289**	**(703)**	**(177)**	**(591)**

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 point in interest rates (USD and EUR) would generate an equity gain or loss of approximately €1 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 2019, 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 30.06.2018 *€ million*	Description of the financial instrument	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities and shareholders' equity
Fair value hedge						**-**	**26**
Interest rate risk hedges	Swaps	-	858	172	1,029	-	26
Interest rate and currency risk hedges	Cross-currency swaps	-	-	-	-	-	-
Net investment hedge		**-**	**-**	**-**	**-**	**1**	**-**
Currency risk hedges	NDF & FX options	65	-	-	65	1	-
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						**1**	**26**
Cash flow hedge						**3**	**4**
Interest rate risk hedges	Swaps	-	172	-	172	-	1
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps	65	-	-	65	0	3
Commodity risk hedges	Forwards	16	7	-	23	3	0
Non hedge accounting		**-**	**-**	**-**	**-**	**15**	**13**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and forwards	1,748	-	-	1,748	15	8
Interest rate risk hedges	Swaps	-	1,201	-	1,201	-	5
TOTAL DERIVATIVE INSTRUMENTS						**19**	**43**
TOTAL NON-CURRENT						**2**	**31**
TOTAL CURRENT						**17**	**11**

Type of hedging at 30.06.2019 *€ million*	Description of the financial instrument	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities and shareholders' equity
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	FX forwards	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 and FX forwards and FX options	139	38	-	177	1	1
Commodity risk hedges	Swaps	12	3	-	15	2	0
Non hedge accounting		**-**	**-**	**-**	**-**	**9**	**15**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and 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**

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 2019 are not ineffective.

Hedged items (by category and nature of hedge)

Nature of hedge 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 OCI derivatives
	Assets	Liabilities and shareholders' equity	Assets	Liabilities and shareholders' equity			
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.

Note 4.11 Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2018	30.06.2019
Taxes and social charges	613	636
Other current liabilities	347	421
TOTAL	**960**	**1,058**

Other current liabilities at 30 June 2019 mainly comprise the €311 million interim dividend payment on 10 July 2019. Most of these other current liabilities are due within one year.

Note 5 Notes to the cash flow statement

Note 5.1 Working Capital Requirements

Working Capital Requirements increased by €181 million. The change breaks down as follows:

- increase in inventory: +€285 million;
- increase in trade receivables: +€126 million;
- increase in operating and other payables: €(166) million;
- other movements: €(65) million.

The increase in inventory relates to the build-up of ageing inventories to meet growing demand.

Note 5.2 Capital expenditure

The acquisitions of property, plant and equipment and intangible assets originate primarily from expansion projects for industrial sites aimed at increasing distillation and maturing capacity, investments in major brand businesses (intended to receive visitors) or the renovation of equipment in production affiliates.

Note 5.3 Issuance/redemption of bonds

The Group neither issued, nor redeemed any bonds in the course of FY19.

In addition, the Group drew €150 million on a syndicated loan during the year, which was repaid over the same period. It also reduced the outstanding amount of short-term marketable securities by €280 million.

Note 6 Additional information

Note 6.1 Shareholders' equity

1. Share capital

The Group's share capital did not change between 1 July 2018 and 30 June 2019:

	Number of shares	Amount *(€ million)*
Share capital at 30.06.2018	265,421,592	411
Share capital at 30.06.2019	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.

On 30 June 2019, Pernod Ricard and its controlled affiliates held 1,596,503 Pernod Ricard shares worth €199 million. These treasury shares are shown at acquisition 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

The Board of Directors' meeting on 17 April 2019 decided to pay an interim dividend of €1.18 per share in respect of FY19, i.e. a total of €311 million. The interim dividend was paid on 10 July 2019 and recognised under "Other current liabilities" in the balance sheet at 30 June 2019.

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 scomplies 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.

1. 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 FY19, three share allocation plans were set up on 21 November 2018:

- 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 21 November 2018 to 21 November 2021 inclusive (three years) and a condition of four years' continuous service;
- a performance-based share plan, including a performance criterion based on the average level of Profit from Recurring Operations achieved compared to the budget, measured over three consecutive financial years including the year in which the shares were granted and a condition of continuous service on the vesting date (four years);
- a performance-based share plan, including several levels of performance conditions, with the first based on the average level of Profit from Recurring Operations achieved compared with the budget, measured over three financial years including the year in which the shares were granted, and the second 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 21 November 2018 to 21 November 2021 inclusive (three years) and a condition of continued service on the vesting date (four years).

	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 30.06.2019	Stock option expense for FY19 *(€ thousand)*
Plan dated 15.09.2010	Purchase	Conditional	1	16.09.2014	15.09.2018	€64.00	0	0
Plan dated 15.06.2011	Purchase	Unconditional	713	16.06.2015	15.06.2019	€68.54	0	0
Plan dated 15.06.2011	Purchase	Conditional	144	16.06.2015	15.06.2019	€68.54	0	0
Plan dated 06.11.2013	Purchase	Conditional	168	07.11.2017	06.11.2021	€88.11	0	0
Plan dated 06.11.2015	Purchase	Conditional	161	07.11.2019	06.11.2023	€102.80	182,507	1,109
Plan dated 17.11.2016	Purchase	Conditional	16	18.11.2020	17.11.2024	€105.81	150,008	569
Plan dated 09.11.2017	Purchase	Conditional	15	10.11.2021	09.11.2025	€126.53	124,050	586
Plan dated 21.11.2018	Purchase	Conditional	15	22.11.2022	21.11.2026	€137.78	109,492	349

	Type of shares	Presence of performance condition	Number of beneficiaries	Shares acquired from	Shares vested from	Outstanding shares at 30.06.2019	Share expense for FY19 *(€ thousand)*
Plan dated 06.11.2014	Free	Conditional	1,007	07.11.2018	07.11.2018	0	2,174
Plan dated 06.11.2015	Free	Conditional	1,006	07.11.2019	07.11.2019	337,828	7,353
Plan dated 17.11.2016	Free	Conditional	997	18.11.2020	18.11.2020	406,026	8,432
				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	24,853	(*)
Plan dated 09.11.2017	Free	Conditional	1,000	10.11.2021	10.11.2021	348,742	9,228
Plan dated 21.11.2018	Free	Conditional	958	22.11.2022	22.11.2022	336,069	5,680

(*) For this plan, the Group decided to recognise all expenses in FY17.

(1) Total shareholder return.

The history of stock option plans that have not yet expired is presented in the "Corporate governance and internal control" section of this universal registration document.

At 30 June 2019, there were no stock option plans that had vested but not been exercised.

The Group recognised an expense of €2.6 million as an operating loss for four stock option plans in the process of vesting at 30 June 2019, as well as an expense of €32.9 million in respect of the five performance-based share plans.

Annual expenses *€ million*	30.06.2018	30.06.2019
Stock options – through a double entry to equity	3	3
Performance-based and bonus shares – through a double entry to equity	30	33
TOTAL ANNUAL EXPENSES	**33**	**36**

Changes made to outstanding stock options/shares during the year (period from 1 July 2018 to 30 June 2019) are described below:

	Type of options	Presence of performance condition	Outstanding options at 30.06.2018	Allocated during the period	Cancelled during the period	Exercised during the period	Expired during the period	Outstanding options at 30.06.2019
Plan dated 15.09.2010	Purchase	Conditional	0	0	0	0	0	0
Plan dated 15.06.2011	Purchase	Unconditional	154,546	0	1,205	153,341	0	0
Plan dated 15.06.2011	Purchase	Conditional	81,375	0	0	81,375	0	0
Plan dated 06.11.2013	Purchase	Conditional	0	0	0	0	0	0
Plan dated 06.11.2015	Purchase	Conditional	276,525	0	94,018	0	0	182,507
Plan dated 17.11.2016	Purchase	Conditional	150,008	0	0	0	0	150,008
Plan dated 09.11.2017	Purchase	Conditional	124,050	0	0	0	0	124,050
Plan dated 21.11.2018	Purchase	Conditional	0	109,492	0	0	0	109,492

	Type of shares	Presence of performance condition	Outstanding shares at 30.06.2018	Allocated during the period	Cancelled during the period	Transferred during the period	Expired during the period	Outstanding shares at 30.06.2019
Plan dated 06.11.2014	Free	Conditional	360,148	0	3,178	356,970	0	0
Plan dated 06.11.2015	Free	Conditional	359,493	0	21,210	455	0	337,828
Plan dated 17.11.2016	Free	Conditional	429,576	0	23,550	0	0	406,026
Plan dated 17.11.2016	Free	Unconditional	49,704	0	0	24,851	0	24,853
Plan dated 09.11.2017	Free	Conditional	366,449	0	17,707	0	0	348,742
Plan dated 21.11.2018	Free	Conditional	N/A	341,313	5,244	0	0	336,069

The average strike price of options exercised during FY19 was €68.54.

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 21.11.2018	Purchase	Conditional	140.50	137.78	18.60%	2.17%	1.10%	21.04
Plan dated 21.11.2018	Free	Conditional	140.50	N/A	18.30%	2.17%	0.50%	80.38
Plan dated 21.11.2018	Free	Conditional	140.50	N/A	N/A	2.17%	N/A	128.82

N/A: Not applicable.

(1) Closing share price at grant date.

The fair values are fixed upon implementation of each plan, and they do not vary year on year. In addition, only the values relating to the plans allocated during FY19 are presented above (information on previous plans is available in the previous 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 21 November 2018 are all conditional on the positioning of the overall performance of the Pernod Ricard share (TSR [1]) compared to the overall performance of a panel of 12 peers: the stock options will be pre-vested on 21 November 2021, 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 21 November 2022.

Two performance-based share plans were granted on 21 November 2018. In both cases, their 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 2019, 30 June 2020 and 30 June 2021 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 one of the two plans also takes account of the same market performance condition as applied to the stock options allocated on 21 November 2018, in addition to the internal condition described above: positioning of the overall performance of the Pernod Ricard share (TSR [1]) compared to the overall performance of a panel of 12 peers over the period from 21 November 2018 to 21 November 2021 inclusive (three years). The performance-based shares, the number of which will be determined by applying the internal condition, will be vested, 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 by increments based on the level of performance achieved). Vesting will be final as of 22 November 2022 if the continuous service condition is met on 21 November 2022.

2. Employee share ownership plan

In May 2019, employees in 18 countries (approximately 75% of Group employees) were able to participate in Pernod Ricard's first Share Ownership Plan, as part of a structured offer, including a discount of 20% to the share's reference price.

The purchase price was accordingly set at €127.84, corresponding to 80% of the share's average opening price over the 20 trading days preceding the decision of the CEO, *i.e.* from 16 May to 12 June 2019.

At 21 June 2019, the end date of the purchase/revocation period, all the securities available under this offer (479,997) were subscribed by employees of 45 subsidiaries in 18 countries.

The IFRS 2 expense reflecting the benefit offered to employees is measured by reference to the fair value of a discount offered on non-transferable shares.

The IFRS 2 expense recognised in respect of this plan in the FY19 consolidated financial statements amounts to €2.6 million.

The plan did not result in a capital increase, the shares in question having been bought back by the Group on the secondary market. As a result, the plan resulted in a cash gap, as the shares were bought back by the Group on the secondary market during FY19 and the employees' contribution was only paid in July in the FY20 financial year.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30.06.2018	**2,463**	**888**	**1,260**	**314**
Commitments given in relation to companies within the Group	-	-	-	-
Commitments given in relation to the financing of the Company	**18**	**6**	**5**	**6**
Financial guarantees given	18	6	5	6
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,445**	**882**	**1,255**	**308**
Firm and irrevocable commitments to purchase raw materials	1,631	586	998	46
Tax commitments (customs guarantees and others)	253	172	12	69
Operating lease agreements	522	94	236	192
Other items	39	29	9	1

(1) *Total shareholder return.*

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received at 30.06.2018	2,574	40	2,506	28
Commitments received in relation to companies within the Group	**4**	**1**	**3**	**-**
Commitments received in relation to the financing of the Company	**2,536**	**35**	**2,500**	**1**
Lines of credit received and not used	2,500	-	2,500	-
Financial guarantees received	36	35	0	1
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**33**	**3**	**3**	**27**
Contractual commitments related to business activity and business development	31	3	2	26
Other items	3	1	1	1

€ 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

€ 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

1. Lines of credit received and not used

The lines of credit received and not used correspond primarily to the nominal amount of the syndicated loan not drawn at 30 June 2019 (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 operations, the Group's main affiliates have committed €1,662 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 FY07 to FY15, specifically concerning, for an amount of 7,244 million Indian rupees (equivalent to €92 million, including interest), the tax deductibility of promotion and advertising expenses. It should be noted that the level and amount of this risk has been gradually and significantly reduced in recent years and that the Company obtained a court ruling in its favour in 2019 for the period from FY07 to FY11. Supported by its tax advisers, Pernod Ricard India disputes 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 2019 for all litigation and risks in which it is involved amounted to €524 million, compared to €548 million at 30 June 2018 (see Note 4.7 – *Provisions*). 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.

1. 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 ongoing 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 the 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.

2. 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 on 14 August 2017 was stayed by the Supreme Court. The Company is actively pursuing its discussions with the authorities and jurisdictions.

Pernod Ricard India 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 FY15 relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – *Contingent liabilities*). In 2019, Pernod Ricard India (P) obtained a court ruling in its favour for the period from FY07 to FY11.

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*), when it is likely that a current liability stemming from a past event will require the payment of an amount which can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability.

3. 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 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 2019.

The compensation paid to corporate officers and Executive Committee (COMEX) members in return for their services to the Group is detailed below:

€ million	30.06.2018	30.06.2019
Board of Directors (1)	1	1
Group Executive Committee		
• Short-term benefits	14	14
• Post-employment benefits	4	5
• Share-based payments (2)	5	6
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**24**	**26**

(1) *Compensation of Directors.*
(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 are 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

Since 30 June 2019, as part of its active portfolio management strategy, the Group has finalised the acquisitions of 100% of Firestone & Robertson Distilling Co. (USA), owner of the TX Bourbon brand, a majority interest in Rabbit Hole Spirits, LLC (USA), owner of the Rabbit Hole Whiskey Bourbon brand, a majority interest in Laurenskirk (PTY) Ltd. (South Africa), owner of the Inverroche Gin brand, 100% of Bodeboca, SL (Spain), owner of the Bodeboca digital platform, and 34% of the Seagram MM Holdings joint venture (Myanmar), owner of the High Class Whisky brand. These acquisitions represent a total amount of approximately €250 million.

Furthermore, on 28 August 2019, the Group announced that it had reached a final agreement with the Board of Directors of the listed US company Castle Brands Inc. (NYSE American: ROX) for the purchase of all the company's shares at a price of $1.27 per share, payable in cash, i.e. an estimated total amount of $223 million, as well as the assumption of the company's debt.

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	FY18	FY19	%	FY18	FY19	%	FY18	FY19	%	FY18	FY19	%
Audit												
Statutory Auditors, certification, review of separate and consolidated financial statements (3)												
Issuer (2)	0.6	0.6	15%	0.6	0.6	14%	0	0	0%	1.2	1.2	14%
Fully consolidated affiliates	2.4	2.7	67%	3.1	3.2	71%	0.2	0.1	98%	5.7	6.0	69%
SUBTOTAL	**2.9**	**3.3**		**3.7**	**3.8**		**0.2**	**0.1**		**6.9**	**7.2**	
Services other than the certification of financial statements (4)												
Issuer (2)	0.1	0.0	0%	0.5	0.4	8%	0	0	0%	0.5	0.4	5%
Fully consolidated affiliates	0.6	0.8	18%	0.7	0.3	7%	0	0	2%	1.3	1.1	12%
including legal, tax, corporate	*0.4*	*0.7*	*16%*	*0.1*	*0.2*	*3%*	*0*	*0*	*0%*	*0.5*	*0.8*	*9%*
SUBTOTAL	**0.7**	**0.8**		**1.1**	**0.7**		**0**	**0**		**1.8**	**1.5**	
TOTAL	**3.6**	**4.1**	**100%**	**4.8**	**4.5**	**100%**	**0.2**	**0.1**	**100%**	**8.7**	**8.7**	**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.*

Deloitte & Associés and KPMG SA have been the Principal Statutory Auditors of the Group Pernod Ricard since the Shareholders' Meetings of 13 May 2003 and 17 November 2016, respectively.

Note 7 Scope of consolidation

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 Scope of consolidation

The main changes to the Group's scope of consolidation at 30 June 2019 are presented in Note 1.2 – *Significant events during the financial year*.

Note 7.2 List of main consolidated companies

Companies	Country	% interest on 30.06.2018	% interest on 30.06.2019	Consolidation method [3]
Pernod Ricard SAS	France	Parent Company	Parent Company	
Parent Company Pernod Ricard South Africa PTY Ltd	South Africa	100	100	FC
Black Forest Distillers GmbH	Germany	60	60	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 SA	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
Drinksandco Marketplace, SLU	Spain	0	100	FC
Pernod Ricard España	Spain	100	100	FC
Pernod Ricard Winemakers Spain, SA	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
Del Maguey Inc.	United States	62.36	62.36	FC
Pernod Ricard Americas IP Management LLC	United States	100	100	FC
Pernod Ricard Americas Travel Retail LLC (dba Pernod Ricard Travel Retail Americas)	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
Pernod Ricard USA Bottling, LLC	United States	100	100	FC
Pernod Ricard USA, LLC	United States	100	100	FC
PRUSA Acquisitions LLC	United States	100	100	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

Companies	Country	% interest on 30.06.2018	% interest on 30.06.2019	Consolidation method (3)
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	France	100	100	FC
Ricard SAS	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 Domecq 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
Watercourse Distillery Ltd	Ireland	100	100	FC
Pernod Ricard Italia SPA	Italy	100	100	FC
Pernod Ricard Japan KK	Japan	100	100	FC
Pernod Ricard Kazakhstan	Kazakhstan	100	100	FC
Pernod Ricard Kenya Limited	Kenya	100	100	FC
Pernod Ricard Lietuva	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
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

Companies	Country	% interest on 30.06.2018	% interest on 30.06.2019	Consolidation method [3]
Pernod Ricard Peru SA	Peru	100	100	FC
Pernod Ricard Philippines, Inc.	Philippines	100	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
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
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 is consolidated using the full consolidation method because of the Group's majority controlling interest in this listed company.
(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.

6.7 Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated 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 information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 30 June 2019

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 2019.

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 2019 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 2018 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"*).

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 2018 of the IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers".

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 the 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, 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 and 4.1 to the consolidated financial statements)* As of 30 June 2019, indefinite-life brands were recorded in the balance sheet for a net carrying amount of €11,549 million, i.e. 37% 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 involves 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. In certain countries, difficult trade conditions impacted the performance and future outlook of certain brands, leading the Company to record an impairment loss before tax of €65 million for the year ended 30 June 2019, as disclosed in Notes 3.1 and 4.1 to the consolidated financial statements. Furthermore, the sensitivity of brands' recoverable amounts to assumptions was analysed by management and presented in Note 4.1. Changes in 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.	Our procedures mainly consisted in: • 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; • corroborating the reasonableness of the main data and assumptions underlying the estimates (such as the discount and long-term growth rates), primarily for "sensitive brands", especially with regard to available market analyses and in relation to economic environments where the Group operates; • 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 and 4.1 to the consolidated financial statements and verified the arithmetical accuracy of the presented sensitivity analysis.

Key Audit Matters	Responses as part of our audit
Tax risks *(Notes 1.1.4, 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. As of 30 June 2019, part of the amount of provisions for contingences for all legal disputes or risks involving the Group relates to tax risks and litigation. 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", management disputes the merits of the reassessment proposals and has not booked any provision for these matters. 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 uncertain tax positions and, where necessary, provide for tax risks. 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. 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 recognised, 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. We also assessed the disclosures in Notes 1.1.4, 4.7, 4.7.1, 4.7.2, 6.4 and 6.5 to the consolidated financial statements.
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 2019, a deferred tax expense of €99 million was recorded in the income statement, while deferred tax assets of €1,590 million (including €908 million relating to tax loss carryforwards) and deferred tax liabilities of €2,756 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 and the material amounts.	Assisted by our tax experts 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, 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.

Key Audit Matters	Responses as part of our audit
Post-employment benefit commitments *(Notes 1.1.4 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, in the United States, in Canada, in Ireland, in the United Kingdom and in the Netherlands represent nearly the entire actuarial value of accumulated benefits, which amounted to €5,113 million as of 30 June 2019. These liabilities are covered by plan assets with a fair value of €5,645 million, resulting in a net asset position as of 30 June 2019 amounting to €524 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. Given the amounts of these 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 evaluate the 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. 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 in respect with 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 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.

We have no matters to report as 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 this code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must 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 2019, Deloitte & Associés and KPMG S.A. were in the 16th year and 3rd 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 risk 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

Objective 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.

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 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 ("*Code de déontologie*"). 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, 19 September 2019

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. Pernod Ricard SA Financial Statements

7.1 Pernod Ricard SA income statement

For the financial years ended 30 June 2018 and 30 June 2019

€ thousand	**30.06.2018**	**30.06.2019**
Royalties	29,475	25,070
Other income	155,459	180,117
Reversals of financial provisions and expense transfers	25,692	16,302
OPERATING INCOME	**210,626**	**221,489**
Purchases of goods and supplies not for stock and external services	(155,048)	(176,266)
Duties and taxes	(5,838)	(5,675)
Payroll expenses	(94,069)	(101,142)
Depreciation, amortisation and provisions	(25,006)	(19,764)
Other expenses	(4,699)	(5,854)
OPERATING EXPENSES	**(284,660)**	**(308,701)**
Operating profit (loss)	**(74,034)**	**(87,212)**
Income from investments	603,281	413,445
Interest and related income	244,413	210,089
Reversals of financial provisions and expense transfers	307,906	331,068
Foreign exchange gains	9,127	9,506
FINANCIAL INCOME	**1,164,727**	**964,108**
Provision charges	(331,718)	(325,514)
Interest and related expenses	(343,525)	(320,595)
Foreign exchange losses	(7,765)	(12,550)
FINANCIAL EXPENSES	**(683,008)**	**(658,659)**
Financial results	**481,719**	**305,449**
Profit (loss) from continuing operations	**407,685**	**218,236**
Exceptional items	**(21,330)**	**(44,499)**
Net profit/(loss) before tax	**386,355**	**173,737**
Corporate income tax	179,468	151,988
PROFIT FOR THE FINANCIAL YEAR	**565,823**	**325,726**

7.2 Pernod Ricard SA balance sheet

For the financial years ended 30 June 2018 and 30 June 2019

Assets

€ thousand	Net value 30.06.2018	Gross value 30.06.2019	Depreciation, amortisation and provisions	Net value 30.06.2019	Notes
Concessions, patents and licences	28,048	33,348	(5,341)	28,007	
Other intangible assets	5,350	49,165	(39,268)	9,897	
Advances and down payments	13,356	20,563	-	20,563	
Intangible assets	46,754	**103,076**	**(44,609)**	**58,467**	2
Land	485	485	-	485	
Buildings	26,434	27,426	(1,651)	25,775	
Machinery and equipment	287	800	(430)	370	
Other property, plant and equipment	18,866	31,817	(15,907)	15,910	
Advances and down payments	1,078	2,336	-	2,336	
Property, plant and equipment	47,150	**62,864**	**(17,988)**	**44,876**	2
Investments	12,760,874	12,872,897	(108,498)	12,764,400	3
Loans and advances to affiliates and associates	63,618	62,144	-	62,144	3 and 4
Other financial assets	8,222	18,260	-	18,260	3 and 4
Financial assets	12,832,713	**12,953,301**	**(108,497)**	**12,844,804**	3
TOTAL FIXED ASSETS	**12,926,618**	**13,119,241**	**(171,095)**	**12,948,146**	
Advances and supplier prepayments	347	**629**	-	**629**	4
Trade receivables	232,103	282,270	(4,303)	277,967	
Other receivables	1,605,672	1,339,992	(3,122)	1,336,870	
Receivables	**1,837,775**	**1,622,262**	**(7,425)**	**1,614,837**	4
Marketable securities	110,690	**188,949**	-	**188,949**	5
Cash	438,614	**515,613**	-	**515,613**	
Prepaid expenses	**4,065**	**7,229**	-	**7,229**	4 and 6
TOTAL CURRENT ASSETS	**2,391,491**	2,334,682	(7,425)	2,327,257	
Bond redemption premiums	17,362	**14,543**	-	**14,543**	6
Unrealised foreign exchange losses	**561,596**	**608,760**	-	**608,760**	6
TOTAL ASSETS	**15,897,066**	**16,077,227**	**(178,520)**	**15,898,707**	

Liabilities and shareholders' equity

€ thousand	30.06.2018	30.06.2019	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	2,324,713	**2,266,946**	
Profit for the financial year	565,823	**325,726**	
Interim dividends pending allocation	(266,870)	**(311,314)**	
TOTAL SHAREHOLDERS' EQUITY	6,489,811	6,147,503	8
Provisions for risks and charges	494,666	**531,227**	9
Bonds	6,939,443	7,045,635	4 and 12
Bank debt	-	-	4 and 13
Other debt	327	1,322	4
Debt	6,939,769	**7,046,958**	
Trade payables	67,623	85,116	
Taxes and social charges	42,824	53,764	
Amounts due on non-current assets and related accounts	-	-	
Other payables	1,420,037	1,539,725	
Trade and other accounts payable	1,530,484	**1,678,605**	4
Deferred income	144	**100**	4 and 10
TOTAL LIABILITIES	8,470,397	8,725,663	
Unrealised foreign exchange gains	442,192	**494,315**	10
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**15,897,066**	**15,898,708**	

7.3 Pernod Ricard SA cash flow statement

For the financial years ended 30 June 2018 and 30 June 2019

€ thousand	30.06.2018	30.06.2019
Operating activities		
Net profit	565,823	325,726
Net depreciation, amortisation and provision charges	27,131	8,351
Changes in provisions	15,353	36,628
Net (gain)/loss on disposal of assets and other items	241	-
Self-financing capacity	**608,548**	**370,705**
Decrease/(increase) in Working Capital Requirements	8,756	276,490
Change in Net debt from operating activities	**617,304**	**647,195**
Investing activities		
Capital expenditure	(16,095)	(17,284)
Purchases of financial assets (net of disposals)	(43,364)	(12,596)
Change in Net debt from investing activities	**(59,459)**	**(29,880)**
Financing activities		
Long and medium-term bond issue	(91,547)	103,746
Loans and medium and long-term debt	2,819	2,819
Other changes in shareholders' equity	-	-
Dividends paid	(550,781)	(668,034)
Change in Net debt from financing activities	**(639,509)**	**561,469**
Change in short-term Net debt	**(81,664)**	**55,846**
SHORT-TERM NET DEBT AT BEGINNING OF PERIOD	(549,792)	(631,456)
SHORT-TERM NET DEBT AT END OF PERIOD	**(631,456)**	**(575,610)**

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	30.06.2019
Loans and long-term debts	0
Bonds	(95,020)
Net balance on current account with Pernod Ricard Finance	(1,183,830)
Marketable securities	188,949
Cash	514,291
SHORT-TERM NET DEBT AT END OF PERIOD	(575,610)
Bonds	(6,950,615)
Loans and long-term debts	14,543
Pernod Ricard Finance loan	-
MEDIUM- AND LONG-TERM NET DEBT AT END OF PERIOD	(6,936,072)
TOTAL NET DEBT AT END OF PERIOD	**(7,511,682)**

7.4 Analysis of Pernod Ricard SA results

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 2019

Analysis of FY19 income statement

Operating income represented a total of €221 million in the year ended 30 June 2019, an increase of €11 million compared with the year ended 30 June 2018, reflecting a €9 million reduction in provision reversals, a €4 million decline in royalties and a €24 million increase in net sales.

The amount of operating expenses as at 30 June 2019 was €(309) million compared with €(285) million in the previous year, *i.e.* a rise in expenses of €24 million. The main changes are explained by:

- an increase in personnel expenses of €7 million;
- an increase in purchases of goods and supplies not for stock and external services of €21 million;
- an increase in other expenses of €1 million;
- a reduction in provisions and provision reversals of €5 million.

The operating result was a loss of €(87) million in the year ended 30 June 2019, a reduction of €13 million compared with the year ended 30 June 2018.

The amount of financial income was €305 million at 30 June 2019, compared to €482 million at 30 June 2018. This decrease of €177 million was mainly attributable to:

- a decrease in dividends received of €190 million;
- an increase in net financial expense of €11 million;
- a substantial variation in foreign exchange gains and losses of €5 million;
- a net reversal of financial provisions of €29 million.

Profit from continuing operations before tax amounted to €218 million.

At 30 June 2019, exceptional items amounted to an expense of €44 million, relating to €21 million in net provisions for risks and charges over FY19 and €23 million in non-current income and expenses.

Lastly, income tax comprised tax income of €152 million related to the effects of the tax consolidation in FY19.

As a result, net profit for FY19 was €326 million.

Analysis of the FY19 balance sheet

Assets

Total net fixed assets stood at €12,948 million at 30 June 2019 compared with €12,927 million for the previous year, *i.e.* an increase of €21 million. The main changes observed are as follows:

- an increase of €9 million in property, plant and equipment and intangible assets;
- an increase of €12 million in financial assets due primarily to:
  - the Lina 20 capital increase of €4 million,
  - the decline in dividends due and receivables from associates of €2 million,
  - an increase in own shares of €10 million.

Current assets amounted to €2,327 million during the financial year, *i.e.* a decrease of €64 million compared to 30 June 2018. The main movements include:

- an increase of €46 million in trade receivables;
- a reduction of €269 million in other receivables, consisting of:
  - an increase in government receivables of €4 million,
  - a decline in miscellaneous receivables of €265 million attributable to the repayment of €341 million in Group financial receivables, the positive revaluation of €27 million of USD-denominated receivables, a €51 million increase in tax current accounts and a €2 million decline in share-based bonuses;
- an increase in cash and cash equivalents of €77 million, attributable chiefly to positive changes of €59 million on cash instruments and €18 million on cash;
- an increase in marketable securities of €78 million.

Prepaid expenses and deferred charges amounting to €631 million consist of Unrealized foreign exchange losses, Bond redemption premiums and Prepaid expenses, which changed respectively by €47 million, €(3) million and €3 million between 30 June 2018 and 30 June 2019.

Liabilities

Shareholders' equity amounted to €6,148 million at 30 June 2019, compared with €6,490 million at 30 June 2018. The main movements for the period were:

- profit for the financial year of €326 million;
- the payment of the balance of the dividend for FY18 of €357 million;
- the payment of an interim dividend of €1.18 per share in respect of FY19, amounting to €311 million. This interim dividend was paid on 10 July 2019.

Provisions for risks and charges increased by €37 million. This change was attributable to:

- an increase in the provision for post-employment benefits of €6 million;

- a decline in the provision for foreign exchange losses of €8 million;
- an increase in provisions relating to the coverage of performance-based share and employee share ownership plans of €22 million;
- a €17 million increase in other provisions for risks.

During the period, borrowings increased by €107 million, due mainly to the revaluation of €(106) million in US dollar-denominated bonds.

The €148 million increase in operating debts is explained primarily by:

- the increase in other debts amounting to €120 million, of which €100 million stem from an increase in the Pernod Ricard Finance current account, €24 million from reduced intra-group creditors' liabilities and tax current accounts and €44 million from dividends to pay;
- the €17 million increase in trade payables;
- the €11 million increase in tax and social security payables.

The deferred income and adjustment accounts of €494 million at 30 June 2019 comprise the €52 million increase in the value of unrealised foreign exchange gains compared with 30 June 2018.

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 12, place des États-Unis, 75016 Paris and is listed on Euronext.

The balance sheet total for the financial year which ended 30 June 2019 was €15,899 million. The income statement for the year recorded a profit of €326 million. The financial year covered the 12-month period from 1 July 2018 to 30 June 2019.

Note 1 Accounting policies

The annual financial statements for the financial year were prepared in accordance with the provisions of ANC Regulation 2016-07 of 4 November 2016 and ANC Regulation 2015-05 of 2 July 2015 relating to the new French general accounting standards. 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;
- relative importance;
- no compensation;
- good information;
- 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 an expected useful life of three years since the previous financial year, compared with one year previously.

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 four years (reducing balance).

3. Financial assets

The gross value of investments is composed of their acquisition cost, excluding ancillary costs, increased by the impact of legal revaluations where applicable.

If the value in use of the investments is less than their net carrying amount, a provision for impairment is recognised for the difference.

Value in use is determined based on a multi-criteria analysis, taking into account the share of the affiliate shareholders' equity that the investment represents, the value based on dividend yield and the financial and economic potential of the affiliate, with particular reference also being made to the market value of its net assets.

The Treasury shares item includes own shares held by Pernod Ricard SA, which can be awarded to employees.

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 2019, the provision for pensions and other long-term employee benefits was €56 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 30.06.2018	Acquisitions	Disposals	At 30.06.2019
Brands	32,560	-	-	32,560
Brand costs	767	21	-	788
Software	40,941	8,224	-	49,165
Advances and down payments on intangible assets	13,356	15,463	(8,256)	20,563
TOTAL INTANGIBLE ASSETS	**87,624**	**23,708**	**(8,256)**	**103,076**
Land	485	-	-	485
Buildings	27,299	127	-	27,426
Machinery and equipment	621	179	-	800
Other property, plant and equipment	31,549	355	(87)	31,817
Advances and down payments on property, plant and equipment	1,078	1,906	(648)	2,336
TOTAL PROPERTY, PLANT AND EQUIPMENT	**61,032**	**2,567**	**(735)**	**62,864**

2. Depreciation, amortisation and provisions

€ thousand	At 30.06.2018	Allowances	Reversals	At 30.06.2019
Brands	(5,088)	-	-	(5,088)
Brand costs	(191)	(62)	-	(254)
Software	(35,591)	(3,677)	-	(39,267)
TOTAL AMORTISATION OF INTANGIBLE ASSETS	**(40,870)**	**(3,739)**	**-**	**(44,609)**
Land	-	-	-	-
Buildings	(865)	(786)	-	(1,651)
Machinery and equipment	(334)	(96)	-	(430)
Other property, plant and equipment	(12,683)	(3,224)	-	(15,907)
TOTAL DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**(13,882)**	**(4,106)**	**-**	**(17,988)**

Note 3 Financial assets

1. Gross value

€ thousand	At 30.06.2018	Acquisitions/ Inflows	Capital transaction	Disposals	At 30.06.2019
Investments in consolidated entities	12,857,521	-	4,071	-	12,861,592
Investments in non-consolidated entities	10,705	-	(40)	-	10,665
Other investments	640	-	-	-	640
Advance on investment	-	-	-	-	-
Investments	**12,868,865**	**-**	**4,031**	**-**	**12,872,897**
Loans and advances to affiliates and associates	63,618	15,980	-	(17,454)	62,144
Loans	-	-	-	-	-
Guarantee deposits	3,025	514	-	(560)	2,979
Liquidity agreement	5,197	35	-	-	5,232
Own shares	-	10,049	-	-	10,049
TOTAL	**12,940,705**	**26,578**	**4,031**	**(18,014)**	**12,953,301**

The change in Investments in consolidated entities stems chiefly from the capital increase of Lina 20 of €4 million.

The change in Other investments is attributable to the transfer of the Lina 20 securities to Investments in consolidated entities.

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 shares it owns.

2. Provisions

€ thousand	At 01.07.2018	Allowances	Reversals	At 30.06.2019
Investments in consolidated entities [(1)]	(102,455)	-	-	(102,455)
Investments in non-consolidated entities	(4,897)	(505)	-	(5,402)
Other investments	(640)	-	-	(640)
Advance on investment	-	-	-	-
Investments	**(107,992)**	**(505)**	**-**	**(108,497)**
Own shares	-	-	-	-
TOTAL	**(107,992)**	**(505)**	**-**	**(108,497)**

(1) Change in the provision for Geo Sandeman securities.

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	62,144	3,425	58,719
Loans	-	-	-
Other financial assets	18,260	15,281	2,979
Receivables and other financial assets	**80,404**	**18,706**	**61,698**
Current assets other than marketable securities and cash	1,622,890	403,015	1,219,875
Prepaid expenses	7,229	7,229	-
TOTAL	**1,710,523**	**428,950**	**1,281,573**

2. Payables

€ thousand	Gross amount	Due in one year or less	Due in 1 to 5 years	Due in more than 5 years
Bonds	7,045,635	95,020	4,426,450	2,524,165
Bank debt	-	-	-	-
Other debt	1,322	1,322	-	-
Trade payables	85,116	85,116	-	-
Taxes and social charges	53,764	53,764	-	-
Amounts due on non-current assets and related accounts	-	-	-	-
Other payables	1,539,725	1,539,725	-	-
Deferred income	100	100	-	-
TOTAL	**8,725,662**	**1,775,047**	**4,426,450**	**2,524,165**

Note 5 Marketable securities

	At 30.06.2018		Acquisitions (1)		Capital transaction		Reclassification		Exercises/disposals (2)		At 30.06.2019	
€ thousand or in quantities	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pernod Ricard shares	-	-	-	-	-	-	-	-	-	-	-	-
• Gross value	1,195,168	110,690	1,029,833	134,753					691,298	56,494	1,533,703	188,949
• Impairment	-	-	-	-	-	-	-	-	-	-	-	-
NET VALUE	1,195,168	110,690	1,029,833	134,753	-	-	-	-	691,298	56,494	1,533,703	188,949

(1) *Including €24 million relating to the free share plan (2015 plans), €28 million to the free share plan (2018 plans) and €66 million to the employee share ownership plan.*
(2) *Including €(19) million for the exercise of stock options (2011 plan) and €(33) million for the vesting of free shares (2014 plans).*

Note 6 Prepaid expenses and deferred charges

€ thousand	At 30.06.2018	Increases	Decreases	At 30.06.2019
Prepaid expenses (1)	4,065	4,236	(1,072)	7,229
Bond redemption premiums	17,362	-	(2,819)	14,543
Unrealised foreign exchange losses (2)	561,596	608,760	(561,596)	608,760
TOTAL	**583,023**	**612,996**	**(565,487)**	**630,532**

(1) *The reduction in prepaid expenses is attributable mainly to the completion of buybacks for the 2011 plan.*
(2) *The €609 million asset arising from currency translation adjustments at 30 June 2019 is attributable mainly to the revaluation of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2019.*

Note 7 Composition of share capital

At 30 June 2019, 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 30.06.2018	Allocation of income	Changes in accounting policies	Payment of dividends	Result 2019	At 30.06.2019
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	2,324,713	565,823	-	(623,590)	-	2,266,946
Profit for the financial year	565,823	(565,823)	-	-	325,726	325,726
Interim dividends to be paid (1)	(266,870)	-	-	(44,444)	-	(311,314)
TOTAL	**6,489,811**	**-**	**-**	**(668,034)**	**325,726**	**6,147,503**

(1) *At its meeting of 17 April 2019, the Board of Directors decided to pay an interim dividend of €1.18 per share in respect of FY19, i.e. a total of €311 million. This interim dividend was paid on 10 July 2019.*

Note 9 Provisions

€ thousand	At 30.06.2018	Increases in the year	Changes in accounting policies	Reversals used	Reversals not used	At 30.06.2019
Provisions for risks and charges						
Provision for currency losses	161,441	153,541	-	(161,441)	-	153,541
Other provisions for risks (1)	283,161	202,086	-	(75,608)	(88,191)	321,449
Provisions for pensions and other long-term employee benefits	50,063	11,057	-	(4,883)	-	56,237
TOTAL 1	**494,666**	**366,684**	**-**	**(241,930)**	**(88,191)**	**531,227**
Provisions for depreciation and amortization						
On financial assets (2)	107,992	505	-	-	-	108,497
On trade receivables	4,303	-	-	-	-	4,303
On other receivables	3,055	67	-	-	-	3,122
On marketable securities	-	-	-	-	-	-
TOTAL 2	**115,350**	**572**	**-**	**-**	**-**	**115,922**
OVERALL TOTAL	**610,015**	**367,256**	**-**	**(241,930)**	**(88,191)**	**735,341**

(1) *Change attributable to the €(33) million in free share plan provisions, €(7) million in provisions for compensation risk and the €31 million reversal of provisions for risk.*
(2) *Changes resulting from reversals of impairment of investments in consolidated entities and new provisions covering investments in non-consolidated entities*

Provisions for risks and charges

Provision for currency losses

The €153 million provision for currency losses as at 30 June 2019 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 €194 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 2019, the total amount of benefit obligations was €56 million. These obligations are fully provisioned.

For information, the inflation rate used for the valuation at 30 June 2019 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.).

After applying the corridor method up to 30 June 2013, the Company chose to apply, from the year ending 30 June 2014, the option set out in recommendation 2013-02 and to recognise the full pension liability.

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 30.06.2018	Increases	Decreases	At 30.06.2019
Deferred income	144	-	(44)	100
Unrealised foreign exchange gains [1]	442,192	494,315	(442,192)	494,315
TOTAL	**442,336**	**494,315**	**(442,236)**	**494,415**

(1) *The €494 million liability arising from currency translation adjustments at 30 June 2019 is attributable mainly to the revaluation of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2019.*

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	62,144
Trade receivables	277,967
Other receivables	1,336,870
Cash	515,613
TOTAL	**2,192,594**

Accrued expenses

€ thousand	Amount
Amount of accrued expenses in the following balance sheet items	
Bank debt	-
Trade payables	85,116
Taxes and social charges	53,764
Other payables	1,539,725
TOTAL	**1,678,605**

Note 12 Bonds

	Amount *(US$ thousand)*	Amount *(€ thousand)*	Maturity date	Accrued interest *(€ thousand)*	Rate	Total *(€ thousand)*
Bond of 29.09.2014		650,000	27.09.2024	10,482	Fixed rate	660,482
Bond of 20.03.2014		850,000	22.06.2020	418	Fixed rate	850,418
USD bond of 07.04.2011	1,000,000	878,735	07.04.2021	11,734	Fixed rate	890,469
USD bond of 25.10.2011	1,500,000	1,318,102	15.01.2022	27,059	Fixed rate	1,345,161
USD bond of 12.01.2012	850,000	746,924	15.01.2042	18,952	Fixed rate	765,876
USD bond of 12.01.2012	800,000	702,988	15.07.2022	13,784	Fixed rate	716,772
Bond of 28.09.2015		500,000	28.09.2023	7,089	Fixed rate	507,089
USD PANDIOS bond of 26.01.2016	201,000	176,626	26.01.2021	3,343	Floating rate	179,969
Bond of 17.05.2016		600,000	18.05.2026	1,082	Fixed rate	601,082
USD bond of 08.06.2016	600,000	527,241	08.06.2026	1,077	Fixed rate	528,318
TOTAL		**6,950,616**		**95,020**		**7,045,636**

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 2019, 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	173,738	218,237	(44,499)
Additional contribution	(406)		
Income tax prior to consolidation	152,394		
PROFIT AFTER TAX	**325,726**	**218,237**	**(44,499)**

Within the framework of the tax consolidation, the tax loss carryforwards (tax basis) of the Pernod Ricard tax group amount to €(340) million.

Note 15 Increases and decreases in future tax liabilities

Type of temporary differences

€ thousand	Amount of tax
INCREASES	**NONE**
"Organic" local tax and other	208
Other provisions for risk	-
Provision for pensions and other long-term employee benefits	56,105
DECREASES IN FUTURE TAX LIABILITIES	**56,313**

The tax rate used is the rate in force in 2019, *i.e.* 34.43%.

Note 16 Compensation

Compensation paid to Executive Directors and members of the Board of Directors amounted to €3,687,530.

Note 17 Operating income

Operating income reached €221 million for FY19, compared to €211 million for FY18. It principally comprised €180 million in rebilling of overheads to Group affiliates, €25 million in royalties, and €16 million in provision reversals.

The net sales of €180 million comprised €54 million in net sales in France and €126 million in net sales abroad.

Note 18 Financial income and expenses

€ thousand	Amount at 30.06.2019
Income from investments	413,445
Income from other fixed asset securities and receivables	-
Interest and related income	210,089
Reversals of financial provisions and expense transfers	331,068
Foreign exchange gains	9,506
Net gains on disposals of marketable securities	-
TOTAL FINANCIAL INCOME	**964,108**

€ thousand	Amount at 30.06.2019
Depreciation, amortisation and provision charges	(325,514)
Interest and related expenses	(320,595)
Foreign exchange losses	(12,550)
Net expenses on disposals of marketable securities	-
TOTAL FINANCIAL EXPENSES	**(658,659)**

Note 19 Exceptional items

€ thousand	Amount at 30.06.2019
Net profit on management operations	(22,959)
Net profit on capital operations	86
Charges and reversals of financial provisions and expense transfers	(21,626)
EXCEPTIONAL ITEMS	**(44,499)**

In the year ended 30 June 2019, exceptional items represented an expense of €44 million, mainly reflecting net provisions for risks and charges of €21 million and other non-current income and expenses of €23 million.

Note 20 Off-balance sheet commitments

Guarantees granted

Commitments made

€ thousand	Amount
Guarantees on behalf of affiliates	54
Other leases	863
Rent	143,058
TOTAL	**143,975**

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 30.06.2019 *(€ thousand)*
Interest rate swaps	800,000	9,809
Currency swaps	3,498,000	506,069
TOTAL	**4,298,000**	**515,878**

Interest rate swaps provide hedging for Pernod Ricard SA's external or internal debts that bear fixed-rate interest. At 30 June 2019 these broke down as follows:

SD 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	1,000,000
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		**3,498,000**
Financial assets		1,467,515
Financial liabilities		(5,037,430)
TOTAL		**(71,915)**

Payables and receivables denominated in foreign currencies are hedged by currency swaps. The Company had a residual US dollar position of US$(72) million at 30 June 2019.

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, Watercourse Distillery Ltd, Smithfield Holdings Ltd, Ermine Ltd, Proudlen Liqueurs Ltd, Ind Coope Holding Ltd, The West Coast Cooler Co. Ltd, Comrie Ltd, Eight Degrees Brewing Company Ltd and PRN Spirits 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 intra-group 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 2019

	Employees	Temporary employees (all types)
Managers [1]	372	-
Supervisors and technicians	49	6.0
Employees	2	-
AVERAGE HEADCOUNT	**423**	**6.0**
Work-study contracts	16	-

(1) Including 110 expatriate employees.

Note 22 Affiliates and associates at 30 June 2019

€ thousand	Capital	Shareholders' equity before allocation of income	Interest in the entity's share capital *(%)*	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	-	-	-	-	13,920
Geo G Sandeman Sons & Co Ltd (3) 400 Capability Green Luton, Bedfordshire, LU1 3AE (England)	-	14,835	30%	9,180	4,450	-	-	989	-	56
Pernod SA 120, avenue du Maréchal-Foch, 94015 Créteil (France)	40,000	117,632	100%	94,941	94,941	227	-	360,359	22,320	19,190
Pernod Ricard Asia SAS 12, place des États-Unis, 75116 Paris (France)	4,512	214,822	100%	42,457	42,457	-	-	-	131,793	139,000
Pernod Ricard Central and South America 12, place des États-Unis, 75116 Paris (France)	52,198	17,761	100%	172,208	72,448	-	-	-	(2,574)	-
Pernod Ricard Europe Middle East Africa 12, place des États-Unis, 75116 Paris (France)	40,000	368,315	100%	36,407	36,407	32	-	14,159	34,215	-
Pernod Ricard North America SAS 12, place des États-Unis, 75116 Paris (France)	39,398	42,805	100%	126,735	126,735	-	-	-	321	-
Pernod Ricard Finance SA 12, place des États-Unis, 75116 Paris (France)	232,000	394,639	100%	238,681	238,681	-	-	0	37,455	29,000
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	-
Ricard SA 4 and 6, rue Berthelot, 13014 Marseille (France)	54,000	107,500	100%	67,227	67,227	-	-	500,877	44,347	43,240
Lina 3 12, place des États-Unis, 75116 Paris (France)	819,730	16,396,063	100%	11,690,953	11,690,953	-	-	-	683,377	-
Lina 5 12, place des États-Unis, 75116 Paris (France)	30,640	571,935	100%	30,631	30,631	-	-	-	(61)	-
Yerevan Brandy Company (5) 2, Admiral Isakov Avenue, Yerevan 375092, (Republic of Armenia)	19,437	146,465	100%	27,856	27,856	-	-	-	5,514	3,830
Havana Club Holding	7,842	(5,436)	50%	5,592	5,592	-	-	-	(6,033)	-
TOTAL 1				**12,857,203**	**12,752,713**				**951,801**	**248,236**

(1) Information from the AGROS financial statements at 30.06.2019.
(2) Information from the House of Campbell Limited financial statements at 30.06.2018.
(3) Information from the Geo G Sandeman Sons & Co Ltd financial statements at 31.12.2018.
(4) Information from the Pernod Ricard Pacific Holdings financial statements at 30.06.2018.
(5) Information from Yerevan Brandy Company's financial statements at 30.06.2018.

				Carrying amount of investment						
€ thousand	Capital	Shareholders' equity before allocation of income	Interest in the entity's share capital *(%)*	Gross	Net	Loans	Guarantees and endorsements	Net sales (excluding taxes and duties)	Net profit	Dividends received
Affiliates:										
French				8,477	6,744					
Foreign				5,091	4,129					165,174
Associates:										
French				1,466	813					34
Foreign				660	1					
TOTAL 2				**15,694**	**11,687**					**165,208**
TOTAL 1 +2				**12,872,897**	**12,764,400**					**413,444**

Note 23 Tax credit

1. CICE

The amount of tax credit for competitiveness and employment (CICE) recorded in the Company's financial statements at 30 June 2019 was €135,411.

CICE has also been recognised as a reduction of personnel expenses in accordance with the detailed information of the ANC of 28 February 2013.

This tax credit is being used to finance investment expenditure.

2. Other tax credits

Pernod Ricard SA also has a research tax credit in the amount of €819,081, a tax credit for sponsorship activities in the amount of €587,688 and a family tax credit in the amount of €200,765.

The 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 General 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.

7.6 Other items relating to the financial statements

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:

€	2019
Expenses and charges	306,793
Corresponding tax	105,629

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:

€ including tax	2019
Trade payables not due	**43,579,096**
at 30 days	42,716,539
between 30 and 45 days	138,773
beyond 45 days	723,784
Trade payables past due	**1,138,875**
Recognised and not paid (A)	61,837
Group invoices	1,051,531
Disputes recognised	25,507

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	-	1	1	-	-	2
Total amount of invoices concerned excluding taxes	-	32,000	23,437	-	-	55,437
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	40	53	6	17	45	161
Total amount of excluded invoices excluding tax	557,716	286,797	220,075	117,024	571,877	1,753,489
(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:

€ including tax	**2019**
Trade receivables not due	184,980,721
Trade receivables past due	34,498,621
TOTAL	**219,479,342**
O/w disputed receivables	*4,303,145*

7.7 Financial results over the last five financial years

€	30.06.2015	30.06.2016	30.06.2017	30.06.2018	30.06.2019
Financial position at year-end					
Share capital	411,403,468	411,403,468	411,403,468	411,403,469	411,403,468
Number of shares outstanding	265,421,592	265,421,592	265,421,592	265,421,593	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)	72,349,685	137,322,737	147,044,350	154,976,030	179,569,040
Profit before taxes, amortisation, depreciation and allowances to provisions	1,564,703,879	547,695,859	926,378,106	432,466,377	221,535,314
Corporate income tax	143,419,324	160,415,191	114,461,535	179,468,467	151,988,378
Profit after taxes, amortisation, depreciation and allowances to provisions	1,614,768,789	764,078,429	966,776,001	565,822,841	325,725,565
Dividends distributed [1]	474,999,305	496,766,932	536,151,616	626,394,957	-
Earnings per share					
Profit after taxes, but before amortisation, depreciation and allowances to provisions	6.44	2.67	3.92	2.31	1.41
Profit after taxes, amortisation, depreciation and allowances to provisions	6.08	2.88	3.64	2.13	1.23
Dividend paid per share [1]	1.80	1.88	2.02	2.36	-
Personnel					
Number of employees	362	373	372	401	422
Total payroll	51,445,974	49,175,332	52,442,536	64,087,417	70,178,937
Employee-related benefits paid during the year	29,223,152	25,196,150	22,389,498	29,981,592	30,963,383

(1) The amount of dividends for 2019 will be known with certainty after the Shareholders' Meeting of 8 November 2019 (dividends in respect of the financial year from 1 July 2018 to 30 June 2019).

7.8 Dividends paid over the last five financial years

€ Financial year	Date of payment	Net amount	Overall amount for the financial year
	08.07.2015	0.82	-
FY15	18.11.2015	0.98	1.80
	08.07.2016	0.90	-
FY16	30.11.2016	0.98	1.88
	07.07.2017	0.94	-
FY17	22.11.2017	1.08	2.02
	06.07.2018	1.01	
FY18	21.11.2018	1.35	2.36
FY19	10.07.2019 (1)	1.18	-

(1) An interim dividend for 2018/19 was paid on 10 July 2019. The balance will be decided by the Shareholders' Meeting of 8 November 2019 called to approve the financial statements for the year ended 30 June 2019.

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 SA	2,580,000	94,941,256
Pernod Ricard Asia SAS	2,785,000	42,457,051
Pernod Ricard Central and South America	691,596	72,447,710
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	126,734,557
Ricard SA	1,750,000	67,227,401
Résidence de Cavalières	205,950	1,392,350
Lina 19	10,100	1,143,338
Lina 20	600	4,071,400
SUBTOTAL	**103,916,262**	**12,407,087,135**
Other shareholdings in French companies	201,544	950,245
Investments in unlisted foreign companies	25,705,455	356,362,484
TOTAL MARKETABLE SECURITIES AT 30.06.2019	**129,823,661**	**12,764,399,864**

7.10 Statutory Auditors' report on the financial statements

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.

Year ended 30 June 2019

To the Pernod Ricard Shareholders' Meeting

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 2019.

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 2019 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 2018 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, 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 2019, investments are recorded in the balance sheet at a net carrying amount of €12,764 million and represent 80% 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 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, taking into account the share of the subsidiary's equity represented by the investment, the value based on dividend yield and the financial and economic potential of the subsidiary. 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 presenting a risk of material misstatement.	We tested the operation of the Company's controls covering the process for determining the value in use of investments. Our other 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 reports on certain investments produced by the Company's external valuation advisors; • comparing data used in investment impairment tests with source data by entity and taking into account 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 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 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 controlling and controlled companies. 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 2019, Deloitte & Associés and KPMG S.A. were in the 16th year and 3rd 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, 19 September 2019

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

7.11 Statutory Auditors' special report on regulated agreements and commitments

Shareholders' Meeting held to approve the financial statements for the year ended 30 June 2019

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments that is issued in French and is provided solely for the convenience of English-speaking readers. This report on regulated agreements and commitments 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 and commitments 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 and commitments.

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 and commitments brought to our attention or which we may have discovered during the course of* our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements or commitments, 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 and commitments 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 and commitments 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 and commitments submitted to the approval of the shareholders' meeting

Agreements and commitments authorised during the year

We hereby inform you that we have not been advised of any agreement or commitment 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 and commitments previously approved by the Shareholders' Meeting

Agreements and commitments 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 agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

Loan from Pernod Ricard to Havana Club Holding (HCH) in connection with the restructuring of HCH

In connection with the financial restructuring of HCH, the Board of Directors' meeting on 20 October 2010 authorised Pernod Ricard to grant HCH a loan for a maximum amount of between USD 50 million and USD 60 million. The final loan amount as of 30 June 2019 was USD 51,963,870.

The amounts of interests invoiced by Pernod Ricard to HCH in respect of this loan for the year ended 30 June 2019 totalled USD 7,489,349 (euro equivalent of €6,582,216).

This loan agreement provides HCH with the necessary resources for its financing needs.

Corporate officer involved: Mr. Alexandre Ricard, also Director of Havana Club Holding.

€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 for the year ended 30 June 2019. Non-use fees for the syndicated loan facility totalled €2,641,325 for the year ended 30 June 2019.

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; the amount of this commission is likely to vary in line with market conditions. Accordingly, Pernod Ricard invoiced €51,667 to Pernod Ricard Finance in the financial statements for the year ended 30 June 2019.

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:

- Mrs. Veronica Vargas, also Director, Strategic and Acquisition Finance, of Société Générale Group (party to the loan agreement);
- Mr. Wolfgang Colberg, also member of the Deutsche Bank AG Regional Board (party to the loan agreement).

Agreements and commitments approved in prior years, without effect during the financial year

In addition, we have been informed of the following commitments and agreements, previously approved by Shareholders' Meetings of prior years, which had no effect during the year.

Commitments authorised for Mr. Alexandre Ricard, Chairman and Chief Executive Officer

Mr. Alexandre Ricard, in his capacity as Chairman and Chief Executive Officer of Pernod Ricard, benefited from the following commitments:

1. **One-year non-compete clause, together with compensation corresponding to 12 months' remuneration** (most recent annual fixed and variable remuneration decided by the Board of Directors).

   In accordance with the Afep-Medef Code, a provision authorises the Board of Directors to waive the application of this clause upon departure of the Executive Corporate Officer.

2. **A forced departure clause subject to performance conditions, together with maximum compensation corresponding to 12 months' remuneration** (most recent annual fixed and variable remuneration decided by the Board of Directors):

- Compensation under the forced departure clause would be paid, subject to the satisfaction of performance conditions, in the event of forced departure resulting from a change in Group control or strategy. In accordance with the Afep-Medef Code, no compensation shall be paid in the event of departure i) following the non-renewal of a term of office, ii) at the initiative of the executive corporate officer, iii) if he changes functions within the Group or iv) if he can claim his pension in the near future.
- The compensation relating to the forced departure clause is subject to the following three performance criteria:
  - *Criteria 1*: Annual bonus rates achieved over the term(s) of office: shall be considered as satisfied if the average amount of bonuses received over the entire term(s) of office is greater than or equal to 90% of the target variable remuneration;
  - *Criteria 2*: Rate of growth in Current Operating Income over the term(s) of office: shall be considered as satisfied if the average growth in annual Current Operating Income compared to the annual budget over the term(s) of office exceeds 95% (adjusted for foreign exchange and scope impacts);
  - *Criteria 3*: Average rate of growth in Revenue over the term(s) of office: shall be considered as satisfied if the average growth rate in Revenue over the term(s) of office is greater than or equal to 3% (adjusted for foreign exchange and scope impacts).
- The amount of compensation likely to be received under the forced departure clause shall be calculated according to the following scale:
  - if the 3 criteria are satisfied: 12 months' remuneration[1];
  - if 2 of the 3 criteria are satisfied: 8 months' remuneration[1];
  - if 1 of the 3 criteria is satisfied: 4 months' remuneration[1];
  - if no criteria is satisfied: no compensation will be paid.

  Accordingly, in accordance with the Afep-Medef Code, the maximum overall compensation under the non-compete clause (compensation of 12 months' remuneration[1]) and under the forced departure clause (maximum compensation of 12 months' remuneration[1]) (total of the two compensations) may not exceed 24 months' remuneration[1].

  These commitments served to safeguard your Company in the event of the Executive Corporate Officer's departure by restricting his freedom to exercise functions for a competitor (non-compete clause) and protect the Executive Corporate Officer by providing for the payment of compensation, subject to performance conditions, in the event of an involuntary departure (forced departure clause).

3. **Collective healthcare and welfare schemes authorised for Mr. Alexandre Ricard, Chairman and Chief Executive Officer**, under the same terms and conditions as those applicable to the category of employees to which he is assimilated for the setting of benefits and other additional items of compensation.

   This commitment covers all the employee benefits granted as part of the Executive Corporate Officer's overall compensation and employee benefits scheme since Mr. Ricard no longer has an employment contract with the Company in accordance with the Afep-Medef Code.

On 31 August 2016, the Board of Directors authorised the renewal of this agreement, which was approved by the Shareholders' Meeting of 17 November 2016 (5th resolution).

Paris La Défense, 19 September 2019

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*

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

8. Combined Shareholders' Meeting

section 8

8.1 Agenda - Combined Shareholders' Meeting held on 8 November 2019

8.1.1 Items on the agenda presented at the Ordinary Shareholders' Meeting

1. Approval of the Parent company financial statements for the financial year ended 30 June 2019.
2. Approval of the consolidated financial statements for the financial year ended 30 June 2019.
3. Allocation of the net result for the financial year ended 30 June 2019 and setting of the dividend.
4. Approval of the regulated agreements and commitments referred to in article L. 225-38 *et seq.* of the French Commercial Code.
5. Renewal of the directorship of Ms Kory Sorenson.
6. Appointment of Ms Esther Berrozpe Galindo as a Director.
7. Appointment of Mr Philippe Petitcolin as a Director.
8. Setting of the annual amount of the Directors' fees allocated to the members of the Board of Directors.
9. Approval of the components of the compensation due or granted for FY19 to Mr Alexandre Ricard, Chairman & CEO.
10. Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO.
11. Authorisation to be granted to the Board of Directors to repurchase the shares of the Company.

8.1.2 Items on the agenda presented at the Extraordinary Shareholders' Meeting

12. Authorisation to be granted to the Board of Directors for the purpose of reducing the share capital by cancelling treasury shares, subject to the limit of 10% of the share capital.
13. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital), through the issue of ordinary shares and/or securities granting access to the Company's share capital, with maintenance of the preferential subscription right.
14. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €41 million (approximately 9.96% of the share capital), through the issue of ordinary shares and/or securities granting access to the Company's share capital, with cancellation of the preferential subscription right, as part of an offer to the public at large.
15. Delegation of authority to be granted to the Board of Directors to increase the number of shares to be issued in the event of a share capital increase, with or without preferential subscription right subject to the limit of 15% of the initial share issue in accordance with the 13th, 14th and 16th resolutions.
16. Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or equity securities granting access to other equity securities or conferring entitlement to receive allocations of debt securities, and/or securities granting access to equity securities to be issued, with cancellation of the preferential subscription right, through a private placement in accordance with article L. 411-2 II of the French Monetary and Financial Code, for a maximum nominal amount of €41 million (approximately 9.96% of the share capital).
17. Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to the Company's share capital by way of remuneration of contributions in kind granted to the Company, subject to the limit of 10% of the share capital.
18. Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to the Company's share capital, subject to the limit of 10% of the share capital, with cancellation of the preferential subscription right, in the event of a public exchange offer initiated by the Company.
19. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital) by capitalisation of premiums, reserves, profits or other items.
20. Authorisation to be granted to the Board of Directors to allocate performance-based shares free of charge to employees and Executive Directors of the Company and Group companies.
21. Authorisation to be granted to the Board of Directors to grant options to employees and Executive Directors of the Company and Group companies entitling beneficiaries to subscribe for Company shares to be issued or purchase existing Company shares.
22. Delegation of authority to be granted to the Board of Directors to decide to increase the share capital subject to the limit of 2% of the share capital through the issue of shares or securities granting access to the share capital, reserved for members of company savings plans with cancellation of the preferential subscription right in favour of the members of such savings plans.
23. Delegation of authority to be granted to the Board of Directors to decide to increase the share capital subject to the limit of 2% of the share capital 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.
24. Amendment to Article 16 of the Company's Bylaws relating to the number of Directors representing the employees, in accordance with the PACTE law of 22 May 2019.
25. Powers to carry out the necessary legal formalities.

8.2 Presentation of the resolutions of the Combined Shareholders' Meeting held on 8 November 2019

8.2.1 Resolutions presented at the Ordinary Shareholders' Meeting

FIRST TO THIRD RESOLUTIONS

Approval of the annual financial statements and allocation of the results

The purpose of the 1st **resolution** is to approve the Parent company financial statements for FY19.

The purpose of the 2nd **resolution** is to approve the Pernod Ricard consolidated financial statements for FY19.

The purpose of the 3rd **resolution** is to allocate the net profit. It is proposed that the dividend for FY19 be set at €3.12 per share. An interim dividend payment of €1.18 per share having been paid on 10 July 2019, the balance, amounting to €1.94 per share, would be detached on 25 November 2019 (with a record date of 26 November 2019 and paid on 27 November 2019).

FOURTH RESOLUTION

Approval of the regulated agreements and commitments

It is proposed that, by voting on the 4th **resolution**, you approve the regulated agreements and commitments concluded or still in force during FY19, 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 and commitments concluded in the context of financing transactions between the Company and companies or affiliates with which it has Directors or Executives in common and the commitments relating to the Executive Director.

FIFTH TO SEVENTH RESOLUTION

Composition of the Board: renewal and appointments 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 Ms Kory Sorenson expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the 5th **resolution**, you renew her directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the previous financial year.

By voting in favour of the 6th **resolution**, we propose that you appoint as Director Ms Esther Berrozpe Galindo for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the previous financial year

Finally, it is proposed that, by voting on the 7th **resolution**, you appoint as Director Mr Philippe Petitcolin for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the previous financial year.

The Nominations, Governance and CSR Committee and the Board of Directors reviewed the candidates and determined in particular that Ms Esther Berrozpe Galindo could provide the Board of Directors with her expertise in marketing and General Management, gained in an international group. They also determined that Mr Philippe Petitcolin could provide the Board with his General Management experience, gained in a listed company. Additionally, they ascertained that Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin fulfilled the AFEP-MEDEF independencecriteria to which the Company refers.

Thus, at the close of the Shareholders' Meeting, the Board of Directors would comprise fourteen members (including two Directors representing the employees), including eight Independent Directors (66.6%) and five women (41.6%), in accordance with the recommendations of the AFEP- MEDEF Code and the law.

EIGHTH RESOLUTION

Directors' fees

The purpose of the 8th **resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors. It is proposed that the total amount of Directors' fees allocated to the Board of Directors for FY20 be maintained at €1,250,000.

NINTH RESOLUTION

Approval of the components of the compensation due or granted to Mr Alexandre Ricard, Chairman & CEO of the Company for FY19

The purpose of the 9th **resolution** is to submit to your approval the components of compensation due or granted in respect of FY19 to Mr Alexandre Ricard, Chairman & CEO of the Company, in accordance with article L. 225-37-2 of the French Commercial Code. The components of the compensation due or granted to the Executive Director of the Company for 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-based shares and any other element of long-term compensation;
- welcome bonus or compensation for termination of service;
- supplementary pension schemes;
- Directors' fees; 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 due or granted in respect of FY19 to Alexandre Ricard, Chairman & CEO, subject to the shareholders' approval" subsection.

TENTH RESOLUTION

Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO of the Company

The purpose of the 10th **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.

Components of the compensation policy are described in detail in Section 2 "Corporate governance," under the "Compensation policy for the Executive Director" subsection of the Universal Registration Document.

ELEVENTH RESOLUTION

Share buybacks

The Shareholders' Meeting of 21 November 2018 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 20 May 2020. It is thus proposed, in the **11th 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 €260 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-based 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
- stabilizing 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 offer period, the repurchases would only be carried out provided that they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offer;
- 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-based 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.

8.2.2 Resolutions presented at the Extraordinary Shareholders' Meeting

We propose that you renew all the authorisations and delegations of authority granted respectively to the Board of Directors by the Shareholders' Meetings of 6 November 2015 and 9 November 2017, which expired on 5 January 2019 or are due to expire on 9 January 2020.

The delegations of authority submitted to the vote in resolutions 12 to 21 would, if approved, cancel, from the date of the present Shareholders' Meeting, any previous delegations approved and having the same purpose.

If adopted, said resolutions would enable the Board of Directors to immediately take the most appropriate measures, notably regarding the financing of investments in external growth operations.

No delegation of authority allowing a share capital increase with or without a preferential subscription right may be used during a public offer for the shares of the Company.

TWELFTH RESOLUTION

Reduction of the share capital by cancelling treasury shares

One of the aims of the share buyback programme (11th resolution) is the cancellation of the purchased shares. For this purpose, we ask that, by voting in favour of the **12th resolution**, you authorise the Board of Directors **to cancel all or some of the Company shares purchased through a share buyback programme**, for up to 10% of the shares comprising the Company's share capital per 24-month period.

This authorisation would be granted for a period of **26 months** as from the date of the Shareholder's Meeting.

THIRTEENTH RESOLUTION

Delegations of authority to issue ordinary shares and/or securities granting access to the Company/s share capital with maintenance of the preferential subscription right

In order to pursue its growth strategy and to have means in line with the Group's development, your Board of Directors puts forward resolutions with the purpose of granting the Board of Directors delegations of authority allowing it to issue securities in compliance with current regulations.

The **13th resolution** covers the issue, **with maintenance of your preferential subscription right,** of your Company's shares or of securities granting access to the share capital. In the event of the issue of securities giving future access to the share capital – *e.g.* bonds with share warrants attached, convertible bonds or detachable warrants – your decision would waive the right of the shareholders to subscribe shares which can be obtained from securities initially issued and for which your preferential subscription right is maintained.

The maximum nominal amount of the share capital increases likely to be conducted by virtue of this delegation would be set at **€135 million,** *i.e.* approximately **32.81%** of the share capital (the "Overall Limit").

It also forms the **Overall Limit** from which **the share issues determined by virtue of the 14th** (issue of securities with cancellation of the preferential subscription right), **15th** (increase in the number of securities issued), **16th** (capital increase through a private placement), **17th** (remuneration of contributions in kind), **18th** (public exchange offer initiated by the Company), **19th** (capitalisation of reserves), **22nd** (capital increase reserved for employees) and **23rd** (share capital increase reserved for certain categories of beneficiaries) **resolutions** would be deducted.

The overall nominal amount of securities representing debts (granting access to the capital) on the Company which can be issued by virtue of this authorisation, would be limited to **€12 billion,** it being specified that the nominal amount of securities representing debts to be issued in accordance with the **14th resolution** would be deducted from this overall nominal amount of securities representing debts.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

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.

FOURTEENTH RESOLUTION

Delegations of authority to issue ordinary shares and/or securities granting access to the Company's share capital with cancellation of the preferential subscription right in the context of an offer to the public at large

Enabling your Board of Directors to carry out capital increases without a preferential subscription right would allow the Board to place securities under the best possible conditions, in particular when speed is an essential condition for their success or when issues are carried out on French and foreign markets, notably through an offer to the public at large.

Your Board of Directors requests that, by voting on the **14th resolution,** you delegate your authority so as to allow the issue of shares and securities granting access to the share capital, with cancellation of the shareholders' preferential subscription right, up to a maximum amount of **€41 million,** *i.e.* approximately **9.96%** of the share capital, it being specified that this maximum amount **would be deducted from the Overall Limit** set by the **13th resolution.**

This amount of €41 million is common to the 15th (increase in the number of securities issued), **16th** (capital increase through a private placement), **17th** (remuneration of contributions in kind), **18th** (public exchange offer initiated by the Company), **22nd** (capital increase reserved for employees) and **23rd** (capital increase reserved for certain categories of beneficiaries) **resolutions** and **would be deducted from the Overall Limit of €135 million** set by the **13th resolution**.

The maximum nominal amount of securities representing debts (granting subsequent access to the share capital) on the Company that can be issued by virtue of this authorisation would be limited to **€4 billion** and **would be deducted from the €12 billion overall nominal amount** set by the **13th resolution**.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

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.

FIFTEENTH RESOLUTION

Increase in the number of shares to be issued in the event of a capital increase with or without a preferential subscription right

By voting on the **15th resolution** we request that you delegate the authority of the Shareholders' Meeting to the Board of Directors to decide, as allowed by law, if it records a surplus demand during a share capital increase with or without a preferential subscription right, **to increase the number of shares to be issued** at the same price as that chosen for the initial issue, within the time periods and limits prescribed by law and regulations.

This option enables the Board, as part of a share issue, to carry out, within 30 days after the subscription period ends, an additional share issue of **a maximum of 15% of the initial issue** (this is called the "overallocation option"), subject to the limit set in the resolution by virtue of which the increase is decided **(13th, 14th or 16th resolution)** as well as to the **Overall Limit** set in the **13th resolution.**

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

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.

SIXTEENTH RESOLUTION

Delegation of authority to increase the share capital through a private placement in favour of qualified investors or a restricted circle of investors with cancellation of the preferential subscription right

Enabling your Board of Directors to carry out capital increases without a preferential subscription right would allow the Board to place securities under the best possible conditions, in particular when speed is an essential condition for their success.

By voting on the **16th resolution** we request that you delegate the authority of the Shareholders' Meeting to the Board of Directors in order to issue by private placement in favour of qualified investors or a restricted circle of investors. ordinary shares and/or equity securities granting access to other equity securities or conferring entitlement to receive allocations of debt securities and/or securities granting access to equity securities to be issued.

This delegation of authority would enable your Board of Directors to increase the share capital up to a **maximum nominal amount of €41 million** (approximately **9.96%** of the share capital), it being specified that this amount would **be deducted from the maximum amount of €41 million** set in the **14th resolution** as well as from the **Overall Limit of €135 million** set in the **13th resolution.**

This delegation of authority would enable your Board of Directors to issue bonds or other debt securities granting access to equity securities to be issued up to an **amount of €4 billion,** it being specified that this amount would **be deducted from the maximum nominal amount of €4 billion** set in the **14th resolution** as well as from the **overall nominal amount of €12 billion** set in the **13th resolution.**

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

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.

SEVENTEENTH RESOLUTION

Delegation of authority to increase the share capital by way of remunerating contributions in kind subject to the limit of 10% of the share capital

By voting on the **17th resolution,** we request that you authorise the Board of Directors to issue shares and securities, with a view to remunerating contributions in kind granted to the Company, in particular contributions in kind of shares, enabling the acquisition of company shares to be remunerated through the issue of shares.

This option, which would be offered to the Board of Directors for **26 months** from this Shareholders' Meeting, would be limited to **10% of the Company's share capital,** it being specified that this limit **would be deducted from the maximum share capital increase** set in the **14th resolution** as well as from the **Overall Limit** set in the **13th resolution.**

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.

EIGHTEENTH RESOLUTION

Delegation of authority to increase the share capital in the event of a public exchange offer initiated by the Company

In the same way, by voting on the **18th resolution,** we request that you authorise the Board of Directors to issue shares and securities, with a view to carrying out a public exchange offer or a similar transaction on securities of another company.

This option would be offered to the Board of Directors for **26 months** from the date of this Shareholders' Meeting and would be limited to **10% of the Company's share capital at the time of the issue**, it being specified that this limit **would be deducted from the maximum share capital increase set in the 14th resolution, as well as the Overall Limit** set in the **13th resolution.**

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.

NINETEENTH RESOLUTION

Delegation of authority to increase the share capital by the capitalisation of premiums, reserves and profits

We request that, by voting on the **19th resolution,** you authorise the Board of Directors to increase the share capital by the capitalisation of premiums, reserves, profits or other items. As this transaction does not necessarily involve the issue of new shares, this delegation of authority must be voted on by the Extraordinary Shareholders' Meeting under the conditions of quorum and majority of the Ordinary Shareholders' Meetings.

This delegation of authority would enable your Board of Directors to increase the share capital up to a **maximum nominal amount of €135 million (approximately 32.81% of the share capital) to be deducted from the Overall Limit** set in the **13th resolution.**

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

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.

TWENTIETH RESOLUTION

Authorisation to be granted to the Board of Directors to allocate performance-based shares free of charge to employees and Executive Directors of the Company and Group companies

The purpose of the **20th resolution** is to authorise the Board of Directors to grant performance-based shares to employees and Executive Directors of the Company and Group companies.

The definitive allocation of all performance-based shares will be subject to performance and presence conditions, as has always been the case for all bonus share allocations by the Company.

The shares to be allocated on the basis of this 20th resolution will be subject to the following internal performance condition: the shares will be definitively allocated provided that the average achievement of the annual targets for Group profit from recurring operations over **three consecutive financial years** represents at least 95% of the annual targets for Group profit from recurring operations budgeted for these financial years. The final number of shares allocated is determined by application of a percentage of between 0% and 100%, using a linear progression.

For Executive Directors, all allocations will be subject to performance conditions. Half of the allocations will be subject to this same internal performance condition, while the other half will be subject to an external condition (described below in the **21st resolution** relating to stock options).

It is specified that, in determining the final number of shares allocated, the **internal performance condition** will be **assessed over a period of three consecutive financial years** (average achievement of the annual targets for Group profit from recurring operations over three consecutive financial years, including the year during which the shares have been allocated). The vesting period of the shares shall be a minimum of three years.

This authorisation would be valid for a period of **38 months** from the date of this Shareholders' Meeting. It would permit the allocation of shares representing a maximum of 1.5% of the Company's share capital at the date of the Board of Directors' decision to allocate such shares. Moreover, the number of shares allocated to the Company's Executive Directors shall not exceed 0.06% of the Company's share capital at the date of the Board of Directors' decision to allocate such shares. This amount will be deducted from the aforementioned overall limit of 1.5% of the Company's share capital.

TWENTY-FIRST RESOLUTION

Authorisation to be granted to the Board of Directors to grant stock options to employees and Executive Directors of the Company and Group companies

The purpose of the **21st resolution** is to enable the Board of Directors to grant stock options to employees and Executive Directors of the Company and Group companies.

Exercise of the stock options would be subject to performance and presence conditions as has been the case for most of the stock options granted by the Company in recent years.

The stock option allocations to be made on the basis of this 21st resolution, including the allocation to Executive Directors, will be subject to the following external performance condition, assessed over a period of three consecutive years, through the positioning of the total performance of the Pernod Ricard share (TSR) compared to the total performance of a panel of 12 peers composed as follows: AB InBev, Brown Forman, Campari, Carlsberg, Coca-Cola, Constellation Brands, Danone, Diageo, Heineken, LVMH, PepsiCo and Rémi Cointreau (hereinafter the "Panel"):

- below the median, no stock options can be exercised;
- if equal to the median (7th position), 66% of the stock options can be exercised;
- 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 exercise price of the stock options will be determined in accordance with the applicable provisions of the French Commercial Code and no discount will be applied.

The stock options shall only be exercisable at the end of a minimum period of three years following the grant date and during a minimum period of four years (the validity of the stock options being a maximum of eight years).

This authorisation would be valid for a period of **38 months** from the date of this Shareholders' Meeting. The shares resulting from the exercise of the stock options may not represent more than 1.5% of the Company's share capital at the date of the Board of Directors' decision to grant stock options. Moreover, the number of stock options granted to the Executive Directors of the Company may not represent more than 0.21% of the Company's share capital at the date of the decision to grant stock options. This amount will be deducted from the overall limit of 1.5% of the Company's share capital mentioned above.

The **22nd and 23rd resolutions** concern financial delegations granted to the Board of Directors in order that it may implement, where appropriate, a saving and shareholding plan for its employees.

It is specified that no delegations of authority allowing share capital increases without a preferential subscription right may be used during a public offer for the shares of the Company.

TWENTY-SECOND 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 the preferential subscription right, reserved for members of a company saving plan

As the Shareholders' Meeting is requested to vote on delegations of authority to the Board of Directors permitting future share capital increases, we request that, in accordance with the provisions of the French Commercial Code, by voting on the **22nd 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 the Group 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 common with the limit for the 23rd 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 this Shareholders' Meeting.

The issue price for the new shares or securities granting access to the share capital may not be more than 30% 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 take 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.

TWENTY-THIRD RESOLUTION

Delegation of authority to be granted to the Board of Directors to decide on a share capital increase through the issue of shares or securities granting access to the share capital, reserved for certain categories of beneficiaries

By voting on the **23rd 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 the preferential subscription right, in favour of such beneficiaries.

The limit of 2% of the share capital of this resolution is common with the limit of the 22nd 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 this Shareholders' Meeting.

The 23rd resolution seeks to adapt the conditions of the employee shareholding plan set in the 22nd resolution to the local legal and/or tax constraints to allow employees and/or corporate officers in certain countries outside France to subscribe shares of the Company with similar benefits, in terms of economic profile, to those given to employees under the 22nd resolution.

The share capital increase may be reserved for (i) categories of employees and/or corporate officers, (ii) UCITS or other employee shareholding entities whose unitholders or shareholders are persons described in (i) above, or (iii) any entity or banking institution with the exclusive purpose of subscribing shares of the Company 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 capital of the Company will be set by the Board of Directors and (a) may not be more than 30% 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 22nd 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 take 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.

TWENTY-FOURTH RESOLUTION

Amendment to Article 16 of the Company's Bylaws relating to the number of Directors representing the employees, in accordance with the PACTE law of 22 May 2019

By the vote of the **24th resolution**, we ask you to modify the provisions of the Bylaws relating to the composition of the Board of Directors (Article 16) so as to determine the number of Directors representing the employees serving on the Board of Directors depending on the number Directors sitting on the Board.

This would replace the current number of 12 Directors, of which two Directors representing the employees on the Board of Directors, by a new number of eight Directors, in order to comply with the Law on the Growth and Transformation of Companies (PACTE Law).

TWENTY-FIFTH RESOLUTION

Powers to carry out the required legal formalities

By voting on the **25th 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 held on 8 November 2019

8.3.1 Resolutions presented at the Ordinary Shareholders' Meeting

The purpose of the first three resolutions is to approve Pernod Ricard's Parent company and consolidated financial statements for **FY19** and to approve the allocation of the net profit and distribution of **a dividend of €3.12 per share**, following the allocation of an interim dividend of €1.18 per share on 10 July 2019.

FIRST RESOLUTION

(Approval of the Parent company financial statements for the financial year ended 30 June 2019)

Having reviewed the Parent company financial statements for the financial year ended 30 June 2019, 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 2019 as well as all transactions recorded in the financial statements or summarised in these reports, which show a net profit of €325,725,564.87 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 €306,793 for the past financial year, and that the future tax payable with regard to these costs and expenses amounts to €105,629.

SECOND RESOLUTION

(Approval of the consolidated financial statements for the financial year ended 30 June 2019)

Having reviewed the report of the Board of Directors on the management of the Group in accordance with article L. 233-26 of the French Commercial Code and the report of the Statutory Auditors 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 2019 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.

THIRD RESOLUTION

(Allocation of net profit for the financial year ended 30 June 2019 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 2019 shows a net profit of €325,725,564.87.

It decides, on the proposal of the Board of Directors, to allocate and divide this profit as follows:

Profit	**€325,725,564.87**
Allocation to the legal reserve	€ [(1)]
Balance	€325,725,564.87
Previous retained earnings	€2,266,946,017.64
Distributable profit	€2,592,671,582.51
Distributed dividend	€828,115,367.04
Balance allocated to retained earnings	€1,764,556,215.47

(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 2019, the total amount of the dividend shall be adjusted accordingly and the amount allocated to the "Retained earnings" account shall be determined on the basis of dividends actually paid.

A dividend of €3.12 will be distributed for each Company share.

An interim dividend payment of €1.18 per share having been paid on 10 July 2019, the balance amounting to €1.94 per share will be detached on 25 November 2019 (with a record date of 26 November 2019) and paid on 27 November 2019.

The Shareholders' Meeting decides 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 €3.12 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 €5,630,701,119.48 after allocation of the net profit for the financial year.

Dividends distributed over the past three financial years are as follows:

	2015/16	2016/17	2017/18
Number of shares	265,421,592	265,421,592	265,421,592
Dividend per share *(€)*	1.88 (1)	2.02 (1)	2.36 (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 **4th resolution** is to approve the regulated agreements and commitments previously approved by the Board of Directors of Pernod Ricard.

FOURTH RESOLUTION

(Approval of the regulated agreements and commitments 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 and commitments 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 and commitments referred to therein.

> The **5th to 7th 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 Ms Kory Sorenson, and to appoint Ms Esther Berrozpe Galindo and Mr Philippe Petitcolin as Directors for four years.

FIFTH RESOLUTION

(Renewal of the directorship of Ms Kory Sorenson)

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 Ms Kory Sorenson.

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 2023 to approve the financial statements for the previous financial year.

SIXTH RESOLUTION

(Appointment of Ms Esther Berrozpe Galindo as a Director)

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 appoint Ms Esther Berrozpe Galindo as a Director.

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 2023 to approve the financial statements for the previous financial year.

SEVENTH RESOLUTION

(Appointment of Mr Philippe Petitcolin as a Director)

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 appoint M. Philippe Petitcolin as a Director.

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 2023 to approve the financial statements for the previous financial year.

> The purpose of the **8th resolution** is to maintain the aggregate amount of Directors' fees allocated to the Board of Directors for the current financial year, FY20.

EIGHTH RESOLUTION

(Setting of the annual amount of Directors' fees 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, decides to set the aggregate annual amount of Directors' fees in respect of FY20 at €1,250,000.

> The **9th and 10th resolutions** relate to the compensation of the Executive Director; their purpose is to approve, respectively, the components of the compensation due or granted in respect of FY19 to the Chairman & CEO, Mr Alexandre Ricard, and the compensation policy applicable to him.

NINTH RESOLUTION

(Approval of the components of compensation due or granted for FY19 to Mr Alexandre Ricard, Chairman & CEO)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having considered the report of the Board of Directors established in accordance with article L. 225-37-2 of the French Commercial Code, approves the components of the compensation due or granted for FY19 to Mr Alexandre Ricard, Chairman & CEO. These components are described in the FY19 universal registration document, in Section 2 "Corporate governance" and more specifically in the table entitled "Components of compensation due or granted in respect of FY19 to Mr Alexandre Ricard, Chairman & CEO, subject to shareholders' approval".

TENTH RESOLUTION

(Approval of the components of the compensation policy applicable to Mr Alexandre Ricard, Chairman & CEO)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having reviewed the report of the Board of Directors established in accordance with article L. 225-37-2 of the French Commercial Code, 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 FY19 universal registration document, under the "Compensation policy for the Executive Director" subsection.

> The purpose of the **11th 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.

ELEVENTH RESOLUTION

(Authorisation to be granted to the Board of Directors to trade in the shares of the Company)

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 shares of the Company in order to:

(i) allocate shares or transfer 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) cover its commitments pursuant to financial contracts or options with cash payments in relation to rises in the stock market price of the Company's share, 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 Executive Directors of the Company 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 the limit of 5% 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 2 of the French Commercial Code, and pursuant to the authorisation to reduce the share capital granted by the Combined Shareholders' Meeting of this day 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 share 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 may only be carried out if 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) to (iii) above; and
- cannot cause the offer to fail.

The Shareholders' Meeting decides that the maximum purchase price per share shall be €260, 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 €6,900,961,340, corresponding to a maximum number of 26,542,159 shares purchased at the maximum unit price of €260 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 previously repurchased shares (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 21 November 2018 in its 12th resolution to trade in the Company's shares.

8.3.2 Resolutions presented at the Extraordinary Shareholders' Meeting

We propose that you renew all the authorisations and delegations of authority respectively granted to the Board of Directors by the Shareholders' Meetings of 6 November 2015 and 9 November 2017, which expired on 5 January 2019 or are due to expire on 9 January 2020.

The delegations of authority and authorisations submitted to the vote in resolutions 12 to 21 would, if approved, cancel, from the date of the present Shareholders' Meeting, any previous delegations approved and having the same purpose.

These resolutions would enable the Board of Directors to immediately take the most appropriate measures, in the interest, notably regarding the financing of investments in external growth operations.

No delegation of authority allowing a share capital increase (with or without a preferential subscription right) may be used during a public offer for the shares of the Company.

TWELFTH RESOLUTION

(Authorisation to be granted to the Board of Directors for the purpose of reducing the share capital by cancelling treasury shares, subject to the limit of 10% of the share capital)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings and in accordance with articles L. 225-209 *et seq.* of the French Commercial Code:

- authorises the Board of Directors to reduce the share capital by cancelling, on one or more occasions, all or part of the treasury shares held by the Company or acquired by it pursuant to the share repurchase programmes authorised by the Shareholders' Meeting, in particular in accordance with the 11th resolution above, subject to the limit of 10% of the share capital per 24-month period, it being specified that the 10% limit applies to the Company's share capital as adjusted to take account of transactions affecting the share capital after the date of this Shareholders' Meeting;
- decides that the excess amount of the purchase price of the shares cancelled over their par value shall be allocated to the "Share premiums" account or to any available reserve account, including the legal reserve, subject to the limit of 10% of the capital reduction carried out; and
- grants the Board of Directors full powers, with the option for it to delegate these powers in turn within the limits set by the bylaws and by law, to cancel, on its decision alone, the shares thus acquired, to reduce the share capital accordingly, to allocate the excess amount as provided for above, as well as to make the corresponding amendments to the bylaws and complete all formalities.

This authorisation will be valid for a period of 26 months from the date of this Shareholders' Meeting. It cancels, as from such date, the authorisation granted by the Shareholders' Meeting of 9 November 2017 in its 13th resolution.

THIRTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital), through the issue of ordinary shares and/or securities granting access to the Company's share capital, with maintenance of the preferential subscription right)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with, notably, the provisions of articles L. 225-129-2, L. 225-132, L. 225-133, L. 225-134 and L. 228-91 to L. 228-93 of the French Commercial Code:

- 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, to decide on a capital increase, on one or more occasions, on the French, foreign or international market, in the proportion and at the times it considers appropriate, either in euros, or in any other currency or monetary unit drawn up in reference to several currencies, with maintenance of the shareholders' preferential subscription right, by issuing (i) ordinary shares of the Company or (ii) securities issued against payment or free of charge, governed by articles L. 228-91 *et seq.* of the French Commercial Code, granting access immediately or in the future to the Company's share capital, it being specified that shares and other securities can be subscribed either in cash, or by offsetting receivables;
- decides to set as follows the limits of the amounts of share issues authorised in the event of use of this delegation of authority by the Board of Directors:
  - the Overall Limit of the capital increases likely to be realised by virtue of this delegation of authority is set at €135 million, it being specified that (i) to this limit will be added, where applicable, the nominal amount of any extra shares to be issued, in the event of further adjustments, in order to preserve, in accordance with the law and regulations and, where applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as of recipients of stock options (both purchase and subscription plans) or bonus shares, and that (ii) this limit forms the maximum overall nominal limit for capital increases likely to be carried out by virtue of this delegation and those conferred by virtue of the 14th, 15th, 16th, 17th, 18th,19th, 22nd and 23rd resolutions below, and that the total nominal amount of the capital increases carried out under these resolutions will be deducted from this Overall Limit,
  - the maximum nominal amount of securities representing debts granting access to the Company's share capital shall not exceed the overall nominal amount of €12 billion or the exchange value of this amount, it being specified that the nominal amount of the debt securities that will be issued by virtue of the 14th resolution of this Shareholders' Meeting will be deducted from this amount. This limit is unrelated to and separate from the amount of the securities representing debts granting the right to the allocation of debt securities, as well as from the amount of the debt securities whose issue would be independently determined or authorised by the Board of Directors in accordance with article L. 228-40 of the French Commercial Code;

- in the event of use of this delegation of authority by the Board of Directors:
  - decides that the share issue(s) will preferably be reserved for shareholders who can subscribe with an irreducible right in proportion to the number of shares that they hold at that time, and records that the Board of Directors can institute a subscription with a reducible right,
  - decides that, if the subscriptions with an irreducible right and, where applicable, with a reducible right, do not absorb the entirety of an issue of shares or securities as set out above, the Board of Directors may use the different options provided for by law (or some of them only), in the order that it will determine, including offering the public all or part of the shares or the securities not subscribed, on the French and/or foreign and/or international market,
  - decides that the issues of Company share warrants may be carried out through the subscription offer under the aforementioned conditions, but also by free allocation to the owners of existing shares,
  - decides that in the event of a free allocation of Company share warrants, the Board of Directors will have the option to decide that the fractional allocation rights will not be tradeable and that the corresponding securities will be sold,
  - acknowledges the fact that this delegation of authority automatically entails the waiving by shareholders, in favour of the holders of securities issued granting access to the Company's share capital, of their preferential subscription right to the shares to which the securities will grant entitlement;
- decides that the Board of Directors shall have full powers, with the option for it to delegate these powers in turn under the conditions provided for by law, to implement this delegation of authority, including to set the share issue, subscription and payment conditions, record the completion of the resulting capital increases and amend the bylaws accordingly, and notably to:
  - determine, if required, the terms for exercising the rights attached to the shares or securities granting access to the capital, to determine the terms for exercising the rights, where applicable, particularly to conversion, exchange and redemption, including by delivering the Company's assets such as securities already issued by the Company,
  - decide, in the event of the issue of debt securities, on whether they are to be subordinated or unsubordinated (and, where applicable, on their subordination ranking, in accordance with the provisions of article L. 228-97 of the French Commercial Code), to set their interest rate (notably fixed or variable rate or zero or indexed coupon), their duration (specified or unspecified) and the other terms of issue (including the granting of guarantees or sureties) and depreciation (including redemption through the delivery of Company assets), decide on the securities that may be bought back on the stock exchange or the subject of a takeover bid or public exchange offer by the Company; to set the conditions under which these securities will grant access to the Company's share capital; to amend, during the life of the securities under consideration, the terms set out above, in compliance with the applicable formalities,
  - on its own initiative, offset the costs of the capital increases against the amount of the related share premiums and deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each capital increase,
  - set and carry out all adjustments required to take into account the impact of the transactions on the Company's share capital, particularly in the event of the amendment of the nominal value of the share, capital increase through the capitalisation of reserves, free allocation of shares, stock split or reverse stock split, distribution of reserves or of any other assets, depreciation of the share capital, or any other transaction concerning shareholders' equity, and set the terms under which, where applicable, the preservation of the rights of holders of securities or rights granting access to the capital will be assured, and
  - generally, enter into any agreement, in particular, to successfully complete the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the shares issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the capital increases carried out;
- decides 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;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 14th resolution.

FOURTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €41 million (approximately 9.96% of the share capital), though the issue of ordinary shares and/or securities granting access to the Company's share capital, with cancellation of the preferential subscription right, as part of an offer to the public)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of articles L. 225-127, L. 225-128, L. 225-129, L. 225-129-2, L. 225-135, L. 225-136, L. 228-92 and L. 228-93 of the French Commercial Code:

- 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, to decide on a capital increase, on one or more occasions, on the French and/or foreign and/or international market, in the proportion and at the times it considers appropriate, by way of a an offer to the public, either in euros, or in any other currency or monetary unit drawn up in reference to several currencies, by the issue, with cancellation of the shareholders' preferential subscription right, (i) of ordinary shares or (ii) securities against payment or free of charge, governed by articles L. 225-149 *et seq.* and L. 228-91 *et seq.* of the French Commercial Code, granting access to the Company's capital (whether new or existing Company shares), it being specified that the subscription of shares and other securities may be carried out either in cash, or by offsetting receivables;
- decides to set as follows the limits of the amounts of issues authorised in the event of use of this delegation of authority by the Board of Directors:
  - the maximum nominal amount of the capital increases likely to be realised by virtue of this delegation of authority is set at €41 million, with this amount being deducted from the Overall Limit of €135 million set in the aforementioned 13th resolution, it being specified (i) that to this limit of €41 million will be added, where applicable, the nominal amount of any shares that may be issued, in the event of adjustments made to preserve, in accordance with law and regulations and, where applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital as well as of recipients of stock options (both purchase and subscription plans) or bonus shares, and (ii) that this limit of €41 million is common to the 15th, 16th, 17th, 18th, 22nd and 23rd resolutions hereafter and that the total nominal amount of the capital increases carried out under these resolutions will be deducted from this limit,

- the maximum nominal amount of securities representing debts granting access to the Company's share capital may not exceed the limit of €4 billion or the exchange value of this amount, it being specified that this amount will be deducted from the maximum overall nominal amount of €12 billion set for securities representing debt securities, by virtue of the aforementioned 13th resolution. This limit of €4 billion is unrelated to and separate from the amount of the securities representing debts granting the right to the allocation of debt securities, and from the amount of the debt securities, whose issue would be independently decided or authorised by the Board of Directors in accordance with article L. 228-40 of the French Commercial Code;

- decides to cancel the shareholders' preferential subscription right to the securities that are the subject of this resolution, however, by granting the Board of Directors, in accordance with article L. 225-135, paragraph 5 of the French Commercial Code, the option to confer on shareholders, for a period and according to the terms that it will set in compliance with the applicable legal and regulatory provisions and for all or part of the issue made, a priority subscription period that does not create marketable rights and which must be exercised in proportion to the number of shares held by each shareholder and which may potentially be supplemented by a subscription with a reducible right;
- acknowledges, by virtue of this delegation of authority, that the shareholders automatically waive their preferential subscription right to the shares to which the securities will grant entitlement, in favour of the holders of securities issued granting access to the Company's share capital;
- decides that, pursuant to article L. 225-136 of the French Commercial Code:
  - the issue price of the shares issued directly will be at least equal to the minimum amount provided for by the laws and regulations in force at the time at which this delegation of authority is used,
  - the issue price of the securities granting access to the capital will be such that the sum immediately received by the Company, increased, where applicable, by that likely to be received subsequently by the Company, is, for each share issued as a consequence of the issue of these securities, at least equal to the minimum subscription price set out in the previous paragraph,
  - decides that if the subscriptions have not absorbed the entire issue of shares or securities, the Board of Directors may use the different options provided for by law (or some of them only), in the order that it will determine, including offering the public all or part of the shares or the securities not subscribed, on the French and/or foreign and/or international market;
- decides that the Board of Directors shall have full powers, with the option for it to delegate these powers in turn within the limits set by law, to implement this delegation of authority, including to set the issue, subscription and payment conditions, record the completion of the resulting capital increases and amend the bylaws accordingly, and notably to:
  - determine, if required, the characteristics and terms for exercising the rights attached to the shares or securities granting access to the capital, to determine the terms for exercising the rights, where applicable, particularly to conversion, exchange and redemption, including by delivering Company assets such as securities already issued by the Company,
  - decide, in the event of the issue of debt securities, on whether they are to be subordinated or unsubordinated (and, where applicable, on their subordination ranking, in accordance with the provisions of article L. 228-97 of the French Commercial Code), to set their interest rate (notably fixed or variable rate or zero or indexed coupon), their duration (specified or unspecified) and the other characteristics and terms of issue (including the granting of guarantees or sureties) – and depreciation – (including redemption through the delivery of Company assets); to decide on the securities that may be bought back on the stock exchange or the subject of a takeover bid or public exchange offer by the Company, to set the conditions under which these securities will grant access to the Company's capital; to amend, during the life of the securities under consideration, the terms set out above, in compliance with the applicable formalities,
  - on its own initiative, offset the costs of the capital increases against the amount of the related share premiums and deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital resulting from such capital increases,
  - set and carry out all adjustments required to take into account the impact of the transactions on the Company's share capital, particularly in the event of the amendment of the nominal amount of the share, capital increase through the capitalisation of reserves, free allocation of shares, stock split or reverse stock split, distribution of reserves or any other assets, depreciation of the capital, or any other transaction concerning shareholders' equity, and set the terms under which, where applicable, the preservation of the rights of holders of securities or rights granting access to the capital will be assured, and
  - generally, enter into any agreement, in particular, to successfully complete the proposed issues, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the capital increases carried out;
- decides 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;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 15th resolution.

FIFTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to increase the number of shares to be issued in the event of a share capital increase, with or without preferential subscription right, subject to the limit of 15% of the initial share issue in accordance with the 13th, 14th and 16th resolutions)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of article L. 225-135-1 of the French Commercial Code:

- delegates 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 on an increase in the number of shares or securities to be issued in the event of an increase in the Company's share capital with or without preferential subscription rights, at the same price as that used for the initial issue, within the time periods and limits stipulated by the regulations in force on the day of the issue (*i.e.*, to date, within 30 days of the end of the subscription period and subject to the limit of 15% of the initial issue) and subject to the limit provided for in the resolution pursuant to which the issue is decided (13th, 14th or 16th resolution) as well as the Overall Limit set by the 13th resolution;
- decides that the Board of Directors may not take 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;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 16th resolution.

SIXTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to equity securities to be issued, with cancellation of shareholders' preferential subscription right, through a private placement in accordance with article L. 411-2 II of the French Monetary and Financial Code, for a maximum nominal amount of €41 million (approximately 9.96% of the share capital))

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Extraordinary Shareholders' Meeting, in accordance with the provisions of the French Commercial Code and in particular its articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136 and L. 228-91 to L. 228-93:

- delegates its authority to the Board of Directors to decide to increase the share capital, by way of an offering reserved for qualified investors or a restricted group of investors as referred to in article L. 411-2 II of the French Monetary and Financial Code, on one or more occasions, and in the proportions and at the times it considers appropriate, both in France and abroad, whether denominated in euros or in any other currency or monetary unit drawn up in reference to several currencies, by the issue of ordinary shares or securities granting access, immediately or in the future, to the Company's share capital, it being specified that (i) the subscription may be paid up in cash or by offsetting liquid and due debt, and (ii) this delegation does not affect the authority granted to the Board of Directors by article L. 228-92 of the French Commercial Code to independently issue securities comprising debt securities conferring entitlement to receive allocations of other debt securities or granting access to existing equity securities;
- decides that the nominal amount of share capital increases that may be carried out pursuant to this delegation, whether immediately and/or in the future, may not exceed €41 million. This amount is included in the maximum limit of €41 million set in the 14th resolution and the Overall Limit of €135 million set in the 13th resolution of this Shareholders' Meeting; this amount will be increased, where appropriate, by the nominal amount of any shares to be issued pursuant to the applicable laws and any contractual provisions to preserve the rights of existing holders of equity securities, securities or other rights granting access to the Company's shares;
- decides that these capital increases may be carried out as a result of the exercise of rights through the conversion, exchange, redemption, presentation of a warrant, or any other rights attached to securities issued by any entity in which the Company directly or indirectly holds over half of the capital, subject to the authorisation of the latter's Shareholders' Meeting;
- decides further that the maximum nominal amount of bonds or other debt securities granting access to equity securities to be issued, liable to be issued pursuant to this delegation, may not exceed €4 billion (or the equivalent in the event of an issue in foreign currencies or monetary units). This amount is included in the €4 billion maximum nominal limit set in the 14th resolution and the overall nominal limit of €12 billion set in the 13th resolution of this Shareholders' Meeting;
- decides to cancel the shareholders' preferential subscription right to shares or other securities to be issued that are the subject of this resolution;
- decides that if the subscriptions have not absorbed the entire issue of shares or other securities, the Board of Directors may use the different options provided for by law (or some of them only), in the order that it will determine, including offering the public all or part of the shares or the securities not subscribed, on the French and/or foreign and/or international market;
- records and decides where necessary that this delegation to issue securities granting access to the share capital will automatically entail the waiver by shareholders of their preferential subscription right to the new shares to which these securities grant access, in favour of the holders of securities that may be issued granting future access to the Company's share capital;
- decides that:
  - the issue price of the shares issued directly shall be at least equal to the minimum amount provided for by the laws and regulations in force at the time of use of this delegation,
  - the issue price of securities granting access to equity securities to be issued shall be set in such a way that the amount received by the Company at the time of issue plus, where appropriate, the amount to be received at a later date, is at least equal to the minimum subscription price defined in the first point above for each share issued as a result of the issue of these securities,
  - the number of shares to be issued on exercise of conversion, redemption or more generally transformation of each security granting access to equity securities to be issued shall be determined in such a way as to ensure that the amount per share received by the Company (taking into account the nominal value of the bond or said securities) is at least equal to the minimum subscription price set out in the first point of this section;
- decides that the Board of Directors shall have full powers to implement this delegation with the option for it to delegate these powers in turn under the conditions provided for by law, in particular:
  - to decide to carry out a capital increase and determine the type of securities to be issued,
  - to draw up the list or the category of subscribers to the issue,
  - to decide on the amount of the capital increase, the issue price and any issue premium, as the case may be, to be asked at the issuance,
  - to decide the timing and other terms of the capital increase, including the form, characteristics and terms of the securities to be issued, the opening and closing dates of the subscription period, the securities' issue price and date from which they will carry rights, the method by which they will be paid up, the terms applicable to the exercise of any rights held by securities to be issued under this resolution to shares of the Company, all other terms and conditions of issue and, in the case of debt securities, their subordination ranking,
  - to determine, where appropriate, the terms and conditions for exercising the rights attached to the shares or securities granting access to the capital to be issued, notably by setting the date – which may be retroactive – from which new shares will carry rights; and the terms for the exercise of any conversion, exchange and redemption rights, as well as any other terms and conditions applicable to such issues,
  - to set the terms and conditions under which the Company may, where appropriate, buy back or exchange the securities issued or to be issued immediately or in the future, by any method, at any time or during specified periods, with a view to holding them or cancelling them in accordance with the applicable laws and regulations,
  - to allow for the option to suspend the exercise of the rights attached to the securities issued, in accordance with the applicable laws and regulations,
  - at its sole discretion, to charge any and all costs incurred in connection with said issues against the related premiums, and to deduct from these premiums the necessary amounts to be credited to the legal reserve,
  - to determine and make any and all adjustments required to take into account the effect of transactions on the Company's capital and decide the terms and conditions to be used, if necessary, to ensure that the rights of holders of securities or rights granting access to the capital are preserved,

- to record each share capital increase(s) resulting from the use of this delegation and amend the bylaws accordingly,
- generally, to enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and financial servicing of the securities issued pursuant to this delegation and for the exercise of any related rights;

- decides that the Board of Directors may not take 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;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 17th resolution.

SEVENTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to the Company's share capital by way of remuneration for contributions in kind granted to the Company, subject to the limit of 10% of the share capital)

Having reviewed the report of the Board of Directors under article L. 225-147 paragraph 6 of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, delegates 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 on the issue of ordinary shares or various securities granting access, immediately or in the future, to the Company's share capital, subject to the limit of 10% of the share capital at the time of the issue, with a view to remunerating the contributions in kind granted to the Company and comprised of shares or securities granting access to the share capital of other companies, when the provisions of article L. 225-148 of the French Commercial Code are not applicable. In accordance with law, the Board of Directors will rule on the Contribution Auditor's(s') special report, referred to in article L. 225-147 of said Code. The Shareholders' Meeting:

- decides that the nominal amount of the Company's capital increase resulting from the issue of the securities set out in the above paragraph, will be deducted from the Overall Limit set in the 13th resolution above as well as from the maximum amount of the capital increase set in the 14th resolution above, it being specified that to these limits shall be added, if applicable, the nominal amount of any shares that may be issued, in the event of adjustments made to preserve, in accordance with law and regulations and, where applicable, contractual stipulations 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;
- acknowledges, as necessary, the absence of preferential subscription rights for the shares or securities issued and by virtue of this delegation of authority, that the shareholders automatically waive their preferential subscription right to the shares to which any securities to be issued pursuant to this delegation of authority may grant entitlement;
- decides that the Board of Directors shall have full powers, with the option for it to delegate these powers in turn within the limits set by law, to implement this delegation of authority, in particular:
  - to determine the type and number of shares and/or securities to be issued, their characteristics and the terms of their issue,
  - to approve the assessment of the contributions and the possible granting of particular benefits and, concerning said contributions, record their realisation,
  - to deduct all fees, charges and duties from the premium, with the balance receiving any allocation decided by the Board of Directors, or by the Ordinary Shareholders' Meeting, and, if it deems necessary, deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each issue,
  - to decide and perform, as a result of the issue, all necessary measures to preserve the rights of holders of securities granting access to the Company's share capital, stock options (both purchase and subscription plans) or rights to the free allocation of shares, in accordance with the applicable laws and regulations, and where applicable, any applicable contractual provisions,
  - to increase the share capital, carry out the subsequent amendments to the bylaws and, generally, enter into any agreement, in particular, for successful completion of the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the capital increases carried out;
- decides that the Board of Directors may not take 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;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 18th resolution.

EIGHTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to the Company's share capital, subject to the limit of 10% of the share capital, with cancellation of the preferential subscription right, in the event of a public exchange offer initiated by the Company)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of articles L. 225-129 to L. 225-129-6, L. 225-148 and L. 228-92 of the French Commercial Code:

- delegates 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 issue, on one or more occasions, and in the proportions and at the times it considers appropriate, ordinary shares or various securities granting access to the Company's share capital, immediately and/or in the future, subject to the limit of 10% of the share capital at the time of the issue, with a view to remunerating securities contributed to (i) a public offer of exchange in France or abroad, under local regulations, by the Company on the shares of another company trading on one of the regulated markets set out in the aforementioned article L. 225-148, or (ii) any other transaction having the same effect as a public exchange offer initiated by the Company on the securities of another company whose securities are traded on another regulated market coming under a foreign law (*e.g.* as part of a reverse triangular merger or a scheme of arrangement);

- decides, as required, to cancel the shareholders' preferential subscription right to the ordinary shares and securities thus issued in favour of the holders of these securities which are subject to the public offer;
- acknowledges, as required, that by virtue of this delegation of authority, the shareholders automatically waive their preferential subscription right to the ordinary shares to which the securities to be issued pursuant to this delegation may grant entitlement.

The Shareholders' Meeting decides that the nominal amount of the capital increase resulting the issue of the securities set out in the above paragraph will be deducted from the Overall Limit set in the aforementioned 13th resolution as well as from the limit of the share capital increase set in the 14th resolution above, it being specified that to these limits shall be added, if applicable, the nominal amount of any shares that may be issued, in the event of adjustments made to preserve, in accordance with law and regulations and, where applicable, contractual stipulations 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 Shareholders' Meeting decides that the Board of Directors shall have full powers to implement the public offers covered by this resolution and particularly:

- to set the exchange parity as well as, where applicable, the amount of the balance to be paid in cash;
- to record the number of securities contributed to the exchange;
- to determine the dates, issue conditions and characteristics, particularly the price and date of entitlement, of the ordinary shares, or, where applicable, of the securities granting immediate and/or future access to the Company's ordinary shares;
- to enter the difference between the issue price for the new ordinary shares and their par value on the liabilities side of the balance sheet under "Contribution premium", to which all shareholders shall have rights;
- where applicable, to deduct from said 'Contribution premium' all the fees and duties incurred during the authorised transaction and deduct the sums required to raise the legal reserve to one-tenth of the new share capital after each issue;
- to record the completion of the resulting capital increase(s) and to make any subsequent amendments to the bylaws and, generally, enter into any agreement, in particular, to successfully complete the proposed issues, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the capital increases carried out.

The Shareholders' Meeting decides that the Board of Directors may not take 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.

The Shareholders' Meeting sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 19th resolution.

NINETEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital) by capitalisation of premiums, reserves, profits or other items)

Having reviewed the report of the Board of Directors, the Extraordinary Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements provided for in Article L. 225-98 of the French Commercial Code, and in accordance with the provisions of Articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code:

- 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, and in the proportions and at the times it considers appropriate, by the capitalisation of premiums, reserves, profits or other items for which capitalisation is authorised by law and the bylaws, and in the form of the free allocation of shares or raising of the par value of the existing shares or by combining these two options;
- decides to set the maximum nominal amount of share capital increases that may be carried out in this respect at €135 million, it being specified that this amount will be also deducted from the Overall Limit for capital increases set in the aforementioned 13th resolution. To this limit shall be added, if applicable, the nominal amount of any shares that may be issued, in the event of adjustments made to preserve, in accordance with law and regulations and, where applicable, contractual stipulations 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;
- in the event that the Board of Directors makes use of this delegation of authority, delegates full powers to the latter, with the option for it to delegate these powers in turn under the conditions provided for by law, to implement this delegation of authority and set the issue conditions, record the completion of the subsequent capital increases and consequently amend the bylaws and notably:
  - to set the amount and nature of sums to be incorporated into the capital, set the number of new shares to be issued and/or the amount by which the par value of the existing shares comprising the share capital will be increased, finalise the date, even retroactive, from which the new shares can be vested or the date on which the increase in the par value will become effective,
  - to decide that the fractional shares shall not be tradeable and that the corresponding shares will be sold; the sums resulting from the sale will be allocated to the holders of the rights under the conditions stipulated by the law and regulations,
  - to carry out, where applicable, all adjustments required to take into account the impact of transactions on the Company's share capital, particularly in the event of the amendment of the par value of the share, capital increase by the capitalisation of reserves, free allocation of shares, stock split or reverse stock split, distribution of reserves or any other assets, depreciation of the capital, or any other transaction concerning shareholders' equity, and set the terms under which, where applicable, the preservation of the rights of holders of securities or rights granting access to the capital will be assured, and
  - generally, to enter into any agreement, in particular, for successful completion of the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the capital increases carried out;

- decides 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;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 20th resolution.

> The purpose of **Resolutions 20 and 21** is to renew the authorisations conferring the right, subject in particular to performance conditions, to the allocation of performance-based shares and to the granting of stock options to employees and Executive Directors of the Company and Group companies. Each resolution specifies an overall limit and a sub-limit for Executive Directors of the Company.

TWENTIETH RESOLUTION

(Authorisation to be granted to the Board of Directors to allocate performance-based shares, either existing or to be issued, free of charge to employees and Executive Directors of the Company and Group companies)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings and in accordance with the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code:

- authorises the Board of Directors to allocate ordinary shares of the Company, either existing or to be issued, free of charge, on one or more occasions, to employees and eligible Executive Directors (as defined in article L. 225-197-1 II paragraph 1 of the French Commercial Code) of the Company and of companies or groups related to the Company as defined by article L. 225-197-2 of the French Commercial Code, or to certain categories of them;
- decides that the maximum number of existing or to be issued shares that can be allocated under this authorisation shall represent no more than 1.5% of the Company's share capital on the day the decision to allocate them is taken by the Board of Directors. This number shall not include any adjustments that may be made to maintain the rights of the beneficiaries in the event of financial transactions or transactions on the Company's share capital or on the shareholders' equity;
- decides that the allocations made pursuant to this authorisation may benefit, in accordance with the applicable law, eligible Executive Directors of the Company, provided that the definitive allocation of the shares is subject to the presence of the beneficiary and the achievement of one or more performance conditions determined by the Board of Directors on the date the allocation decision is taken. This number shall not represent more than 0.06% of the Company's share capital on the date the decision to allocate them is taken by the Board of Directors (subject to the possible adjustments mentioned in the previous paragraph). This sub-limit shall be deducted from the aforementioned overall limit of 1.5% of the share capital;
- decides that:
  - the allocation of shares to the beneficiaries shall become definitive after a vesting period to be set by the Board of Directors, it being understood that it may not be less than three years, and
  - the lock-up period during which the beneficiaries must hold their shares shall be set, where appropriate, by the Board of Directors;
- decides that if the beneficiary should suffer second or third degree disability as defined by article L. 341-4 of the French Social Security Code, the shares shall immediately vest and become transferable;
- expressly conditions the definitive allocation of the shares pursuant to this authorisation, including to Executive Directors, to the presence of the beneficiary and the achievement of one or more performance conditions determined by the Board of Directors on the date the allocation decision is taken and assessed over a minimum period of three consecutive years;
- acknowledges by virtue of this authorisation that the shareholders automatically waive their preferential subscription right over ordinary shares that may be issued under the terms of this authorisation, in favour of the beneficiaries of the bonus share allocations;
- grants the Board of Directors full powers, within the limits set above, with the option for it to delegate these powers in turn under the conditions provided for by law, in order to implement this authorisation and, notably, to:
  - determine whether the bonus shares shall be existing shares or shares to be issued,
  - set, within the legal limits, the dates on which the shares will be allocated,
  - determine the identity of the beneficiaries or the category or categories of beneficiaries of the allocation of shares as well as the number of shares allocated to each,
  - determine the criteria, conditions and terms for allocating said shares, and in particular their vesting period and, where applicable, lock-up period, and presence and performance conditions, as set forth in this authorisation,
  - finalise the date of entitlement (which may be retroactive) of the new shares to be issued,
  - allow for the option of temporarily suspending allocation rights in accordance with applicable law and regulations,
  - register the allocated shares in registered form under their owner's name at the end of the vesting period, specifying, where applicable, whether they are locked-up and the period for which this restriction will remain in force, as well as waiving this lock-up restriction in any of the circumstances envisaged therefor by this resolution or by regulations in force,
  - decide, for Executive Directors, either that the shares must not be sold by the interested parties before the end of their term of office, or set the quantity of shares to be retained in registered form until the end of their term of office,
  - provide for powers, if it deems it necessary, to adjust the number of shares allocated free of charge in order to preserve the rights of the beneficiaries, in the event of any transactions affecting the Company's share capital or shareholders' equity during the vesting period, as set out in article L. 225-181 paragraph 2 of the French Commercial Code, on terms that it shall determine,
  - deduct, if applicable, from reserves, earnings or issue premiums, the sums necessary to pay up the shares, record the definitive completion of capital increases carried out by virtue of this authorisation, make any subsequent amendments to the bylaws and, generally, carry out all necessary acts and formalities,

- and, more generally, enter into all agreements, draw up all documents, carry out all formalities and make all declarations to any official bodies and to do whatever else shall be necessary; and
- sets the period of validity of this authorisation at 38 months from the date of this Shareholders' Meeting.

The Board of Directors shall report annually to the Ordinary Shareholders' Meeting on the allocations made within the framework of this resolution, in accordance with article L. 225-197-4 of the French Commercial Code.

TWENTY FIRST RESOLUTION

(Authorisation to be granted to the Board of Directors to grant options to employees and Executive Directors of the Company and Group companies entitling beneficiaries to subscribe for Company shares to be issued or purchase existing Company shares)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings and in accordance with articles L. 225-177 *et seq.* of the French Commercial Code:

- authorises the Board of Directors, to grant, on one or more occasions, at its sole discretion, to employees and eligible Executive Directors (as defined in article L. 225-185 paragraph 4 of the French Commercial Code) of the Company and companies or economic interest groupings that are linked to it under the conditions set out in article L. 225-180 of the French Commercial Code, options granting entitlement to the subscription of new shares to be issued or to the purchase of existing Company shares;
- decides that the options for the subscription of shares or purchase of shares granted pursuant to this authorisation will not give right to the subscription or purchase of a total number of shares exceeding 1.5% of the share capital at the date on which the Board of Directors decides to grant such options. This number shall not include any adjustments that may be made to preserve the rights of the beneficiaries in the event that the Company carries out one of the transactions described under article L. 225-181 of the French Commercial Code;
- decides that the grant of options made pursuant to this authorisation may benefit, under the conditions provided for by law, the eligible Executive Directors of the Company, provided that the exercise of all the options allocated is subject to the presence of the beneficiary and the achievement of one or more performance conditions determined by the Board of Directors on the date the decision to allocate the shares is taken. The number of shares allocated to the eligible Executive Directors shall not represent more than 0.21% of the Company's share capital at the date the Board of Directors decides to grant such options (subject to the possible adjustments mentioned above). This sub-limit will be deducted from the aforementioned overall limit of 1.5% share capital;
- decides that:
  - pursuant to the provisions of article L. 225-177 of the French Commercial Code, in the event that subscription options are granted, the price of the shares subscribed by the beneficiaries will be set by the Board of Directors on the date the options are allocated, this price not being less than the average of the closing listed prices of the Pernod Ricard share recorded over the 20 trading sessions preceding the date on which the options are allocated,
  - pursuant to article L. 225-179 of the French Commercial Code, in the event that purchase options are granted, the price of shares purchased by the beneficiaries will be set by the Board of Directors on the date the options are allocated. This price shall be neither less than the average of the closing listed prices of the Pernod Ricard share recorded over the 20 trading sessions preceding the date on which the options are allocated, nor less than the average purchase price of the Pernod Ricard shares held by the Company in accordance with articles L. 225-208 and L. 225-209 of the French Commercial Code;
- decides that the time period for exercising the options shall not exceed eight years from the date on which the options are granted by the Board of Directors;
- expressly subordinates the exercise of the options granted pursuant to this authorisation to the presence of the beneficiary and the achievement of one or more performance conditions determined by the Board of Directors on the date on which it decides to grant the options and assessed over a minimum period of three years, including notably those allocated to the eligible Executive Directors;
- acknowledges by virtue of this authorisation that the shareholders expressly waive their preferential subscription right to shares that may be issued as options are exercised, in favour of the beneficiaries of the options, and that the capital increase resulting from the exercise of stock options will be definitively carried out upon declaration of the exercise of the option, accompanied by the subscription form and payment in cash or by offsetting the corresponding sum against receivables;
- decides that the price and/or number of shares to be subscribed and/or purchased may be adjusted in order to preserve the rights of the beneficiaries if the Company carries out a transaction described under article L. 225-181 of the French Commercial Code;
- delegates to the Board of Directors full powers, with the option for it to delegate these powers in turn within the limits set by the bylaws and by law, to implement this authorisation and determine, within the legal or regulatory limits, all the other conditions and terms for the grant of the options and their exercise, and particularly to:
  - determine the period(s) for exercising the options within the aforementioned limit, set the share subscription or purchase price pursuant to the terms set out above, draw up the list of beneficiaries of the options, determine the number of options allocated to each of them, as well as the presence and performance conditions to which the exercise of options will be subject,
  - decide whether immediate resale of the subscribed and/or purchased shares will be prohibited, it being specified that for options granted to eligible Executive Directors of the Company, the Board of Directors must either decide that options shall not be exercised before the end of the term of office of said Executive Directors, or set the quantity of shares to be retained in registered form until the end of their term of office,
  - finalise the entitlement date, which may be retroactive, of the new shares to be issued as a result of the exercise of subscription options for the Company's shares,
  - allow for the option of temporarily suspending the exercise of options in the event of financial transactions or transactions on securities,
  - deduct, if it deems necessary, the costs of the capital increases resulting from the exercise of share subscription options from the share premiums related to these capital increases, and deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each increase,
  - amend the bylaws subsequently and, generally, do all that is appropriate and necessary to implement this authorisation;
- sets the period of validity of this authorisation at 38 months from the date of this Shareholders' Meeting.

During the first meeting following the end of each financial year, the Board of Directors will record, where applicable, the number and amount of the shares issued during the financial year, make any subsequent amendments to the bylaws, and perform all the required formalities.

Pursuant to the provisions of article L. 225-184 of the French Commercial Code, the Board of Directors, in a special report, shall notify the shareholders each year, during the Ordinary Shareholders' Meeting, of the transactions carried out by virtue of this resolution.

The Board of Directors shall report annually to the Ordinary Shareholders' Meeting on the allocations made within the framework of this resolution, in accordance with article L. 225-197-4 of the French Commercial Code.

> The purpose of Resolutions 22 and 23 is to renew the financial authorisations granted to the Board of Directors to set up, where appropriate, a saving and shareholding plan for its employees.
>
> **Please note that these delegations authorising capital increases without a preferential subscription right may not to be used during a public offer for the shares of the Company.**

TWENTY SECOND 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% of the share capital through the issue of shares or securities granting access to the share capital, reserved for members of company savings plans, with cancellation of the preferential subscription right in favour of the members of such savings plans)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special 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 and articles L. 3332-1 *et seq.* of the French Employment Code:

- 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 on a share capital increase, 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 would authorise a reserved share capital increase under equivalent terms) which would 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;
- decides 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 in the 23rd 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 law and regulations and, where applicable, contractual stipulations 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 right set by the 14th resolution of this Shareholders' Meeting, as well as from the Overall Limit for capital increases set by the 13th resolution of this day;
- decides 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 30% 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, of the legal, accounting, tax and social security treatments that apply locally;
- decides 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;
- decides to cancel, in favour of the aforementioned beneficiaries, the shareholders' preferential subscription right 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;
- decides 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 decide, 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 the capital increases,
  - to set the start and end dates of the subscription periods,
  - to set the amounts of the issues which 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 shares or 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 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;
- decides 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; and
- this delegation is valid for a period of 26 months from the date of this Shareholders' Meeting.

TWENTY THIRD 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% of the share capital 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)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, 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:

- delegates its authority to the Board of Directors 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 Company's share capital reserved for the categories of beneficiaries defined below;
- decides 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 22nd 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 law and regulations and, where applicable, contractual stipulations 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 set by the 14th resolution of this Shareholders' Meeting, as well as from the Overall Limit set by the 13th resolution of this day;
- acknowledges that this delegation of authority automatically entails, in favour of the holders of securities issued under this resolution and granting access to the Company's share capital, waiver by the shareholders of their preferential subscription right to the shares to which such securities will give right, either immediately or in the future;
- decides to cancel the shareholders' preferential subscription right 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 the Group Pernod Ricard which are related to the Company in accordance with 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 the members of one or more company savings plans under a capital increase pursuant to the 22nd 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) of this paragraph, 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 under the 22nd resolution of this Shareholders' Meeting;

- decides 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 30% lower than the average of the closing listed prices of the Company share 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, in accordance with the 22nd resolution of this Shareholders' Meeting; and
- decides 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 equal the lower share price between (i) the listed price of the share 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 without a discount on the retained share price;

- decides 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;
- decides that the amount of the capital increase or of 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;
- decides 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 decide the beneficiary or list of beneficiaries for the cancellation of the preferential subscription right 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 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
- decides 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.

Resolution 24 bears on a amendment of Article 16 of the Bylaws with a view to updating it in line with new laws and regulations.

TWENTY FOURTH RESOLUTION

(Amendment to Article 16 of the Company's Bylaws relating to the number of Directors representing the employees, in accordance with the PACTE law of 22 May 2019)

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 modify Article 16 of the Bylaws "Composition of the Board of Directors" in order to determine the number of Directors representing the employees serving on the Board of Directors depending on the number of Directors sitting on the Board (the modified sections are indicated in bold):

"Article 16 – Composition of the Board of Directors

The Company shall be managed by a Board of Directors made up of at least three and no more than eighteen members appointed by an Ordinary General Shareholders' Meeting.

A legal entity may be a Director. At the time of its appointment or provisional appointment to fill a vacancy ("cooptation"), such legal entity shall designate a permanent representative, who shall be subject to the same requirements and obligations, and to the same civil and criminal liability, as if he/she were a Director himself/herself, in addition to the joint and several liability of the legal entity he/she represents. The permanent representative shall be appointed for the term of office of the legal entity that is a Director, and shall be confirmed at the time of each renewal. In the event that the legal entity dismisses its permanent representative, or in the event such permanent representative dies or resigns, the legal entity shall promptly give notice of such event to the Company, and inform the Company of the identity of the new permanent representative.

*In accordance with the provisions of the law, when the Board of Directors comprises **eight or fewer** Directors appointed by the Ordinary Shareholders' Meeting, a Director representing the employees ("Employee Director") shall be designated for a term of four years by the group committee (France). When the Board of Directors comprises **more than eight** Directors, a second Employee Director shall be designated for a term of four years by the European works council. In the event that the number of Directors appointed by the Ordinary Shareholders' Meeting falls to **eight or less**, the second Employee Director shall remain in office until his/her term expires."*

The purpose of the **25th resolution** is to enable all legal formalities following the Shareholders' Meeting to be carried out.

TWENTY FIFTH 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 share capital reduction

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 8 November 2019

12th 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 Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your Company and pursuant to the engagement set forth in Article L. 225-209 of the French Commercial Code (*Code de commerce*) concerning share capital reductions by cancellation of shares purchased, we hereby present our report on our assessment of the reasons for and terms and conditions of the proposed share capital reduction.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months commencing the date of this Shareholders' Meeting, to cancel, up to a maximum of 10% of its share capital by 24-month period, the shares purchased by the Company pursuant to the authorisation to purchase its own shares, as part of the provisions of the aforementioned article.

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 verifying the fairness of the reasons for and the terms and conditions of the proposed share capital reduction, which does not undermine shareholder equality.

We have no comments on the reasons for and the terms and conditions of the proposed share capital reduction.

Paris La Défense, 19 September 2019

The Statutory Auditors

French original signed by

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 issue of ordinary shares and/or various securities with retention and/or cancellation of preferential subscription rights

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 8 November 2019

13th, 14th, 15th, 16th, 17th and 18th resolutions

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 Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your company (hereinafter the "Company") and pursuant to the engagement set forth in 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 delegations of authority to the Board of Directors to issue ordinary shares and/or securities, transactions that you are being asked to approve.

Based on its report, the Board of Directors asks that you delegate to it, with the option of sub-delegation, for a period of 26 months commencing the date of this Shareholders' Meeting, the authority to decide the following transactions, set the definitive issue terms and conditions and, where necessary, cancel your preferential subscription rights:

- issues of ordinary shares of the Company and/or securities granting immediate or future access to the Company's share capital, with maintenance of preferential subscription rights (13th resolution);
- issues of ordinary shares of the Company and/or securities granting access to the Company's share capital, with cancellation of preferential subscription rights, as part of a public offer (14th resolution);
- issues of ordinary shares of the Company and/or securities granting immediate or future access to the Company's share capital, with cancellation of preferential subscription rights as part of an offering reserved for qualified investors or a restricted group of investors as referred to in Article L. 411-2 II of the French Monetary and Financial Code (*Code monétaire et financier*), it being specified that shares may be issued on exercise of rights attached to securities issued by any entity in which the Company directly or indirectly holds over half of the capital, subject to the authorisation of the Shareholders' Meeting of the entity concerned (16th resolution);
- issues of ordinary shares or various securities granting immediate or future access to the Company's share capital, within the limit of 10% of the share capital at the time of issue, in exchange for contributions in kind to the Company comprising shares or securities granting access to the share capital of other companies, where the provisions of Article L. 225-148 of the French Commercial Code are not applicable (17th resolution);
- issues of ordinary shares and/or various securities granting immediate and/or future access to the Company's share capital, within the limit of 10% of the share capital at the time of issue, in exchange for shares contributed to (i) a public exchange offer initiated by the Company on the securities of another company admitted for trading on one of the regulated markets specified in Article L. 225-148 of the French Commercial Code, or (ii) any other transaction having the same impact as a public exchange offer initiated by the Company on the securities of another company whose shares are admitted for trading on a regulated market governed by a foreign law (18th resolution).

The overall par value amount of share capital increases that may be carried out, immediately or in the future, pursuant to the 13th, 14th, 15th, 16th, 17th, 18th, 19th, 22nd and 23rd resolutions presented to the Shareholders' Meeting, may not, according to the 13th resolution, exceed €135 million, it being specified that the total par value amount of share capital increases that may be carried out immediately or in the future may not exceed:

- €135 million if performed pursuant to the 13th resolution;
- €41 million if performed pursuant to the 14th resolution, with this ceiling also applicable jointly to the 15th, 16th, 17th, 18th , 22nd and 23rd resolutions presented to the Shareholders' Meeting;
- €41 million if performed pursuant to the 16th resolution presented to the Shareholders' Meeting.

The overall nominal amount of debt securities that may be issued pursuant to the 13th, 14th and 16th resolutions presented to the Shareholders' Meeting, may not, according to the 13th resolution, exceed €12 billion, it being specified that the nominal amount of debt securities to be issued may not exceed €4 billion if performed pursuant to the 14th or the 16th resolutions individually or together.

These ceilings take into account the additional number of securities to be created by virtue of the delegations set forth in the 13th, 14th and 16th resolutions, under the terms and conditions stipulated in Article L. 225-135-1 of the French Commercial Code, should you adopt the 15th resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantified financial information extracted from the accounts, on the proposal to cancel preferential subscription rights and on certain other information concerning these transactions, as set out in this report.

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 verifying the content of the Board of Directors' report on these transactions and the process for determining the issue price of the future securities.

Subject to reviewing at a future date the terms and conditions of any issues that may be decided, we have no comments to make on the process for determining the issue price of the future securities, as set out in the Board of Directors' report in respect of the 14th and 16th resolutions.

In addition, as this report does not specify the methods of determining the issue price of future securities issued pursuant to the 13th, 17th and 18th resolutions, we cannot express our opinions on the items used to calculate this issue price.

As the definitive terms and conditions of the issues have not been set, we do not express an opinion thereon and, as such, on the proposed cancellation of preferential subscription rights on which you are asked to decide in the 14th and 16th resolutions.

Pursuant to Article R. 225-116 of the French Commercial Code, we will prepare an additional report, as required, when the Board of Directors makes use of these authorisations, in the event of the issue of securities granting access to other equity securities or entitlement to the grant of debt securities, the issue of securities granting access to future equity securities, or the issue of shares with cancellation of preferential subscription rights.

Paris La Défense, 19 September 2019

The Statutory Auditors

French original signed by

KPMG Audit

Division of KPMG S.A.

Eric Ropert
Partner

Caroline Bruno-Diaz
Partner

Deloitte & Associés

David Dupont-Noel
Partner

8.6 Statutory Auditors' report on the authorisation to grant free performance shares (existing or to be issued) to employees and executive officers

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 8 November 2019

20th 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 Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Article L. 225-197-1 of the French Commercial Code *(Code de commerce)*, we hereby present our report on the proposed authorisation to grant free performance shares, existing or to be issued, to eligible employees and executive officers of your Company and related companies or groupings under the conditions set out in Article L. 225-197-2 of the French Commercial Code, or certain categories thereof, a transaction on which you are asked to vote.

The free share grants performed pursuant to this authorisation may not involve a total number of shares existing or to be issued representing more than 1.5% of the Company's share capital on the date of the grant decision by the Board of Directors, bearing in mind that the number of shares granted to eligible executive officers of the Company may not represent more than 0.06% of the Company's share capital, as noted on the date of the grant decision by the Board of Directors. This sub-limit shall be deducted from the aforementioned overall limit of 1.5% of the share capital.

In addition, the definitive grant of shares pursuant to this authorisation, including for executive officers, to the presence of the beneficiary and the achievement of one or more performance conditions determined by the Board of Directors on the date the allocation decision is taken and assessed over a minimum period of three consecutive fiscal years.

Based on its report, the Board of Directors asks for authorisation, for a period of 38 months commencing the date of this Shareholders' Meeting, to grant free performance shares, existing or to be issued.

The Board of Directors is responsible for preparing a report on the transaction it wishes to perform. Our responsibility is to express our comments, if any, on the information that is given to you on the planned transaction.

We conducted the procedures we deemed necessary in accordance with the professional guidelines issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. Those procedures primarily consisted in verifying that the proposed terms and conditions presented in the Board of Directors' report comply with applicable legal provisions.

We have no matters to report on the information presented in the Board of Directors' report on the proposed authorisation to grant free performance shares.

Paris La Défense, 19 September 2019

The Statutory Auditors

French original signed by

KPMG Audit		Deloitte & Associés
Division of KPMG S.A.		
Eric Ropert	Caroline Bruno-Diaz	David Dupont-Noel
Partner	*Partner*	*Partner*

8.7 Statutory Auditors' report on the authorisation to grant share subscription or purchase options

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 8 November 2019

21st 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 Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Articles L.225-177 and R.225-144 of the French Commercial Code *(Code de commerce)*, we hereby present our report on the authorisation to grant share subscription or purchase options to employees and executive officers of the Company and related companies and economic interest groupings under the conditions set out in Article L.225-180 of the French Commercial Code, a transaction on which you are asked to vote.

Share subscription and purchase options granted pursuant to this authorisation may not confer entitlement to subscribe or purchase a total number of shares representing more than 1.5% of the Company's share capital on the day the decision to grant such options is taken by the Board of Directors, it being noted that the number of options granted to eligible executive officers of the Company may not represent more than 0.21% of the Company's share capital on the day the decision to grant such options is taken by the Board of Directors. This sub-limit will be deducted from the aforementioned overall limit of 1.5% share capital.

In addition, the exercise of the options granted pursuant to this authorisation is subordinated to the presence of the beneficiary and the achievement of one or more performance conditions determined by the Board of Directors on the date on which it decides to grant the options and assessed over a minimum period of three years.

Based on its report, the Board of Directors asks for authorisation, for a period of 38 months commencing the date of this Shareholders' Meeting, to grant subscription or purchase options.

The Board of Directors is responsible for preparing a report on the reasons for the share subscription or purchase option plan and the proposed process for setting the subscription or purchase price. Our responsibility is to express our opinion on the proposed process for setting the share subscription or purchase price.

We conducted the procedures we deemed necessary in accordance with the professional guidelines issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. Those procedures primarily consisted in verifying that the proposed process for setting the share subscription or purchase price is detailed in the Board of Directors' report and that it complies with applicable legal and regulatory provisions.

We have no matters to report on the proposed process for setting the share subscription or purchase price.

Paris La Défense, 19 September 2019

The Statutory Auditors

French original signed by

KPMG Audit

Division of KPMG S.A.

Eric Ropert
Partner

Caroline Bruno-Diaz
Partner

Deloitte & Associés

David Dupont-Noel
Partner

8.8 Statutory Auditors' report on the issuance of ordinary shares or securities conferring entitlement to share capital, reserved for members of company saving plans

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 8 November 2019

22nd 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 Pernod Ricard Shareholders' Meeting,

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 issue, on one or more occasions, 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, which comprises the Company and the French or overseas 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 capital increases that may be carried out following this Shareholders' Meeting may not exceed 2% of the Company's share capital, which is also the limit provided for in the 23rd resolution submitted at this Shareholders' Meeting. The nominal amount of the share capital increase will be deducted from the maximum amount of share capital increases with cancellation of preferential subscription rights set by this Shareholders' Meeting in its 14th resolution, and from the overall cap set by this same Shareholders' Meeting in its 13rd 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 authorize it, for a period of 26 months commencing the date of this Shareholders' Meeting, to issue, on one or more occasions, 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 (*Compagnie nationale des commissaires aux comptes*) 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 authorization 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, 19 September 2019

The Statutory Auditors

French original signed by

KPMG Audit		Deloitte & Associés
Division of KPMG S.A.		
Eric Ropert	Caroline Bruno-Diaz	David Dupont-Noel
Partner	*Partner*	*Partner*

8.9 Statutory Auditors' report on the issuance of ordinary shares or securities conferring entitlement to share capital, with cancellation of preferential subscription rights

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 8 November 2019

23rd 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 Pernod Ricard Shareholders' Meeting,

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 issue, on one or more occasions, ordinary shares or securities conferring entitlement to share capital, 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 22nd 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 subsidiary 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 the subscription of 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 equivalent or comparable in terms of economic advantages to those from which employees would benefit as part of a company savings plan under the 22nd resolution of this Shareholders' Meeting, a transaction on which you are asked to vote.

The nominal amount of immediate or future capital increases that may be carried out following this Shareholders' Meeting may not exceed 2% of the Company's share capital, which is also the limit provided for in the 22nd resolution submitted at this Shareholders' Meeting. The nominal amount of the share capital increase will be deducted from the maximum amount of share capital increases with cancellation of preferential subscription rights set by this Shareholders' Meeting in its 14th resolution, and from the overall cap set by this same Shareholders' Meeting in its 13rd resolution.

Based on its report, your Board of Directors proposes that you authorize it, for a period of 18 months commencing the date of this Shareholders' Meeting, to issue, on one or more occasions, 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 (*Compagnie nationale des commissaires aux comptes*) 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 authorization 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, 19 September 2019

The Statutory Auditors

French original signed by

KPMG Audit

Division of KPMG S.A.

Eric Ropert
Partner

Caroline Bruno-Diaz
Partner

Deloitte & Associés

David Dupont-Noel
Partner

9. About the company and its Share Capital

section 9

9.1 Information about Pernod Ricard

9.1.1 Company name and trading name

Pernod Ricard

9.1.2 Registered office and website

12, place des États-Unis, 75116 Paris (France)

Tel.: +33 (1) 41 00 41 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 Description of the corporate purpose of the company

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 52990097YFPX9JOH5D87.

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 inaccordance 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 Eric 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 2019

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 2019, 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	2015	-	-	-	-	-	265,421,592	€411,403,467.60
€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

9.2.5 Changes in voting rights over the last five years

Years (1)	Number of voting rights (2)
Position on 30.06.2015	289,870,113
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

(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 2019

Shareholders	Position on 30.06.2019			Position on 30.06.2018			Position on 30.06.2017		
	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)	41,158,221	15.51	21.35	37,686,104	14.20	20.11	37,686,104	14.20	19.76
Mr Rafaël Gonzalez-Gallarza (2)	1,477,603	0.56	0.94	1,477,603	0.56	0.92	1,477,603	0.56	0.93
Directors and Management of Pernod Ricard	712,183	0.27	0.31	679,446	0.26	0.30	638,753	0.24	0.29
Shares held by Pernod Ricard employees	2,629,860	0.99	1.41	2,673,627	1.01	1.39	2,827,965	1.06	1.42
Capital Group Companies (USA) (3)	26,432,808	9.96	8.40	26,432,808	9.96	8.50	26,939,624	10.15	8.75
MFS Investment Management (USA) (4)	24,035,625	9.06	6.71	24,035,625	9.06	6.79	26,051,805	9.82	7.31
Groupe Bruxelles Lambert (Belgium) (5)	19,891,870	7.49	11.79	19,891,870	7.49	11.28	19,891,870	7.49	10.95
BlackRock Investment Management Limited (UK) (6)	12,129,522	4.57	3.86	-	-	-	-	-	-
WCM Investment Management, LLC (USA) (7)	4,150,575	1.56	1.32	-	-	-	-	-	-
Norges Bank Investement Management (Norway) (8)	3,993,532	1.50	1.27	-	-	-	-	-	-
La Caisse des Dépôts et Consignations (9)	3,958,979	1.49	1.26	3,958,979	1.49	1.29	3,958,979	1.49	1.29
Amundi Asset Management (10)	3,952,932	1.49	1.26	3,116,657	1.17	1.00	2,632,635	0.99	0.85
Citigroup Global Markets Limited (UK) (11)	3,774,501	1.42	1.20	-	-	-	-	-	-
Invesco (UK) (12)	3,198,833	1.21	1.02	2,343,566	0.88	0.75	-	-	-
La Française Investment Solutions (13)	2,349,046	0.89	0.75	-	-	-	-	-	-
Elliott Capital Advisors, LP (USA) (14)	1,668,270	0.63	0.53	-	-	-	-	-	-
OppenheimerFunds Inc. (USA) (15)	1,554,692	0.59	0.49	-	-	-	-	-	-
Credit Suisse Group (UK) (16)	1,551,978	0.58	0.49	-	-	-	-	-	-
UBS AG (UK) (17)	1,418,005	0.53	0.45	2,649,652	1.00	0.85	3,988,830	1.50	1.30
AllianzGlobal Investor GmbH (Germany) (18)	1,327,405	0.50	0.42	-	-	-	-	-	-
Harris Associates LP (USA) (19)	-	-	-	2,574,800	0.97	0.83	3,935,800	1.48	1.28
Oppenheimer International Growth Fund (USA) (20)	-	-	-	2,433,882	0.92	0.78	-	-	-
Legal & General Investment Management (UK) (21)	-	-	-	1,616,580	0.61	0.41	1,662,742	0.63	0.54
Lyxor Asset Management (22)	-	-	-	-	-	-	2,752,725	1.03	0.89
CNP Assurances (23)	-	-	-	-	-	-	2,653,032	1.00	0.86
Royal Bank of Canada (Canada) (24)	-	-	-	-	-	-	1,371,234	0.52	0.45
BNP Paribas Investment Partners (25)	-	-	-	-	-	-	1,327,272	0.50	0.44
Banque Nationale Suisse (Switzerland) (26)	-	-	-	-	-	-	1,326,075	0.50	0.43
BNP Paribas Asset Management (27)	-	-	-	-	-	-	1,319,092	0.50	0.44
Treasury shares:									
• Shares held by affiliates	-	-	-	-	-	-	-	-	-
• Own shares	1,596,503	0.60	0	1,195,168	0.45	0	1,376,368	0.52	0
Others and public	102,458,649	38.60	34.78	132,655,225	49.98	44.79	121,603,084	45.82	41.82
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 shareholdings exceeding the legal and statutory threshold of 0.5% of the share capital.

* *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 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 18 May 2018.*
(4) *Declaration of 2 March 2018.*
(5) *Declaration of 22 June 2017.*
(6) *Declaration of 4 June 2019.*
(7) *Declaration of 3 June 2019.*
(8) *Declaration of 1 October 2018.*
(9) *Declaration of 25 September 2014.*
(10) *Declaration of 20 November 2018.*
(11) *Declaration of 1 July 2019.*
(12) *Declaration of 29 May 2019.*
(13) *Declaration of 8 July 2019.*
(14) *We have also been informed by Elliott Capital Advisors L.P. of the holding at 3 December 2018 by the various Elliot funds of 4,991,639 derivative instruments (cash settled equity swaps).*
(15) *Declaration of 19 November 2018.*
(16) *Declaration of 14 February 2019.*
(17) *Declaration of 12 June 2019.*
(18) *Declaration of 5 June 2019.*
(19) *Declaration of 20 March 2018.*
(20) *Declaration of 10 October 2017.*
(21) *Declaration of 18 December 2017.*
(22) *Declaration of 27 June 2017.*
(23) *Declaration of 23 March 2017.*
(24) *Declaration of 28 March 2017.*
(25) *Declaration of 22 May 2017.*
(26) *Declaration of 31 January 2017.*
(27) *Declaration of 6 June 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 2019, 49,193,695 shares had a double voting right.

On the same date, employees held 2,629,860 shares representing 0.99% of the share capital and 1.40% 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 43,227,932 Company shares representing 71,072,212 voting rights, *i.e.* 16.29% of the share capital and 22.59% of the voting rights of the Company as at 30 June 2019.

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 19 September 2018, the Paul Ricard concert party (composed of the companies Société Paul Ricard [1], Le Delos Invest I [2], Le Delos Invest II [2], Le Delos Invest III [2], Le Garlaban [2] and Rigivar, and Danièle Ricard, Veronica Vargas, Rafaël Gonzalez-Gallarza, César Giron, François-Xavier Diaz, Paul-Charles Ricard and Alexandre Ricard), declared that on 14 September 2018, it had exceeded the threshold of 15% of the share capital of Pernod Ricard and held 39,935,049 Pernod Ricard shares representing 66,522,203 voting rights, *i.e.* 15.05% of the Company's share capital and 21.32% of the voting rights [3].

In a letter received on 16 November 2018, followed by a letter received on 19 November, Société Paul Ricard [1] declared that on 13 November 2018, it had individually exceeded the threshold of 10% of the share capital of Pernod Ricard and individually held 26,663,298 Pernod Ricard shares representing 49,811,852 voting rights, *i.e.* 10.05% of the Company's share capital and 15.91% of the voting rights [4]. This threshold was crossed as a result of buying Pernod Ricard shares on the market. On this occasion, the Paul Ricard concert party (composed of the companies: Société Paul-Ricard [1], Le Delos Invest I [2], Le Delos Invest II [2], Le Delos Invest III [2], Le Garlaban [2] and Rigivar, and Danièle Ricard, Veronica Vargas, Rafaël Gonzalez-Gallarza, César Giron, François-Xavier Diaz, Paul-Charles Ricard and Alexandre Ricard) had not exceeded any threshold and held, at 13 November 2018, 41,817,562 Pernod Ricard shares representing 68,422,056 voting rights, *i.e.* 15.76% of the Company's share capital and 21.86% of the voting rights [4].

Additional information on the shareholders

The number of Pernod Ricard shareholders who have registered securities is estimated at approximately 11,200.

Allocation of share capital (Company analysis using identifiable bearer shares at 31.03.2019 and nominative data)	*(in %)*
Paul Ricard concert party	16.3
Board + Management + Employees + Treasury shares	1.7
Groupe Bruxelles Lambert	7.5
US institutional investors	32.7
French institutional investors	8.9
British institutional investors	11.7
Other foreign institutional investors	17.3
Individual shareholders	3.9
TOTAL	**100**

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 2019".

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 2019".

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 FY19;
- stock options granted 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 FY19.

(1) Controlled by members of the Ricard family.
(2) The companies Le Delos Invest I SA, Le Delos Invest II SA, Le Delos Invest III SAS and Garlaban SNC are controlled by Société Paul Ricard SA, which in turn is controlled at the highest level by members of the Ricard family.
(3) Based on share capital composed of 265,421,592 shares representing 312,026,370 voting rights, in accordance with the second paragraph of article 223-11 of the AMF General Regulation.
(4) Based on share capital composed of 265,421,592 shares representing 313,053,753 voting rights, in accordance with the second paragraph of article 223-11 of the AMF General Regulation.

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 *(in thousands)*	Capital *(€ million)*	Average price *(€)*	Highest *(€)*	Lowest *(€)*	Price at end of month *(€)*
January 2018	9,281	1,212	130.52	133.60	127.65	128.30
February 2018	9,452	1,225	130.68	136.25	120.05	135.00
March 2018	9,648	1,283	133.19	135.90	130.00	135.25
April 2018	9,929	1,371	138.36	141.90	134.15	137.55
May 2018	8,343	1,175	140.62	146.45	136.80	143.70
June 2018	10,180	1,448	142.09	147.75	138.20	140.25
July 2018	8,994	1,240	137.91	140.15	136.20	137.95
August 2018	7,834	1,086	138.65	141.10	134.75	136.00
September 2018	10,621	1,443	135.90	142.15	132.50	141.30
October 2018	13,062	1,740	133.23	142.25	127.05	134.80
November 2018	11,119	156	140.23	145.55	133.65	141.20
December 2018	10,840	1,555	143.42	150.40	137.20	143.30
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

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

10.1 Persons responsible

10.1.1 Names and positions

10.1.1.1 Person responsible for the Universal Registration Document

Mr Alexandre Ricard

Chairman & CEO of Pernod Ricard

10.1.1.2 Person responsible for the information

Ms Julia Massies

Vice-President, Financial Communication & Investor Relations

Tel.: +33 (0)1 41 00 41 07

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 & 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 12, place des États-Unis, 75116 Paris, 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 Universal 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.

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	Page
Body chosen to serve as the Company's General Management (if the Management structure has changed)	44-58; 82
List of offices or positions held by each of the Executive Directors in all companies	34-43
Compensation and benefits of any kind for each of the Executive Directors	58-75
Statement and report on the delegations for a share capital increase	76-77
Information required by article L. 225-37-5 of the French Commercial Code that may have an impact on a public offer	46; 76-82
Shareholders' Meeting and how to take part	81-82
Rights attached to shares	81-82

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	Page
Group consolidated financial statements	156-206
Statutory Auditors' report on the consolidated financial statements	207-210
Company annual financial statements	212-228
Statutory Auditors' report on the annual financial statements	232-234
Management report	86-154; 229-231
Declaration by the person responsible for the annual financial report	274
Statutory Auditors' fees	203

10.3.5 Management reports, Parent Company financial statements, Group consolidated financial statements and Statutory Auditors' reports for financial years ended 30 June 2018 and 30 June 2017

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 2018, as set out on pages 83–234 of the 2018 Registration Document (https://www.pernod-ricard.com/en/download/file/fid/9959/), filed on 26 September 2018 under no. D.18-0842;
- 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 2017, as set out on pages 49–212 of the 2017 Registration Document (https://www.pernod-ricard.com/en/download/file/fid/8834/), filed on 27 September 2017 under no. D.17-0937.

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 – 12, place des États-Unis – 75116 Paris (France)

Pernod Ricard

Créateurs de convivialité

Pernod Ricard

A French public limited company (*Société Anonyme* – SA) with share capital of €411,403,467.60

Registered office: 12, place des États-Unis – 75783 Paris cedex 16 (France) – Tel.: 33 (0)1 41 00 41 00 – Fax: 33 (0)1 41 00 41 41

RCS Paris Registration No. 582 041 943

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