



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

### I - Variable compensation for FY 20

At the Board of Directors' meeting held on 1 September 2020, following the recommendation of the Compensation Committee, and after approval of the financial elements by the Audit Committee, the Board assessed the amount of the variable compensation of Mr. Alexandre Ricard, Chairman & CEO, for FY20.

Considering the quantitative and qualitative criteria set by the Board meetings of 28 August 2019 and 15 October 2019 and the achievements recognised at 30 June 2020, the amount of variable compensation was evaluated as follows:

◆ **Quantitative criteria** (80% target – 150% maximum):

- Achievement of the budgeted Profit from Recurring Operations (20% target – 37,5% maximum): 0%
- Achievement of the budgeted Group Net Profit from Recurring Operations (20% target – 37,5% maximum): 0%
- Achievement of the target for Recurring Free Cash Flow (20% target – 37,5% maximum): 0%
- Operating leverage (20% target – 37,5% maximum): 0%

**Total: 0%** of his fixed annual compensation for FY20

◆ **Qualitative criteria** (30% target – 45% maximum):

As a preliminary remark, it is noted that the criteria were assessed on the basis of the objectives defined at the start of the fiscal year, i.e. before the COVID-19 crisis. They do not take into account the very high quality of Mr. Alexandre Ricard's performance and in particular his excellent management of the crisis, which the Board wishes to recognise.

Thus, the Board decided on the following assessment:

- US: Sales growth in value above the market for FY20 (Target 6% - Maximum 9%)  
⇒ *Pernod Ricard is broadly in line with the market in both the On-trade and Off-trade channels but impacted in its overall market share by its higher exposure to the On-trade.*  
⇒ **Achievement: 3%**
- Robust growth for the drivers in Asia with India (continuation of strong double-digit growth and the aggressive value strategy) and China (delivering solid growth with Martell and the premium portfolio) (Target 6% - Maximum 9%)  
⇒ *Very good performance relative to the market of the Asian growth engines, with continued market share gain in India and continued leadership in China.*  
⇒ **Achievement: 6%**
- Performance improvement for Absolut (Target 6% - Maximum 9%)  
⇒ *Slight growth in pre-COVID sales and continued international development with market share gains. However, the brand is not yet stabilized in the USA.*  
⇒ **Achievement: 0%**

- Handling of structure costs and adaptation of the organization to new challenges and opportunities
  - ⇒ *Structure costs have shown a sharp decrease over the year, with Pernod Ricard also demonstrating strong adaptability in a crisis scenario.*
  - ⇒ **Achievement: 9%**
- Operational implementation of the 'Good Times from A Good Place' strategy at COMEX level, as defined in the action plans established within the brands and affiliates (Target 6% - Maximum 9%)
  - ⇒ *Successful operational implementation of the 'Good Times from A Good Place' strategy, acceleration of strategic initiatives (for example, ban of single-use plastic point-of-sale materials from 2021 vs. initial target of 2025) and active support of communities in the COVID context.*
  - ⇒ **Achievement: 9%**
- **Total of the qualitative part: 27%** of his fixed annual compensation for FY20
- ◆ **TOTAL** (110% target – 180% maximum): **27%** of his fixed remuneration

As a result, the total amount of Mr. Alexandre Ricard's variable compensation for FY20 as Chairman and Chief Executive Officer was set at € 297,000, i.e. 27 % of his fixed annual compensation for FY20, against a 110 % target and a 180 % maximum. In FY19 and FY18, his variable compensation was respectively 158.71% and 161.49 % of his fixed annual compensation.

## **II - Determination of the compensation items and other benefits for FY21**

The Board of Directors of September 1, 2020, on the recommendation of the Compensation Committee, decided, given the exceptional context, to postpone the review of the remuneration of Mr. Alexandre Ricard (with the noted exception of changing operational leverage to cash conversion) to next year, regardless of the very high quality of his performance and the renewal of his term of office.

Thus, Mr. Alexandre Ricard's compensation items in his capacity as Chairman and Chief Executive Officer for FY21 will be:

- Fixed gross annual compensation: no change, €1,100,000
- Variable compensation: maintenance of the 110% for the targeted variable compensation and of the 180% maximum of the fixed annual compensation:
  - Quantitative criteria: no change in the structure: 80% target and 150% maximum, but review of the criteria;
    - **Achievement of the target for Profit from Recurring Operations**, restated for foreign exchange impact and changes in the scope of consolidation: target 20% and maximum 37.5% if the target is significantly exceeded. This criterion, intended to provide an incentive to exceed the target from Profit from Recurring Operations, is one of the key elements of the Group's decentralized structure. The concept of a commitment to the Profit from Recurring Operations budget helps bring together the Group's various Departments, which are rewarded according to the extent to which they meet their own targets for Profit from Recurring Operations. This criterion rewards the management performance of the Executive Director;
    - **Achievement of the target for Group Net Profit from Recurring Operations**, restated for foreign exchange impact and changes in the scope of consolidation: target 20% and maximum 37.5% if the target is significantly exceeded. This criterion takes into account all of the Group's financial items over the financial year that is under the control of the Executive Director and thus helps to best align his compensation with the one of the shareholders;

- **Achievement of the target for Recurring Free Cash Flow**, restated for foreign exchange impact and changes in the scope of consolidation: target 20% and maximum 37.5% if the target is significantly exceeded. This criterion enables to assess the Group's financial performance and value creation.
- **Cash Conversion**, restated for foreign exchange impact and changes in the scope of consolidation: target 20% and maximum 37.5% if the target is significantly exceeded. The inclusion of this criterion in the calculation of the variable portion of the Executive Director is aligned with the Group's strategy in that it allows good cash management to be rewarded regardless of the level of achievement of Profit from Recurring Operations.
  - Qualitative criteria: no change in the structure: 30% target and 45% maximum; In all circumstances, the variable compensation (quantitative + qualitative criteria) shall not exceed 180% of the fixed compensation.
- No Directors' fees.
- Entitlement to stock options and performance shares upon conditions: maintenance of an annual allocation representing a maximum of 150% of his gross fixed annual compensation in IFRS value.
- Company car.

It is also recalled that Mr Alexandre Ricard, as Chairman and CEO, also benefits from the following commitments:

1. **Non-compete clause / severance pay clause (for imposed departure)**

- 12-month non-compete clause (12 months of compensation<sup>1</sup>).

In accordance with the AFEP-MEDEF Code,

- a provision authorises the Board of Directors to waive the application of this clause when the Executive Director leaves;
- the indemnity will be paid on a monthly basis during its duration;
- the payment of this indemnity will be excluded if the Executive Director leaves the Group to claim his retirement rights or if the Executive Director is over 65 years old.

- Imposed departure clause of maximum 12 months of compensation<sup>1</sup> which would be due, subject to fulfillment of performance conditions, in case of imposed departure related to a change of control or strategy of the Group. According to the Afep-Medef Code, no payment in case of a departure related to i) non-renewal of his term of office, ii) if departure was decided by the Executive Director himself, iii) in case of a change of position within the Group or iv) if he is close to retirement.

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

2. **Defined benefit pension plan and collective healthcare and insurance schemes** granted by Pernod Ricard on the same terms as those that apply to the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation.
3. **Supplementary pension scheme: as approved by the Board of Directors, during its meeting held on 31 August 2016**, Mr. Alexandre Ricard receives a subscription amounting to 10% of his annual fixed and variable compensation, composed of 50% in performance shares (same conditions as those granted under the Group's general performance share grant plan) and 50% paid in cash. The Executive Officer commits to investing the cash portion, net of social

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<sup>1</sup> Last fixed annual compensation + last variable annual compensation decided by the Board of Directors  
14/09/2020

welfare and tax expenses, of this additional compensation in investment vehicles for the funding of his supplementary pension.

As a reminder, these elements will be submitted to the vote of the shareholders at the Combined Shareholders' Meeting held on 27 November 2020 when approving (i) the elements of compensation due or granted to the Chairman & CEO for the 2019/20 financial year (11<sup>th</sup> resolution) and (ii) the compensation policy items applicable to the Chairman & CEO (13<sup>th</sup> resolution).