Pernod Ricard

Information on the compensation and benefits of Mr. Alexandre Ricard, Chairman & Chief Executive Officer

I - Variable compensation for FY 19

At the Board of Directors' meeting held on 28 August 2019, following the recommendation of the Compensation Committee, and after approval of the financial elements by the Audit Committee, the Board assessed the amount of the variable compensation of Mr. Alexandre Ricard for FY19.

Considering the quantitative and qualitative criteria set by the Board meetings of 28 August 2018 and 17 October 2018 and the achievements recognised as at 30 June 2019, the amount of the variable compensation was evaluated as follows:

- **Quantitative criteria** (80% target – 150% maximum):
  - Achievement of the budgeted Profit from Recurring Operations (30% target - 55% maximum): 40.55%
  - Achievement of the budgeted Group Net Profit from Recurring Operations (20% target - 40% maximum): 31.16%
  - Deleveraging: net debt/EBITDA (30% target - 55% maximum): 55%
  - **Total: 126.71%** of his fixed annual compensation for FY19

- **Qualitative criteria** (30% target – 45% maximum):
  - Growth, in value, of Pernod Ricard USA sales higher than market (6% target – 9% maximum): Sales growth in value is not superior to the market but is in line with the market: 2%
  - Ensure a solid growth of sales, in value, for the drivers of growth: Pernod Ricard China, Pernod Ricard India and Global Travel Retail (6% target – 9% maximum):
    The three drivers of sales growth in value grew very strongly (China +21%, India +20%, Global Travel Retail +6%): above the target, 9%
  - Enhance Absolut's growth by accelerating international deployment (6% target – 9% maximum):
    The brand is in decline overall but continuing its development internationally: 3%
  - Improve the operating leverage (6% target – 9% maximum):
    Operating leverage (+74 basis points) significantly higher than last year and the budget, as well as the indication provided in the H1 financial communication of an organic improvement in operating margin of c. 50bps: above the target, 9%
  - Develop and launch a new S&R strategy with the formalization of objectives for 2030 (6% target – 9% maximum):
    Successful launch of the new S&R platform, achievement of "Lead" status for the UN Sustainable Development Goals (SDGs) and signing of the Ellen MacArthur "2025 New Plastics Economy" Commitments: above the target, 9%
  - **Total of the qualitative part: 32%** of his fixed annual compensation for FY 19

- **TOTAL** (110% target – 180% maximum): **158.71%** of his fixed remuneration

As a result, the total amount of Mr. Alexandre Ricard's variable compensation for FY19 as Chairman and Chief Executive Officer was set at €1,745,810, i.e. 158.71 % of his fixed annual compensation for FY19, against a 110 % target and a 180 % maximum. In FY18 and FY17, his variable compensation was respectively 161.49 % and 130.85 % of his fixed annual compensation.

II - Determination of the compensation items and other benefits for FY20

At its 28 August 2019 meeting, the Board of Directors decided to grant the following items of compensation to Mr. Alexandre Ricard as Chairman and Chief Executive Officer for FY20, following the recommendation made by the Compensation Committee:

- Fixed gross annual compensation: no change, €1,100,000 until the end of his current term of office.
- Variable compensation: maintenance of the 110% for the targeted variable compensation and of the 180% maximum of the fixed annual compensation:
  - o Quantitative criteria: no change in the structure: 80% target and 150% maximum, but review of the criteria;
    - **Achievement of the target for Profit from Recurring Operations**: target 20% and maximum 37.5% if the target is significantly exceeded, restated for foreign exchange impact and changes in the scope of consolidation. This criterion, intended to provide an incentive to exceed the target from Profit from Recurring Operations, is one of the key elements of the Group's decentralized structure. The concept of a commitment to the Profit from Recurring Operations budget helps bring together the Group's various Departments, 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 the target is significantly exceeded, restated for foreign exchange impact and changes in the scope of consolidation. This criterion takes into account all of the Group's financial items over the financial year that is under the control of the Executive Director and thus helps to best align his compensation with the one of the shareholders;
    - **Achievement of the target for Recurring Free Cash Flow**: target 20% and maximum 37.5% if the target is significantly exceeded, restated for foreign exchange impact and changes in the scope of consolidation. This criterion enables to assess the Group's financial performance and value creation.
    - **Operating leverage**: target 20% and maximum 37.5% if the target is significantly exceeded, restated for foreign exchange impact and changes in the scope of consolidation. The inclusion of this criterion in the calculation of the variable portion of the Executive Director is aligned with the Group's strategy to improve its operating margin.
  - o Qualitative criteria: no change in the structure: 30% target and 45% maximum;

  In all circumstances, the variable compensation (quantitative + qualitative criteria) shall not exceed 180% of the fixed compensation.
- No Directors' fees.
- Entitlement to stock options and performance shares upon conditions: maintenance of an annual allocation representing a maximum of 150% of his gross fixed annual compensation in IFRS value (until the end of his current term of office).
- Company car.

It is also reminded that Mr Alexandre Ricard, as Chairman and Chief Executive Officer also benefits from the following commitments:

1. **Non-compete clause / severance pay clause (for imposed departure)**
   - 12-month non-compete clause (12 months of compensation[1]).
     In accordance with the AFEP-MEDEF Code,
     - a provision authorises the Board of Directors to waive the application of this clause when the Executive Director leaves;
     - the indemnity will be paid on a monthly basis during its duration;
     - the payment of this indemnity will be excluded if the Executive Director leaves the Group to claim his retirement rights or if the Executive Director is over 65 years old.
   - Imposed departure clause of maximum 12 months of compensation[1] which would be due, subject to fulfillment of performance conditions, in case of imposed departure related to a change of control or strategy of the Group. According to the Afep-Medef Code, no payment in case of a departure related to i) non-renewal of his term of office, ii) if departure was decided by the Executive Director himself, iii) in case of a change of position within the Group or iv) if he is close to retirement.

   In accordance with the Afep-Medef Code, the overall amount related to the non-compete clause and the imposed departure clause (sum of both clauses) will be capped at 24 months of compensation[1].

2. **Defined benefit pension plan and collective healthcare and insurance schemes** granted by Pernod Ricard on the same terms as those that apply to the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation.

3. **Supplementary pension scheme: as approved by the Board of Directors, during its meeting held on** 31 August 2016, Mr. Alexandre Ricard receives an annual component amounting to 10% of his annual fixed and variable compensation, composed of 50% in performance shares (same shares as those granted under the Group's general performance share grant plan) and 50% paid in cash. The Executive Officer commits to investing the cash portion, net of social welfare and tax expenses, of this additional compensation in investment vehicles for the funding of his supplementary pension.

The items and commitments here above have been authorized by the AGM during its meeting on 17 November 2016 (5th resolution).

It is reminded that these elements will be submitted to the vote of the shareholders at the Combined Shareholders' Meeting held on 8 November 2019 when approving (i) the elements of compensation due or granted to the Executive Director for the 2018/19 financial year (9th resolution) and (ii) the compensation policy items applicable to the Executive Director (10th resolution).

[1] Last fixed annual compensation + last variable annual compensation decided by the Board of Directors