Grant of Performance-related stock options, Performance-related shares and Free Shares (component of the alternative pension scheme) to Mr Alexandre Ricard, Chairman & CEO
- November 17th 2016 -

I – Annual Long Term Incentive Plan

At its meeting held on November 17th, 2016, the Board of Directors, as per the authorisations given by the Annual Shareholders' Meeting dated November 6th, 2015 (resolutions n. 22nd and 23rd), approved an annual performance-related stock option and performance-related share Plan for the benefit of one thousand recipients within the Group.

Under this Plan and following the recommendation of the Compensation Committee, the Board of Directors decided to grant performance-related stock options and performance-related shares to Mr. Alexandre Ricard, Chairman & CEO, as presented hereafter.

Based on the conclusions of a comparative survey of CAC 40 companies' practices carried out by a service provider, the Board of Directors decided to follow the recommendation of the Compensation Committee on August 31, 2016 and to increase Mr. Alexandre Ricard's total annual allocation to 150% of his gross fixed annual compensation in order to be in line with the practice of the allocations to the Chairpersons & CEOs of CAC 40 companies. The allocation shall be sustained throughout Mr. Alexandre Ricard's term of office, if the Board eventually decides to offer other annual Long-Term Incentive Plans.

- **STOCK OPTIONS WITH EXTERNAL PERFORMANCE CONDITION:**

  - Amount: 31 400 stock options, all of them subject to an external performance condition ;

  - Exercise price: 105,81€ i.e. the average of the closing share prices for the 20 days prior to the date of the grant, with no discount;

  - External performance condition:
    The number of options which can be exercised will depend on the performance of the Total Shareholder Return (TSR) compared to the TSR of a Panel over a period of 3 years starting from 17th November 2016 until 17th November 2019 inclusive:
    - ✓ below the median (8th to 13th position), no option can be exercised;
    - ✓ if equal to the median (7th position), 66% of the options can be exercised;
    - ✓ if in 6th, 5th or 4th position, 83% of the options can be exercised; and
    - ✓ if in 3rd, 2nd or 1st position, 100% of the options can be exercised.

    At the grant date, the Board of Directors decided that the Panel was composed of Pernod Ricard plus twelve peer companies, as follows: Diageo, Brown Forman, Remy Cointreau, Campari, Constellation Brands, AB InBev, LVMH[1], Heineken, Carlsberg, Coca-Cola, PepsiCo and Danone.

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[1] Following the recommendation of the Compensation Committee and in compliance with the regulations governing the allocation plans, the Board decided to include LVMH on the panel to replace SABMiller due to its acquisition by AB InBev on October 10, 2016.

The panel may be modified in the event of a change affecting one or several members of the panel. The Board of Directors could, by fully reasoned decision and following the recommendation of the Compensation Committee, decide to add or exclude a member to or from the panel in cases such as redemption, absorption, dissolution, splitting, merger or change in activity, provided this does not affect the overall consistency of the Panel and still allows the assessment of the external performance condition as determined at the time of the initial grant.

- ➢ The vesting period will be 4 years and will be followed by a 4-year exercise period.

- **PERFORMANCE-RELATED SHARES WITH INTERNAL CONDITION:**

  - ➢ Amount: 5 000 performance-related shares, all subject to an internal performance condition;

  - ➢ Internal performance condition:

The number of performance shares finally transferred shall be determined by the following ratios of achieved Group Organic profit from recurring operations as compared to Group budgeted Organic profit from recurring operations (restated for the effects of foreign exchange rates and scope of consolidation), for 3 consecutive financial years (2016/2017, 2017/2018 and 2018/2019).

The number of performance shares is determined as follows:

- ✓ If the average is lower than or equal to 0.95: no performance share shall vest;
- ✓ If the average is between 0.95 and 1: the number of performance shares having vested shall be determined by applying the percentage of linear progress between 0 and 100%;
- ✓ If the actual average is equal to or higher than 1: 100% of the performance shares will vest.

- ➢ The vesting period of the performance-related shares is 4 years, without any further holding obligation. The Executive Directors shall comply with the holding requirements mentioned hereinafter.

- **PERFORMANCE-RELATED SHARES WITH INTERNAL AND EXTERNAL CONDITIONS:**

  - ➢ Amount: 8 200 performance-related shares, all of them subject to both internal and external performance conditions;

  - ➢ Performance conditions: the number of performance shares will be definitively determined by application of the two performance conditions (first internal then second external) identical to those specified above.

↳ Firstly: application of the internal performance condition determined by the ratios of the Group actual Organic profit from recurring operations as compared to the Group's budgeted Organic profit from recurring operations (restated for the effects of foreign exchange rates and scope of consolidation), for 3 consecutive financial years.

The number of performance-based shares confirmed after application of the internal condition shall then be subject to the external condition.

↳ Secondly: application of the external performance condition determined by the performance of the Total Shareholder Return (TSR) of Pernod Ricard over the period from 17th

November 2016 to 17th November 2019 (3 years) compared to the TSR of the Panel (e.g. same as for the stock options).

- <u>The vesting period of the performance-related shares is 4 years</u>, without any further holding obligation. The Executive Directors shall comply with the holding requirements mentioned hereinafter.

<u>Compliance with the caps applicable to Executive Directors:</u>

At its meeting held on November 17, 2016, the Board of Directors ensured that the quantity of options or shares granted to the Executive Director was in line with the 0.06% of the share capital specific cap indicated in the 22nd and 23rd resolutions as approved by the Shareholders' Meeting of November 6th 2015. The grants to the Executive Director respectively represent 0.005% and 0.012% of the share capital.

<u>Holding and acquisition requirements applicable to Executive Directors, in terms of stock options and performance shares:</u>

Moreover, as for previous grants, following the recommendation of the Compensation Committee, the Board of Directors set the following requirements on November 17, 2016:

- <u>Requirement to hold stock-options and performance-based shares</u>:

  The Executive Director shall retain in a registered form and until the end of his term of office a number of shares corresponding to (i) 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 (ii) in respect of performance-based shares, 20% of the volume of performance-based shares that will be actually transferred to him.

- <u>Requirement to acquire additional shares</u>:

  The Executive Director shall undertake to buy a number of shares equal to 10% of the performance-based shares transferred, at the time that the performance-based shares are effectively transferred to him.

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 obligation will be reduced to 10% for both stock options and performance-based shares and the Executive Director will no longer be required to acquire additional shares. If, in the future, his registered holdings fall below the ratio of 3, the lock-in and acquisition requirements mentioned above will apply anew.

<u>II – EXCEPTIONAL GRANT OF FREE SHARES (COMPONENT OF THE NEW ALTERNATIVE PENSION SCHEME)</u>

In return for the cancellation of the defined-benefit supplementary pension scheme and in order to take into consideration the fact that the Executive Officer shall have to build up his supplementary pension on his own (cf. online release dated September 5, 2016), the Board of Directors has decided, following the recommendation made by the Compensation Committee, to grant additional compensation to Mr. Alexandre Ricard provided (i) his term of office is renewed by the Board when it meets immediately after the close of the AGM on 17 November 2016 and (ii) the shareholders at the AGM on 17 November 2016 approve the resolution governing the grant of free shares.

As a consequence, based on the renewal of the term of office of the Corporate Officer and the AGM approval of resolution 16 on the exceptional grant of free shares, the Board of Directors decided to make an exceptional grant of 26,968 free shares, to Mr. Alexandre Ricard when it met after the AGM on November 17, 2016. The final acquisition shall be subject to attendance and be distributed over three years (i.e. 8,989 shares in November 2017, 8,989 shares in November 2018 and 8,990 shares in November 2019).

As this grant is designed to partly offset the entitlements from the defined-benefit supplementary pension scheme that the Corporate Officer will no longer have, the Board of Directors, following the recommendations of the Compensation Committee, decided not to make shares subject to performance conditions. However, the Board decided to impose an attendance condition by distributing the grant over a period of 3 years.

At the close of the acquisition period, all the shares shall be subject to a holding period of at least 2 years. The Board decided that the compensation would be in shares only, so as to be fully in line with the interests of the shareholders. The IFRS value of the shares is 2.668 million euros.

Holding and acquisition requirements applicable to Executive Director, in terms of free shares:

Following the recommendation of the Compensation Committee, the Board of Directors held on November 17th 2016, has determined the following requirements:

- Requirement to hold free shares:

  The Executive Director shall retain in a registered form and until the end of their term of office a number of shares corresponding to 20% of the volume of free shares that are effectively transferred to him.

- Requirement to acquire additional shares:

  The Executive Director shall undertake to buy a number of shares equal to 10% of the free shares transferred, when the free shares are actually transferred to him.

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 obligation will be reduced to 10% and the Executive Director will no longer be required to acquire additional shares. If, in the future, his registered holdings fall below the ratio of three, the lock-in and acquisition requirements mentioned above will apply anew.

Respect of the specific ceilings applicable to Executive Director:

At its meeting held on November 17, 2016, the Board of Directors ensured that the quantity of options or shares granted to the Executive Director was in line with the 0.02% of the share capital specific cap indicated in the 16th resolution as approved by the Shareholders' Meeting of November 17th 2016: the present grant to the Executive Director represents 0.01% of the share capital.