

# 2

## CORPORATE GOVERNANCE AND INTERNAL CONTROL

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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.

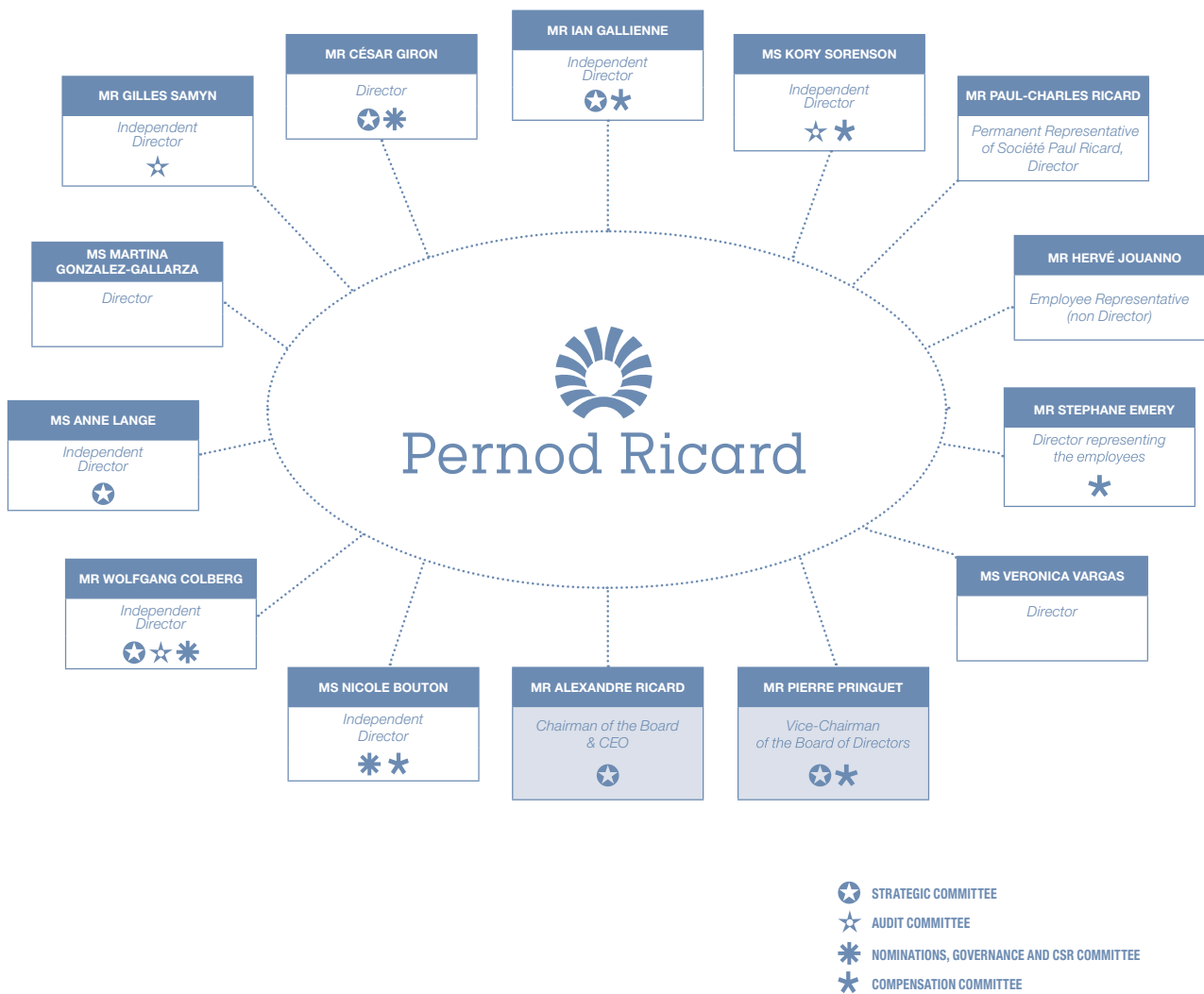
It describes, in the context of the preparation of the financial statements for FY18, the conditions governing the preparation and organisation of the work performed by the Board of Directors and its Committees, the powers entrusted to the Chairman & CEO, the principles and rules used to determine compensation and other benefits granted to the Executive Directors, the components of the compensation due or granted to the corporate officers, the compensation policy items applicable to the Chairman & CEO in accordance with article L. 225-37-2 of the French Commercial Code, as well as other information requested by articles L. 225-37 *et seq.* of the French Commercial Code.

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

This report was approved by the Board of Directors held on 28 August 2018, following the examination by the Board's Committees of each section relating to their area of competence and was shared with the Statutory Auditors.

## 2.1 REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

### 2.1.1 Composition of the Board of Directors on 30 June 2018



## 2.1.2 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
<b>Executive Directors</b>									
<b>Alexandre Ricard</b> Chairman & CEO <i>French citizen</i>	46	M	29.08.2012	AGM 2020	6				(Chairman) ✓
<b>Pierre Pringuet</b> Vice-Chairman of the Board of Directors <i>French citizen</i>	68	M	17.05.2004	AGM 2020	14		✓		✓
<b>Directors considered as independent by the Board</b>									
<b>Nicole Bouton</b> <i>French citizen</i>	70	F	07.11.2007	AGM 2019	11		(Chairwoman) ✓	(Chairwoman) ✓	
<b>Wolfgang Colberg</b> <i>German citizen</i>	58	M	05.11.2008	AGM 2020	10	(Chairman) ✓		✓	✓
<b>Ian Gallienne</b> <i>French citizen</i>	47	M	09.11.2012	AGM 2018	6		✓		✓
<b>Gilles Samyn</b> <i>Belgian and French citizen</i>	68	M	06.11.2014	AGM 2018	4	✓			
<b>Kory Sorenson</b> <i>British citizen</i>	49	F	06.11.2015	AGM 2019	3	✓	✓		
<b>Anne Lange</b> <i>French citizen</i>	50	F	20.07.2016	AGM 2021	2				✓
<b>Directors</b>									
<b>César Giron</b> <i>French citizen</i>	56	M	05.11.2008	AGM 2020	10			✓	✓
<b>Martina Gonzalez-Gallarza</b> <i>Spanish citizen</i>	49	F	25.04.2012	AGM 2018	6				
<b>Société Paul Ricard</b> (Represented by Paul-Charles Ricard) <i>French citizen</i>	36	M	09.06.1983	AGM 2021	35				
<b>Veronica Vargas</b> <i>Spanish citizen</i>	37	F	11.02.2015	AGM 2021	3				
<b>Directors representing the employees</b>									
<b>Stéphane Emery</b> <sup>(1)</sup> <i>French citizen</i>	47	M	13.12.2017	13.12.2021	1		✓		
<b>Directors representing the employees who sat on the Board of Directors until the end of 2017</b>									
<b>Manousos Charkoftakis</b> <sup>(2)</sup> <i>Greek citizen</i>	48	M	28.11.2013	28.11.2017	4		✓		
<b>Sylvain Carré</b> <sup>(3)</sup> <i>French citizen</i>	52	M	02.12.2013	02.12.2017	4				
<b>NUMBER OF MEETINGS FY18</b>					<b>8</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>2</b>
<b>AVERAGE ATTENDANCE RATE</b>					<b>100%</b>	<b>91.7%</b>	<b>91.7%</b>	<b>100%</b>	<b>91.7%</b>

(1) Director representing the employees whose first meeting of the Board of Directors was held on 19 January 2018.

(2) Director representing the employees who was a member of the Board of Directors until 28 November 2017.

(3) Director representing the employees who was a member of the Board of Directors until 2 December 2017.

### 2.1.3 Duties performed by the Directors



Age: **46 years old**

Nationality:

**French citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)**

Number of shares held  
on 30 June 2018:  
**75,572**

#### MR ALEXANDRE RICARD

**Chairman of the Board & CEO**

Mr Alexandre Ricard is a graduate of ESCP, 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 the Board of Directors 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 30.06.2018 or at the date of resignation where applicable

##### Within the Group

##### French companies

- Permanent representative of Pernod Ricard, Director of Pernod SAS and Ricard SAS
- Permanent representative of Pernod Ricard, Member of the Supervisory Committee of Pernod Ricard Europe, Middle East and Africa

##### Non-French companies

- Chairman of Suntory Allied Limited
- Director of Geo G. Sandeman Sons & Co. Ltd
- Director of Havana Club Holding SA
- Member of the Board of Directors ("Junta de Directores") of Havana Club International SA
- Manager of Havana Club Know-How SARL

##### 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 held outside the Group that have expired over the last five years

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

**MR PIERRE PRINGUET****Vice-Chairman of the Board of Directors**

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 has been Vice-Chairman of the Board of Directors since 29 August 2012.**

He holds the ranks of Knight of the Legion of Honour, Knight of the National Order of Merit and Officer of the *Mérite Agricole*.

**Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable**

- Director of Iliad <sup>(1)</sup>
- Director of Cap Gemini <sup>(1)</sup>
- Member of the Supervisory Board of Vallourec <sup>(1)</sup>
- 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)

Age: **68 years old**

Nationality:

**French citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)**

Number of shares held on 30 June 2018:

**404,242**<sup>(1)</sup> Listed company.**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-Chairman 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 Chairwoman of the Strategic Committee of Friedland Gestion, an investment management company, alongside with two new partners.

**Ms Nicole Bouton has been a Director of Pernod Ricard since 2007.****Offices and main functions held outside the Group on 30.06.2018 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: **70 years old**

Nationality:

**French citizen**

Business address:

**Friedland Gestion  
4 rue de la Paix  
75002 Paris (France)**

Number of shares held on 30 June 2018:

**1,450**



## 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. Mr Wolfgang Colberg has been an Industrial Partner of CVC Capital Partners since 2013.

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

#### Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

- Industrial Partner, CVC Capital Partners (Germany)
- Chairman of the Board of Directors 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

- Member of the Executive Committee (CFO) of Evonik AG <sup>(1)</sup> (Germany)
- Vice-Chairman of the Board of STEAG GmbH (Germany)
- Member of the Board of THS GmbH (Germany)
- Member of the Board of Directors of Vivawest Wohnen GmbH (Germany)

Age: **58 years old**

Nationality:

**German citizen**

Business address:

**CVC Capital Partners  
WestendDuo, Bockenheimer  
Landstrasse 24  
60323 Frankfurt am Main  
(Germany)**

Number of shares held on 30 June 2018:

**1,076**

(1) Listed company.



## MR IAN GALLIENNE

### Independent Director

Mr Ian Gallienne has been Managing Director 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 30.06.2018 or at the date of resignation where applicable

- Managing Director of Groupe Bruxelles Lambert <sup>(1)</sup> (Belgium)
- Director of Imerys <sup>(1)</sup>
- Director of SGS SA <sup>(1)</sup> (Switzerland)
- Director of Adidas AG <sup>(1)</sup> (Germany)
- Director of Frère-Bourgeois (Belgium)
- Manager of the Board of Director of Sienna Capital (Luxembourg)
- Manager of Serena 2017 SC (France)

#### Offices held outside the Group that have expired over the last five years

- Director of Lafarge SA <sup>(1)</sup> (France)
- Director of Umicore <sup>(1)</sup> (Belgium)
- Director of Erbe SA (Belgium)
- Member of the Supervisory Board of Arno Glass Luxco SCA (Luxembourg)
- Manager of Egerton SARL (Luxembourg)
- Managing Director of Ergon Capital Partners SA (Belgium)
- Managing Director of Ergon Capital Partners II SA (Belgium)
- Managing Director of Ergon Capital Partners III 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)

Age: **47 years old**

Nationality:

**French citizen**

Business address:

**Groupe Bruxelles Lambert  
24 Avenue Marnix  
BE 1000 Brussels (Belgium)**

Number of shares held on 30 June 2018:

**1,000**

(1) Listed company.



## 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 a member 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.**

Age: **56 years old**

Nationality:

**French citizen**

Business address:

**Martell Mumm Perrier-Jouët  
112 avenue Kléber  
75116 Paris (France)**

Number of shares held  
on 30 June 2018:

**2,113**

### Offices and main functions held on 30.06.2018 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 G.H. Mumm & Cie S.V.C.S.
- 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

- 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 held outside the Group that have expired over the last five years

- Director of Lirix



## 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 30.06.2018 or at the date of resignation where applicable

- None

### Offices held outside the Group that have expired over the last five years

- None

Age: **49 years old**

Nationality:

**Spanish citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)**

Number of shares held  
on 30 June 2018:

**1,100**



**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 Media and Public Sector Operations (in the USA) and then Innovation Executive Director within the Internet Business Solution Group division at Cisco.

She later founded Mentis and transferred her ownership at the end of 2017. 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 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 30.06.2018 or at the date of resignation where applicable**

- Director of Orange <sup>(1)</sup>
- Director of Econocom Group <sup>(1)</sup>
- Director of FFP <sup>(1)</sup>
- Director of the Imprimerie Nationale

**Offices held outside the Group that have expired over the last five years**

- Metabolic Explorer <sup>(1)</sup>
- Founder and Manager of Mentis

Age: **50 years old**

Nationality:

**French citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)**

Number of shares held on 30 June 2018:

**100**

(1) Listed company.

**MR PAUL-CHARLES RICARD**

**Permanent representative of Société Paul Ricard <sup>(1)</sup>**

**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 G.H. 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 the Board of Pernod Ricard) since 29 August 2012.**

**Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable**

- Chairman of Le Delos Invest III (Société Paul Ricard)
- Member 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

Age: **36 years old**

Nationality:

**French citizen**

Business address:

**Martell Mumm Perrier-Jouët  
112 avenue Kléber  
75116 Paris (France)**

Number of shares held by Mr Paul-Charles Ricard on 30 June 2018:

**182,226**

Number of shares held by Société Paul Ricard on 30 June 2018:

**24,579,562**

(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 is now Director and CEO of the Compagnie Nationale à Portefeuille.

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

Age: **68 years old**

Nationality:

**Belgian and French citizen**

Business address:

**CNP**

**Rue de la Blanche Borne 12  
B-6280 Loverval (Belgium)**

Number of shares held  
on 30 June 2018:

**1,000**

**Offices and main functions held outside the Group  
on 30.06.2018 or at the date of resignation  
where applicable**

- Director of Groupe Bruxelles Lambert SA <sup>(1)</sup> (GBL) (Belgium)
- Member of the Supervisory Board of Métropole Télévision (M6) SA <sup>(1)</sup>
- Director of Pargesa Holding SA <sup>(1)</sup> (Switzerland)
- Director of AOT Holding Ltd (Switzerland)
- Manager of Astra Oil Company LLC (AOC) (United States)
- Director of Astra Transcor Energy NV (ATE) (Netherlands)
- Permanent representative of Compagnie Immobilière de Roumont SA, Director of BSS Investments SA (Belgium)
- Permanent representative of Société des 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 Compagnie Immobilière de Roumont SA (Belgium)
- Chairman of the Board of Compagnie Nationale à Portefeuille SA (Belgium)
- Managing Director of Domaines Frère-Bourgeois SA (Belgium)
- Chairman of the Board of Europart SA (Belgium)
- Permanent representative of Société des Quatre Chemins SA, Chairman of the Board of Fibelpar SA (Belgium)
- Chairman of the Board of Filux SA (Luxembourg)
- Director of Financière de la Sambre SA (Belgium)
- Chairman of the Board 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)
- Manager of Gosa SDC (Belgium)
- Director of Grand Hôpital de Charleroi ASBL (Belgium)
- Chairman of the Board of Helio Charleroi Finance SA (Luxembourg)
- Managing Director of Investor SA (Belgium)
- Chairman of the Board of Kermadec SA (Luxembourg)
- *Commissaris* of Parjointco NV (Netherlands)
- Manager of Sienna Capital SARL (Luxembourg)
- Managing Director of Société des Quatre Chemins SA (Belgium)
- Member of the Raad van Bestuur of Stichting Administratiekantoor Frère-Bourgeois (Netherlands)
- Chairman of the Board of TAGAM AG (Switzerland)
- Chairman of the Board of Transcor Astra Group SA (Belgium)
- Chairman of the Board of Worldwide Energy Ltd AG (Switzerland)

**Offices held outside the Group that have expired  
over the last five years**

- Vice-Chairman of APG/SGA SA <sup>(1)</sup> (Switzerland)
- Chairman of Groupe Flo SA <sup>(1)</sup>
- 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)
- Director of Belholding Belgium 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-Distribar 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 Segelux SA, ex-Gesecalux SA (Luxembourg)
- Director of Société Civile du Château Cheval Blanc
- Manager of Sodisco SaRL
- Chairman of Solvayschoolsalumni ASBL (Belgium)
- Director of Starco Tielen NV (Belgium)
- Chairman of the Board 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

(1) Listed company.



## 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 in Corporate Finance and the International Capital Markets 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, D.C. 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), member of the Supervisory Board of UNIQA Insurance Group AG (listed in Austria), Director of Prometic Life Sciences (listed in Toronto), and member of the Supervisory Board of Bank Gutmann, a private bank in Austria. She is a member of Women Corporate Directors (Paris chapter).

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

#### Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

- Director of Prometic <sup>(1)</sup>
- Director of Phoenix Group Holdings <sup>(1)</sup> (United Kingdom)
- Director of SCOR SE <sup>(1)</sup>
- Member of the Supervisory Board of UNIQA Insurance Group AG <sup>(1)</sup> (Austria)
- Director of SCOR Global Life Americas Reinsurance Company (United States)
- Director of SCOR Global Life USA Reinsurance Company (United States)
- 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 Institut Pasteur (non-profit foundation)
- Director of Aviva Insurance Limited (United Kingdom)

Age: **49 years old**

Nationality:

**British citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)**

Number of shares held on 30 June 2018:

**1,000**

<sup>(1)</sup> Listed company.



## MS VERONICA VARGAS

### Director

Ms Veronica Vargas received a Master of Engineering degree in Industrial Engineering from the "Escuela Técnica Superior de Ingenieros" (Seville, 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 clients on all aspects related to the optimisation of their capital structure, as well as executing strategic transactions to support clients' key business needs, 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 Company, a member of the Supervisory Board of Société Paul Ricard since 2009.

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

#### Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

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

#### Offices held outside the Group that have expired over the last five years

- None

Age: **37 years old**

Nationality:

**Spanish citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)**

Number of shares held on 30 June 2018:

**8,570**

**MR STÉPHANE EMERY****Director representing the employees whose first Board meeting was held 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 and then 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 employees committee/works' council and works' council secretary prior to become a delegated representative for France on the European Committee).

Mr Stéphane Emery is also a Director representing the employees of the *Fondation d'Entreprise Ricard* since 2010.

**Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable**

- None

**Offices held outside the Group that have expired over the last five years**

- None

Age: **47 years old**

Nationality:

**French citizen**Business address:  
**Ricard****6 rue Newton  
75116 Paris (France)****MR SYLVAIN CARRÉ****Director representing the employees until 2 December 2017**

Mr Sylvain Carré joined the Group Pernod Ricard in 1988 at its affiliate Pernod as a highly skilled worker in the fields of distillation and new products. In 1993, he was appointed Bottling Line Supervisor. Since 2012, he has been Production Team Manager at Pernod's Thuir facility.

**Mr Sylvain Carré was a Director representing the employees until 2 December 2017, date on which his term of office expired.**

**Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable**

- None

**Offices held outside the Group that have expired over the last five years**

- None

Age: **52 years old**

Nationality:

**French citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)****MR MANOUSOS CHARKOFTAKIS****Director representing the employees until 28 November 2017**

Mr Manousos Charkoftakis joined the Group Pernod Ricard in 1998 as an employee of Pernod Ricard Hellas, its Greek affiliate. In 2002, he was appointed Area Sales Manager for Crete and the Aegean Islands. He holds a Master's degree in Business Administration and he is also a member of the Greek Management Association.

**Mr Manousos Charkoftakis was a Director representing the employees until 28 November 2017, date on which his term of office expired.**

**Offices and main functions held outside the Group on 30.06.2018 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:

**Greek citizen**

Business address:

**Pernod Ricard  
12 place des États-Unis  
75116 Paris (France)**Number of shares held  
on 30 June 2018:**50**

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, member of the Board), Group Innovation Manager

at Martell Mumm Perrier-Jouët and Mr Stéphane Emery, Director representing the employees, who holds the position of Public Relations Manager in Paris.

## 2.1.4 Governance structure

### 2.1.4.1 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 recombine the positions of Chairman and CEO and appointed Mr Alexandre Ricard as Chairman & CEO. Mr Pierre Pringuet has been Vice-Chairman of the Board of Directors since 29 August 2012. 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<sup>(1)</sup>, 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: 67% vs 50% recommended and Strategic Committee: 50% vs no recommendation).

### 2.1.4.2 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<sup>(2)</sup>.

### 2.1.4.3 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<sup>(2)</sup>, 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 of above €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 17 November 2016, 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 has been partially used as the Company granted a €26,283,122 first demand bank guarantee in the context of an internal project.

On 9 November 2017, this authorization was renewed 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.

### 2.1.4.4 Role of the Vice-Chairman and assigned missions

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.

(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](http://www.pernod-ricard.com)). They may be amended at any time by the Board of Directors.

On the recommendation of the Nominations, Governance and CSR Committee and pursuant to the Internal Regulations<sup>(1)</sup> 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 stakeholders.

#### 2.1.4.5 Reference Corporate Governance Code: AFEP-MEDEF Code

On 12 February 2009, the Board of Directors of Pernod Ricard confirmed that the AFEP-MEDEF Corporate Governance Code of listed corporations published in December 2008 and last revised in June 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<sup>(2)</sup>.

### 2.1.5 Composition of the Board of Directors

#### 2.1.5.1 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<sup>(3)</sup> in registered form. However, the Board's Internal Regulations<sup>(1)</sup> recommend that Directors acquire and hold at least 1,000 Company shares<sup>(3)</sup>.

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 14 June 2013 on the protection of employment 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. The terms of office of the Directors representing the employees expired at the end of 2017 and, in accordance with the legal and statutory rules set out in article 16 of the bylaws, only one term of office was renewed, since the Board of Directors comprised 12 members appointed by the Shareholders' Meeting on 9 November 2017. Thus, one Director representing the employees was appointed by the Group Committee (France) on 13 December 2017 to sit on the Board of Directors for four years.

One representative of the Company's employees 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 experiences 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, the way it has been implemented and the results achieved over FY18.

(1) The Internal Regulations can be consulted on the Company's website ([www.pernod-ricard.com](http://www.pernod-ricard.com)). They may be amended at any time by the Board of Directors.

(2) Minor adjustments will be made to the non-compete clause (see "Non-compete clause" in subsection 2.1.8.4) in accordance with the last revised version of the AFEP-MEDEF Code of June 2018.

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



**CORPORATE GOVERNANCE AND INTERNAL CONTROL**  
REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

Criteria	Objectives	Implementation and results achieved over FY18
<b>Composition of the Board</b>	<p>Balanced representation of women and men within the Board of Directors</p> <p>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</p> <p>Appointment of one or two Directors representing the employees (see article 16 of the bylaws)</p>	<p><b>Representation of women:</b></p> <ul style="list-style-type: none"> <li>• Gradual evolution: <ul style="list-style-type: none"> <li>• 21.4% at the Shareholders' Meeting of 15 November 2011,</li> <li>• 28.6% at the Shareholders' Meeting of 9 November 2012, then</li> <li>• 25% at the Shareholders' Meeting of 6 November 2015;</li> </ul> </li> </ul> <p>Since the Shareholders' Meeting of 17 November 2016, 42% of female Directors.</p> <p><b>Directors with a foreign nationality:</b></p> <ul style="list-style-type: none"> <li>• Gradual evolution: <ul style="list-style-type: none"> <li>• 28.6% at the Shareholders' Meeting of 6 November 2013, and</li> <li>• 31.2% at the Shareholders' Meeting of 6 November 2014, and</li> <li>• 42.8% since the Shareholders' Meeting of 6 November 2015.</li> </ul> </li> </ul> <p>At the end of the Shareholders' Meeting of 21 November 2018, 38.5% of the Directors will be of a foreign nationality.</p> <p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Sector knowledge: appointment of Mr Paul-Charles Ricard in 2012;</li> <li>• Finance and Strategy: appointment of Ms Veronica Vargas in 2015;</li> <li>• Marketing/Consumers' behaviour: appointment of Ms Martina Gonzalez-Gallarza in 2012;</li> <li>• Economy and Finance: appointment of Ms Kory Sorenson in 2015;</li> <li>• Innovation and Digital: appointment of Ms Anne Lange in 2016.</li> </ul> <p>Since December 2017: One Director representing the employees (Board with 12 Directors) vs two Directors representing the employees previously (Board with 14 Directors at the time of their appointments in 2013)</p>
<b>Directors' Independence</b>	50% of Independent Directors (see article 8.1 of the AFEP-MEDEF Code) + meaningful representation of Independent Directors (see article 3, Internal Regulations)	50% of Independent Directors
<b>Age of the Directors</b>	No more than one-third of Directors older than 70 years (see article 18 paragraph 4 of the bylaws)	Goal achieved

### 2.1.5.2 Changes in the composition of the Board of Directors

#### During FY18

The Shareholders' Meeting of 9 November 2017 renewed the directorships of Mms Anne Lange and Veronica Vargas and of Société Paul Ricard, duly represented by Mr Paul-Charles Ricard for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

#### During FY19

As Ms Martina Gonzalez-Gallarza's, Mr Ian Gallienne's and Mr Gilles Samyn's directorships expire at the close of the Shareholders' Meeting held on 21 November 2018, it will be proposed that the Shareholders' Meeting (5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> resolutions), in accordance with the recommendations of the Nominations, Governance and CSR Committee, renew their directorships for a four-year period expiring at the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

Furthermore, following the recommendation of the Nominations, Governance and CSR Committee, the Board of Directors decided to propose to the Shareholders' Meeting of 21 November 2018 (8<sup>th</sup> resolution) that Ms Patricia Barbizet be appointed as Director. Ms Barbizet's directorship would be conferred for a term of four years expiring at the end of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

The Nominations, Governance and CSR Committee and the Board of Directors examined the application and decided that the Board could benefit from Ms Barbizet's CEO experience (formerly CEO of Artemis and CEO & Chairwoman of Christie's, she is currently Chairwoman of Temaris et Associés), her expertise in the luxury goods and retail sector, and her corporate governance know-how. Following a review, they also confirmed that Ms Barbizet fulfilled the AFEP-MEDEF independence criteria adopted by the Company.

Thus, at the close of the Shareholders' Meeting of 21 November 2018, the Board of Directors would, for a transitional period (this transitory composition is proposed since the directorship of one Independent Director will not be renewed at the Shareholders' Meeting held in November 2019, which will lead to a Board comprising 12 Directors excluding the Director(s) representing the employees), comprise 14 members (including one Director representing the employees), of which seven Independent Directors (53.8%) and six women (46.1%) 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. It is noted that a second Director representing the employees will be appointed following the Shareholders' Meeting in accordance with the Company's bylaws. Additionally, five Directors will be of foreign nationality.

Ms Patricia Barbizet's professional experience is set out below:

#### Ms Patricia Barbizet

63 years old, French citizen

Patricia Barbizet is a graduate of the École Supérieure de Commerce de Paris (ESCP Europe). She began her career in 1976 in the Treasury Department of Renault Véhicules Industriels, before becoming Chief Financial Officer of Renault Crédit International. In 1989, she joined the Pinault Group as Chief Financial Officer. From 1992 to 2018, she served as Chief Executive Officer of Artémis, the investment company of the Pinault family. From 2014 to 2016, Ms Barbizet also held the post of CEO & Chairwoman of Christie's International. In addition, she chaired the Investment Committee of the French national Strategic Investment Fund from 2008 to 2013. She is currently Chairwoman of Temaris et Associés.

Ms Barbizet is a director of the following listed companies:

- AXA;
- Fnac Darty, member of the Nomination and Remuneration Committee;
- Kering, Vice Chairwoman of the Board of Directors;
- Total, Lead Director, Chairwoman of the Governance and Ethics Committee, member of the Remuneration Committee and Strategy & CSR Committee.

Ms Barbizet also chairs the Board of Directors of the Cité de la musique – Philharmonie de Paris. She is Chairwoman of Zoé SAS and a director at Yves Saint Laurent.

In April 2018, she was appointed as Chairwoman of the Supervisory Board of Investissements d'Avenir.

### 2.1.5.3 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<sup>(1)</sup> 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.

(1) The Internal Regulations can be consulted on the Company's website ([www.pernod-ricard.com](http://www.pernod-ricard.com)). They may be amended at any time by the Board of Directors.



## The AFEP-MEDEF Code independence criteria are the following:

<b>Criterion 1</b>	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.
<b>Criterion 2</b>	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.
<b>Criterion 3</b>	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.
<b>Criterion 4</b>	Not to be related by close family ties to a Corporate Officer .
<b>Criterion 5</b>	Not to have been a Statutory Auditor of the Company within the previous five years.
<b>Criterion 6</b>	Not to have been a Director of the Company for more than 12 years.
<b>Criterion 7</b>	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.
<b>Criterion 8</b>	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
<b>Executive Directors</b>									
<b>Alexandre Ricard</b> <i>Chairman &amp; CEO</i>			X		X	X	N/A		Non-Independent
<b>Pierre Pringuet</b> <i>Vice-Chairman of the Board of Directors</i>			X	X	X		N/A	X	Non-Independent
<b>Directors considered as independent by the Board</b>									
<b>Nicole Bouton</b>	X	X	X	X	X	X	N/A	X	Independent
<b>Wolfgang Colberg</b>	X	X	X	X	X	X	N/A	X	Independent
<b>Ian Gallienne</b>	X	X	X	X	X	X	N/A	X	Independent*
<b>Gilles Samyn</b>	X	X	X	X	X	X	N/A	X	Independent*
<b>Kory Sorenson</b>	X	X	X	X	X	X	N/A	X	Independent
<b>Anne Lange</b>	X	X	X	X	X	X	N/A	X	Independent
<b>Patricia Barbizet</b> <sup>(1)</sup>	X	X	X	X	X	X	N/A	X	Independent
<b>Directors</b>									
<b>César Giron</b>			X		X	X	N/A		Non-Independent
<b>Martina Gonzalez-Gallarza</b>	X	X	X	X	X	X	N/A	X	Non-Independent**
<b>Société Paul Ricard</b> <i>(Represented by Mr Paul-Charles Ricard)</i>		X	X		X		N/A		Non-Independent
<b>Veronica Vargas</b>	X	X			X	X	N/A		Non-Independent
<b>Directors representing the employees***</b>									
<i>Director representing the employees on the Board of Directors</i>									
<b>Stéphane Emery</b> <sup>(2)</sup>					N/A				Representing the employees
<i>Directors representing the employees who sat on the Board of Directors until the end of 2017</i>									
<b>Manousos Charkoftakis</b> <sup>(3)</sup>					N/A				Representing the employees
<b>Sylvain Carré</b> <sup>(4)</sup>					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 and Mr Gilles Samyn as Independent Directors, 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 their freedom of judgment.

\*\* 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 Director representing the employees is not taken into account when determining the independence percentage of the Board of Directors.

(1) Patricia Barbizet's appointment will be submitted to the approval of the Shareholders' Meeting of 21 November 2018.

(2) Director whose first Board meeting was held on 19 January 2018.

(3) Director representing the employees who was a member of the Board of Directors until 28 November 2017.

(4) Director representing the employees who was a member of the Board of Directors until 2 December 2017.

In the context of the annual Directors' independence review and with respect in particular to the business relationships with a Director criterion (criterion 3), the Nominations, Governance and CSR Committee and the Board of Directors acknowledged that a business relationship was disclosed by Mr Gilles Samyn. Regarding the information presented, the Committee and the Board of Directors concluded that the relationship was not significant, that there is no economic dependence between this company and Pernod Ricard and that this relationship did not challenge the Director's independence. Indeed, the purchases made by International Duty Free from Pernod Ricard amounted to approximately €800,000 (on a turnover of approximately €160 million).

As in the previous financial year, the Nominations, Governance and CSR Committee and the Board of Directors also raised the question of the independence of Mr Ian Gallienne and Mr Gilles Samyn, Directors 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.

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). When crossing 10% of share capital or voting rights, the Board of Directors, on the recommendation of the Nominations, Governance and CSR Committee, should 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 and Mr Gilles Samyn do not chair any of the Board's Committees and are not members of the Nominations, Governance and CSR Committee; and
- GBL does not intend to seek the appointment of any other Directors, as indicated in the aforementioned AMF declaration.

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

- a passive crossing of the 10% voting rights threshold does not create a situation of conflict 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 their freedom of judgment; and
- GBL has the reputation of being diligent and a demanding investor whose interests are in line with those of all shareholders.

Given these facts, the Nominations, Governance and CSR Committee and the Board of Directors considered that Mr Ian Gallienne and Mr Gilles Samyn 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 2018, following the recommendation of the Nominations, Governance and CSR Committee, confirmed that six out of 12 members of the Board of Directors (excluding the Director representing the employees) are deemed to be independent: Ms Nicole Bouton, Ms Anne Lange and

Ms Kory Sorenson and Mrs. Wolfgang Colberg, Ian Gallienne and Gilles Samyn, representing half of the Board of Directors as required by the AFEP-MEDEF Code.

#### 2.1.5.4 Directors' Code of Conduct

Article 4 of the Internal Regulations<sup>(1)</sup> adopted by the Board of Directors on 17 December 2002, recently amended on 20 July 2017, 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<sup>(1)</sup> 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 new 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 (5.30 p.m., Paris time) and to the day of the announcement when it is made before the opening of the markets (9.00 a.m., Paris time). In addition, they must seek the advice of the Ethics Committee before making any transactions involving the Company's shares or any related financial instrument.

#### 2.1.5.5 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 Executive Director 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 the ones included in the Internal Regulations<sup>(1)</sup> and the Code of Conduct.

In accordance with the Board's Internal Regulations<sup>(1)</sup> 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.

(1) The Internal Regulations can be consulted on the Company's website ([www.pernod-ricard.com](http://www.pernod-ricard.com)). They may be amended at any time by the Board of Directors.

### 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 convictions 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 a company.

### Service agreements

No member of the Board of Directors or member of the General Management has any service agreements 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.

## 2.1.6 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 <sup>(1)</sup> adopted in 2002 and last amended most recently by the Board of Directors during its meeting on 20 July 2017. 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.

### 2.1.6.1 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 <sup>(1)</sup> 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 <sup>(1)</sup>.

Since FY17, the Directors hold a session at least once a year without the Directors from the 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 FY18.

### 2.1.6.2 Information provided to the Directors

The Directors receive the information they require to fulfil their duty. The supporting documents pertaining to matters on the agenda are provided far enough in advance to enable them to prepare effectively for each meeting, and, generally, eight days before the meeting, in accordance with the Internal Regulations <sup>(1)</sup>.

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

(1) The Internal Regulations can be consulted on the Company's website ([www.pernod-ricard.com](http://www.pernod-ricard.com)). They may be amended at any time by the Board of Directors.

### 2.1.6.3 Directors' attendance at Board and Committees' meetings during FY18

During FY18, the Board of Directors met eight times with an attendance rate of 100%. 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
<b>Alexandre Ricard</b>	8/8				2/2
<b>Pierre Pringuet</b>	8/8			4/5	1/2
<b>Nicole Bouton</b>	8/8		3/3	5/5	
<b>Wolfgang Colberg</b>	8/8	4/4	3/3		2/2
<b>Ian Gallienne</b>	8/8			5/5	2/2
<b>Gilles Samyn</b>	8/8	3/4			
<b>Kory Sorenson</b>	8/8	4/4		5/5	
<b>Anne Lange</b>	8/8				2/2
<b>César Giron</b>	8/8		3/3		2/2
<b>Martina Gonzalez-Gallarza</b>	8/8				
<b>Société Paul Ricard (represented by Paul-Charles Ricard)</b>	8/8				
<b>Veronica Vargas</b>	8/8				
<i>Director representing the employees</i>					
<b>Stéphane Emery <sup>(1)</sup></b>	3/3			N/A	
<i>Directors representing the employees until the end of 2017</i>					
<b>Sylvain Carré <sup>(2)</sup></b>	5/5			N/A	
<b>Manousos Charkoftakis <sup>(3)</sup></b>	5/5			3/4	

(1) Over FY18 and since the appointment of Mr Stéphane Emery as Director representing the employees, three meetings of the Board of Directors have been held. The Board of Directors held on 7 February 2018, following the recommendation of the Compensation Committee, appointed Mr Stéphane Emery as member of the Compensation Committee. Since his appointment, the Compensation Committee has not met.

(2) Five meetings of the Board of Directors were held prior to 28 November 2017, date on which the term of office of Mr Manousos Charkoftakis as Director representing the employees expired.

(3) Five meetings of the Board of Directors were held prior to 2 December 2017, date on which the term of office of Mr Sylvain Carré as Director representing the employees expired.

### 2.1.6.4 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 <sup>(1)</sup>, the Nominations, Governance and CSR Committee and the Board conduct an annual review of the operations of the Board and its Committees, and every three years a formalised external review with the support of a specialized consulting firm.

Since the last triennial external reviewed was performed in 2014/15, the Board performed a formalized review of its operation and that of its Committees during the fiscal year with the help of an external consultant specialized in corporate governance issues, who conducted individual interviews of each Director using a formalised interview guide.

This last review highlights that significant progress has been made addressing the improvements and proposals made during the last triennial review in 2014/15. Indeed, the Directors find that the Board of Directors outperforms the external benchmarks and market practices,

and notably consider that the Directors' integration process is working properly. Additionally it is noted that the culture of the Board leads to collective decision-making, conviviality and freedom of speech. Furthermore, the Executive Director's leadership get unanimous approval, and is followed by a significant amount of trust; the professionalism of the Board is considered a key element.

In a constructive approach, the specialized consulting firm did, however, express a number of suggestions for improvements, which the Nominations, Governance and CSR Committee and the Board of Directors have decided to implement during the next financial year notably:

- the implementation of a strategic seminar;
- the adaptation of the induction programme;
- the review of the Directors' attendance fees;
- the distribution of the Strategic Committee's agenda to all the Directors, being reminded that they may, upon request, and even if they are not members of the Committee, participate in the meetings of the Strategic Committee; and
- the organisation of the Nominations, Governance and CSR Committee and/or the Compensation Committee on the day prior to the Board of Directors' meeting.

(1) The Internal Regulations can be consulted on the Company's website ([www.pernod-ricard.com](http://www.pernod-ricard.com)). They may be amended at any time by the Board of Directors.

### 2.1.6.5 Roles and activities of the Board of Directors

#### 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 sees their implementation by the 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 the 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 interim 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 Executive Directors responsible for managing the Company;
- 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;
- approves the Board of Directors' report on Corporate Governance, the Board of Directors' composition as well as the implementation of the principle of balanced representation of women and men in the Board, the conditions governing the preparation and organisation of the work performed by the Board of Directors and the internal control procedures implemented by the Company.

##### Main activities in FY18

- During FY18, 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 interim 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 2018 established the 2018/19 compensation policy for the Chairman & CEO to be submitted to the approval of the Shareholders' Meeting (10<sup>th</sup> resolution) and evaluated his variable compensation for FY18 without him being present.
- In accordance with the recommendations of the AFEP-MEDEF Code, Directors held an Executive Session without the Directors from the 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.
- 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 proportion of women and the diversity of the Directors' profiles.
- The Board of Directors held on 18 April 2018 carried out an external and formal review of its operations, with the support of an external consulting firm, the conclusions of which are set out above.

## 2.1.7 Structure and operation of the Committees

### 2.1.7.1 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.

### 2.1.7.2 Audit Committee

<b>Composition</b>	<p><b>On 28 August 2018, the Audit Committee comprises:</b></p> <p><b>Chairman:</b> Mr Wolfgang Colberg (Independent Director)</p> <p><b>Members:</b> Mr Gilles Samyn (Independent Director) Ms Kory Sorenson (Independent Director)</p> <p>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.</p> <p><b>During FY18, the Audit Committee met four times, with an attendance rate of 91.7%.</b></p>
<b>Main roles</b>	<p><b>The main roles of this Committee are the following:</b></p> <ul style="list-style-type: none"> <li>● reviewing the Group's draft annual and half-year Parent Company and consolidated financial statements before they are submitted to the Board of Directors;</li> <li>● 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;</li> <li>● making recommendations, if necessary, to ensure the integrity of the financial reporting process;</li> <li>● ensuring the appropriate accounting treatment of complex or unusual transactions at Group level;</li> <li>● examining the scope of consolidation and, where appropriate, the reasons why some companies may not be included;</li> <li>● assessing the Group's internal control systems and reviewing internal audit plans and actions;</li> <li>● examining the material risks and off-balance sheet commitments and assessing how these are managed by the Company;</li> <li>● examining any matter of a financial or accounting nature submitted by the Board of Directors;</li> <li>● 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 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);</li> <li>● reviewing conclusions and action plans resulting from the controls carried out by the Haut Conseil du commissariat aux comptes; and</li> <li>● supervising the procedure for selecting Statutory Auditors.</li> </ul>

**Main activities  
in FY18**

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 2017 during the meeting held on 6 February 2018;
- review of the consolidated financial statements on 30 June 2018 (reviewed at the meeting held on 27 August 2018): the Audit Committee met with the 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;
- monitor 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 5 December 2017 and 12 June 2018 were devoted mainly to risk management). An updating of the Group's risk-mapping was carried out in 2018 and submitted to the Audit Committee, and the development of data analytics to strengthen internal audit approaches continued in 2018. Moreover, digital marketing and use of the cloud were subject to cross-functional reviews in FY18 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 2018;
- examine the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 33 internal audits were performed in FY18 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;
- approval of the Group internal audit plan for FY19 was made at the meeting held on 12 June 2018. The audit plan was prepared and approved, taking into account the Group's main risks.

**Outlook for FY19**

In FY19, 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, FY18 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 2018/19 audit plan.



### 2.1.7.3 The Nominations, Governance and CSR Committee

<b>Composition</b>	<p><b>On 28 August 2018, the Nominations, Governance and CSR Committee comprises:</b></p> <p><b>Chairwoman:</b> Ms Nicole Bouton (Independent Director)</p> <p><b>Members:</b> Mr Wolfgang Colberg (Independent Director) Mr César Giron (Director)</p> <p>Two out of the three Directors who are members of the Nominations, Governance and CSR Committee are Independent Directors (67%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%. Mr Alexandre Ricard, Chairman &amp; CEO, is associated with the work of the Committee in matters relating to the appointment of Directors, in accordance with the AFEP-MEDEF Code.</p> <p><b>In FY18, this Committee met three times, with an attendance rate of 100%.</b></p>
<b>Main roles</b>	<p>The roles of this Committee, formalised in its Internal Regulations, are the following:</p> <ul style="list-style-type: none"> <li>● drawing up proposals concerning the selection of new Directors and proposing headhunting and renewal procedures;</li> <li>● 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;</li> <li>● 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;</li> <li>● being informed of the succession plan for key Group positions;</li> <li>● regularly reviewing the composition of the Board of Directors to monitor the quality (number of members, diversity of profiles, representation of women) and attendance of its members;</li> <li>● carrying out regular assessments of the operation of the Board of Directors;</li> <li>● evaluating the suitability of the commitments of the Company with regard to corporate social responsibility (S&amp;R);</li> <li>● monitoring the implementation of the S&amp;R commitments at Group level.</li> </ul>
<b>Main activities in FY18</b>	<p>In FY18, the main activities of the Nominations, Governance and CSR Committee included:</p> <ul style="list-style-type: none"> <li>● a review and recommendations to the Board of Directors on its composition and its Committees;</li> <li>● 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);</li> <li>● review of the Group's S&amp;R issues;</li> <li>● annual review of the Group's Talent Management policy and presentation of the succession plan for the Group Top Management;</li> <li>● annual review of Pernod Ricard SA diversity policy;</li> <li>● triennial formalised evaluation of the operation of the Board of Directors and its Committees; and</li> <li>● proposals to improve the operation of the Board of Directors and its Committees.</li> </ul>
<b>Outlook for FY19</b>	<p>In FY19, 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 and will also focus on the review of the Group's new CSR strategy.</p>



### 2.1.7.4 Compensation Committee

<b>Composition</b>	<p><b>On 28 August 2018, the Compensation Committee comprises:</b></p> <p><b>Chairwoman:</b> Ms Nicole Bouton (Independent Director)</p> <p><b>Members:</b> Mr Ian Gallienne (Independent Director) Mr Pierre Pringuet (Director) Ms Kory Sorenson (Independent Director) Mr Stéphane Emery (Director representing the employees)</p> <p>Three out of the four Directors who are members of the Compensation Committee (excluding the Director representing the employees<sup>(1)</sup>) are Independent Directors (75%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%.</p> <p><b>In FY18, the Compensation Committee met five times, with an attendance rate of 91.7%.</b></p>
<b>Main roles</b>	<p>The roles of this Committee, as confirmed by the Board of Directors on 12 February 2014, are the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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:             <ul style="list-style-type: none"> <li>• for duties performed as Board members,</li> <li>• for duties carried out on Committees of the Board of Directors;</li> </ul> </li> <li>• being informed of the compensation policy of the Senior Non-Executive Managers of the Group companies;</li> <li>• ensuring that the compensation policy for Senior Non-Executive Managers is consistent with the policy for Executive Directors;</li> <li>• proposing the general policy for allocation of stock options and performance-based shares, in particular the terms applicable to the Company's Executive Directors;</li> <li>• 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.</li> </ul>
<b>Main activities in FY18</b>	<ul style="list-style-type: none"> <li>• Further details of the work of the Compensation Committee are provided in the "2.1.8 Compensation policy" subpart.</li> <li>• During FY18, the members of the Compensation Committee considered the drafting of the Executive Director's compensation policy in light of the recommendations of the AFEP-MEDEF Code and the "Sapin 2" Law, subject to the Shareholders' approval on 9 November 2017 ("<i>ex ante</i> vote"). The members of the Compensation Committee also worked on the governance rules (AFEP-MEDEF, AMF) and the market practices regarding the Executive Directors' compensation in order notably to propose an increase in the annual fixed compensation of the Chairman &amp; CEO. They also reviewed the attendance fees of the Directors.</li> </ul>
<b>Outlook for FY19</b>	<p>In FY19, the Committee will continue with the tasks it is carrying out for the Board of Directors, notably the review of the options and performance-based shares allocation policy in view of the renewal of the related resolutions at the Shareholders' Meeting to be held in November 2019.</p>

(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.

### 2.1.7.5 Strategic Committee

<b>Composition</b>	<p><b>On 28 August 2018, the Strategic Committee comprises:</b></p> <p><b>Chairman:</b> Mr Alexandre Ricard (Chairman &amp; CEO)</p> <p><b>Members:</b> Mr Wolfgang Colberg (Independent Director) Mr Ian Gallienne (Independent Director) Mr César Giron (Director) Ms Anne Lange (Independent Director) Mr Pierre Pringuet (Director)</p> <p>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 recommendations regarding the Strategic Committee's independence.</p> <p><b>In FY18, the Strategic Committee met twice with an attendance rate of 91.7%.</b></p> <p>All the Directors may, upon request, and even if they are not members of the Committee, participate in the meetings of the Strategic Committee.</p>
<b>Main roles</b>	<p>The roles of the Strategic Committee, as confirmed by the Board on 11 February 2015, are the following:</p> <ul style="list-style-type: none"> <li>• reviewing the key strategic issues of the Pernod Ricard company or of the Group;</li> <li>• drawing up and giving its prior opinion on significant partnership transactions, sales or acquisitions;</li> <li>• generally, dealing with any strategic issues affecting the Company or the Group.</li> </ul>
<b>Main activities in FY18</b>	<p>During FY18, the members of the Strategic Committee reviewed the strategic issues of the Group and the Group's cybersecurity roadmap. They also debated the development of the Group's financial policy in the context of further deleveraging.</p>
<b>Outlook for FY19</b>	<p>In FY19, 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.</p>

## 2.1.8 Compensation policy

### 2.1.8.1 Executive Directors' compensation

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

#### Compensation policy for members of the Board of Directors

The conditions governing Directors' compensation are determined by the Board of Directors on the basis of a recommendation from the Compensation Committee and must fall within the bounds of the total amount allocated by the Shareholders' Meeting for Directors' fees.

#### Arrangements for allocating Directors' fees for FY18

Directors' annual compensation comprises a fixed portion set at €11,500 with an additional €5,500 for members of the Audit Committee and €3,000 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 €6,000 while the Chairmen of the Compensation Committee and the Nominations, Governance and CSR Committee each receive an additional €3,000.

The Vice-Chairman of the Board of Directors receives an additional Directors' fee of €40,000 each 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.

The Director representing the employees receives an annual lump sum of €15,000 as Directors' fees for his or her attendance at the meetings of the Board of Directors and, as applicable, those of the Board of Directors Committee(s) of which he or she is a member.

The Chairman & CEO does not receive Directors' fees.

Of the €970,000 allocated by the Shareholders' Meeting of 9 November 2017, a total of €887,500 in Directors' fees was paid to members of the Board of Directors in respect of FY18, in accordance with the rules set out above.

#### Arrangements for allocating Directors' fees for FY19

After 10 years without change, a Mercer study on total Directors' fees and their allocation within the Company found that:

- the Company's Board of Directors uses 93% of the annual amount (compared with an average of 70% among CAC 40 companies), leaving no flexibility in the organisation of Board of Directors and/or Committee meetings; and
- the amount of fixed Directors' fees received by each member of the Board of Directors and the Committees is below the market practices observed among CAC 40 issuers.

To give the Board the flexibility needed to hold additional meetings of the Board of Directors and/or the Committees, to anticipate the appointment of any additional Directors, to maintain the attractiveness of the Board of Directors and to align the Company's practices with those of other CAC 40 companies, the Board of Directors, at its meeting of 24 July 2018 and on the proposal of the Compensation Committee, decided to modify the allocation of Directors' fees as follows, it being specified that:

- the annual compensation will still consist of (i) a fixed portion for the members of the Board of Directors plus, where applicable, a fixed fee when a Director is a member of one or more Committees and (ii) a variable portion of €4,000 per meeting of the Board or Committee; and
  - the allocation approved by the Board of Directors on 24 July 2018, on the proposal of the Compensation Committee, should remain unchanged for a period of five years (except in the event of exceptional circumstances justifying a review as appropriate).
- Subject to the approval of the new amount by the Shareholders' Meeting of 21 November 2018, the following allocation would be applicable:
- fixed portion for any member of the Board of Directors: €20,000 plus, as applicable:
    - a fixed fee for any Director belonging to the Nominations, Governance and CSR Committee and/or the Compensation Committee and/or the Strategic Committee: €5,000, and/or
    - a fixed fee for any Director belonging to the Audit Committee: €6,000, and
    - an additional sum (in addition to the fixed fee as a member of the said Committee) for the Chairman of the Nominations, Governance and CSR Committee and/or Chairman of the Compensation Committee: €8,500, and/or
  - an additional sum (in addition to the fixed fee as a member of the said Committee) for the Chairman of the Audit Committee: €14,000;
  - a variable portion of €4,000 per meeting of the Board or a Committee;
  - additional fee for the Vice-Chairman: €40,000;
  - distance premium of €1,500 per meeting (taking into account the constraints of distance on attendance at Board and Committee meetings for Directors who are not French tax residents);
  - annual lump sum of €15,000 paid to the Director representing the employees for his or her attendance at the meetings of the Board of Directors and, as the case may be, of the Committees of which he or she is a member; and
  - no Directors' fees will be paid to the Chairman & CEO.

As a result, and taking the above elements into consideration the Shareholders' Meeting of 21 November 2018 will be asked to approve an amount of €1,250,000 (compared with €970,000 last year), which will give the Board the flexibility needed to hold additional meetings of the Board of Directors and/or the Committees, to anticipate the appointment of any additional Directors, to maintain the attractiveness of the Board of Directors and to align the Company's practices with those of other CAC 40 companies.

**Table of Directors' fees and other compensation (in euros) received by Corporate officers (Table 3 AMF nomenclature)**

Members of the Board	Amounts paid in FY17	Amounts paid in FY18
<b>Ms Nicole Bouton</b>	83,500	87,500
<b>Mr Wolfgang Colberg</b>	113,500	113,500
<b>Mr Ian Gallienne</b>	87,000	91,000
<b>Mr César Giron</b>	69,500	69,500
<b>Ms Martina Gonzalez-Gallarza</b>	44,500	54,000
<b>Ms Anne Lange <sup>(1)</sup></b>	68,000	68,000
<b>Mr Pierre Pringuet</b>	113,500	109,500
<b>Société Paul Ricard represented by Mr Paul-Charles Ricard <sup>(2)</sup></b>	39,500	43,500
<b>Mr Gilles Samyn</b>	78,500	73,000
<b>Ms Kory Sorenson</b>	97,500	101,500
<b>Ms Veronica Vargas</b>	54,000	54,000
<b>Mr Sylvain Carré <sup>(3)</sup></b>	15,000	7,500
<b>Mr Manousos Charkoftakis <sup>(4)</sup></b>	15,000	7,500
<b>Mr Stéphane Emery <sup>(5)</sup></b>	N/A	7,500
<b>TOTAL</b>	<b>884,208</b>	<b>887,500</b>

N/A: Not applicable.

(1) From 20 July 2016, date of her co-option as a Director to replace Mr Laurent Burelle.

(2) Permanent representative of Société Paul Ricard, Director.

(3) Until 2 December 2017, date of the end of his term as Director representing the employees.

(4) Until 28 November 2017, date of the end of his term as Director representing the employees.

(5) From 19 January 2018, date on which he attended his first meeting of the Board of Directors.

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

In addition to Directors' fees, Messrs César Giron and Paul-Charles Ricard also received compensation in their respective capacities as

Chairman & 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 Corporate officers 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.

### 2.1.8.2 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 reached €458,309 for FY18.

#### 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 FY18, he received gross variable compensation in October 2017 of €380,174 relating to FY17, *i.e.* 85.44% of his fixed compensation for FY17.

#### Special bonus

No special bonuses were awarded or paid in respect of FY18.

#### Stock option and performance-based share allocation

On 9 November 2017, 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:

- 7,000 stock options with an external performance condition (€132,230 at IFRS value); and
- 2,000 performance-based shares with an internal performance condition (€238,300 at IFRS value).

The details of the overall stock option and performance-based share allocation policy are shown below (pages 67-68 of this 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 his 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 2018, the estimated gross amount of the annuity potentially paid under the supplementary defined-benefit pension scheme for Mr César Giron would be €187,685 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 FY18, Mr César Giron qualified for a company car and a part-time chauffeur.

#### 2.1.8.3 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 reached €57,756 for FY18.

### 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 FY18, he received gross variable compensation of €6,847 relating to FY17.

### 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 €8,037 from incentive agreements and €8,497 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.

#### 2.1.8.4 Compensation policy for the Executive Director

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

Accordingly, the Shareholders' Meeting of 21 November 2018 (in its 10<sup>th</sup> resolution appearing in Section 7 "Combined Shareholders' Meeting" of this Registration Document) will be asked to approve the following aspects 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 AFEF-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 Deputy Chief Executive Officer(s) are 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.

Every year, a study is 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.

In respect of FY19, the Board of Directors, at its meeting of 28 August 2018, decided, on the proposal of the Compensation Committee, to increase Mr Alexandre Ricard's fixed annual compensation to €1,100,000 until the end of his term.

In making this decision, the Board of Directors took into consideration:

- the fact that Mr Alexandre Ricard's fixed compensation was unchanged since his appointment as Chairman & CEO in February 2015;
- the increase in the pace of improvement of the Group Pernod Ricard financial performance since his appointment; and
- the analyses conducted by two independent firms highlighting a significant difference in compensation (both fixed and total) compared with the median practice of CAC 40 companies and an even larger gap with companies in the beverage sector (External Benchmarking Panel).

The Board of Directors accordingly decided to increase Mr Alexandre Ricard's fixed compensation to align it more closely with the median practice of CAC 40 companies, bearing in mind that the market capitalisation of Pernod Ricard is above the median of the CAC 40.

### Directors' fees

The Executive Director does not receive Directors' fees in respect of offices they hold 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 FY19, the Board of Directors, on the recommendation of the Compensation Committee, wished to maintain the following elements:

- **achievement of the target for Profit from Recurring Operations:** the weight of this criterion may vary between 0 and 30% of the fixed compensation if the target is achieved, rising to a maximum of 55% if the target is significantly exceeded. This criterion, intended to provide an incentive to exceed the target for Profit from Recurring Operations, restated for foreign exchange impact and changes in the scope of consolidation, is one of the key elements of the Group's decentralised 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:** the weight of this criterion may vary between 0 and 20% if the target is achieved and up to 40% if significantly exceeded. This criterion, restated for foreign exchange impact and changes in the scope of consolidation, takes account of all of the Group's financial items over the financial year and thus helps to best align the Executive Director's compensation with shareholders' remuneration;
- **reduction in Group debt (Net debt/EBITDA ratio):** the weight of this criterion varies between 0 and 30% if the target is achieved and up to 55% for an exceptional level of debt reduction, restated for currency effects and changes in the scope of consolidation. The inclusion of this criterion in the calculation of the variable portion paid to the Executive Director is in line with the Group's target; 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.

In the context of authorisations granted by the Shareholders' Meeting of 6 November 2015 (resolutions 22 and 23), the General Shareholders' Meeting has authorised the following external and internal performance conditions:

#### Allocation of stock options

All stock options under the plan are subject to an external performance condition and may be exercised depending on the positioning of the overall performance of the Pernod Ricard share (Total Shareholder Return) compared to the overall performance of a Panel of 12 peers (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 (8<sup>th</sup> to 13<sup>th</sup> position), no options will be exercisable;
- at the median (7<sup>th</sup> position), 66% of the options will be exercisable;
- in 6<sup>th</sup>, 5<sup>th</sup> or 4<sup>th</sup> position, 83% of the options will be exercisable; and
- in 3<sup>rd</sup>, 2<sup>nd</sup> or 1<sup>st</sup> 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:

- internal performance conditions representing, in value, 50% of the allocation of performance-based shares; and

- internal and external performance conditions 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 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.

#### Internal and external conditions

The number of performance-based shares finally vested will be determined according to the internal performance condition defined above and will then be subject to the external performance condition applicable to stock options, as described in "Allocation of stock options" opposite.

#### 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 approved by the Shareholders' Meeting of 6 November 2015, 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 23<sup>rd</sup> resolution);
- 0.06% of the share capital on the date of allocation of the performance-based shares (in accordance with the 22<sup>nd</sup> 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:

- 1<sup>st</sup> 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;
- 2<sup>nd</sup> 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
- 3<sup>rd</sup> 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 the three criteria are satisfied: 12 months' compensation <sup>(1)</sup>;

- if two of the three criteria are satisfied: eight months' compensation <sup>(1)</sup>;
- if one of the three criteria is satisfied: four months' compensation <sup>(1)</sup>; and
- if no criteria are met: no compensation is paid.

#### Non-compete clause

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

In accordance with the AFEP-MEDEF Code:

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

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

#### Supplementary pension scheme

In return for the removal of the defined-benefit supplementary pension scheme decided by the Board of Directors on 31 August 2016 and approved by the Shareholders' Meeting of 17 November 2016, the Board of Directors, on the recommendation of the Compensation Committee, has decided, insofar as the Executive Director is personally responsible for establishing his or her own supplementary pension, to award the Executive Director additional annual compensation equal to 10% of his or her fixed and variable annual compensation paid each year from 2017:

- 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.

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



**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 (5<sup>th</sup> 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	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive Directors								
Mr Alexandre Ricard, Chairman & CEO <sup>(1)</sup>		X		X	X		X	

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

**2.1.8.5 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)**

In euros	FY17	FY18
Compensation due for the financial year	2,197,185 <sup>(1)</sup>	2,490,510 <sup>(2)</sup>
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	476,652	473,195
Value of performance-based shares allocated during the financial year	947,472	951,734
Value of performance-based shares allocated during the financial year in respect of the supplementary pension scheme <sup>(3)</sup>	N/A	109,521
Supplementary cash payment in respect of the supplementary pension scheme <sup>(3)</sup>	N/A	109,653
<b>TOTAL</b>	<b>3,621,309</b>	<b>4,134,613 <sup>(2)</sup></b>

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 Mr 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)**

In euros	FY17		FY18	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	950,000	950,000	950,000	950,000
Variable annual compensation <sup>(1)</sup>	1,243,075	913,900	1,534,155 <sup>(3)</sup>	1,243,075
Multi-year variable compensation	N/A	N/A	N/A	N/A
Special bonus	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind <sup>(2)</sup>	4,110	4,110	6,355	6,355
<b>TOTAL</b>	<b>2,197,185</b>	<b>1,868,010</b>	<b>2,490,510</b>	<b>2,199,430</b>

N/A: Not applicable

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

(2) Company car.

(3) The amount of the bonus due in respect of the year will be subject to the ex-post vote of the shareholders.

**Stock options granted to Mr Alexandre RICARD by the Company and any Group company 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
FY18	09/11/2017	Purchase	€473,195	25,050	€126.53	Positioning of the overall performance of the Pernod Ricard share compared to the overall performance of a Panel of 12 companies over three years	From 10.11.2021 to 09.11.2025

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

Date of plan	Number of options exercised during the year	Strike price
Mr Alexandre Ricard exercised no options during FY18	-	-

**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	Valuation of shares pursuant to the method used for the consolidated financial statements (IFRS)	acquisition date	vesting date	Performance conditions
09.11.2017	4,000	€476,600	10.11.2021	10.11.2021	Average achievement of the annual budget targets in respect of Profit from Recurring Operations in the current and subsequent two years (three consecutive years).
09.11.2017	460 <sup>(1)</sup>	€54,809	10.11.2021	10.11.2021	Average achievement of the annual budget targets in respect of Profit from Recurring Operations in the current and subsequent two years (three consecutive years).
09.11.2017	6,600	€475,134	10.11.2021	10.11.2021	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 overall performance of the Pernod Ricard share compared with the overall performance of a panel of 12 companies over three years.
09.11.2017	760 <sup>(1)</sup>	€54,712	10.11.2021	10.11.2021	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 overall performance of the Pernod Ricard share compared with the overall 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	Terms of acquisition
N/A	-	-

N/A: Not applicable

**2.1.8.6 Components of the compensation due or granted in respect of FY18 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 other benefits paid or granted to the Corporate Officers for the prior financial year be submitted each year, starting in 2018, to the Ordinary Shareholders' Meeting for approval (11<sup>th</sup> resolution submitted to the Shareholders'

Meeting of 21 November 2018 and appearing in Section 7 "Combined Shareholders' Meeting" of this 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 FY18 to Mr Alexandre Ricard, Chairman & CEO, were approved by the Board of Directors at its meetings of 30 August 2017, 9 November 2017 and 28 August 2018, 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 9 November 2017 (10<sup>th</sup> resolution).

**CORPORATE GOVERNANCE AND INTERNAL CONTROL**  
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Components of compensation	Amounts	Remarks
Fixed compensation	€950,000	<ul style="list-style-type: none"> <li>At its meeting held on 30 August 2017, the Board of Directors, on the recommendation of the Compensation Committee, decided to maintain the amount of Mr Alexandre Ricard's gross fixed annual compensation at €950,000 for FY18.</li> </ul>
Variable compensation	€1,534,155	<ul style="list-style-type: none"> <li>At its meeting held on 28 August 2018, 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 FY18.</li> <li>Considering the quantitative and qualitative criteria set by the Board meeting on 30 August 2017 and the achievements recognised as of 30 June 2018, the amount of the variable portion was assessed as follows: <ul style="list-style-type: none"> <li>for the quantitative criteria, the variable portion amounted to 131.49% of Mr Alexandre Ricard's fixed annual compensation, versus a target of 80% and a maximum of 150%, breaking down as follows: <ul style="list-style-type: none"> <li>achievement of the budgeted Profit from Recurring Operations (target 30%, maximum 55%): 40.92%;</li> <li>achievement of the budgeted Net Profit from Continuing Operations attributable to equity holders of the Parent (target 20%, maximum 40%): 35.57%;</li> <li>deleveraging (Net debt/EBITDA) (target 30%, maximum 55%): 55%;</li> </ul> </li> <li>for the qualitative criteria, the variable portion approved amounted to 30% of Mr Alexandre Ricard's annual fixed compensation, versus a target of 30% and a maximum of 45%, breaking down as follows: <ul style="list-style-type: none"> <li>grow in value at the same pace as the US market (6%/9%): 6%;</li> <li>return to growth of Chivas (6%/9%): 6%;</li> <li>implementation of the operational efficiency plan (6%/9%): 6%;</li> <li>strengthen the culture of commitment and performance within the Group (6%/9%): 6%;</li> <li>honour the five CSR commitments made by the industry for December 2017 (Smart Barometer reading of 95% at the end of December 2017) (6%/9%): 6%;</li> </ul> </li> </ul> </li> <li>Consequently, the total amount of Mr Alexandre Ricard's variable compensation for FY18 as Chairman &amp; CEO was set at €1,534,155, <i>i.e.</i> 161.49% of his fixed annual compensation for FY18 (vs. a target of 110%). The variable compensation in respect of the FY17 and FY16 respectively represented 130.85% and 96.20% of his annual fixed compensation.</li> </ul>
Multi-year variable compensation	N/A	<ul style="list-style-type: none"> <li>Mr Alexandre Ricard does not qualify for any multi-year variable cash compensation.</li> </ul>
Directors' fees	N/A	<ul style="list-style-type: none"> <li>As an Executive Director of the Company, Mr Alexandre Ricard does not receive any Directors' fees.</li> </ul>
Special bonus	N/A	<ul style="list-style-type: none"> <li>Mr Alexandre Ricard does not qualify for any special bonus.</li> </ul>
Allocation of stock options and/or performance-based shares	<p>€473,195 (total IFRS value of stock options with external performance condition)</p> <p>€476,600 (total IFRS value of performance-based shares with internal performance condition)</p> <p>€475,134 (total IFRS value of performance-based shares with internal and external performance conditions)</p>	<ul style="list-style-type: none"> <li>During FY18, the Board of Directors' meeting held on 9 November 2017 decided, on the recommendation of the Compensation Committee, to grant Mr Alexandre Ricard: <ul style="list-style-type: none"> <li><b>25,050 stock options</b> (<i>i.e.</i> approx. 0.009% of the Company's share capital) all subject to the external performance condition specified in the subsection "Allocation of stock options" in section 2.1.8.4 above;</li> <li><b>4,000 performance-based shares</b> (<i>i.e.</i> approx. 0.0015% of the Company's share capital) all subject to the internal performance condition specified in the subsection "Allocation of performance-based shares" in section 2.1.8.4 above;</li> <li><b>6,600 performance-based shares</b> (representing approximately 0.0025% of the Company's share capital), fully subject to the internal and external performance conditions specified above in the subsections "Allocation of stock options" and "Allocation of performance-based shares" in section 2.1.8.4 above;</li> </ul> </li> <li>the same presence condition applies to Mr Alexandre Ricard and the other beneficiaries of the allocation plan.</li> <li>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 2.1.8.4 above).</li> </ul>

Components of compensation	Amounts	Remarks
Welcome bonus or compensation for termination of office	No payment	<ul style="list-style-type: none"> <li>Mr Alexandre Ricard, as Chairman &amp; CEO, benefits from: <ul style="list-style-type: none"> <li>a one-year non-compete clause specified in the subsection "Non-compete clause" in section 2.1.8.4 above;</li> <li>an imposed departure clause (maximum of 12 months' compensation) specified in the subsection "Imposed departure clause" in section 2.1.8.4 above.</li> </ul> </li> <li>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).</li> <li>Pursuant to the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting held on 17 November 2016 (5<sup>th</sup> resolution).</li> </ul>
Supplementary pension scheme	<p>€109,521 (total IFRS value of performance-based shares with internal and external performance conditions)</p> <p>€109,653 (payment in cash of 5% of the fixed and variable annual compensation)</p>	<ul style="list-style-type: none"> <li>In consideration for the elimination of the supplementary defined-benefit pension scheme, the Board of Directors at its meeting of 31 August 2016 decided to allocate to Mr Alexandre Ricard, starting in 2017, 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 (16<sup>th</sup> resolution).</li> <li>Grant of: <ul style="list-style-type: none"> <li>460 performance-based shares, subject to an internal condition; and</li> <li>760 performance-based shares, subject to internal and external conditions.</li> </ul> </li> </ul> <p>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 2.1.8.4 above).</p> <p>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 2.1.8.4 above).</p> <ul style="list-style-type: none"> <li>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.</li> </ul>
Collective healthcare and welfare schemes		<ul style="list-style-type: none"> <li>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.</li> <li>In accordance with the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting of 17 November 2016 (5<sup>th</sup> resolution).</li> </ul>
Other benefits	€6,355	<ul style="list-style-type: none"> <li>Mr Alexandre Ricard benefits from a company car.</li> </ul>

N/A : Not applicable.

### 2.1.8.7 Other aspects of the compensation policy

#### Overall stock option and performance-based share allocation policy

During FY18, 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 9 November 2017, 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, some 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 9 November 2017 allocation plan consists of stock options with performance conditions and performance-based shares.

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

- subject all allocations (stock options and performance-based shares) to performance criteria;
- retain the external performance criterion applicable to stock options and a portion of the performance-based shares allocated to the Executive Director: positioning of the overall performance of Pernod Ricard shares compared to the overall 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 9 November 2017 stood at 124,050 stock options.

All of the stock options under the plan are subject to an external performance condition and will become exercisable from November 2021 depending on the positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a panel of 12 comparable companies. This condition will be evaluated over a three-year period following the plan allocation, *i.e.* from 9 November 2017 to 9 November 2020 inclusive.

The number of shares that will ultimately be granted will be determined by comparing the overall performance of the Pernod Ricard share and the overall performance of a Panel from 9 November 2017 to 9 November 2020 inclusive (three years). Accordingly, if the overall performance of the Pernod Ricard shares (TSR) is:

- below the median (8<sup>th</sup> to 13<sup>th</sup> position), no options will be exercisable;
- at the median (7<sup>th</sup> position), 66% of the options will be exercisable;
- in 6<sup>th</sup>, 5<sup>th</sup> or 4<sup>th</sup> position, 83% of the options will be exercisable; and
- in 3<sup>rd</sup>, 2<sup>nd</sup> or 1<sup>st</sup> 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, especially 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 9 November 2017, the Board of Directors granted 6,600 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 2021 depending on the internal performance condition over three consecutive FY (18, 19 and 20 - see below) and the positioning of the overall performance of Pernod Ricard shares compared to the overall 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 9 November 2017 to 9 November 2020 inclusive.

The volumes subject to the external performance condition will be those determined at the close of the 2019/20 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 2.1.8.4.

**Allocation of performance-based shares with internal condition**

A total of 363,691 performance-based shares (excluding shares related to the supplementary pension scheme) were awarded by the Board of Directors at its meeting of 9 November 2017, 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 (18, 19 and 20).

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 2018  
(Table 8 AMF nomenclature)**

	Plan dated 24.06.2010	Plan dated 15.09.2010	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
Date of authorisation by Shareholders' Meeting	02.11.2009	02.11.2009	02.11.2009	02.11.2009	09.11.2012	06.11.2015	06.11.2015	06.11.2015
Date of Board of Directors' meeting	24.06.2010	01.09.2010	15.06.2011	27.06.2012	06.11.2013	06.11.2015	17.11.2016	09.11.2017
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	901,603	70,000	948,050	415,400	349,640	278,575	150,008	124,050
of which by Executive Directors of Pernod Ricard SA	11,016	70,000	77,450	71,000	51,700	28,200	39,445	39,445
of which by Mr Pierre Pringuet <sup>(1)</sup>	-	70,000	65,220	60,000	26,000	N/A	N/A	N/A
of which by Mr Alexandre Ricard <sup>(2)</sup>	N/A	N/A	N/A	N/A	16,500	20,700	31,400	25,050
of which by Mr César Giron	11,016	-	12,230	11,000	9,200	7,500	8,045	7,000
Commencement date of options	25.06.2014	16.09.2014	16.06.2015	28.06.2016	07.11.2017	07.11.2019	18.11.2020	10.11.2021
Expiry date	24.06.2018	15.09.2018	15.06.2019	27.06.2020	06.11.2021	06.11.2023	17.11.2024	09.11.2025
Subscription or purchase price (in euros)	64	64	68.54	78.93	88.11	102.80	105.81	126.53
Number of shares subscribed or purchased	849,100	70,000	659,277	-	-	-	-	-
Total number of stock options cancelled or lapsed <sup>(3)</sup>	52,503	-	52,852	415,400	349,640	2,050	-	-
of which allocated to Mr Pierre Pringuet <sup>(1)</sup>	-	-	978	60,000	26,000	N/A	N/A	N/A
of which allocated to Mr Alexandre Ricard <sup>(2)</sup>	N/A	N/A	N/A	N/A	16,500	-	-	-
of which allocated to Mr César Giron	-	-	138	11,000	9,200	-	-	-
Subscription or purchase options remaining	-	-	235,921	-	-	276,525	150,008	124,050

N/A: Not applicable.

(1) Only options cancelled or allocated to Mr Pierre Pringuet in his capacity as an Executive Director (i.e. until 11 February 2015) are cited.

(2) Only options cancelled or allocated to Mr Alexandre Ricard in his capacity as an Executive Director (i.e. from 29 August 2012) are cited.

(3) Options cancelled after the beneficiaries failed to meet the continuous service and/or performance conditions.

On 30 June 2018, 786,504 options (all for share purchases) were in circulation, corresponding to approximately 0.30% of the Company's share capital; all these options were "in the money" (at the Pernod Ricard share closing price on 29 June 2018 = €139.9).

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

**History of allocations of performance-based shares – Situation as at 30 June 2018  
(Table 10 AMF nomenclature)**

	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2015	Plan dated 17.11.2016	Plan dated 09.11.2017
Date of authorisation by Shareholders' Meeting	09.11.2012	06.11.2014	06.11.2015	06.11.2015	06.11.2015
Date of Board of Directors' meeting	06.11.2013	06.11.2014	06.11.2015	17.11.2016	09.11.2017
Number of performance-based shares allocated	570,880	583,240	418,923	461,376	371,511
of which to Executive Directors of Pernod Ricard SA	17,550	34,000	10,650	15,815	13,820
of which to Mr Pierre Pringuet <sup>(1)</sup>	9,500	18,200	N/A	N/A	N/A
of which to Mr Alexandre Ricard <sup>(2)</sup>	6,100	11,600	8,500	13,200	11,820
of which to Mr César Giron <sup>(3)</sup>	1,950	4,200	2,150	2,615	2,000
	07.11.2016 (FRA)				
Vesting date of the performance-based shares	07.11.2017 (ROW)	07.11.2018	07.11.2019	18.11.2020	10.11.2021
	07.11.2018 (FRA)				
End date for share lock-in period	07.11.2017 (ROW)	07.11.2018	07.11.2019	18.11.2020	10.11.2021
Presence of performance condition	Yes	Yes	Yes	Yes	Yes
Number of performance-based shares cancelled <sup>(1)</sup>	273,275	223,092	59,430	31,800	5,062
of which allocated to Mr Pierre Pringuet	9,500	7,445	-	-	-
of which allocated to Mr Alexandre Ricard	6,100	4,745	-	-	-
of which allocated to Mr César Giron	585	1,217	-	-	-
Vested performance-based shares <sup>(2)</sup>	297,605				
Unvested performance-based shares <sup>(3)</sup>	0	360,148	359,493	429,576	366,449

N/A: Not applicable.

All performance-based shares are subject to performance conditions and the beneficiaries must still be working for the Company. Performance-based shares vest after four or five years subject to the continued presence of the beneficiaries in the Company at the vesting date. For the 2013 plan, the vesting period was three years for tax residents of France (followed by a two-year lock-in period (FRA)), and four years for non-tax residents of France (without a lock-in period (ROW)). For plans awarded from 2014, the vesting period is four years with no lock-in period for any beneficiaries.

(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 2013 and 2014 plans.

(2) Allocated shares that vested and were transferred to the beneficiaries.

(3) For the November 2014 and 2015 plans, the performance condition was evaluated in full. For the November 2016 and November 2017 plans, it will only be evaluated at the close of the FY19 and FY20 respectively.



**Stock options granted to the Group's top 10 employees other than corporate officers and options exercised by the Group's top 10 employees other than corporate officers during FY18  
(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 <sup>(1)</sup>	43,000	126.53	09.11.2017
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	118,967	66.05	24.06.2010/ 15.06.2011

(1) During FY18, only six people within Pernod Ricard SA were affected by these allocations.

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

**Employee profit-sharing plans**

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

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

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

**Provisions for 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 and debt reduction, 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 fixed compensation awarded to the members of the Executive Committee, including the Executive Director, amounted to €7.7 million for FY18 (compared with €7.5 million in FY17). In addition to this, variable compensation (relating to FY17) of €6.4 million was paid (compared with €4.8 million in FY17).

The total recurring expense in respect of pension commitments for members of the Executive Committee, including the Executive Director, was €4.4 million in the financial statements for the year ended 30 June 2018 (compared with €2.6 million as at 30 June 2017).

**Transactions involving Pernod Ricard shares made by corporate officers in FY18  
(article 223-26 of the AMF General Regulation)**

First name, surname, Company name	Position	Financial instrument	Type of transaction	Date	Price (in euros)	Amount of transaction (in euros)
Mr Alexandre Ricard	Chairman & CEO	Shares	Acquisition	01.09.2017	113.10	3,054
		Shares	Acquisition	01.09.2017	113.3222	1,019,900
		Shares	Acquisition	18.11.2017	127.00	1,141,603
Mr Pierre Pringuet	Vice-Chairman of the Board	Shares	Disposal	09.02.2018	126.50	6,391,539
		Stock options	Exercise of stock options	13.02.2018	64.00	4,320,000
		Shares	Disposal	16.05.2018	140.00	65,800
		Shares	Disposal	18.05.2018	140.00	6,197,940
		Shares	Disposal	21.05.2018	140.00	1,724,940
		Stock options	Exercise of stock options	28.05.2018	68.54	4,403,147
Ms Nicole Bouton	Director	Shares	Acquisition	13.02.2018	129.4092	38,823
Mr César Giron	Director	Shares	Disposal	19.09.2017	115.00	284,510
		Shares	Disposal	21.03.2018	133.8541	118,595
		Shares	Disposal	21.03.2018	133.75	15,248
Ms Veronica Vargas	Director	Shares	Acquisition	18.07.2017	116.9929	204,738
Société Paul Ricard	Director	Stock options	Transfer of stock put options	25.04.2018	0.5108	304,069.16
		Stock options	Transfer of stock put options	18.06.2018	0.2760	213,934.17

**Corporate officers' equity investments in the Company's share capital (situation at 30 June 2018)**

	Number of shares at 30.06.2018	Percentage of share capital at 30.06.2018	Number of voting rights at 30.06.2018	Percentage of voting rights at 30.06.2018
<b>Members of the Board of Directors</b>				
<b>Executive Directors</b>				
Mr Alexandre Ricard (Chairman & CEO)	75,572	0.03%	75,572	0.02%
Mr Pierre Pringuet (Vice-Chairman of the Board of Directors)	404,242	0.15%	519,286	0.17%
<b>Directors</b>				
Mr César Giron	2,113	N.M.	2,113	N.M.
Ms Martina Gonzalez-Gallarza	1,100	N.M.	1,100	N.M.
Société Paul Ricard represented by Mr Paul-Charles Ricard <sup>(1)</sup>	37,686,104	14.20%	62,559,332	20.11%
Ms Veronica Vargas	8,570	N.M.	8,570	N.M.
<b>Independent Directors</b>				
Ms Nicole Bouton	1,450	N.M.	1,650	N.M.
Mr Wolfgang Colberg	1,076	N.M.	1,076	N.M.
Mr Ian Gallienne	1,000	N.M.	1,000	N.M.
Ms Anne Lange	100	N.M.	100	N.M.
Mr Gilles Samyn	1,000	N.M.	1,000	N.M.
Ms Kory Sorenson	1,000	N.M.	1,000	N.M.
<b>Directors representing the employees <sup>(2)</sup></b>				
Mr Stéphane Emery	-	N.M.	-	N.M.

N.M.: Not material.

(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 8,392,096 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.

## 2.1.9 Financial authorisations and delegations

All current delegations and financial authorisations granted to the Board of Directors by the Shareholders' Meetings of 6 November 2015 and 9 November 2017 and, where applicable, the uses thereof during FY18 are summarised in the following tables.

### 2.1.9.1 General financial authorisations and delegations

All general financial authorisations and delegations mentioned below were approved by the Shareholders' Meeting of 9 November 2017 for a period of 26 months<sup>(1)</sup>. These authorisations will expire on 8 January 2020.

Nature of the delegation or authorisation	Maximum nominal amount of the issue of debt securities <sup>(1)</sup>	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 30.06.2018	Features/Terms
Ordinary shares and/or securities granting access to the share capital with preferential subscription rights (14 <sup>th</sup> resolution)	€10 billion *	€135 million	None	The amount of capital increases carried out under the 15 <sup>th</sup> , 16 <sup>th</sup> , 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions of the AGM of 09.11.2017 will be deducted from the overall limit of €135 million set in this 14 <sup>th</sup> resolution. The nominal amount of debt securities issued under the 15 <sup>th</sup> resolution of the AGM of 09.11.2017 will be deducted from the limit of €10 billion set in this 14 <sup>th</sup> resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests on the occasion of a capital increase (16 <sup>th</sup> resolution)
Ordinary shares and/or securities granting access to the share capital by public offer without preferential subscription rights (15 <sup>th</sup> 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 14 <sup>th</sup> resolution of the AGM of 09.11.2017. All of the capital increases carried out under the 16 <sup>th</sup> , 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> and 21 <sup>st</sup> resolutions will be deducted from the limit of €41 million set in this 15 <sup>th</sup> resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests (16 <sup>th</sup> resolution)
Equity securities and/or securities giving access to equity securities to be issued without preferential subscription rights (17 <sup>th</sup> resolution)	€4 billion *	€41 million	None	Will be deducted from the limits set for capital increases in the 14 <sup>th</sup> and 15 <sup>th</sup> resolutions of the AGM of 09.11.2017
Shares and/or securities granting access to the share capital in consideration for contributions in kind granted to the Company (18 <sup>th</sup> 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 14 <sup>th</sup> and 15 <sup>th</sup> 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 (19 <sup>th</sup> 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 14 <sup>th</sup> and 15 <sup>th</sup> resolutions of the AGM of 09.11.2017
Capitalisation of premiums, reserves, profits and other items (20 <sup>th</sup> resolution)	N/A	€135 million	None	Will be deducted from the overall limit set for capital increases in the 14 <sup>th</sup> 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 9 November 2017 for a period of 18 months. All information relating to the buyback programme is in the following section.

**2.1.9.2 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 30.06.2018	Features/Terms
Performance-based shares	AGM of 06.11.2015 (22 <sup>nd</sup> )	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	371,511 (0.14% 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 (23 <sup>rd</sup> )	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	124,050 (0.05 % 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 members of employee savings plans	AGM of 09.11.2017 (21 <sup>st</sup> )	26 months	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 14 <sup>th</sup> and 15 <sup>th</sup> resolutions of the AGM of 09.11.2017

**2.1.9.3 Authorisations relating to the share buyback programme**

Type of securities	Date of authorisation (resolution)	Term	Expiry of authorisation	Maximum amount authorised	Use of existing authorisations during the financial year ended 30.06.2018	Features/Terms
Share buyback	AGM of 09.11.2017 (12 <sup>th</sup> )	18 months	08.05.2019	(10% of share capital)	<sup>(1)</sup>	Maximum purchase price: €200
Share buyback	AGM of 17.11.2016 (15 <sup>th</sup> )	18 months	16.05.2018	(10% of share capital)	<sup>(1)</sup>	Maximum purchase price: €150
Cancellation of treasury shares	AGM of 09.11.2017 (13 <sup>th</sup> )	26 months	08.01.2020	(10% of share capital)	None	-

(1) A summary of Company transactions carried out during FY18 as part of the share buyback programme is shown below in the paragraph on the "Share buyback programme".

## 2.1.10 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 FY18 (1 July 2017 – 30 June 2018)

#### Authorisations granted to the Board of Directors

During the Combined Shareholders' Meeting of 17 November 2016, 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 €150 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 9 November 2017 authorised the Board of Directors to trade in the Company's shares under the same conditions and at a maximum purchase price set at €200 per share, for a period of 18 months. This authorisation cancelled the authorisation granted by the Shareholders' Meeting of 17 November 2016 with effect from 9 November 2017, up to 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 2018 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 9 November 2017, which remains in force at the date this document was filed, will expire on 8 May 2019. The Shareholders' Meeting of 21 November 2018 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 21 November 2018".

#### Situation at 30.06.2018

% of direct and indirect treasury shares	0.45%
Number of shares held	1,195,168
Number of shares cancelled in the last 24 months	None
Nominal value	1,852,510
Gross carrying amount	€110,689,955
Portfolio market value <sup>(1)</sup>	€167,204,003

(1) Based on the closing price at 30.06.2018, i.e. €139.90.

### Summary of transactions performed by the Company on its own shares during FY18

The following table details the transactions performed by the Company on treasury shares within the scope of the share buyback programme during FY18.

Total gross flows from 01.07.2016 to 30.06.2017											Positions open at 30.06.2017			
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	Exercise of the cancellation clause	Sale of securities	Sale and repurchase agreements	Transfers <sup>(1)</sup>	Call options <sup>(2)</sup>	Forward purchases	Put options	Forward sales
Number of shares	483,721	490,221	135,632	260,000	100,000	197,525	211,008	-	-	410,332	950,000	-	-	-
Maximum term	-	-	-	15.12.2020	15.11.2018	14.06.2018	21.06.2019	-	-	-	15.12.2020	-	-	-
Average price (in euros)	128.74	129.47	128.19	-	-	-	-	-	-	87.90	109.37	-	-	-
Average price over the period (in euros)	-	-	-	126.53	102.80	64.00	68.54	-	-	-	-	-	-	-
Amount (in euros)	62,273,274	63,469,403	17,387,200	32,897,800	10,280,000	12,641,600	14,462,488	-	-	36,067,232	103,897,000	-	-	-

(1) Transfers of treasury shares.

(2) American call option and sale and repurchase agreement.

Under the share buyback programme authorised by the Shareholders' Meeting of 9 November 2017 and implemented by the Board of Directors, 135,632 shares were purchased on the market at a weighted average price of 128.19 euros per share. In addition, an optional hedge was subscribed for 260,000 shares by acquiring the same number of three-year American call options. The company also purchased 100,000 shares through the exercise of American call options.

Pursuant to authorisations granted by the Combined Shareholders' Meeting of 9 November 2017, the Board of Directors implemented a stock option allocation plan and a performance-based share allocation plan on 9 November 2017.

The 135,632 shares bought on the stock market and the 260,000 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.

Treasury shares constitute reserves covering the various stock options and performance-based share allocation plans still in force. During the period, transfers were made within these reserves of treasury shares: 223,742 shares were allocated to non-French tax residents benefiting from the performance-based share plan of 6 November 2013 (at the end of the four-year vesting period), and 24,849 shares were allocated to beneficiaries of the bonus share allocation plan of 17 November 2016 (vesting of the first third of the shares allocated), in addition to 161,741 shares transferred to cover the rights of beneficiaries who had exercised stock options.

The 100,000 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 €102.80, with a repurchase option (cancellation clause), which allows the Company to recover the shares to be delivered to the beneficiaries of the various plans if necessary.

Cancellation clauses attached to shares sold under sale and repurchase agreements were transferred as and when rights were exercised (or performance-based shares vested). During the period, 408,553 shares were cancelled pursuant to these clauses at an average price of €66.34.

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

- purchased 483,721 shares for a total amount of €62,273,274€; and
- sold 490,221 shares for a total amount of €63,469,403.

### Distribution of treasury shares on 30 June 2018

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 21 November 2018

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 9 November 2017 allowing the Board of Directors to trade in the Company's shares is due to expire on 8 May 2019, a resolution will be proposed at the Shareholders' Meeting of 21 November 2018

(12<sup>th</sup> resolution – see Section 7 of this Registration Document "Combined Shareholders' Meeting") to grant a further authorisation to the Board to trade in the Company's shares at a maximum purchase price of €240 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 1,195,168 shares (*i.e.* 0.45% of the share capital) at the time of the declaration relating to the number of shares and voting rights on 30 June 2018, the maximum number of shares that can be bought will be 25,346,991 (*i.e.* 9.55% 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 12<sup>th</sup> resolution to be put to the vote of the shareholders on 21 November 2018. 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 9 November 2017 in its 13<sup>th</sup> 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 (v); 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 21 November 2018 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 9 November 2017 in its 12<sup>th</sup> resolution.

## 2.1.11 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.

### 2.1.11.1 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 2018" in Section 8 "About the Company and its share capital", in the subsection "Information about its share capital".

Threshold crossings declared during FY18 are also indicated in the table entitled "Allocation of share capital and voting rights on 30 June 2018" in Section 8 "About the Company and its share capital" of this Registration Document, in the sub-section "Information about its share capital".

### 2.1.11.2 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 2.1.12.3 "Voting conditions" below.

In addition, certain shares of the Company have double voting rights as described in subsection 2.1.12.3 "Voting conditions" below.

### 2.1.11.3 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 the subsection 2.1.5 "Composition of the Board of Directors" of this Registration Document and also appears on the AMF website ([www.amf-france.org](http://www.amf-france.org)).

### 2.1.11.4 Agreements entered into by the Company which were 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 4 "Management report" of this Registration Document.

### 2.1.11.5 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 the paragraph "Policy on deferred commitments" in subsection 2.1.8.4 "Compensation policy for the Executive Director".

## 2.1.12 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.



### 2.1.12.1 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.

### 2.1.12.2 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 bond 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.

### 2.1.12.3 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).

### Restrictions 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 bond 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%. The Shareholders' Meeting of 21 November 2018 (resolutions 15 and 16 appearing in Section 7 "Combined Shareholders' Meeting" of this Registration Document) will be asked to modify the Company's bylaws in order to align the methods for calculating the crossing of statutory thresholds and the time limit for notification with the applicable legal rules on crossing thresholds.

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.

### 2.1.12.4 Modification of shareholders' rights

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

## 2.1.13 Management structure

### 2.1.13.1 General Management

On 30 June 2018, the General Management of the Group is carried out by the Chairman & CEO and the Managing Director, Finance & Operations. They form the permanent body for coordinating the Management of the Group.

Composition of the Executive Board on 30 June 2018:

- **Alexandre Ricard, Chairman & CEO**, Executive Director;
- **Gilles Bogaert**, Managing Director, Finance & Operations;
- **Ian FitzSimons**, General Counsel;
- **Conor McQuaid**, Global Business Development Director;

- **Cédric Ramat**, EVP Human Resources, Sustainability & Responsibility.

Note that as of the filing date of this Registration Document, the composition of the Executive Board was as follows:

- **Alexandre Ricard, Chairman & CEO**, Executive Director;
- **Hélène de Tissot**, EVP Finance, IT and Operations;
- **Amanda Hamilton-Stanley**, General Counsel;
- **Christian Porta**, Managing Director, Global Business Development;
- **Cédric Ramat**, EVP 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 BIG (Breakthrough Innovation Group) also report to the Chairman & CEO.

### 2.1.13.2 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 2018:

- the Executive Board; and
- the Chairmen of the Brand Companies:
  - Chivas Brothers, Laurent Lacassagne, Chairman & CEO,
  - Martell Mumm Perrier-Jouët, César Giron, Chairman & CEO,
  - Pernod Ricard Winemakers, Bruno Rain, Chairman & CEO,
  - Irish Distillers Group, Jean-Christophe Coutures, 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, Christian Porta, Chairman & CEO,
  - Pernod Ricard Global Travel Retail, Mohit Lal, Chairman & CEO,
  - Ricard SAS and Pernod SAS, Philippe Savinel, Chairman & CEO.

Note that as of the filing date of this Registration Document, the composition of the Executive Committee was as follows:

- the Executive Board;
- 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;
- 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 Savinel, Chairman & CEO.

## 2.2 INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control and risk management policies and procedures follow corporate governance guidelines which are compliant with the French Financial Markets Authority (AMF) reference framework for risk management and internal control.

### 2.2.1 Definition of internal control

The internal control policies and procedures in effect within the Group are designed:

- firstly, 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; secondly;
- to ensure 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 lastly;
- to ensure the proper protection of assets.

One of the objectives of the internal control systems is to prevent and control all risks arising from the business activities of the Group, 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.

### 2.2.2 Description of the internal control environment

#### 2.2.2.1 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** is attached to the Group's Finance Department and reports to the Executive Board and the Audit Committee. The internal audit team based at the 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 the 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, the Executive Board and the 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 the Headquarters or by 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.

#### 2.2.2.2 Identification and management of risks

FY18 focused on:

- the update of the Group's risk mapping, a process that involved the Group's main affiliates and functions;
- various approaches aimed at strengthening internal control within the Group, 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: 33 internal audits were conducted in FY18. 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 the potential for improvements based on various cross-business areas (digital marketing, use of cloud computing).

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.

### 2.2.2.3 Key components of internal control procedures

The key components of internal control procedures are as follows:

The **Pernod Ricard Charter** specifies the rights and responsibilities of every employee with regard to the Group's fundamental values, in particular its ethics: compliance with the law, integrity and the application of rules and procedures in force within the Group. Every employee is given a copy of the Charter when they are recruited and it is always available on the Group Intranet site.

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 16 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 the Headquarters and sent to all the 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 the 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; and
- 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.

### 2.2.2.4 Legal and operational control of the 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 Pernod Ricard Charter and the Group's internal control principles define the level of autonomy of affiliates, particularly with respect to strategic decisions.

The role assigned to Pernod Ricard, as described in the subsection on "Decentralised organisation" in Section 1 "Overview of Pernod Ricard" of this Registration Document, is an important component of the control of affiliates.

## 2.3 FINANCIAL AND ACCOUNTING REPORTING

### 2.3.1 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.

### 2.3.2 Preparation of Pernod Ricard's Parent Company financial statements

Pernod Ricard prepares its financial statements in accordance with applicable laws and regulations. It prepares the consolidation package in accordance with the instructions received from the Company's Finance Department.

Paris, 28 August 2018

Mr Alexandre Ricard

Chairman & CEO