



Pernod Ricard

# PERNOD RICARD EUROPEAN AGREEMENT ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

*The English version has been translated from the French version. Should there be any discrepancy between the French and the English version, the French version will prevail*

## FOREWORD

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After providing a definition of Corporate Social Responsibility, or CSR, as being « a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis », the European Commission redefined CSR on October 25, 2011 as « the responsibility of enterprises for their impacts on society ».

In order to fulfill this responsibility, the Commission states that companies must comply with the legislation in force as well as with the collective agreements concluded by social partners.

Pernod-Ricard and EFFAT have thus decided to enter this European agreement on the Company's corporate social responsibility.

Pernod Ricard has initiated many measures in the past few years to develop its CSR (Corporate Social Responsibility) policy. These efforts have given rise to a CSR platform which is now a reference facility for all employees across the Group.

The Group is convinced that its financial performance goes hand in hand with its social and environmental performance. It has always focused on both dimensions and its founders were pioneers in these fields. In the 1960s, Paul Ricard proved a trailblazer and a visionary by opening the *Observatoire de la Mer* in 1966, which later became the *Institut Océanographique* bearing his name. Jean Hémard set up IREB (*Institut de Recherches Scientifiques sur les Boissons*, the institute for scientific research on beverages) in 1971.

Paul Ricard was a man with great empathy and he was a sharp and astute observer of the world. He was convinced that the preservation of the Mediterranean and of the environment in general was mankind's greatest challenge. To this day, the Paul Ricard Oceanographic Institute remains the only privately-sponsored environmental initiative in Europe.

In 2009, the Group decided to go one step further by reaffirming the strategic priorities of its social and environmental policy: respecting and cooperating with the stakeholders,

advocating responsible drinking, preserving the environment, advocating entrepreneurship and sharing cultures.

Entrepreneurial spirit is at the core of Pernod Ricard's identity. It is a key part of Pernod Ricard's management philosophy because of the Group's decentralised nature. Entrepreneurship means being able to make choices and take decisions. Employees are prized for their leadership and ability to embrace responsibility and take measured risks. Pernod Ricard in return understands that mistakes can be made, viewing them as part of fostering a spirit of initiative.

Respecting and cooperating with the stakeholders, first and foremost employees, is a prerequisite within the CSR strategic platform. Every year, several initiatives are rolled out locally by the subsidiaries or globally by the Group. Their purpose is to consistently offer the employees working conditions in line with the values set forth by the Group, based on ethics, mutual trust and empowerment. By advocating conviviality as a way of interacting amongst individuals in the workplace, the Group asserts its will to bring about the conditions that can spur collective engagement in order to generate performance.

Recent initiatives that directly involved the employees include the programmes developed to evaluate and manage talents, combined with the creation of a Leadership Model, the advocacy of responsible drinking - notably Responsib'All Day - and the efforts made by the Group in favour of environmental preservation and the protection of employees with respect to its Operations.

EFFAT, the European Federation of Food, Agriculture and Tourism Trade Unions, considers that in addition to collective bargaining agreements, CSR enables companies to specify and reaffirm their commitments to their stakeholders in areas outside the scope of collective agreements.

EFFAT holds a positive view on the fact that Pernod Ricard reaches out beyond its commitments to respect the rights of its employees by periodically keeping the Group's employees abreast – namely through the European Works Council – of initiatives taken in line with its strategic priorities as far as relations with its suppliers, subcontractors, clients, consumers and governance entities as well as the advocacy of responsible drinking and the preservation of the environment are concerned.

Group Management and EFFAT have produced this agreement in conjunction with the European Works Council. In a single document, it encompasses Pernod Ricard's voluntary approach to developing a CSR policy that sets forth the commitments, principles and procedures that apply to all the European subsidiaries of Pernod Ricard.

In keeping with the principles expressed by the European Commission, Pernod Ricard and EFFAT consider that corporate social responsibility encompasses the actions that corporations take above and beyond their legal obligations toward society and the environment. This agreement shall be construed within this framework.

The parties to this agreement underscore the significance of social dialogue by setting out a framework at European level. Notwithstanding the legislation of the countries of the European Union included in the scope of the agreement, the principles set forth are intended to be pragmatic and to enable every subsidiary concerned to act according to the best local industry practices as well as its resources and culture. Pernod Ricard thus considers that the

agreement shall be gradually enforced across subsidiaries within the European Union within a reasonable timeframe.

Pursuant to the principle of subsidiarity (i.e. based on economic, cultural, professional and regulatory specificities) the Group's entities outside the European Union shall determine how and when the principles and commitments provided in the agreement will be enforced.

By signing the agreement that applies to all the subsidiaries of the Group in the European Union, which account for over half of the Group's employees worldwide, Pernod Ricard and EFFAT express their desire to have the Group delineate and guide its increasing internationalisation by encouraging its subsidiaries to go beyond the legal and regulatory obligations in force in the field of CSR.

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## SCOPE

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This agreement applies to all Pernod Ricard companies within the European Union.

Their commitment to enforce this agreement shall be formalised by the signature of their General Managers.

As stated in the Foreword, the provisions of this agreement apply as soon as existing local conditions will permit it. In the absence of any legislation that matches the international commitments of Pernod Ricard, the international laws that are enforced locally shall prevail. If such laws prove more favourable to the Group's commitments they apply by strictly complying with the national laws at local level.

In order to gradually extend the agreement to all its companies, Pernod Ricard shall encourage all non-European companies and/or all companies that are or not 100% owned by Pernod Ricard to formally enter the agreement and gradually enforce it.

## REFERENCE DOCUMENTS

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Pernod Ricard subscribes to and intends to comply with the principles and guidelines sets forth in such internationally recognised documents as:

- The OECD guidelines for multinational enterprises;
- The Ten Principles of the United Nations Global Compact;
- The ISO 26000 standard on CSR and the XP X30 027 standard,
- The ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy;
- The United Nations Guiding Principles on Business and Human Rights.

In particular, the Group affirms its compliance with the International Labour Organization conventions on fundamental social rights:

- Elimination of discrimination relating to employment and professions (Conventions N° 100 & 111)
- Prohibition of child labour (Conventions N° 138 & 182)
- Elimination of forced and compulsory labour (Conventions N°29 & 105)
- Trade union freedom and the right to collective bargaining (Conventions N° 87 & 98)
- Protection of trade union members and leaders and no anti-union discrimination (Convention N° 135)
- Equal opportunities and rights for employees of both genders with family responsibilities and for pregnant women and breastfeeding mothers (Convention N° 156)

Pernod Ricard shall also make its best endeavours to comply with the following documents:

- On Human rights : the Universal Declaration of Human Rights, the declaration on the Elimination of Discrimination Against Women, the declaration of the Rights of the Child and the OSHAS 18001 standards,

- On the environment: the GHG Protocol, the CEO Water Mandate, the ISO 14000 standards, the Millenium Ecosystem assessment,
- Product quality: the 9001 and 22000 standards,

Above and beyond these international documents and standards, the Group has precisely expressed its commitments in documents which it has prepared:

- Pernod Ricard Charter
- Pernod Ricard sustainable development commitments (formerly Sustainable Development Charter)
- Procurement Code of Ethics
- Responsible Procurement Policy
- le Group Environmental Roadmap
- Supplier CSR Commitment
- Supplier CSR Evaluation Process
- Mini-guide to Fraud Awareness
- Pernod Ricard Commercial Communications Code

## CORPORATE, SOCIAL & ENVIRONMENTAL RESPONSIBILITY COMMITMENTS

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### 1. Respect for stakeholders

#### 1.1 Respect for employees

The Pernod Ricard Charter sets out all of the Group's fundamental operating principles in terms of its organisation (business model), corporate culture and respect for its founding values: ethics, mutual trust, empowerment. The Charter is systematically provided and presented with comments to every new employee who joins the Group or any of its subsidiaries. The Charter is available in 5 languages on the Group's intranet as well as in hard copy form.

Pernod Ricard and EFFAT consider that observing the rights of employees and entertaining for a qualitative social dialogue implies the enforcement of information and consultation procedures with the personnel representation entities, in compliance with the European and national regulations in force.

Such procedures apply in areas such as the respect for human rights and trade union rights, health and safety at the workplace, vocational training, the development of skills and careers, internal mobility, social welfare, the fight against discrimination, anticipation and social supportive measures in the event of restructuring and compensation.

##### 1.1.1 Respect for Human Rights

Pernod Ricard's social policy ties in with the universal framework of international commitments aimed at respecting the dignity of human beings as well as fundamental social rights. Pernod Ricard is committed to complying with the United Nations Global Compact, which it entered in 2003. This commitment involves complying with 10 principles on Human

Rights, working conditions, the environment and anti-corruption measures. In order to ensure compliance with these 10 principles, the Group has appointed a « CSR leader » in each of its entities and it has committed to holding an annual meeting with the CSR leaders to examine practices pertaining to Human Rights and to other priority issues set out in the groupwide CSR platform that was established in 2010.

All subsidiary managers ensure the global enforcement of the principles of the Global Compact. The Group performs internal audits and has regular dialogue with the employees and their representatives in order to ascertain that the principles are known and observed.

### **1.1.2 Health and safety at the workplace**

Pernod Ricard upholds the health and safety of its people as an essential part of its risk prevention policy. The Group has implemented resources to address health and safety at the workplace, namely a certified hygiene and safety management system that complies with standard OHSAS 18001 and a road safety programme. The Group thus strives to bring about a working environment that minimises physical and mental health risks for its employees. The Group is set on combining business performance with a good working environment in order to offer a stimulating workplace which generates collective performance through willful continuous improvement of facilities and working methods.

Pernod Ricard shall ensure from the outset that its investment projects do not jeopardise the health and safety of its staff and the neighbouring population. Pernod Ricard shall therefore carry out impact assessments and validate all investment projects on the strength of appropriate external and internal consulting services and the advices of the local authorities.

In every circumstance, the Group shall ensure that its own or third-party staff has the necessary skills and training background required to perform assignments that could involve a health-related risk. All subsidiaries shall therefore feature specific safety requirements in their annual training plans. Training needs must thus be identified and carried out, notably through a dialogue with the employees and their representatives, and the acquisition of new safety-related skillsets must be assessed.

In minimising occupational accidents the Group constantly strives to eliminate occupational diseases and risks that have a delayed effect (musculoskeletal disorders, psychosocial risks) and it takes appropriate measures to prevent such risks.

As far as the prevention of psychosocial risks is concerned, the Group's European subsidiaries ensure that the 2004 European framework agreement on professional stress is duly observed in their working practices. The Group advocates respect for human beings as a management principle and it represses moral and sexual harassment. Practices that involve too much pressure exerted by management are also banned and are by no means considered as a way to manage teams. The European subsidiaries' Human Resources and Occupational Health Departments implement appropriate preventive systems to assess the quality of their working environments. (internal surveys, analysis of annual performance reviews, 360° assessment, psychological attention, Occupational Health unit, dedicated training etc.). While complying with the local rules and regulations, the Group's European subsidiaries identify indicators that can help assess the labour atmosphere and they regularly inform and consult the employee representatives.

### 1.1.3 Evaluation, training and development of skills

Financial, economic and technological change is such that the Group must adjust in order to remain competitive, innovative and responsive. Pernod Ricard's business model, which revolves around decentralisation, affords an approach which makes it possible to swiftly adapt to developments. A joint effort involving both the Group and the employees – and their representatives, when appropriate, notably whenever an item legally requires collective bargaining – is nevertheless necessary in order to sustain and extend the employability of Pernod Ricard personnel. The European subsidiaries are therefore committed to the implementation of an articulated system that enables all entities to identify skillset requirements, map them and assess the need to acquire those that are lacking. Such systems include skill evaluation tools (annual interview), job descriptions, a context conducive to the identification and construction of internal career paths (*Leadership Model*) and significant training investments underpinned by a Training Plan. Lastly, such systems must be designed to bridge seniority levels (Job Banding), employee growth potential (Talent categories), development of skills and the construction of internal career paths.

#### ➤ *Annual Interview*

All the employees of the subsidiaries in the scope of the agreement shall be offered an interview at least once a year. A report on the interview shall be drawn up in writing and supplied to the employee, for possible comments, regardless of seniority in the entity.

The interviews shall involve preparation of the Managers in charge of conducting them. The purpose of the annual interviews is to exchange openly on the employee's skills and to provide constructive feedback with a view to clearly identifying the employee's strengths and progress needs. Subsidiaries shall apply the format that they find most suitable, in compliance with local rules and regulations.

#### ➤ *Job descriptions*

Annual performance and career development reviews are conducted using job descriptions that describe the purpose of the position held as well as the key missions and the expectations relating to the position. The job descriptions, which list the employee's roles and responsibilities, can be supplemented with procedures governing the ways in which the position must be held. All the Group's European entities commit to sharing job descriptions with the employees. Where applicable, the subsidiaries weigh all positions in order to map them according to the profession channels. This is designed to better identify internal connections between businesses and it underpins the efforts aimed at developing internal mobility.

#### ➤ *Leadership Model*

All the managers in the Group's European entities are aware of Pernod Ricard's Leadership Model. The subsidiaries' managerial training programmes therefore address this reference document and teach managers how to interpret and use the 6 key capabilities of the Leadership Model in their management work. Managers are evaluated according to their command of the 6 capabilities, notwithstanding the local principles locally in force.

The 6 key capabilities and their associated attitudes are:

- Strategic vision and entrepreneurship for global perspective;
- Results orientation and living the values for mission delivery
- People development and team management for the human dimension

### ➤ **Training**

Group companies strive to give their employees access to training regardless of their profession channels or category, in order to sustain their skills and prepare them for developments of their job functions. The Group provides:

- Induction programmes for new employees. Meetings are held at local, regional or global level depending on the status of the position. The decision to hold these programmes is made by the HR managers. They involve the managers of the entities concerned in order to immediately convey the fundamentals of how the Group operates with respect to the employee's new entity.
- A process whereby individual training needs are identified in the annual appraisal reviews according to the budget available in the entity and the skill development priorities set by the entity.
- A catalogue of internal technical training programmes for executives which offers customised curricula geared to the potential of the employees.

### ➤ **Internal mobility**

The Group has a special unit within its HR Department that focuses on fostering mobility. The Group's European subsidiaries commit to posting their vacancy ads on the intranet (I-move) and to give priority consideration to internal applications. Moreover, the subsidiaries perform a Talent Review every year where mobility requests are listed. All the subsidiaries liaise with the regional and/or Group HR development unit to publicise and identify their Talents, in order to facilitate internal career paths. Employees are encouraged to adopt a co-responsible posture and to keep abreast of vacancy developments on the « internal market » so as to play an active role in their development. Employees thus have the opportunity to express their requests in the annual appraisal reviews scheduled in their entities.

#### **1.1.4 Social welfare**

The Group's European subsidiaries commit to offering their employees a social welfare benefit package. The subsidiaries strive to offer provident schemes, in particular to cover the consequences of an employee's death for all causes and permanent disability. The subsidiaries shall subscribe and contribute to schemes allowing all payroll employees on a permanent contract and with at least one year's seniority upon death to provide beneficiaries with a benefit equivalent to at least one year of the employee's fix annual salary.

#### **1.1.5 Fight against discrimination**

Pernod Ricard is committed to fighting every form of discrimination, observing diversity and promoting equal opportunities, in particular as far its internal recruitment and promotion processes are concerned.

Pernod Ricard is particularly committed to:

- Gender equality in the workplace: the Group's subsidiaries shall take stock of the gender balance situation as regards the construction of career paths, access to training, access to senior positions and equal pay. The situational review shall be shared with the social partners. Pernod Ricard is committed to developing actions that can help achieve a

gender balance in areas where jobs are primarily held by men, by targeting women in its communications/information efforts and by arousing the awareness of managers to non-discrimination in the recruitment process.

- The inclusion of disabled workers: the Group shall strive to develop its disabled worker inclusion policy and its network of external partners with disabled employees.
- Background (ethnic, national, cultural, educational, etc.): the Group wishes to facilitate the recruitment and the internal promotion of « diverse » profiles by shortlisting them for senior positions, in order to allow for multiple career paths, which leads to collective enrichment and regenerated performance.
- Age: both at the bottom and at the top of the age structure diagram (aka population pyramid), Pernod Ricard shall strive to facilitate the recruitment of young people while keeping senior employees on board, in order to contribute to the vitalisation of the employment market in Europe.

### **1.1.6 Anticipation, consultation and social supportive measures in the event of restructuring**

Whenever possible, Pernod Ricard is committed to anticipating economic and industrial developments as well as their consequences on human resources. When considering the disposal of one of its entities, for example, the Group shall pay special attention to the buyer's intentions regarding human resources; in the negotiations, the Group shall strive to make the buyer commit to preserving jobs for as many employees as possible.

Pernod Ricard is committed to acting in compliance with national and European legislations in this field, notably with the following Directives:

- Directive (98/59/EC) relating to the approximation of the laws of the Member State relating to collective redundancies
- Directive (2002/14/EC) that sets forth a general framework for the information and consultation of employees

Similarly, in the event of local restructuring in Europe, the subsidiaries that initiate the process commit to the following principles:

- Anticipation of the labour consequences of strategic decisions made and early preparation of employee-friendly measures to facilitate the changes required;
- Inform and consult the staff representatives on the context and the reasons for the reorganisation decision, the consequences of the decision and the individual and collective assistance measures planned;
- Minimisation of the consequences that could entail significant imbalances in the local area;
- Assistance measures in line with the best practices in the country concerned.

### **1.1.7 Labour relations**

Pernod Ricard is very heedful of labour relations and it engineers them along with the staff representatives in compliance with local rules, as a minimum standard, by involving them in decisions as early as possible. With a view to achieving open, transparent exchanges, management and the staff representatives discuss projects together, in compliance with non-disclosure principles and agreements that are necessary for sound labour relations. The subsidiaries thus commit to consulting and supplying dependable updated information on the business in progress.

➤ ***Respect for the trade unions***

Pernod Ricard commits to respecting the autonomy and independence of the trade unions. For instance, in collective bargaining situations, the Group recognises the trade unions that are considered as representative in the organisation according to national and international rules. Employees with responsibilities within the trade unions shall not be discriminated and all the Group's entities shall strive not to jeopardise that freedom, notably as far as access to training, pay raises and career paths are concerned.

➤ ***Right to join a trade union***

All Pernod Ricard employees are entitled to join a trade union, elect their representatives and be elected to hold representation positions and make use of recognised trade union rights in compliance with the rules and regulations in force.

➤ ***Representation of European employees***

As far as Europe is concerned, the European Works Council brings together representatives from the countries where Pernod Ricard has entities of at least 75 employees. This information and consultation body has working relations with Group management, which commits to contacting it ahead of any decision that could impact several European countries. In that regard, a Select Committee has been appointed as the priority exchange body, in order to ensure greater responsiveness on these issues that can have a direct impact on employment in Europe.

### **1.1.8 Working environment**

➤ ***Opinion survey***

Notwithstanding local initiatives by the subsidiaries located within the European Union, Pernod Ricard shall launch a global opinion survey every two years in order to better grasp the expectations of the employees in their working environment and respond to them. The survey themes are covered by items that help assess the employees' impressions on the rest of the Group and on a panel of companies in the FMCG (Fast Moving Consumer Goods) industry. The items deal with non-financial performance, internal communications, management proximity, the Group's values, pride of belonging to Pernod Ricard, etc. The survey is run by the Group HR Department and an external organisation that guarantees it does not disclose the employees' responses. The subsidiaries are committed to sharing the responses of the survey to their employees, to consult with their representatives about the practical conclusions and to rolling out action plans to improve the situations covered by the items whose scores were not high enough.

➤ ***Prevention of psychosocial risks***

While complying with local rules and regulations, the Group's companies must bring about working conditions that ensure the mental comfort of their employees regardless of their functions and the risks they are exposed to. The Group's European subsidiaries thus strive to set up «well-being in the workplace» plans, with a view to measuring the progress accomplished in preventing psychosocial risks.

### **1.1.9 Compensation and employment**

In compliance with the local legislation and/or local practices, Pernod Ricard ensures that the compensation paid to its employees results from collective bargaining.

All subsidiaries shall ensure the attractiveness of their compensation policies with respect to market practices. The subsidiaries' compensation policies must be designed to be objective, accountable and fair.

It is not Pernod Ricard's policy to use non-standard contracts. Whenever possible, the Group shall therefore give preference to sustainable and stable jobs.

## 1.2 Respect for subcontractors and suppliers

Pernod Ricard is aware that the impact of its operations on society notably stems from its supply chain and its relations with suppliers and subcontractors.

The Group commits to sharing its CSR concerns with its suppliers and subcontractors and to periodically assessing them in that regard.

The Group's policy consists in working closely with suppliers and subcontractors and to mitigate their direct impact on society and the environment. The European subsidiaries enforce the policy by:

- providing the Responsible Procurement Policy to suppliers, requesting that they commit to sustainable development through the "Supplier CSR Commitment" and by observing the Group's supplier CSR evaluation process;
- encouraging suppliers and subcontractors to adopt appropriate standards in order to continuously improve their social and environmental performance.

Employees of the subsidiaries within the European Union can be in contact with companies outside the Group and in a position to establish client-supplier relations. If such is the case, Pernod Ricard expects them to apply Group rules as per the Procurement Ethics Code and the Responsible Procurement Policy.

The subsidiaries within the European Union are aware that such relations require the development of certain minimum skills. In designing training programmes, the Group therefore makes it possible to meet that requirement (e.g. the "Procurement for non-buyers" programme and the e-learning course on "*Smart and Safe POS Purchasing*").

Respect for the consumer and for suppliers is thus always borne in mind by the employees of the European subsidiaries.

Employees of the subsidiaries within the European Union shall request that the suppliers and subcontractors implement appropriate actions in the following areas, which are particularly important for the subsidiaries within the European Union:

- Compliance with applicable labour laws,
- Preservation of the environment, particularly as far as natural resources and biodiversity are concerned;
- Economic development and fostering of the empowerment, based on fair commercial practices;
- Responsible drinking;
- Human rights.

Whenever subcontractors' employees are assigned to their facilities, Pernod Ricard's European subsidiaries strive to offer them as well as the staff present on their behalf working conditions with regard to health and safety on a par with the best in the industry and in the

country concerned. Subcontractors shall be requested to observe certain requirements and notably to monitor occupational accidents.

Should a subcontractor fall short of or fail to meet CSR requirements, the European subsidiaries may be confronted with the following situations:

- Current suppliers and subcontractors with ongoing business relations:
  - The supplier / subcontractor is essential to the business: the measures to be taken must be analysed on a case by case basis with a view to always improving the supplier / subcontractor's CSR performance, bearing in mind that the process may prove lengthy;
  - The supplier / subcontractor is not essential to the business: the European subsidiary shall work out a progress plan focusing on priority actions for the supplier / subcontractor. If the supplier / subcontractor fails to observe the plan or refuses it, the European subsidiary shall implement a process to replace the supplier / subcontractor with another one with better CSR performance.
- If the situation involves a new supplier / subcontractor, any objection to being evaluated or any CSR underperformance shall make it impossible to establish business relations. Good CSR performance is a prerequisite to considering business relations.

### **1.3. Respect for customers and consumers**

Respecting customers and consumers is everyone's responsibility and all employees across the Group have an essential role to play in improving the performance.

#### **1.3.1 Quality of the products**

Pernod Ricard endeavours to supply its customers with top quality products and it is thus particularly attached to the safety of consumers. The Group is strongly committed to preventing risks ascribed to inappropriate and excessive drinking (see chapter 2) and it pursues a painstaking food safety policy in its production processes.

With its overarching Quality/Safety/Environment integrated management policy which is based on certifying its production facilities, the Group sets out to meet this commitment. ISO 9001 (« Quality Management Systems ») certification of all the Group's production sites is at the root of this management system. It is focused on continuous improvement and risk mitigation and it places customers and consumers at the heart of the Group's priorities.

Moreover, an online tool called « Complaint Management System » has been developed at Group level. Its purpose is to perform real-time collection and monitoring of both customer complaints about quality and any quality problems, and to immediately inform the subsidiary or subsidiaries concerned and request that necessary measures be taken. The system immediately informs the holding company of any suspected food safety problem, which allows for a prompt response. The Group's Crisis Management Procedure applies to the holding company and to all the subsidiaries. In addition, all the subsidiaries have a crisis management procedure that can be triggered, namely in the event of a health-related risk and can lead to a recall of the product(s) concerned. The procedures involve periodical testing, relevant personnel training and updating.

### 1.3.2 Product safety

Product health-related safety is based on the Hazard Analysis Critical Control Point (HACCP) method, which aims at identifying all potential risk areas in the production process and keeping them in check using appropriate preventive measures. Although wine and spirits do not present any significant likelihood of a health risk compared with other products in the agri-food industry, Pernod Ricard has decided to gradually achieve ISO 22000 (« Food Safety Management Systems ») certification of all its production facilities.

Furthermore, the internal standards set out by Pernod Ricard for its production operations feature certain specific guidelines the purpose of which is to eliminate risks such as accidental product contamination or the presence of a foreign body in a bottle. A cross-subsidiary audit programme run by the Group's Technical Department ensures enforcement in the field and the sharing of best practices. The subsidiaries must take part in the programme.

## 1.4 Respect for the governance bodies

### 1.4.1 Shareholder relations

Pernod Ricard strives to provide its shareholders, including its employee shareholders, with regular, exhaustive information on its business performance and development strategy.

The Group provides various forms of material:

- A website that posts Pernod Ricard's share price as well as information pertaining to the Group's financial communications, including the Annual General Meeting which is webcast every year on <http://www.pernod-ricard.com>;
- A shareholder's magazine (Entreprendre) published 3 times per year;
- Information through the Shareholders' Club, which is run by the Group's Communications Department.

### 1.4.2 Employee shareholding incentives

Since the Group's performance results from the work of Pernod Ricard's people, all the subsidiaries shall seek to implement systems designed to allow employees to share into the economic growth of the subsidiary they belong to. Results permitting, the systems shall provide employees with compensation in addition to their usual basic compensation in a form that is country-specific and dependent on the systems available for the subsidiary. Wherever possible, the subsidiaries shall give preference to systems that allow employees to become shareholders of Pernod Ricard.

## 1.5. Respect for Communities: contribution to economic and social development

### 1.5.1. Youth and corporations

The Group's subsidiaries within the European Union pay particular attention to the integration of young people and the various systems local legislation offers: internships, VIE (French international postgraduate business volunteer programmes), apprenticeships, etc.. They thus establish close relations with local training institutes, take in students and teachers, organise open house days, take part in public meetings, share employee testimonials, mentor students, hold business games, etc.. Locally, subsidiaries may choose to support associations

that foster youth employment and / or business start-ups (e.g. Réseau Entreprendre in France, signature of the AFEP – the French private corporations' association – platform), thereby demonstrating their will to develop the employability of young people as well as their knowledge of the businesses involved in Pernod Ricard trade.

### **1.5.2. Employees and volunteer work**

Pernod Ricard's subsidiaries within the European Union shall facilitate the involvement of their employees in activities that serve public interests. While adapting to local specificities, they shall encourage their employees' contributions to volunteer work, such as:

- Educational programmes in partnerships with universities;
- Volunteer work in line with the Group's CSR strategy;
- Support to initiatives designed to foster empowerment and cross-cultural sharing.

### **1.5.3. Relations with local communities**

Pernod Ricard respects the specificities and actual situations of the areas where it operates. It engages in local partnerships with a view to supporting community-based local development.

Pernod Ricard's subsidiaries within the European Union shall facilitate community-based local development in the areas where they operate. While complying with the rules, regulations and standards in force, they may thus choose to:

- establish regular relations with the communities concerned by its operations;
- take into consideration essential community needs through partnerships with local organisations involved in humanitarian and/or environmental projects;
- provide training and employment support to the community;
- exchange best practices with Group subsidiaries in this field.

Pernod Ricard wishes to facilitate the empowerment externally, by supporting the development of projects submitted to the Group, either through mentoring by Group employees or by providing financially priming corporate start-ups.

Pernod Ricard wishes to develop entrepreneur projects that tie in with the areas where the Group has operations. This intention must materialise in the future but it first calls for the delineation of the scope of application.

## **2. Responsible drinking advocacy**

### **2.1 Group action priorities**

One of Pernod Ricard's CSR priorities is the advocacy of responsible drinking. In particular, Pernod Ricard's subsidiaries within the European Union commit to raising employee awareness of problems resulting from inappropriate and excessive drinking.

The Group's fundamental commitments in this field are geared to the following 5 actions:

1. Advocacy of moderate drinking. This namely involves strict marketing rules as per the Pernod Ricard Commercial Communications Code, which Pernod Ricard expects all employees to apply in their work (see 2.3);

2. Prevention of drinking and driving. Pernod Ricard staff must be exemplary in this field. The Group's European subsidiaries commit to implementing policies and actions designed to encourage employees to observe this rule in their work (breathalysers, advocacy of the designated driver approach, use of taxis...);
3. Arouse young people's awareness of the risks of inappropriate and excessive drinking;
4. Discourage pregnant women from drinking alcohol;
5. Make everyone in the organisation accountable so that employees act in an exemplary way when it comes to responsible drinking.

## 2.2 Internal Charter on Responsible Drinking

All subsidiaries in the European Union are committed to producing an internal charter on responsible drinking which sets out all the employees' responsibilities in this field:

- Adopt a responsible behaviour under all circumstances;
- Know and observe low-risk drinking patterns;
- Comply with the Group's ethical commitments;
- Know and prevent risk situations (minors, pregnant women, drivers...);
- Know and publicise Pernod Ricard's responsible drinking policies and initiatives.

## 2.3 Pernod Ricard Commercial Communications Code

Above and beyond the general provisions of labour regulations, the Pernod Ricard Commercial Communications Code features certain specific provisions, such as:

- A ban on obscenity, sexism and unjustified full frontal nudity in advertising;
- A ban on posting any Group brand on a race circuit, sports vehicle or racecar driver in action;
- The obligation to provide suppliers and contractors with the Code and demand that they apply it;
- The placement of the « not suitable for pregnant woman » pictogram on bottles sold in Europe;
- A responsibility message with a minimum size on all advertisements.

All marketing staff as well as suppliers / subcontractors must receive ethical marketing training and be familiar with the Pernod Ricard Code. The Group's European subsidiaries hold regular training courses to explain the principles of the Code to the employees.

## 2.4 Internal awareness programmes

Pernod Ricard expects from its employees to advocate and act out the Group's responsible drinking policy. Pernod Ricard's subsidiaries within the European Union commit to:

- raising the awareness of and providing training to employees within one year after they join the organisation, in order to enable everyone to be aware of the Group's policy and initiatives as well as their own responsibilities;
- holding an internal awareness programme on responsible drinking at least once a year, with the active involvement of all employees. This can be done in keeping with Responsib'All Day, a groupwide event during which all employees take part in half-day or daylong programmes on responsible drinking;
- involving employees in external responsible drinking programmes in accordance with the local situation.

## **2.5 Contribution to the industry's commitments against excessive and inappropriate drinking**

At the *International Global Action* conference in October 2012, Pierre Pringuet spoke on behalf of the industry and announced the commitments made to reduce risk consumption. The signatory companies commit to setting up actions designed to:

1. Reduce underage alcohol consumption
2. Reinforce and broaden codes of marketing practices
3. Supply information to consumers and develop responsible product innovations
4. Reduce drinking and driving
5. Harness the support of retailers in reducing adverse consumption of alcohol

These commitments shall be rolled out over a period of five years as of 2013. Pernod Ricard's European subsidiaries commit to informing employees of the commitments and to encouraging them to contribute to their achievement in accordance with the local situation.

## **3. Respect for the environment**

Environmental care is everyone's responsibility and all the Group's employees have an essential role to play in improving the sustainable performance, namely in Europe.

### **3.1 Implementation of effective environmental management systems**

Pernod Ricard recognises that its operations impact the environment in several areas such as the use of natural resources (water, energy, raw materials...), water, air and soil quality, waste generation, climate change and biodiversity.

In order to reduce the impact, the Group must measure its footprint and take appropriate steps toward environmental preservation.

As far as production subsidiaries are concerned, this must be done using environmental management systems that comply with ISO 14001. Production subsidiaries are provided with internal guidelines that set out minimum rules to be observed and best practices to be disseminated. Pernod Ricard's Technical Department facilitates and coordinates the work of the subsidiaries, namely by carrying out annual reporting and regular audits.

Special care shall also be given to all new projects and investments in order to select whenever possible the technologies and locations that can help minimise risks and impacts on the environment and human health.

As far as distribution subsidiaries are concerned, though their impact is less significant they shall nonetheless strive to deploy action plans suitable with the local situation and activities.

### **3.2 Advocacy of sustainable agricultural practices and biodiversity**

Several subsidiaries directly manage agricultural facilities, mainly vineyards. They must strive to use the most exacting agricultural practices in terms of environmental preservation in the local context. Their practices must take into consideration the preservation of the biodiversity

of the farmland and the surrounding terroirs as well as the maintenance of the ecosystems in good condition. If relevant certification systems are available, the subsidiaries must adopt them. These agricultural facilities must serve as a showcase for local farmers, from whom the subsidiaries buy commodities.

Production facilities located near sensitive natural areas or areas that feature significant biodiversity must identify them and design action plans to mitigate the risk of any impact and to contribute to preserve the areas if possible.

Regarding commodities purchased from suppliers, the subsidiaries must strive to know the farming practices in the areas concerned and if possible take steps to encourage farmers to adopt sustainable practices - whether it be the preservation of biodiversity, the minimisation of inputs or responsible irrigation – by offering technical support or contractual specifications. The traceability of products purchased and used must be clearly documented.

### **3.3 Preservation of water resources**

Through Pierre Pringuet's signature, Pernod Ricard has subscribed to the CEO Water Mandate initiated by the United Nations and it thus recognises the importance of this issue for the future of humankind.

Production subsidiaries must measure their water consumption and feature reduction objectives in their environmental action plans, in accordance with technical possibilities.

Specific efforts must be made by subsidiaries which consume large quantities of water (e.g. distilleries) or which are located in areas where water restrictions are applied for climate or demographic reasons (i.e. water stress). Such subsidiaries are requested to precisely map water flows in order to optimise their consumption, in accordance with the significance of local issues.

Finally, all production sites must ensure that their wastewater discharges comply with the local regulations in force and that the impact on the environment is under control, either because the quality parameters of the water discharged in sanitation networks are strictly observed, or because the treatment processes prior to discharge into the environment are effective.

### **3.4 Minimisation of energy consumption and CO2 emissions**

Pernod Ricard recognises that the consumption of fossil fuels depletes the planet's natural resources and contributes to climate change.

For that reason, the Group is committed to optimising the energy consumption of its production facilities. This is of particular concern to distilleries, which make up the Group's most significant direct consumption source. The subsidiaries thus measure their consumption, assess the energy performance of their production facilities, set consumption reduction goals and make technological choices in line with these goals when considering new projects. Whenever possible, they strive to use renewable energies when they are available on acceptable economic terms (e.g. biomass, green electricity).

Pernod Ricard, whenever it is possible, takes into account carbon footprint when changing technologies as to reduce its Co2 consumption.

In order to contribute to minimising climate change, Pernod Ricard is committed to regularly measuring the impact of its operations on the generation of greenhouse gases (GHGs), the most prevalent one being CO<sub>2</sub>; this involves direct operations (production sites) as well as procurement (emissions resulting from commodities and packaging materials bought from suppliers) and distribution (transport to and within markets). Priorities are set according to these evaluations in order to reduce emissions, in conjunction with suppliers and by enjoining logistics staff to select the best type of transport, to optimize loads and to plan and schedule efficiently. Whenever such steps are not achievable, Pernod Ricard encourages its subsidiaries to consider taking part in compensation measures as defined per programmes that are well established in the field (e.g. carbon credits).

### **3.5 Minimisation of the impact of packaging and waste**

The Group is committed to the implementation of an ecodesign approach in its product and packaging development efforts. This consists in taking into account environmental impacts in the design and development stages in order to make choices that optimise the overall impact of products.

This approach must be based on all the steps in the lifecycle of products, i.e. production of commodities and packaging materials, production, distribution, consumption and waste recycling.

The approach must lead the subsidiaries to optimise packaging quantities (e.g. glass, cardboard...) and give preference to renewable materials.

Pernod Ricard is committed to the selective sorting of waste in all its production facilities, in order to organise recycling and beneficial re-use in accordance with the recycling opportunities that are locally available. The Group encourages non production sites to adopt the same approach.

Finally, the Group advocates Extended Producer Responsibility (EPR) and provides financial support to systems that collect and sort the spent packaging of its marketed products and that are primarily run by local authorities.

## **4. Cultural exchanges**

### **4.1. Sharing the cultures of the countries where Pernod Ricard operates**

Pernod Ricard has operations in over 75 countries with 98 production sites. The Group markets brands produced in areas with strong cultures. Quite naturally, when it exports brands that are deeply rooted in local cultures, Pernod Ricard disseminates the culture all over the world. Wherever relevant, the Group's European subsidiaries are committed to:

- Facilitating cultural exchanges in order to enable customers, consumers and employees to share into the traditions, cultures and styles of the countries of the brands they market, with a view to promoting diversity, open-mindedness and respect.

- Facilitating employee participation in the brands' cultural events and in the moments of conviviality that they involve.
- Exchanging good practices with the other entities in the Group.

## 4.2. Support to young artists

Pernod Ricard supports young artists in many countries by providing financial support to exhibitions, catalogues and works of art and it encourages its employees to take part in the events sponsored.

## 5. Enforcement

### 5.1. Dissemination of the agreement

All signatory subsidiaries agree to circulate this agreement to their employees by means of the usual internal communications tools. The Group provides English and Spanish versions. The subsidiaries will have the agreement translated into their local language to enable all employees to understand it. The managers of the subsidiaries concerned shall be provided with information enabling them to enforce the principles and commitments featured in the agreement. The subsidiaries concerned by the agreement shall inform the local staff representation of its existence.

The agreement is not designed to supersede local labour or bargaining relations. It is an extension of sound labour relations and environmental practices.

### 5.2 Monitoring and assessment

The agreement is signed between Pernod Ricard and EFFAT (*European Federation for Food, Agriculture, and Tourism Trade Union*), which is entitled to sign a collective agreement at European level. EFFAT, as represented by the expert it has appointed, has understood the expectations of the Pernod Ricard European Works Council. Additionally, two delegates of this Council have participated in the discussions that took place between Pernod Ricard management and EFFAT.

The signatories agree to circulate this agreement to the Group's employees by observing all the national legal procedures governing the publication of collective agreements.

In the subsidiaries that have committed to enforcing the agreement, each company shall gradually implement the agreement and determine how it should be locally enforced, taking into account the economic, professional, geographic, cultural, legal, regulatory, contractual and collective bargaining specificities of the countries concerned.

Depending on the significance and/or urgency of the matters concerned, the European Works Council or its Select Committee shall be informed of the implementation of the agreement.

All signatory subsidiaries shall choose how the agreement shall be monitored. Regardless of the option chosen, the subsidiaries must report on their CSR actions to the staff representative bodies at least one per year. The report shall be forwarded to the Group's HR Department.

The European Works Council and the EFFAT representatives shall be provided with a yearly assessment report on the enforcement of the agreement. If appropriate, excerpts of the report can be used in Pernod Ricard's Reference Document in order to provide external information on the Group's extra-financial performance.

Furthermore, the signatory parties Pernod Ricard and EFFAT shall meet once a year to monitor the enforcement of the agreement and address any issues pertaining to it if necessary.

### 5.3 Signature of the agreement by Group companies

Pernod Ricard's subsidiaries within the European Union shall enter the agreement with the signature of the CEO and HR manager. Subsidiaries that wish to enter the agreement but are outside the scope shall supply a binding document whereby they shall gradually implement the terms of the agreement.

The EFFAT representatives will be communicated the list of companies joining the agreement.

### 5.4 Term of the agreement

This agreement shall be effective on the date of execution for a period of 4 years.

In the year prior to the expiry of the agreement and no later than 3 months before the expiry, the signatories shall meet in order to take stock of the enforcement of the agreement and to renew it if appropriate.

The parties to the agreement are entitled to withdraw from the agreement by registered letter with acknowledgement of receipt with 6 months' prior notice.

This agreement shall be translated into English and Spanish. The French version shall be the official and sole binding version between the signatory parties.

Interpretation issues pertaining to the agreement shall be under the exclusive jurisdiction of the signatory parties to this agreement. Any employee raising an interpretation issue may turn to his/her local EWC delegate.

Paris, on 7 January 2014

For Pernod Ricard,



Pierre PRINGUET

Vice-Chairman of the Board

and Chief Executive Officer

For EFFAT,



Harald WIEDENHOFER

General Secretary