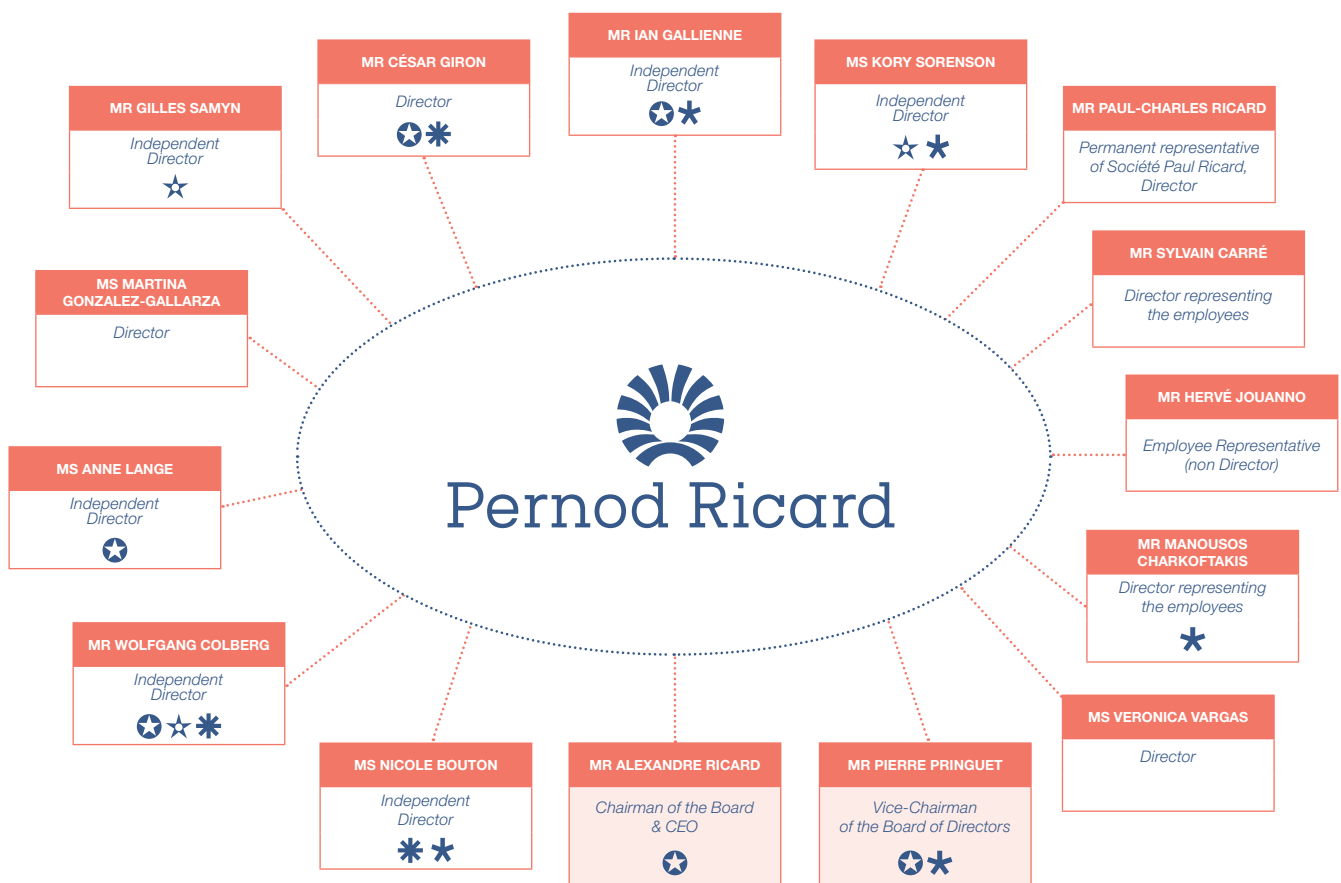


# REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY ON THE COMPOSITION OF THE BOARD AND THE IMPLEMENTATION OF THE PRINCIPLE OF BALANCED REPRESENTATION OF WOMEN AND MEN ON THE BOARD, AND ON THE CONDITIONS GOVERNING THE PREPARATION AND ORGANISATION OF THE WORK PERFORMED BY THE BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS ON 30 JUNE 2017



- STRATEGIC COMMITTEE
- AUDIT COMMITTEE
- NOMINATIONS, GOVERNANCE AND CSR COMMITTEE
- COMPENSATION COMMITTEE

## 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 French citizen	45	M	29.08.2012	Shareholders' Meeting 2020	5				(Chairman) X
<b>Pierre Pringuet</b> Vice Chairman of the Board of Directors French citizen	67	M	17.05.2004	Shareholders' Meeting 2020	13		X		X
<b>Directors considered as independent by the Board</b>									
<b>Nicole Bouton</b> French citizen	69	F	07.11.2007	Shareholders' Meeting 2019	10		(Chairwoman) X	(Chairwoman) X	
<b>Wolfgang Colberg</b> German citizen	57	M	05.11.2008	Shareholders' Meeting 2020	9	(Chairman) X		X	X
<b>Ian Gallienne</b> French citizen	46	M	09.11.2012	Shareholders' Meeting 2018	5		X		X
<b>Gilles Samyn</b> Belgian and French citizen	67	M	06.11.2014	Shareholders' Meeting 2018	3	X			
<b>Kory Sorenson</b> British citizen	48	F	06.11.2015	Shareholders' Meeting 2019	2	X	X		
<b>Anne Lange</b> French citizen	49	F	20.07.2016	Shareholders' Meeting 2017	1				X
<b>Directors</b>									
<b>César Giron</b> French citizen	55	M	05.11.2008	Shareholders' Meeting 2020	9			X	X
<b>Martina Gonzalez-Gallarza</b> Spanish citizen	48	F	25.04.2012	Shareholders' Meeting 2018	5				
<b>Société Paul Ricard</b> (Represented by Mr Paul-Charles Ricard) French citizen	35	M	09.06.1983	Shareholders' Meeting 2017	34				
<b>Veronica Vargas</b> Spanish citizen	36	F	11.02.2015	Shareholders' Meeting 2017	2				
<b>Directors representing the employees</b>									
<b>Sylvain Carré</b> French citizen	51	M	02.12.2013	02.12.2017	4				
<b>Manousos Charkoftakis</b> Greek citizen	47	M	28.11.2013	28.11.2017	4		X		
<b>NUMBER OF MEETINGS FINANCIAL YEAR 2016/17</b>					<b>8</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>2</b>
<b>AVERAGE ATTENDANCE RATE</b>					<b>97.35%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## DUTIES PERFORMED BY THE DIRECTORS



Mr Alexandre RICARD

**Chairman of the Board and Chief Executive Officer**

45 years old  
French citizen

**Business address:**

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

**Number of shares held on 30 June 2017:**

57,556

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 (Management and Consulting) and Morgan Stanley (Mergers and Acquisitions Consulting), he joined the Pernod Ricard group 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 CEO of Pernod Ricard Asia Duty Free in September 2006. In July 2008, he was appointed as Chairman and Chief Executive Officer 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 outside the Group on 30.06.2017 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**

67 years old  
French citizen

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

**Number of shares held on 30 June 2017:**  
380,088

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 CEOs, 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 CEO 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 30.06.2017 or at the date of resignation where applicable**

- Director of Iliad\*
- Director of Cap Gemini\*
- Member of the Supervisory Board of Vallourec\*
- 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)

\* Listed company.



Ms Nicole BOUTON

**Independent Director**

69 years old  
French citizen

**Business address:**

Friedland Gestion  
90 avenue des Ternes  
75017 Paris (France)

**Number of shares held on 30 June 2017:**

1,150

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 remains Chairwoman of Financière Accréditée. 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 30.06.2017 or at the date of resignation where applicable**

- Chairwoman of the Strategy Committee of Friedland Gestion
- Director of AMOC (Opéra Comique)

**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)



Mr Wolfgang COLBERG

**Independent Director**

57 years old  
German citizen

**Business address:**

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

**Number of shares held on 30 June 2017:**

1,076

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 30.06.2017 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 (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)



Mr Ian GALLIENNE

**Independent Director**

46 years old  
French citizen

**Business address:**  
Groupe Bruxelles Lambert  
24 Avenue Marnix  
1000 Brussels (Belgium)

**Number of shares held on 30 June 2017:**  
1,000

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 30.06.2017 or at the date of resignation where applicable

- Managing Director of Groupe Bruxelles Lambert\* (Belgium)
- Director of Imerys\*
- Director of SGS SA\* (Switzerland)
- Director of Erbe SA (Belgium)
- Director of Adidas AG\* (Germany)

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

- Director of Lafarge SA\*
- 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)
- Director of Umicore\* (Belgium)

\* Listed company.



Mr César GIRON

**Director**

55 years old  
French citizen

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

**Number of shares held on 30 June 2017:**  
5,587

After graduating from the École Supérieure de Commerce de Lyon, Mr César Giron joined the Pernod Ricard group in 1987 where he has spent his entire career. In 2000, he was appointed CEO 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 Société 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.

#### Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

##### Within the Group

##### French companies

- 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

# 2 CORPORATE GOVERNANCE AND INTERNAL CONTROL

Report of the Chairman of the Board of Directors of the Company



Ms Martina GONZALEZ-GALLARZA

Director

48 years old  
Spanish citizen

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

**Number of shares held on 30 June 2017:**  
1,100

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 90 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 other professional degree programmes. She was a visiting scholar at Columbia University (New York City), at ESCP France and at the University of Sassari (Sardinia, Italy).

In addition, Ms Martina Gonzalez-Gallarza is a member of the American Marketing Association, of the Spanish and French marketing associations, as well as a member of the International Association of Scientific Experts in Tourism (AIEST).

Ms Martina Gonzalez-Gallarza has been a Director of Pernod Ricard since 2012.

## Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

■ N/A

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

■ N/A



Ms Anne LANGE

Independent Director

49 years old  
French citizen

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

**Number of shares held on 30 June 2017:**  
100

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 is currently co-founder and CEO of Mentis, a company which develops applications and platforms in the field of connected objects and collaborates with groups on mobility solutions and management of urban spaces. She is a Director of Orange and 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.

Ms Anne Lange has been a Director of Pernod Ricard since 2016.

## Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Director of Orange\*
- Director of the Imprimerie Nationale\*

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

■ N/A

\* Listed company.  
N/A: Not applicable.





Mr Paul-Charles RICARD

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

35 years old  
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 2017:**

182,226

**Number of shares held by Société Paul Ricard at 30 June 2017:**

24,579,562

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 30.06.2017 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**

- N/A

(1) Unlisted company, shareholder of Pernod Ricard.

N/A: Not applicable.



Mr Gilles SAMYN

**Independent Director**

67 years old  
Belgian and French citizen

**Business address:**  
CNP  
Rue de la Blanche Borne 12  
B-6280 Loverval (Belgium)

**Number of shares held on 30 June 2017:**  
1,000

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 Managing Director.

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

## Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Chairman of the Board of Transcor Astra Group SA (Belgium)
- Chairman of Cheval Blanc Finance SAS
- Chairman of the Board of Helio Charleroi Finance SA (Luxembourg)
- Managing Director of Domaines Frère-Bourgeois SA (Belgium)
- Managing Director of Frère-Bourgeois SA (Belgium)
- Managing Director of Erbe SA (Belgium)
- Director of Groupe Bruxelles Lambert SA\*, (GBL) (Belgium)
- Director of Pargesa Holding SA\* (Switzerland)
- Member of the Supervisory Board of Métropole Télévision (M6) SA\*
- Director of AOT Holding Ltd (Switzerland)
- Director of Banca Leonardo SpA (Italy)
- Manager of Sienna Capital SARL (Luxembourg)
- 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)
- Permanent Representative of Société des Quatre Chemins SA, Chairman of Fibelpar SA (Belgium)
- Alternate Director of Cheval des Andes SA, ex-Opéra Vineyards SA (Argentina)
- Chairman of Compagnie Immobilière de Roumont SA (Belgium)
- Chairman of Compagnie Nationale à Portefeuille SA (Belgium)
- Chairman of Europart SA (Belgium)
- Chairman of the Board of Filux SA (Luxembourg)
- Managing Director of Financière de la Sambre SA (Belgium)
- Chairman of the Board of Finer SA, ex-Erbe Finance SA (Luxembourg)

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

- Chairman and Permanent Representative of Société des Quatre Chemins SA, Director of ACP SA (Belgium)
- *Commissaris* of Agesca Nederland NV (Netherlands)
- Permanent Representative of ACP SA, Director of Antwerp GAZ Terminal NV (Belgium) Vice Chairman of APG/SGA SA\* (Switzerland)
- Director of Belgian Ice Cream Group NV (Belgium)
- Chairman of Belgian Sky Shops SA (Belgium)
- Managing Director of Carpar SA (Belgium)
- Director of Carsport SA (Belgium)
- Vice Chairman of Compagnie Nationale à Portefeuille SA (Belgium)
- Director of Entremont Alliance SAS
- Managing Director of Fibelpar SA (Belgium)
- Managing Director of Fingen SA (Luxembourg)
- Chairman of Groupe Jean Dupuis SA
- Chairman of International Duty Free SA, ex-Distripar SA (Belgium)
- Chairman of Newcor SA (Belgium)
- Permanent Representative of Société des Quatre Chemins SA, Managing Director of Compagnie Nationale à Portefeuille SA, ex-Newcor SA (Belgium)
- Director of Société Générale d’Affichage SA (Switzerland)
- 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)
- Manager of Sodisco SARL
- Chairman of Solvayschoolsalumni ASBL (Belgium)
- Director of Starco Tielon NV (Belgium)
- Member of the Investment Committee of Tikehau Capital Partners SAS

\* Listed company.

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- Manager of Gosa SDC (Belgium)
  - Permanent Representative of Frère-Bourgeois SA, Manager of GBL Energy SaRL (Luxembourg)
  - Director of Grand Hôpital de Charleroi ASBL (Belgium)
  - Managing Director of Investor SA (Belgium)
  - Chairman of the Board of Directors of Kermadec SA (Luxembourg)
  - Managing Director of Loverval Finance SA, ex-Compagnie Nationale à Portefeuille SA (Belgium)
  - *Commissaris* of Parjointco NV (Netherlands)
  - Director of Société Civile du Château Cheval Blanc
  - Managing Director of Société des Quatre Chemins SA (Belgium)
  - Director of Stichting Administratiekantoor Frère-Bourgeois (Netherlands)
  - Chairman of Swilux SA (Luxembourg)
  - Manager of Astra Oil Company LLC (AOC) (United States)
  - Director of Astra Transcor Energy NV (ATE) (Netherlands)
  - Chairman of TAGAM AG (Switzerland)
  - Chairman of Worldwide Energy Ltd AG (Switzerland)
  - Director of Transcor East Ltd (Switzerland)
  - Director of TTR Energy SA (Belgium)
  - Chairman of Unifem SAS
  - Director of Fidentia Real Estate Investments SA (Belgium)
  - Permanent Representative of Société des Quatre Chemins SA, Director and Chairman of ACP SA
  - Chairman of Groupe Flo SA\*
  - Chairman of Financière Flo SAS
  - Director of Belholding Belgium SA (Belgium)
- 

\* Listed company.



**Ms Kory SORENSON**  
**Independent Director**

48 years old  
British citizen

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

**Number of shares held on 30 June 2017:**  
1,000

Ms Kory Sorenson, a British citizen born in the United States, has 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 President 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 President of the Compensation Committee of Phoenix Group Holdings (listed in Great Britain), member of the Supervisory Board of UNIQA Insurance Group AG (listed in Austria), Director of Aviva Insurance Limited in Great Britain 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 30.06.2017 or at the date of resignation where applicable**

- Director of Phoenix Group Holdings\* (Great Britain)
- Director of SCOR SE\*
- Director of SCOR Global Life Americas Reinsurance Company (United States)
- Director of SCOR Global Life USA Reinsurance Company (United States)
- Director of Aviva Insurance Limited (Great Britain)
- Member of the Supervisory Board of UNIQA Insurance Group AG\* (Austria)
- 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)



**Ms Veronica VARGAS**  
**Director**

36 years old  
Spanish citizen

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

**Number of shares held on 30 June 2017:**  
6,820

Ms Veronica Vargas received a MEng degree in Industrial Engineering from the "Escuela Técnica Superior de Ingenieros" (Seville, Spain) and completed her degree in France at 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 30.06.2017 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**

- N/A

\* Listed company.  
N/A: Not applicable.



Mr Sylvain CARRÉ

**Director representing the employees**

51 years old  
French citizen

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

Mr Sylvain Carré joined the Pernod Ricard group 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 has been a Director representing the employees since the Board of Directors' meeting of 21 January 2014 following his nomination by the Group Committee (France) on 2 December 2013.

**Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable**

■ N/A

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

■ N/A



Mr Manousos CHARKOFTAKIS

**Director representing the employees**

47 years old  
Greek citizen

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

**Number of shares held on 30 June 2017:**  
50

Mr Manousos Charkoftakis joined the Pernod Ricard group 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 has been a Director representing the employees since the Board of Directors' meeting of 21 January 2014 following his election by the European Works Council on 28 November 2013.

**Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable**

■ N/A

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

■ N/A

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 the Directors representing the

employees (namely Mr Sylvain Carré and Mr Manousos Charkoftakis), who respectively hold the positions of Production Team Manager at Pernod and Area Sales Manager for Crete and the Aegean Islands at Pernod Ricard Hellas.

N/A: Not applicable.

## GOVERNANCE STRUCTURE

### Reunification of the functions of Chairman of the Board of Directors and CEO

During its meeting of 29 August 2012, the Board of Directors, on the recommendation of the Nominations, Governance and CSR Committee, appointed Ms Danièle Ricard as Chairwoman of the Board of Directors, following the death of Mr Patrick Ricard, and Mr Pierre Pringuet as Vice Chairman of the Board of Directors; Mr Pierre Pringuet, additionally, retained his position as Chief Executive Officer, which was renewed during the Board meeting of 9 November 2012. As Mr Pierre Pringuet's term of office expired on 11 February 2015, by virtue of the Company's bylaws, and following the decision of Ms Danièle Ricard to withdraw from the Board of Directors, on 11 February 2015 the Board of Directors decided that the functions of Chairman and CEO should be reunified and appointed Mr Alexandre Ricard as Chairman & CEO, in accordance with the French Commercial Code and the AFEP-MEDEF Code. 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 every major decision 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; strategy. These Committees are mostly composed of Independent Directors <sup>(1)</sup>, the Company going beyond the recommendations of the AFEP-MEDEF Code (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).

### 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 at the Shareholders' Meeting. He oversees the proper operation of the Company's managing bodies and, in particular, ensures 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.

### 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 of 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.

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

<sup>(2)</sup> In accordance with the law, Directors representing the employees are not required to hold a minimum number of Company's shares.

## 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 Directors is to chair the meetings of the Board of Directors or the Shareholders' Meeting should the Chairman of the Board be unable to attend.

On the recommendation of the Nominations, Governance and CSR Committee and pursuant to the Internal Regulations of the Board, the Board of Directors has, in monitoring of and compliance with rules of good governance, and particularly those relating to conflicts of interest, entrusted to the Vice Chairman, in view of his expertise in corporate governance, 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;
- 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.

## 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 November 2016 (the "AFEP-MEDEF Code"), available on the AFEP and MEDEF websites, was the Code to which Pernod Ricard referred to 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 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.

## COMPOSITION OF THE BOARD OF DIRECTORS

### 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 Board of Directors of the Company comprises no fewer than 3 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 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>(2)</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, two Directors representing the employees have sat on the Board of Directors since January 2014, following their nomination on 28 November 2013 by the European Works Council and on 2 December 2013 by the Group Committee (France), respectively.

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. The intention is thereby to pursue the objectives with regard to the composition of the Board of Directors and its Committees, taking into consideration the Group's strategic orientations in particular.

(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) 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.



## Changes in the composition of the Board of Directors

### During the 2016/17 financial year

The Shareholders' Meeting of 17 November 2016 ratified the co-option of Ms Anne Lange as Director, in order to replace Mr Laurent Burelle, following his resignation from his functions as Director, for the remainder of his term of office, namely until the close of the Shareholders' Meeting of 9 November 2017.

The Shareholders' Meeting of 17 November 2016 renewed the directorships of Mr Alexandre Ricard, Mr Pierre Pringuet, Mr César Giron and Mr Wolfgang Colbert for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2020 to approve the financial statements for the previous financial year.

### During the 2017/18 financial year

As Ms Anne Lange's, Ms Veronica Varga's and Société Paul Ricard's directorships expire at the close of the Shareholders' Meeting held on 9 November 2017, 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 as Directors for a four-year period expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

Thus, at the close of the Shareholders' Meeting of 9 November 2017, the Board of Directors would comprise 14 members (including two Directors representing the employees), six Independent Directors (50%) and five women (42%) 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. Moreover, six Directors are of foreign nationality.

The terms of office of the Directors representing the employees expire at the end of 2017 and, in accordance with the law and the Company's bylaws (article 16), only one of those terms will be renewed, the Board of Directors being composed of 12 members elected by the Shareholders' Meeting. Thus, in December 2017, the Group Committee (France) will appoint the Director representing the employees at the Board of Directors of the Company.

## 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 or investment banker 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 an Executive Director.
<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 twelve years.
<b>Criterion 7</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	Qualification selected by the Board
<b>Executive Directors</b>								
<b>Alexandre Ricard</b> Chairman & CEO French citizen			X		X	X		Non-independent
<b>Pierre Pringuet</b> Vice Chairman of the Board of Directors French citizen			X	X	X		X	Non-independent
<b>Directors considered as independent by the Board</b>								
<b>Nicole Bouton</b> French citizen	X	X	X	X	X	X	X	Independent
<b>Wolfgang Colberg</b> German citizen	X	X	X	X	X	X	X	Independent
<b>Ian Gallienne</b> French citizen	X	X	X	X	X	X	X	Independent*
<b>Gilles Samyn</b> Belgian and French citizen	X	X	X	X	X	X	X	Independent*
<b>Kory Sorenson</b> British citizen	X	X	X	X	X	X	X	Independent
<b>Anne Lange</b> French citizen	X	X	X	X	X	X	X	Independent
<b>Directors</b>								
<b>César Giron</b> French citizen			X		X	X		Non-Independent
<b>Martina Gonzalez-Gallarza</b> Spanish citizen	X	X	X	X	X	X	X	Non-independent**
<b>Société Paul Ricard</b> (Represented by Mr Paul-Charles Ricard) French citizen		X	X		X			Non-independent
<b>Veronica Vargas</b> Spanish citizen	X	X			X	X		Non-independent
<b>Directors representing the employees***</b>								
<b>Sylvain Carré</b> French citizen								Representing the employees
<b>Manousos Charkoftakis</b> Greek citizen								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 Rafael Gonzalez-Gallarza, her father.

\*\*\* In accordance with the AFEP-MEDEF Code, the Directors representing the employees are not taken into account when determining the independence percentage of the Board of Directors.

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 and that it did not challenge the Director's independence. Indeed, the purchases made by International Duty Free and Group Flo from Pernod Ricard amounted to approximately €620,000 (on a turnover of €163 million) and approximately €35,000 (on a turnover of €266.5 million) respectively. In addition, there is no economic dependence between these companies and Pernod Ricard.

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 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 7). 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;
- 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;
- GBL has the reputation to be diligent and 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 19 April 2017, following the recommendation of the Nominations, Governance and

CSR Committee, confirmed that 6 out of 12 members of the Board of Directors (excluding the two Directors representing the employees <sup>(1)</sup>) are deemed to be independent: Ms Nicole Bouton, Ms Anne Lange and Ms Kory Sorenson and Messrs Wolfgang Colberg, Ian Gallienne and Gilles Samyn, representing half of the Board of Directors as required by the AFEP-MEDEF Code.

## Directors' Code of Conduct

Article 4 of the Internal Regulations adopted by the Board of Directors on 17 December 2002 and article 17 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 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.

In accordance with this Code, Directors are asked to submit any transactions involving Pernod Ricard shares or its derivatives to the Ethics Committee for approval.

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 stock market transactions 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 market transactions involving the Company's shares or its derivatives.

## 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 or suppliers under which one of the members of the Board of Directors or General Management has been appointed.

To the Company's knowledge and at the date hereof, except as described in the "Shareholders' agreements" subsection of Section 8 "About the Company and its share capital", 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.

<sup>(1)</sup> 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.

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.

### **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 CEO;
- 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**

Since the nomination of two Directors representing the employees at the end of 2013, employees of Pernod Ricard SA are now represented by only one person who assists the Board meetings, currently Mr Hervé Jouanno.

## **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 adopted in 2002 and last amended most recently by the Board of Directors held 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.

### **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 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.

### **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.

A Director may ask for explanations or for additional information to be shared 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.

## 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 report of the Chairman of the Board of Directors on the composition of the Board and 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 2016/17

- The Board of Directors met eight times with an attendance rate of 97.35%. Meetings lasted approximately three hours on average.
- 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 on the minutes and discussions related to the work entrusted with 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 30 August 2017 established the 2017/18 compensation policy for the Chairman & CEO submitted to the approval of the Shareholders' Meeting (10<sup>th</sup> resolution) in accordance with the "Sapin 2" Law and evaluated his variable compensation for 2016/17 without him being present.
- In accordance with the recommendations of the AFEP-MEDEF Code, Directors met without the Executive Director or Directors performing Group executive or management functions 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, in particular regarding the proportion of women and the diversity of the Directors' profiles.
- The Board of Directors carried out, with the support of the work of the Nominations, Governance and CSR Committee, an external and formal review of its operations at its meeting of 20 July 2017.

## 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;
- a check that significant issues are adequately prepared and discussed.

In accordance with the AFEP-MEDEF Code and with its Internal Regulations, the Nominations, Governance and CSR Committee and the Board carried out, during the financial year, a review of the operations of the Board and its Committees.

It should be noted that the triennial external review of the operation of the Board and its Committees was carried out in the 2014/15 financial year. Using a formalised interview guide, individual interviews were conducted with each Director by an external consultant specialising in corporate governance issues. The next external review will be held during the 2017/18 financial year.

It appears from the last triennial review and the annual review performed during the 2016/17 financial year by the Board of Directors on 20 July 2017 that the Directors were unanimous in their opinion that the Board is very dynamic, that its ways of working have evolved positively over the past few years, that it is extremely professional and transparent, and that trust and attachment to the Group's family values are key elements.

The Directors are also very pleased with the Committees' operations, their composition and their efficiency.

In a constructive approach, the Directors did, however, express a number of suggestions to improve their collective work.

The Nominations, Governance and CSR Committee and the Board of Directors have taken note of these suggestions, and proposals for improvements have been submitted to the Directors and implemented:

- a collective review of the Group policy about risk management;
- the distribution of the Board timetable eighteen months in advance;
- the implementation of a specific integration program for all new Directors, including visits to affiliates;
- more time dedicated to Committee reports;
- an enhancement of knowledge of the Group and its organisation thanks to presentations made by Managers of affiliates or Directors of activities.

## Shareholders' Meetings and attendance procedures

Article 32 of the bylaws sets out the procedures that shareholders must follow in order to attend Shareholders' Meetings. A summary of these rules is provided in Section 8 "About the Company and its share capital" of this Registration Document.

## STRUCTURE AND OPERATION OF THE COMMITTEES

### 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.

### Audit Committee

#### Audit Committee

##### Composition

**On 30 August 2017, the Audit Committee comprises:**

##### Chairman:

Mr Wolfgang Colberg (Independent Director)

##### Members:

Mr Gilles Samyn (Independent Director)

Ms Kory Sorenson (Independent Director)

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.

**During the 2016/17 financial year, the Audit Committee met 4 times, with an attendance rate of 100%.**

##### Main roles

**The main roles of this Committee are the following:**

- reviewing the Group's draft annual and half-year Parent Company and consolidated financial statements before they are submitted to the Board of Directors;
- 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;
- making recommendations, if necessary, to ensure the integrity of the financial reporting process;
- ensuring the appropriate accounting treatment of complex or unusual transactions at Group level;
- examining the scope of consolidation and, where appropriate, the reasons why some companies may not be included;
- assessing the Group's internal control systems and reviewing internal audit plans and actions;
- examining the material risks and off-balance sheet commitments and assessing how these are managed by the Company;
- examining any matter of a financial or accounting nature submitted by the Board of Directors;
- 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);
- reviewing conclusions and action plans resulting from the controls carried out by the Haut Conseil du Commissariat aux Comptes;
- supervising the procedure for selecting Statutory Auditors.

## Audit Committee

### Main activities in 2016/17

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 2016 during the meeting held on 7 February 2017;
- review of the consolidated financial statements on 30 June 2017 (reviewed at the meeting held on 29 August 2017): 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;
- renewal of the Statutory Auditors: in the context of the forthcoming expiry of Deloitte's term of office, the Audit Committee oversaw the selection process until its final recommendation, submitted at the Meeting of 13 June 2017, to renew Deloitte as Statutory Auditor for a period of six financial years;
- risk management: the Group's main risks are regularly presented in detail to the Audit Committee (the meetings held on 6 December 2016 and 13 June 2017 were devoted mainly to risk management). The implementation of cyber security governance and a dedicated IT audit function has been carried out in 2017, as well as the development of data analytics to strengthen internal audit approaches. Moreover, internal control rules for purchases and data classification were subject to cross-functional reviews in 2016/17 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 29 August 2017;
- examine the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 20 internal audits were performed in Financial Year 2016/17 by the internal audit teams. 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 all 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 Financial Year 2017/18 was made at the meeting held on 13 June 2017. The audit plan was prepared and approved, taking into account the Group's main risks.

### Outlook for 2017/18

In 2017/18, 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, 2017/18 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 2017/18 audit plan. A Group risk mapping process is planned for 2017/18, involving the various affiliates and functions of the Group.



## The Nominations, Governance and CSR Committee

### The Nominations, Governance and CSR Committee

#### Composition

On 30 August 2017, the Nominations, Governance and CSR Committee comprises:

##### Chairwoman:

Ms Nicole Bouton (Independent Director)

##### Members:

Mr Wolfgang Colberg (Independent Director)

Mr César Giron (Director)

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 & CEO, is associated with the work of the Committee in matters relating to the appointment of Directors, in accordance with the AFEP-MEDEF Code.

In 2016/17, this Committee met three times, with an attendance rate of 100%.

#### Main roles

The roles of this Committee, formalised in its Internal Regulations, are the following:

- drawing up proposals concerning the selection of new Directors and proposing headhunting and renewal procedures;
- periodically, and on at least an annual basis, 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;
- 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;
- being informed of the succession plan for key Group positions;
- 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;
- carrying out regular assessments of the operation of the Board of Directors;
- evaluating the suitability of the commitments of the Company with regard to corporate and social responsibility (S&R);
- monitoring the implementation of the S&R commitments at Group level.

#### Main activities in 2016/17

In 2016/17, the main activities of the Nominations, Governance and CSR Committee included:

- a reflexion on the governance of the Group;
- annual examination 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);
- review of the Group's S&R issues;
- annual review of Pernod Ricard's policy on equal opportunities and pay;
- annual evaluation of the operation of the Board of Directors and its Committees;
- proposal of matters to be examined to improve the operation of the Board of Directors;
- annual review of the Group's Talent Management policy and presentation of the succession plans for the Group's main Executive Directors.

#### Outlook for 2017/18

In 2017/18, 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 the Directors' independence, but will also focus on the external evaluation of the Board's and Committees' operation so that it can present the Directors with proposals for improvements with the support of a specialised external firm (formalisation of a questionnaire used during individual interviews with each Director), and will also review the Group S&R challenges.

## Compensation Committee

### Compensation Committee

#### Composition

**On 30 August 2017, the Compensation Committee comprises:**

#### Chairwoman:

Ms Nicole Bouton (Independent Director)

#### Members:

Mr Ian Gallienne (Independent Director)

Mr Pierre Pringuet (Director)

Ms Kory Sorenson (Independent Director) <sup>(1)</sup>

Mr Manousos Charkoftakis (Director representing employees)

Three out of the four Directors who are members of the Compensation Committee (excluding the Director representing the employees <sup>(2)</sup>) are Independent Directors (75%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%.

In 2016/17, the Compensation Committee met four times, with an attendance rate of 100%.

#### Main roles

The roles of this Committee, as confirmed by the Board of Directors on 12 February 2014, are the following:

- 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;
- 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-term, medium-term and long-term strategic orientations;
- 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:
  - for duties performed as Board members,
  - for duties carried out on Committees of the Board of Directors;
- being informed of the compensation policy of the Senior Non-Executive Managers of the Group companies;
- ensuring that the compensation policy for Senior Non-Executive Managers is consistent with the policy for Executive Directors;
- proposing the general policy for allocation of stock options and performance-based shares, in particular the terms applicable to the Company's Executive Directors;
- approving the information provided to the shareholders in the annual report on the compensation of the Executive Directors (in particular, the compensation policy and the elements of compensation submitted to the shareholders' advisory vote under the "Say on Pay" initiative) and the policy for the allocation of stock options and performance-based shares as well as, more generally, the other work of the Compensation Committee.

#### Main activities in 2016/17

- Further details of the work of the Compensation Committee are provided in the "Corporate officers' compensation" subsection in Section 4 "Management report" of this Registration Document.
- During the 2016/17 financial year, the members of the Compensation Committee considered the regulatory developments and the best practices, notably in terms of good governance and transparency regarding the elements of the Executive Directors' compensation, and suggested proposals to the Board for the subsequent practical application of certain measures by Pernod Ricard. They have also studied the defined-benefit supplementary pension scheme of Mr Alexandre Ricard and recommended the implementation of an alternative pension plan. They have also formalised all the items of the compensation policy of the Chairman & CEO in a report, which will be submitted to the Shareholders' Meeting for approval in accordance with the "Sapin 2" Law.

#### Outlook for 2017/18

In 2017/18, the Committee will continue with the tasks it is carrying out for the Board of Directors, notably the analysis of the compensation policy for the Executive Directors with respect to the AFEP-MEDEF Code recommendations and the "Sapin 2" Law, as well as preparing the elements of compensation due or granted in respect of the 2016/17 financial year to the Executive Director and to be submitted to the shareholders' advisory vote at the Shareholders' Meeting of 9 November 2017 ("Say on Pay").

(1) Since 20 July 2016.

(2) 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.



## Strategic Committee

## Strategic Committee

## Composition

On 30 August 2017, the Strategic Committee comprises:

## Chairman:

Mr Alexandre Ricard (Chairman & CEO)

## Members:

Mr Wolfgang Colberg (Independent Director)

Mr Ian Gallienne (Independent Director)

Mr César Giron (Director)

Ms Anne Lange (Independent Director) <sup>(1)</sup>

Mr Pierre Pringuet (Director)

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.

In 2016/17, the Strategic Committee met twice with an attendance rate of 100%.

All the Directors may, upon request, and even if they are not members of the Committee, participate in the meetings of the Strategic Committee.

## Main roles

The roles of the Strategic Committee, as confirmed by the Board on 11 February 2015, are the following:

- reviewing the key strategic issues of the Pernod Ricard company or of the Group;
- drawing up and giving its prior opinion on significant partnership transactions, sales or acquisitions;
- generally, dealing with any strategic issues affecting the Company or the Group.

## Main activities in 2016/17

During the 2016/17 financial year, the members of the Strategic Committee reviewed the strategic issues of the Group and the disposal or acquisition projects which have been submitted to it. They also debated projects of operational excellence, innovation policy and digital acceleration within the Group.

## Outlook for 2017/18

In 2017/18, 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 significant strategic issues foreseen for the Group's development as well as the study of any strategic issues affecting the Company or the Group.

(1) Since 20 July 2016.

## MANAGEMENT STRUCTURE

### General Management

On 30 June 2017, 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 2017:

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

### 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;
- 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 to eleven times a year.

On 30 June 2017, the Executive Committee comprises:

- the Executive Board;
- 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;
- 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.

# REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON 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.

## 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 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;
- 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.

## DESCRIPTION OF THE INTERNAL CONTROL ENVIRONMENT

### 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 unit 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 and 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 and 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.

### Identification and management of risks

The 2016/17 financial year focused on:

- the implementation of cyber security governance and a new IT audit organisation with a dedicated function;
- various approaches aimed at strengthening internal control within the Group, including the development of a data analytics approach 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;
- performing audits: 20 internal audits were conducted in 2016/17. 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 (internal control rules, data classification, IT security).

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.

### 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 and 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;
- a letter of representation from every affiliate to the Chairman and CEO of their parent company and a letter of representation from the various parent companies to the Chairman and 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 three-year 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 three-year strategic plan for the Group's main brands is prepared using the same procedures as those used for the budget;
- 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.

### 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.