



Sustainable Agriculture: Key Principles Guide

Setting the scene

At Pernod Ricard, we rely on well-functioning natural ecosystems to ensure we are resilient for the future, with our iconic brands dependent on agricultural raw materials to meet the demands of our business.

We recognise the increasing pressure placed on the global supply of natural ingredients and ecosystems, as well as the detrimental effects of climate change.

To tackle these challenges, we have embarked on a transition to a more resilient and sustainable production of raw materials, as part of our 2030 Sustainability & Responsibility (S&R) roadmap, Good Times from a Good Place.

The Sustainable Agriculture: Key Principles are a collection of practices which aim to codify important aspects of sustainability in farming and apply them to our priority terroirs. In collaboration with positive partnerships along our supply chain, this document will help to drive sustainable development and responsible sourcing practices, outlining our vision, scale of action, areas of impact and principles for more sustainable agriculture.

The business case for S&R

Part of our 2030 S&R roadmap 'Good Times from a Good Place', our Nurturing Terroir strategy focuses on scaling sustainable agriculture and supply chains.

Our main commitments are to ensure:

- Traceability and transparency: 100% of terroirs with key raw materials assessed through risk mapping (1)
- Sustainable agriculture certifications: 100% of key raw materials are produced or sourced in line with selected sustainability standards (2)
- Regenerative agriculture and nature regeneration: 100% of affiliates involved in a programme (3)

This document may be used to guide your journey to achieve these targets by:

- Defining agricultural practices and their beneficial impact on the mitigation of certain risks throughout our supply chain (1)
- Benchmarking and selecting publicly available sustainability standards (2)
- Guiding the development of regenerative agriculture or biodiversity programmes by providing a list of recognised practices (3)

Our ambition: Nurturing Terroir

We believe in the strength of a **holistic and systemic approach** to sustainable agriculture. We aim to work closely with farmers, focusing on the entire farming system, to **source our ingredients sustainably**, to **maximize positive impacts** and to ensure **business resilience** by:

- Adopting a landscape approach, maximising positive interactions between agricultural and wild ecosystems
- Restoring soil health and its ability to nurture the whole ecosystem
- Protecting biodiversity by reducing pressure on ecosystems
- Saving and managing water resources sustainably
- Taking care of people and their livelihoods

Farmers are our key partners on this journey.

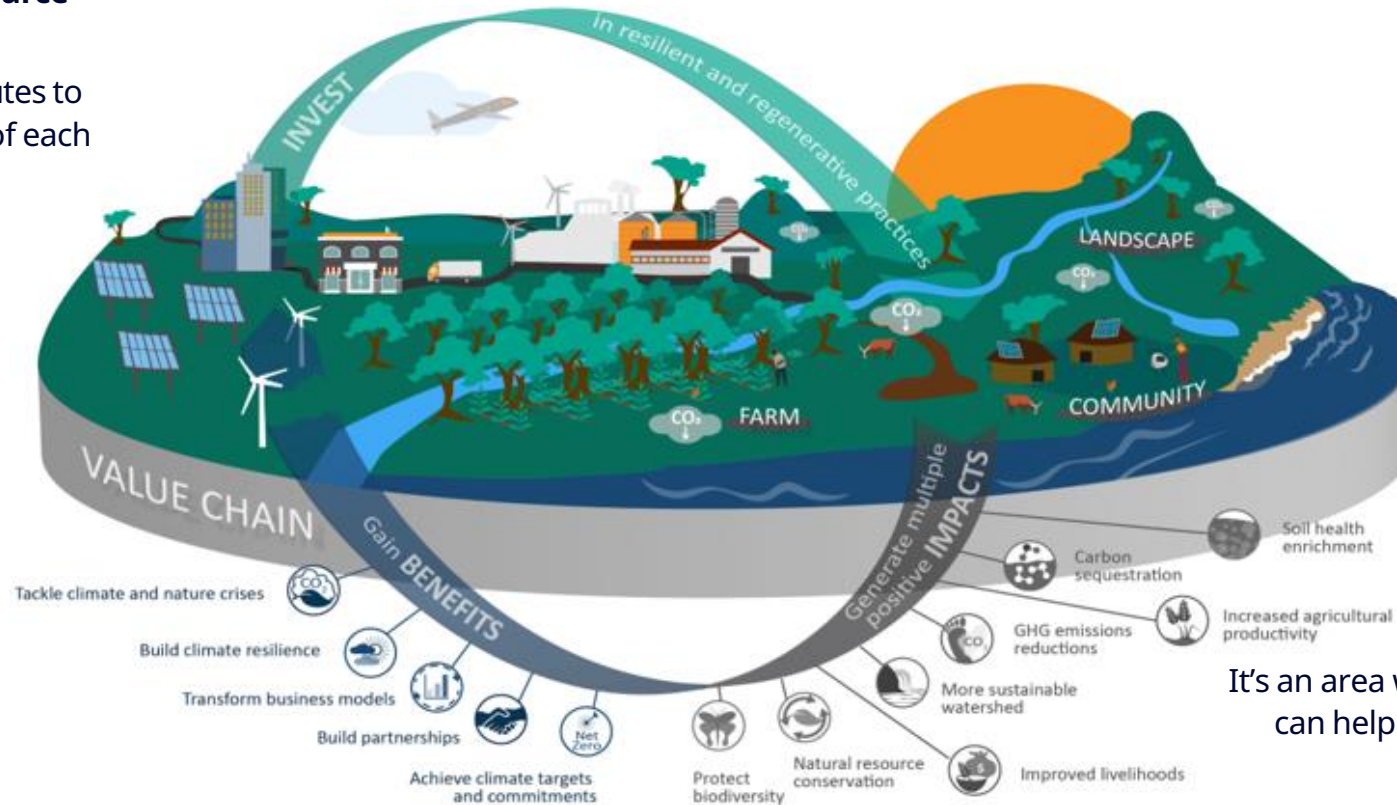
We collaborate with them and all stakeholders to increase the diversity and resilience of their production and ensure economic benefits together.



Our scale of action: terroir

The term “**terroir**” refers to a **specific area where we source our ingredients.**

The land or region contributes to the unique characteristics of each of our products.



It’s an area where **re-establishing natural balances** can help to **address impacts and dependencies.**

A terroir is also unique because of the **know-how of the people and the communities** who work and live there.

All these components give our ingredients their **unique flavours.**

Image source - <https://www.insettingplatform.com/insetting-explained/>

Our goals



CLIMATE CHANGE

Adapting the terroir to the effects of climate change through the selection of crop varieties and agricultural models, while reducing carbon emissions and pressure on water resources and exploring potential carbon sinks.



COMMUNITIES

Working with communities and smallholder farmers is essential to improve farming practices, living standards and the economic empowerment of these communities.



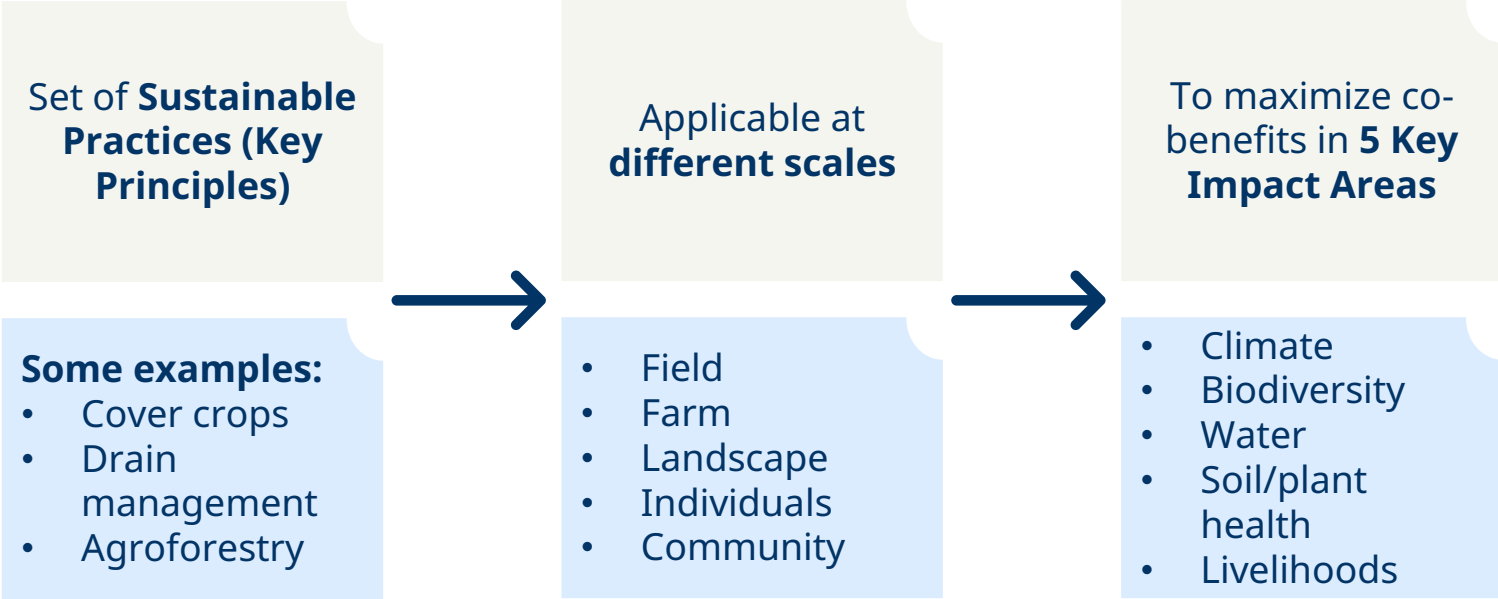
ECOSYSTEMS & BIODIVERSITY

Preserving ecosystems and nature (wild or cultivated) and working on the balance of trophic chains, essential to the preservation of a resilient natural environment less dependent on synthetic inputs.

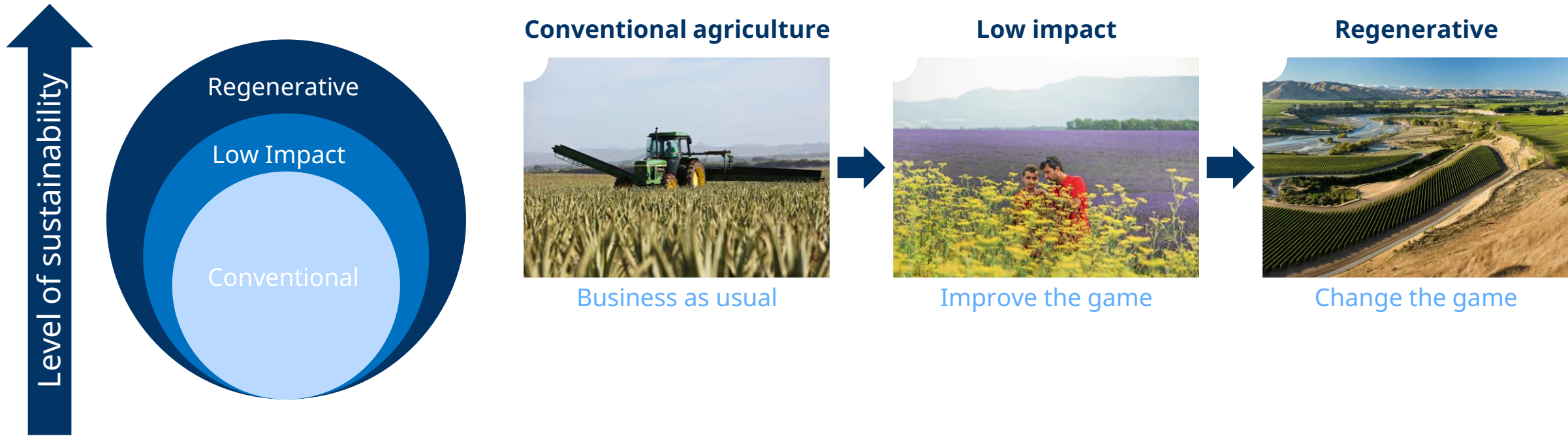
Our holistic approach

Recognising the complexity of our supply chain, our approach to sustainable agriculture needs to be **outcome-oriented**, and to some extent, we need to be “practice agnostic.” We prefer to focus on **tracking improvement** on different **impact areas** rather than pushing mandatory actions. There are some **beneficial practices** we have identified that are widely recognised as helping to drive results that can be scaled. However, none of these interventions should be considered as compulsory regardless of the local context. In agriculture, one size does not fit all. A restricted number of appropriate practices, together with specific locally tailored solutions, will be most effective to achieve our objectives.

The next pages will provide detailed insights on:



Understanding our key principles



Conventional & Low impact agriculture

Conventional agriculture

We have developed a set of practices defined as “conventional agriculture”.

Despite not being considered sustainable, they are important to provide guidance on actions that could constitute a solid first step in the transition. By having the applicable conventional actions in place, a supply chain may be in a stronger position to begin its journey towards more sustainable agriculture.



Low impact agriculture

Low impact agriculture covers a range of practices seeking to **limit environmental and social impacts**. This can include **reducing the use of chemical pesticides** known to destroy biodiversity and pose risks to human health.

Alternative solutions or **precision farming technologies** are used to minimise chemical inputs or reduce water use.

The goal is to be **economically viable and to not harm the environment or human health** (safe for users, healthy food, quality water, jobs and quality of life for farmers).



Regenerative agriculture

Our definition

Regenerative agriculture is a holistic approach aimed at maximising positive impacts on **climate, ecosystems and biodiversity** as well as **communities' wellbeing**.

The combination of (agro)ecological practices at field, farm and landscape level aims to improve **soil health** and its **natural fertility** and restore ecosystem, as well as **water retention** capacity and water **stress resistance**. In the long-term, this model also aims to **reduce GHG emissions** and **increase carbon storage** and **biodiversity**.

Regenerative agriculture is people-centric and ensures the **health** and **life balance** of farming **communities** as well as long-term **economic viability**.

As a result, it improves the overall resilience of the terroir, secure yields and the quality of ingredients.



Our impact areas and global KPIs

Climate	Mitigation & adaptation	GHG emission reduction
		Carbon sequestration
Biodiversity	Enhance wild diversity	Natural habitat conservation
	Diversify farms	Number of species increase
	Protect ecosystems	Chemical use reduction
Water	Reduce water use Improve water quality	Water use efficiency
		Water pollutant reduction
Soil	Reduce erosion	Soil coverage increase
		Tillage intensity reduction
	Increase health	Soil organic matter content increase
		Soil life increase
Livelihoods	Profitability	Income perception increase
	Wellbeing	Life balance increase
	Farmers adoption	Farmers in the transition

Our methodology to create impact



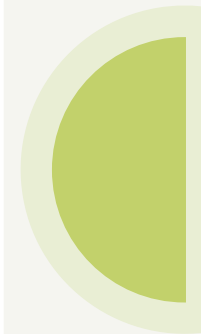
Baseline assessment & risk weighting

1. Terroir risk mapping
2. Field visits
3. Footprint analysis
4. KPIs calculations
5. Risks evaluation



Identification of solutions

1. Roadmap development
2. Local targets setting
3. Identification of practices
4. Cost modelling



Pilot trials & new model implementation

1. Partners engagement
2. Trials implementation
3. Roadmap optimization
4. Successful learnings scale up

Our impact areas: Climate

The climate approach aims to rethink the resilience of agricultural models by, as a first step, understanding the local context and pressure on local resources.

Every piece of a terroir is interlinked with the others. Any disruption to one component (soil, water, wild ecosystem, etc.) has an impact on natural balances.

Designing a landscape mosaic between agricultural and non-agricultural areas is a way to maximise positive interactions, ensure climate change mitigation and adaptation and improve crop resilience in the long-term, as well as reducing carbon emissions and enhancing sequestration.

Partnerships and collaboration between stakeholders are key to identify common solutions, secure investment and implement new models.



Our impact areas: Biodiversity

Agricultural systems are characterised by a wide variety of organisms, living both above and below ground. This biodiversity tends to create a natural balance within an ecosystem. Nevertheless, it can be damaged by certain farming practices.

Protecting and improving biodiversity is an important way to increase the resilience of an agricultural landscape.

Pernod Ricard aims to maximise wild biodiversity by maintaining and/or (re)establishing natural areas, ecological regulation areas and using sustainable agricultural practices.

Specific attention is paid to foster genetic diversity (annual and perennial crops + livestock) in terms of species and varieties.



Our impact areas: Soil

Soil ecosystems are the engine of the entire plant cycle and, consequently, a fundamental asset for crop production. Intensive agricultural practices may deplete its quality.

The revitalisation of soil can be considered as the starting point of more resilient agriculture and an important step in moving towards more natural balances.

Maximising soil health and ensuring an optimum soil/plant nutrient balance is essential for growing crops that are more vigorous, more resistant to pests, and have better yields.

In addition, the ability of the soil to store carbon can contribute to the fight against global warming.



Our impact areas: Water

Water is a critical input for agricultural production. Crops require a steady and safe quantity for their health and wellbeing.

Climate change is impacting the water cycle by influencing when, where, and how much precipitation falls. In the future, extreme events (droughts and floodings) are expected to become more frequent.

To create an environment less susceptible to extreme events, maximising in-field water infiltration and soil holding capacity are key elements, as well as the creation of hydraulic systems at landscape level.

In addition, due to the leaching of substances, agriculture is also responsible for the quality loss of water resources and their ecosystems. Cautious chemical applications can limit or eliminate this negative effect.



Our impact areas: Livelihoods

Improving working and living conditions for agricultural workers, especially in developing countries, has the potential to impact the lives of farmers, farm workers and their families and create a more resilient agriculture sector.

Beyond championing and ensuring compliance with human rights, we initiate ethical relationships with our suppliers and farming communities, both in terms of decent working conditions and fair remuneration.



Low impact or regenerative practices

Depending on advancement level

SCALE	PRACTICE	DEFINITION	APPLICABILITY	LOW IMPACT IF	REGENERATIVE IF
Field	Crop rotation	Practices are implemented that, where possible, minimize, isolate or eliminate soil compaction and erosion on the farm. For example, the avoidance to enter the field with heavy machinery after a rain or reducing pressure by flatting the tractor tires.	Annual crops	Minimum of three crops in each rotation, including at least one nitrogen fixing cover crop.	Minimum of five crops in each rotation, including at least one nitrogen fixing cover crop.
Field	Cover crops	Practices are implemented that, where possible, minimize, isolate or eliminate soil compaction and erosion on the farm. For example, the avoidance to enter the field with heavy machinery after a rain or reducing pressure by flatting the tractor tires.	All cultivated crops	Maintain year-round vegetative cover on 70% of all cultivated land.	Maintain year-round vegetative cover on 100% of all cultivated land.

Regenerative agriculture practices

SCALE	PRACTICE	DEFINITION	APPLICABILITY
Field	Reduced tillage	Practices are implemented that, where possible, minimize, isolate or eliminate soil compaction and erosion on the farm. For example, the avoidance to enter the field with heavy machinery after a rain or reducing pressure by flattening the tractor tires.	All cultivated crops
Field	Responsible land management	Practices are implemented that, where possible, minimize, isolate or eliminate soil compaction and erosion on the farm. For example, the avoidance to enter the field with heavy machinery after a rain or reducing pressure by flattening the tractor tires.	All cultivated crops
Field	Crop association	Cultivation of different crops in the same field at the same time. This can be done by mixing the seeds of different crops. It can also be achieved by growing them apart in different rows, thus protecting the soil in between the rows, enhancing the root systems and sequestering carbon in the soil.	All cultivated crops
Field	Crop diversity	Cultivation of different crops in the same farm but in different plots in the same moment.	All cultivated crops
Field	Variety diversity	For a given planted crop, the practice of sowing different varieties of the same crop by prioritising the most suitable to demand and local situation.	All cultivated crops
Field	Organic fertilization	Reduce progressively the use of mineral fertilization by introducing other types of nutrients like compost, mulching, (green and animal) manure and crop residues or fertilizer of natural origin.	All cultivated crops
Field	Integrated pasture and grazing management	Integration of grazing animals in arable farming systems. Grazing is the action whereby livestock feed freely on a pasture. This can be done in partnership with neighbouring farmers.	All cultivated crops
Field	Agroforestry and silvo-pastoral systems	System of practices where woody perennial plants are deliberately used on the same land-management area as agricultural crops. These can be further integrated by the presence of grazing animals when applicable (silvo-pastoral systems).	All cultivated crops
Field	Integrated Pest Management towards biocontrol	Application of biological, cultural, physical and chemical tools to identify, manage and reduce risk from pests and pest management tools and strategies in a way that minimizes overall economic, health and environmental risks. Under IPM, actions are taken to control pests only when their numbers are likely to exceed acceptable levels. Any action taken is designed to target the troublesome pest and limit the impact on other organisms and the environment. Physical methods and biocontrol shall be the preferred actions. Applications of pesticides are always the last resort in an IPM program.	All cultivated crops

Regenerative agriculture practices

SCALE	PRACTICE	DEFINITION	APPLICABILITY
Farm	Waterways	Construction of specific waterways to manage the timing and limit the amount of water discharges into and from surface and/or subsurface agricultural drainage systems.	All cultivated crops
Farm	Precision irrigation	Implementation of integrated water management practices (weather station, etc.)	All cultivated crops
Farm	Riparian corridors and flower strips	Plantation of strips of land along waterways or water bodies. They should feature permanent vegetation cover.	All cultivated crops
Farm	Hedgerows and buffer zones	Plantation of woody vegetation (like shrubs, tall grasses, trees) in a linear design, adjacent to production fields.	All cultivated crops
Farm	Other natural habitats created to foster biodiversity	Creation of small natural habitats and natural landscape elements on the farm or conversion of degraded area into a refuge for biodiversity (to be developed an internal list linked to EU nature restauration law)	All cultivated crops
Landscape	Permanent meadows	Installment of permanent pastures on dedicated areas of the farm.	All cultivated crops
Landscape	Landscape management (water points and territorial mosaic)	Management and development of water or ecosystem points in order to improve biodiversity and water availability. This involves the integration or initiation of alliances and synergies between various stakeholders (public organization, farmer association, industry, etc.) and may include the opportunity to design an hydraulic system, afforestation projects, wetland and peatland restoration at a terroir scale (collective equipment for capture, transfer, storage and irrigation).	All cultivated crops
Individuals	Long term contracts	When possible, direct contracts are offered to the farmers (or tri-partite with cooperatives) for full transparency. These contracts shall be agreed through transparent negotiations and including long-term commitments (on minimum volumes and prices).	All crops
Individuals	Trainings	All personnel (including but not limited to employees, self-employed and family members) is trained and competent to carry out the required activities on farm/sites. Training shall be repeated and updated regularly.	All crops
Community	Pre-financing funds	Support of local projects that benefit the local community through financial investments.	All crops

Sustainable Agriculture: Key Principles

END