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# EDITED TRANSCRIPT

PERP.PA - Pernod Ricard SA Sustainability and Responsibility  
Conference Call

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## PRESENTATION

### Operator

Good day, and thank you for standing by.

Welcome to the Sustainability & Responsibility Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to turn the conference over to your speaker today, Julia Massies. Please go ahead.

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### **Julia Massies** - *Pernod Ricard SA - VP of Financial Communication & IR*

Thank you, Sara. Good morning, and good afternoon, ladies and gentlemen, and welcome to our Sustainability & Responsibility Update for 2021. We're hosted today by Vanessa Wright, our VP for Sustainability & Responsibility at the global level; and Conor McQuaid, our Chairman and CEO for the Irish Distillers business. We will start with a 20-minute film and then turn to your questions. Thank you very much.

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### **Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

On behalf of Pernod Ricard, I'm delighted and proud to be here to share the strong progress we've made on our 2030 sustainability and responsibility, S&R strategy, Good Times from a Good Place. This strategy was launched 2 years ago in Cognac with key Board members, top management, including our Lead Independent Director and core business partners as part of the Group's "Transform and Accelerate" road map.

Back then, we talked to you about the importance of our comprehensive grain-to-glass strategy and have since then provided you with regular updates on our actions. Today is another such occasion. Our vision at Pernod Ricard is to be "créateur of conviviality". And for us, it's all about how we do business, about how we do business in the right way as a sustainable and responsible company. It's also about the power of bringing human connections, bringing people close together in a meaningful way to unlock the magic and to strengthen what we do collectively.

We believe that by working closely with others, we can learn, by sharing knowledge, we can improve by challenging each other, and we can innovate by trialing solutions together, together with our employees, with farmers, with producers, with suppliers and, of course, our consumers as we're "créateurs of conviviality", set by adopting a multi-stakeholder approach.

Before I talk about our progress, a quick reminder. Our Good Times from a Good Place strategy is fully embedded into every part of our business. It's built around 4 key pillars with more than 30 commitments linked to the material risk of the business, addressing our consumer needs and using the guiding beacons of the United Nations Sustainable Development Goals.

Let's take a look.

(presentation)

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Nurturing Terroir is our first pillar. All of our brands come from nature and take their identity from the land where they've grown. From the terroir as we say in French. Terroir is actually more than just the land. It evokes an identity, a culture, a community and a sense of belonging. Our core business is inextricably linked to well-functioning ecosystems in these terroirs, a global web of nature, if you like, and any degradation of these has a direct impact on our natural ingredients we depend on to produce high-quality products for generations to come. So it's vital for us to strengthen our agricultural supply chains to ensure business resilience and to future-proof our iconic brands.

So what have we been doing? We've been mapping our terroirs so that we know where all our natural ingredients come from, and as part of this, identifying the most pressing sustainability issues attached to those areas, such as water, pollution, biodiversity or social issues. We've identified a map 57 priority terroirs, those that represent a high volume or linked to an iconic ingredient. They represent over 94% of our annual spend. Let's take a look.

(presentation)

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

But it's not enough just to identify risks and issues. We need to take action to protect and nurture this precious natural capital. So what actions are we taking? Well, we're adopting holistic regenerative agricultural practices to help with carbon sequestration, water retention and biodiversity enhancement, developing new initiatives, partnerships and R&D programs working with others.

Let's hear from Conor McQuaid, the CEO of Irish Distillers, about what they're doing.

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**Conor McQuaid** - *Pernod Ricard SA - Chairman & CEO of Irish Distillers*

At Irish Distillers, we recognize the need to deepen and strengthen relationships with our spring barley growers, one of the key ingredients for making whiskey. Our distillery in Midleton is located in a part of Ireland where the crop is largely grown. And as such, some of our suppliers are also our neighbors. Now in 2020, we devised a tailored sustainability program, which financially incentivizes farmers to grow spring barley sustainably and deliver additional environmental benefits on their farms, and these include initiatives to enhance biodiversity including, for example, leaving uncultivated margins, installing bee hives or maintaining hedge growth in a manner that supports wildlife.

Now we are delighted to have a very strong uptake last year with more than 200 suppliers signing up. We will continue to work with them to further develop this scheme.

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Other great examples are with Martell cognac and Mumm and Perrier-Jouët champagne, where we've partnered with world-renowned expert in agro-ecology Sébastien Roumegous to run pilots with farmers who've been working with us more than 10 generations. We are trialing climate-resistant grape varieties, cover crops and designing vineyards for the future.

Valuing people starts with all our employees. At Pernod Ricard, we strongly believe in blending performance with conviviality. At our last biannual employee survey, iSay, showed 88% of our employees felt highly engaged or engaged, and we believe conviviality is a key driver of this. Diversity and inclusion or better balance, as we call it, has always been part of our modus operandi. And we are present in more than 70 countries globally and know that it's crucial for our company to mirror the broad spectrum of our consumer base.

To strengthen this further, we've announced the launch of a new D&I roadmap, Live without Labels, which includes a global D&I council made up of senior leaders, partnerships with external thought leaders and specific leadership training adapted to local D&I challenges as well as initiatives to create a mindset of true conviviality, one of tolerance, equity and inclusion for everyone.

We've also been using the power of our brand to promote a more inclusive world. A good example of this is the Ballantine's There's No Wrong Way campaign.

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**Vanessa Wright** - Pernod Ricard SA - VP of Global Sustainability

Pernod Ricard is committed to having a gender-balanced top management team by 2030. And we've gone from a 19% of women in top management roles to 26% in the last 5 years. Globally, women now represent 37% of our workforce.

I also want to touch on equal pay as we have a 2022 target. We measured [our gender pay gap] (added by company after the call) globally, and it was only about 2%. Ever since then, we've been reducing it. And what about externally? Well, we've developed a free bar world of tomorrow training course to help the bar community be more sustainable as they come back. And we're happy to share that this has been adopted by the Marriott, Hilton and Relais & Châteaux hotel chains as part of the training path for their bar tenders globally.

In addition to this, we formed a strong partnership with the Sustainable Restaurant Association and [Net Zero Now]. And we're signatories with Coca-Cola of their Net Zero Pubs and Bar initiative to help the U.K. on-trade become net zero. We've also worked with the SRA to create an innovative online audit tool to help bars assess their level of sustainability and improve it with a tailored action plan.

We're looking to see how we can roll this out globally.

Circular making is about how we imagine, produce and distribute our products in the right way. To do this, we apply our 5Rs framework for all stages. Of course, this is all linked to carbon emissions, where our principle is always to start with reduction. We've already reduced the carbon intensity of our industrial operations by 1/3 since 2010, and I'm pleased to announce today that the Scope 1 and 2, which is direct CO2 emissions from energy consumed by production sites and indirect emissions from the energy purchased by production sites, we're accelerating this target from 30% reduction to net zero by 2030 at the latest.

I'll now hand over to Conor to talk a bit about what Irish Distillers is doing to help with this reduction.

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**Conor McQuaid** - Pernod Ricard SA - Chairman & CEO of Irish Distillers

As you just heard, the Group has decided to accelerate its ambition to reach net zero carbon in its own operations by 2030 at the latest. And this is the right thing to do, and we are looking forward to playing our part in realizing this ambition. For us at Irish Distillers, this will mean implementing a carbon zero road map for metals and distillery to tackle Scope 1 and Scope 2 in a phased approach. And the first phase will focus on improving energy efficiency, notably by replacing our current boilers with highly efficient boilers. The second phase will recover heat from our distillation process, allowing us to reuse the recovered energy and substantially reduce our gas usage. And finally, in our third phase, we will replace the remaining fossil fuel usage with renewable fuels such as biogas.

Now with regard to Scope 3, having recently mapped our carbon footprint, we know that 75% of our emissions are currently in our supply chain. So there is a lot of opportunity here, and we are already working with our partners in areas such as dry goods supply, transport and logistics to tackle Scope 3 emissions.

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

For Scope 3, our aim is to reduce our overall intensity by 50% by 2030, in line with the science-based targets. To achieve this, we'll work with all of our suppliers, both in agriculture and packaging.

So now turning to packaging and waste. For this, we brought forward our ban on all single-use plastic promotional items from 2025 to 2021. This includes things like festival cuts, plastic bags and balloons. So by June this year, we will have eliminated more than 70 million items from our business. Our commitment is to have 100% recyclable, reusable, compostable or bio-based packaging by 2025. Let's take a look at some of our progress so far.

(presentation)

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

We're also proud to be reusing bottles collected from bars and restaurants. Pernod Ricard India is reusing around 10% of all the glass it uses to packaging its products, which is equivalent to about 60 million bottles.

For water, we reduced our use by 23% since 2010, and our affiliates are currently developing their own water reduction road maps so that we can reduce further by 20%. We also have strong water replenishment programs in countries identified as high risk. Pernod Ricard India is a great example of what can be achieved. They recharge 1.2x more ground water than they would withdraw for business operations, which makes them a net water positive company.

Another example is Mexico, where we've worked with beer and the industry leaders to restore a protected area through reforestation, infrastructure repair and community education, all of which have helped to relieve pressure from the Santiago River watershed.

Our fourth pillar relates to how we market our products and how they're enjoyed in the right way. As creators of conviviality, we are all really clear that there's no conviviality in excess and that we all have an important role to play in combating alcohol misuse and promoting responsible drinking, and that really starts with all of us at Pernod Ricard. We're all ambassadors for responsible consumption.

And as part of this, we've developed a mandatory e-learning on alcohol and responsible drinking for all employees. Also, all our marketing commercial teams must complete lean learning on the code for commercial communications. Today, we are proud to contribute to more than 150 global and local programs in more than 58 countries, working close collaboration with industry, governments and local partners. Key to this is ensuring that they are evaluated to demonstrate impact.

For more than 12 years now, we've been supporting the responsible party, Make Good Times Unforgettable initiative, which aims at tackling binge drinking by raising awareness among young adults.

Following COVID, this campaign has now also got a digital dimension, and our ambition is to reach 3 million net adults physically by 2030 and more than 30 million digitally over the next 2 years. We've also partnered with UNITAR, the United Nations Institute for Training and Research, to support the Autosobriety Training Programme to Prevent Drink-Driving. This is a comprehensive e-learning course, which is also complemented by practical exercises. We are piloting this in South Africa and the Dominican Republic and plan to roll it out to 8 countries in the next 2 years.

As a member of the International Alliance for Responsible Drinking, IARD, we're working with other key players in the industry, online retailers and delivery companies on a new set of standards to ensure that our products are not sold or delivered to minors. Our brands also developed their

own campaigns. Last year, Absolut launched its #SexResponsibly campaign, and this was followed by 3 other executions, mix responsibly, #VoteResponsibly and #LoveResponsibly. These campaigns combined reached approximately 80 million consumers and generated 90% positive sentiment in the U.S.

Here's another example from Irish Distillers, which I will let Conor introduce.

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**Conor McQuaid** - *Pernod Ricard SA - Chairman & CEO of Irish Distillers*

I ask all of my colleagues at Irish Distillers to be advocates for the responsible enjoyment of our products. And as such, we are focused on making sure that our employees have the necessary tools and skills to become ambassadors for responsible hosting. But we also need to reflect and amplify this message through our brands and our corporate communications. Our most recent campaign took into account the current situation with COVID, encouraging people drinking at home to do so responsibly. With this campaign, we reached over 60,000 people. Let's take a look.

(presentation)

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

We strongly believe in sharing what we do in a clear and transparent way and are proud of our consistent scores by ratings agencies. We've also been recognized by UN Global Compact as a lead for our contribution towards achieving the SDGs, 1 of only 40 companies globally and the only wine and spirit company. We know it's a journey, and we have a way to go.

We hope that today has given you a strong insight into the progress we've made so far, and more importantly, the level of commitment and drive by everyone at Pernod Ricard. To reinforce this, we've created a new Board committee on S&R, led by Patricia Barbizet, our Lead Independent Director, which will be key in pushing our commitments further.

We also have very committed employees, and we value their voices and actions and believe that many have great ideas to help improve our business. So we've launched The Good Challenge, a global search for the best employee S&R ideas. The global winner will be announced in September.

For us, sustainability is interwoven into every part of our business. And we know that if we want to continue to bring good times from the future from a sustainable point of view, then we need to bring them from a good place, a place of shared value, innovation, partnership and care, a place of conviviality.

Thank you very much. And now we'd like to invite you to our Q&A.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from the line of Edward Mundy from Jefferies.

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**Edward Brampton Mundy** - *Jefferies LLC, Research Division - Equity Analyst*

I've got 3 questions, please. First is around some of your innovation around the lower ABV strength, Ballantine's, your Ballantine's Light. I appreciate it's quite hard to launch innovation in the current environment. But I'll be interested in any sort of early feedback from some of your key stakeholders, including the consumer, customers and also regulatory authorities.

The second is around e-commerce. I think you mentioned that IR is working alongside the most prominent e-commerce and delivery platforms. Can you talk a little bit about how you raise standards on online alcohol delivery when you control the front end but not necessarily the back end?

And then the third is really around sort of the distinction between beer, wine and spirits. So I think there isn't much distinction from a public health community perspective, but it does feel like spirit is unfairly taxed versus other alcohol. I mean how do you think about opportunities for equalization in taxation versus other alcohol?

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Okay. Thank you, Ed. Just first, in terms of your question about Ballantine's Light, so as you know, we launched this a little while ago in Spain. And at the same time, we also launched Beefeater Light as well. Ballantine's Light is 20% ABV. The results so far are in line with our expectations, I would say. Also to support this, we've launched a new advertising campaign in Spain that's called half an ad but all the characters. So that's in line with the Ballantine's campaign, which is around Stay True. There's no wrong way.

But as I said, so far, we're seeing some very good results. Similarly, if I might add with Beefeater Light, which again was launched as a more of a trial in Spain and have been very successful in terms of engagement. I think it's reached something like 3 million through YouTube and 4 million on Twitter. And as a result of that, it's now also been launched in Portugal. So that's to answer your first question.

In terms of your second question, yes, as you know, we're working with IARD in terms of making sure that we're putting in place different mechanics for the future in terms of how we make sure that we, I would say, enhance safeguards and security measures so that minors are unable to buy our alcohol beverages online, and also similarly, working to see how we can put in place mechanisms to make sure that alcohol is not being delivered to minors as well.

So this partnership with 12 leading companies via IARD is also with 10 global online retailers and delivery platforms. So we're really united, I would say, in making sure that we try and have the highest stance possible in terms of business practices to ensure that our products aren't sold to minors.

And sorry, the third question was in relation to tax?

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**Edward Brampton Mundy** - *Jefferies LLC, Research Division - Equity Analyst*

Yes. I think according to public health community, there isn't much distinction between beer, wine or spirits and a drink is a drink essentially. But spirits is taxed disadvantageously in certain markets relative to other alcohol. I mean how do you think about opportunities for tax equalization in certain regions?

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

As you said, I mean, for us, there isn't really -- or shouldn't be that different, because it is alcohol. So for us, the overall short-term risk of excise tax increases on distilled spirits that Pernod Ricard sells appears to be low. When we look at it, the -- for example, with the U.S. -- the new U.S. administration, the tax proposals have more broadly focused on other pieces of tax reform and the U.S. are obviously focused on recovery, including the hospitality industry. So thus, it seems that there's a significant tax increase at a state level have not materialized. For us, it should be looked at the difference between beer and wine and should be treated the same in terms of alcoholic beverages.

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**Operator**

Our next question comes from the line of Laurence Whyatt from Barclays.

**Laurence Bruce Whyatt** - *Barclays Bank PLC, Research Division - Analyst*

Three for me, if that's okay. On the water risk, do you think there's any part of the business that's most at risk of water shortages? Obviously, we've seen a few droughts in recent years in South Africa and Mexico, which have made the press. Is there any of your production facilities you think would be at risk of -- or real risk of droughts?

And then secondly, on your gender equality targets, what practices are you putting in place to make sure you're trying to achieve those targets on gender balance? And what have been the most effective initiatives that you have employed so far?

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Okay. So the first on water. We've obviously identified, when we look at our different countries, which areas are higher risk than others. And actually, if we look at the different countries, then actually sitting in low risk are 76 sites, which accounts for like 89% of consumption, significant is more like 10 sites at about 6% and high risk is about 7 sites, which is 5%. And those sites are mainly Australia, India and the U.S.

But as you heard earlier, in terms of India, we've been making really significant progress. And actually, Pernod Ricard India is water positive through a number of different initiatives that we've undertaken, 200-plus, I would say, in terms of recharge structures, farm pond, dam, tanks, other harvesting and efficiency and also some initiatives working very much hand-in-hand with regenerative agriculture.

So whilst it is one of the risks in terms of country, actually, there are significant programs in place. Similarly, in Australia, where there are a number of different programs, including water probes across vineyards to monitor soil moisture and minimize use. So the 3 countries really in terms of the high risk of those 7 sites in Australia, India and the U.S.

And then on gender equality, yes, as I said, we've been making significant progress around gender. We have an initiative or part of how we operate called Better Balance. And we know we've still got more to do, but the number of women is increasing. So if in 2011, it was 29%, today in the workforce, it's 37%. Of course, in some of the markets that we operate, we have a very large presence like India, that's much more of a challenge in terms of diversity, but it is a priority for us, and we've been working very strongly in India, particularly on that. The Board of Directors also is very balanced at 45%, and the Executive Committee today is 26% versus 6% in 2015. Also, external recruits now are 44% women, and we have obviously a number of women in various senior positions, including the Chairman and CEO of Absolut and also the Chairman of Pernod Ricard U.S.

I wonder, actually, if I could hand over to Conor, who could perhaps add some color to that in terms of some of the initiatives perhaps that have been taken at Irish Distillers.

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**Conor McQuaid** - *Pernod Ricard SA - Chairman & CEO of Irish Distillers*

Yes. Thank you, Vanessa. Just to complement your answer, I think we did instigate the program on better Balance and bringing awareness to the team. So that change in mindset and the opportunity to workshop that across the organization was very well received, and I think it had a tangible impact in pushing our agenda as we would want to see it happen. We're balanced now in an Irish Distillers' perspective. And if we go down into the organization, both at Band E, Band D, we're absolutely 50-50. And actually in Band C, we're slightly skewed to the female gender. So we believe we've made significant progress in that regard.

I suppose one of the tangible initiatives that we would have put in place of late is really to facilitate that return to work, both from a parental leave and a maternity leave basis. But also just to foster that sense of -- that stressful period when post returning to work having had a child that there's flexibility in the working day, that there's flexibility in the working week that people can come and go and attend to some of those additional challenges that you experienced in those early days and those early months of being a parent. So just fostering that environment and that collective sense of awareness across the team is really what we've done.

**Operator**

Your next question comes from the line of Trevor Stirling from Bernstein.

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**Trevor J. Stirling** - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Three questions on my side, please, on the agriculture and carbon agendas. So the first one, Vanessa, you mentioned that you're putting in sourcing strategies in agriculture. But how do you deal with commodities that are bulk commodities such as grain, neutral spirits or perhaps some bulk grain in some geographies? Do you think you're going to end up going on a certificated process? So first question.

Second question, probably more for Conor. Conor, you talked about getting to net zero in the distillery. And clearly, thermal is the big challenge. You mentioned biogas as your chosen solution. Have you considered things like electrode boilers and hydrogen? What is it that made you decide that biogas was the best solution?

And final one maybe going back to Vanessa. When you think about Scope 3 emissions, distillation outside the footprint of Pernod Ricard, like the bouilleurs de cru independent distillers in cognac. How are you going to work with them to reduce their carbon emissions?

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Okay, so thank you. So the agriculture and carbon, obviously, as you say, Scope 3, and I think we all acknowledge that, that is the a particularly challenging piece around carbon emissions. For us, that represents 90%, around 36% in packaging, 29% in raw materials and 12% in transport and so forth. So we know that, that is a real challenge. And of course, we need to work with our -- all our suppliers, both for dry goods, but also, as you said, the raw materials. And for us, that firstly is working directly with all of those farmers and indeed our own operations to reduce carbon emissions by sustainable agricultural practice, some of which I touched upon earlier.

So obviously, the reduction of pesticide, lower impact of CO2 fertilizers, planting between the vines and also trying to make sure that we have more sequestration of carbon in soil and also actually using some other methods. In terms of the ones where we don't have a direct contact with when then it's working more closely with suppliers and some of those wholesalers, if you like, for example, in India, where we're not necessarily directly in contact, it's really following through that supply chain and getting as close to them as possible to see how we can help to improve that.

So I think that actually both relates to agriculture but also to packaging as well, where we've organized a series of seminars to bring together all of our large suppliers so that we can discuss and try and find solutions. And that's exactly what they're doing in Martell with all the generations of the wine growers that they work with to really try and find strong solutions for the future and try and pilot different ways of doing that. And in some cases, that's not direct, then to try and reach them via those routes and to have some time together in terms of education and learning to try and improve upon that. The biogas, I think, if I hand over to Conor on that one.

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**Conor McQuaid** - *Pernod Ricard SA - Chairman & CEO of Irish Distillers*

Yes. Trevor, I suppose we've been fortunate from a Jameson perspective that we've been on such a growth trajectory for the last 30 years. And obviously, that's been accompanied with a significant level of investment in the distillery. Since 2010, we've invested about 100 million into our infrastructure. And then over that time, obviously, the S&R agenda has been to the forefront of our thinking. So that has brought about a 30% reduction in energy consumption per unit of production, a 33% reduction in water consumption and a 46% reduction in Scope 1 carbon emissions.

So the challenge now is for us to close the remaining gap. And as I alluded to in the video, the first protocol is obviously the efficiency of the infrastructure that is remaining or aging and our first protocol obviously is the boilers that need to be -- and then reach the end of their natural lifespan and they will be replaced, obviously, by energy-efficient boilers. And thereafter, there's a series of heat recovery technologies that we're very clear and out of the one that we would prefer to work with and use. So that would be Phase 2 of what we would seek to do to get to carbon neutrality.

And then the final phase is that remaining -- that sort of difficult piece at the end, and biogas is one area that we're exploring. And the reason we're drawn to that is that potentially it's a use of one of the byproducts of the distillation process. So again, it could close the loop from a circular-making perspective. But it's not to the exclusion of some of the other technologies that you mentioned, such as hydrogen, and we are exploring them and working with people who have some innovating concepts and thoughts as to how that could potentially be of use to us. So we're not close to the outside world. We're certainly not close to the opportunity to work with others to bring those new innovative thoughts to the table. But as it stands at the moment, our road map does get us to carbon neutrality, and it does so with the use of those known technologies that we're going to work on.

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**Operator**

Our next question comes from the line of Richard Withagen from Kepler.

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**Richard Withagen** - *Kepler Cheuvreux, Research Division - Research Analyst*

I have 2, please. First of all, you mentioned that glass is the main form of packaging and the percentage of returnable packaging is limited in spirits. So how can Pernod Ricard improve the recovery rates of packaging? And is this a major topic in government regulation?

And then the second question I have is on some of the circular packaging innovations you announced earlier this year for brands like Absolut and Beefeater. So how quickly do you expect these initiatives to be rolled out? And what is the consumer reaction to these new packaging types?

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Yes, so thank you. In terms of glass packaging, as you rightly said, 90% of our packaging is glass, which is infinitely recyclable. But of course, we're working with suppliers to see how we can improve, as we said, the recovery rates. But I think that's also linked to several things. One is obviously about reducing the weight. We're quickly increasing the recycled content and also finding ways to see how we can make sure that we're reducing the carbon intensity of the making process.

As you're probably aware, we're part of the Ellen MacArthur Foundation, which, of course, focuses on plastic but also on glass packaging too. So we're working on several things where we've got our eco-design principles, firstly, which means that from the very beginning, when we're designing and creating packaging, we have those in mind so that we're trying to make sure that we're reducing the weight of the glass and the packaging from the very beginning. And many of our brands, as you saw from the presentation, have already reduced the weight.

And also for us, hugely important is around the recycled content. So when you look at Absolut, for example, the recycled content is 50%. But of course, what we're doing is working with suppliers to see how we can continually improve that. It's also about how we make sure that we can -- we reuse as much as possible. So for example, in India, as you probably heard from the presentation, we have pickers who are collecting empty bottles in cafes and restaurants and bringing them back to the site. After they worked off that, they're washed by third parties. So that's about 30,000 tonnes a year, 10% of all glass. So that's one example. But of course, hugely importantly, and one of our targets in our strategy is around recycling and what we said we wanted to do was identify the -- 10 of the countries with the lowest recycling rates and see how we can improve upon recycling for the future.

And I think it's true to say that it varies quite significantly from one country to another. So for example, we know in the U.S., the recycling rate for glass is very low. And we know it's also a big challenge, because there's a difference of infrastructures in different countries. So that's something we've looked at. We've identified 10 countries that we're starting to work with to see how we can identify what is currently being done and then how we can help to put in place probably with other partners, obviously, some new initiatives for the future.

And sorry, second question, in terms of circular packaging and our -- some of the new products that you mentioned. So the Absolut paper bottle, we're trialing that. And so far, that's very successful. So we're seeing in terms of timing when we're going to roll that out. In terms of the consumer reaction, I believe that some social listing will be done in terms of the consumer reaction on that. But it's a bit too early for the time being to give

your feedback on that. In terms of Beefeater, as I mentioned earlier, actually, the feedback so far and the response from consumers has been very strong, both for the Beefeater Light, but also the -- where we've reduced and removed some of the plastic caps.

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**Operator**

Our next question comes from the line of Alicia Forry from Investec.

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**Alicia Ann Forry** - *Investec Bank plc, Research Division - Consumer Analyst*

Two questions from me. One is just now see an opportunity to push responsible consumption or other ESG initiatives through the rise of RTD consumption and sort of seltzers and these sort of higher growth segments, sort of portion-controlled segments.

And then the second question is a bit broader. I'm just curious, Vanessa, how you interact with the executive team and with the Board. You mentioned that the committee that has oversight of ESG. How do you interface with them throughout the year? And in particular, I'm curious about how Pernod determines which elements of your ESG plans are included as part of Senior management's long-term incentive target.

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Okay. I might take that one first, actually, and work backwards. Thank you for that. So actually, when we built the strategy, we've built that obviously with a huge number of people throughout the business, including particularly the operations function. And when we rolled out and launched the new strategy, we rolled it out with a very strong governance plan, both at a senior level, but also within -- throughout the organization. So firstly, if I just talk about level, so in terms of -- we have S&R leaders in every key country around the world who we worked ever actually with. And of course, all the -- all of those affiliates have their own senior steering committees that basically mimic what we set up.

So at a headquarters level, we have the Sustainability & Responsibility Board, which was created, the first one was in January. So we have 2 a year and once or twice a full report to the full Board. We also meet with the Comex at least twice a year. We have a senior steering committee, which was originally twice a year and has now become 4 times a year. So we're meeting every quarter. And that, I would say, is really a very strongly decision-making forum. So it's really not a (inaudible). It really is strongly to decisions. And then we also have task forces linked with every single one of our target and an owner and leader of every single one of those targets. And we're also interacting with Patricia Barbizet obviously at a Board level, but also more frequently than that. And just in terms of reporting, obviously, we're reporting -- all our affiliates report to us on an annual basis, and then that's audited externally by Deloitte. So that's in terms of -- I hope I answered the question in terms of governance.

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**Alicia Ann Forry** - *Investec Bank plc, Research Division - Consumer Analyst*

Yes.

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

In terms of the RTDs. Obviously, the work, you've seen that there's been an increase in that on low or no as part of our innovation agenda. But also as far as we're concerned, it's as important. The messages are still the same in terms of responsible drinking regardless of being alcoholic or not. For us, it's about how you consume not what you consume. And I guess it's actually to the point one of the first questions, a strong beer can actually be a higher ABV than a cocktail with a spirit in it.

So for us, in terms of low or no, we look at consumption behaviors rather than product categories. For us, that's about really about education overall. But we do see low and no as an opportunity as a certain part of the innovation agenda, which is obviously driven at a brand company level in terms of future thinking in terms of the brands and what their consumers are looking for, for the future. So it's really driven by consumer centricity.

**Operator**

(Operator Instructions) We do have a question from the line of Edward Mundy.

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**Edward Brampton Mundy** - *Jefferies LLC, Research Division - Equity Analyst*

Just a question on sort of the costs and the benefits of all these initiatives. I mean clearly, this does involve additional costs. But on the other hand, there should be some savings as you make things more efficient and streamline certain functions. Could you just talk in the broadest terms around how you think about the pros and cons from a financial perspective of all these initiatives?

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Sure. Well, just to start and saying that obviously, the budget is spread as with objectives across the entire business in CapEx, in marketing, in operations, in HR. And actually, for us, of course, there is cost. But for us, it's about -- we see sustainability as a necessary investment, and it's about doing -- it's part of doing business. And actually, probably the cost of not being sustainable is higher in the long term in terms of perhaps government regulations and consumer pressures and brand imaging, brand images and all those other aspects.

And also, probably the brands not resonating with consumers from an ESG perspective potentially could be losers of share in the future. Of course, it does in some cases, require additional investment, particularly when we're talking about topics like carbon reduction. But most of that is already in the CapEx, the 400 million that we -- that's used for replacement of equipment and distilleries. And of course, when we're replacing, we make sure that we replace it with better and more efficient.

And then in other cases, it's really a win-win with examples like the single-use plastic elimination, which both improves environmental footprint but also reduces costs. So for us, a lot of it is also about mindset and changing business processes rather than pure finances alone. It's also about reallocating resources. And we see that whilst it's difficult to measure any kind of uplift in brand equity at this stage, we do think increasingly that that's definitely the case where consumers are really looking for brands that really embed into themselves ESG principles.

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**Julia Massies** - *Pernod Ricard SA - VP of Financial Communication & IR*

Thank you very much. I believe that brings our call to a close. Thank you very much, ladies and gentlemen, for your time, and thank you to Vanessa and Conor for hosting us this afternoon. Please stay safe. Enjoy the on-trade responsibly, and I hope we can all meet face-to-face soon. Thank you.

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**Vanessa Wright** - *Pernod Ricard SA - VP of Global Sustainability*

Thank you.

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