



*2015 Pernod Ricard
CEO Water Mandate
Communication on Progress*



The CEO Water Mandate



**JACOB'S CREEK SITE
AUSTRALIA**



Description of policies, practical actions and outcomes taken by Pernod Ricard to implement the CEO Water Mandate six areas elements

Pernod Ricard policies, practical actions and outcomes to implement the 6 CEO water mandate elements

Water is an essential component in the products manufactured by Pernod Ricard. It is used at every stage in the life cycle of the Group's products: irrigating crops, processing raw materials, distilling, reducing spirits and formulating products. That is why Pernod Ricard has marked water management as one of the five strategic focuses in its environmental policy.

Direct operations

Pernod Ricard directly operated 99 production sites and 5,657 hectares of vineyards. The affiliates' actions are based on four levers put in place to optimise the management of water resources and preserve the quality and availability of water:

- ✓ measuring consumption;
- ✓ ensuring that water intake does not endanger resources;
- ✓ taking measures to save, reuse and recycle water;
- ✓ ensuring effective treatment of waste water before its release into the environment.

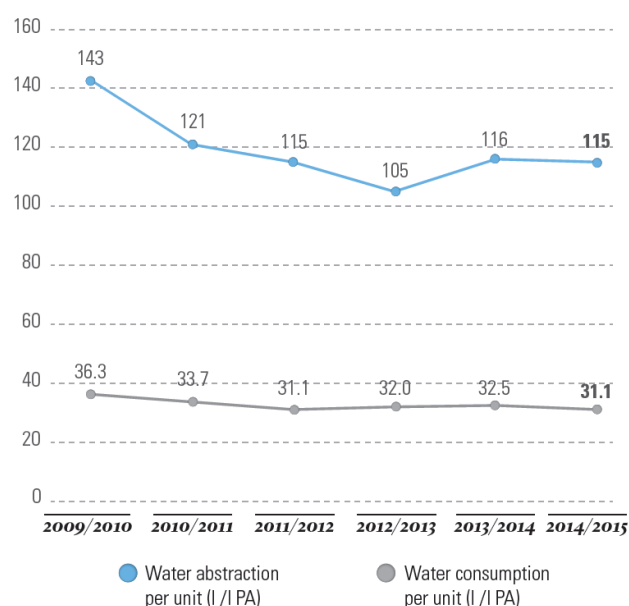
These actions are particularly important for sites located in geographical regions where water is a sensitive resource.

Production sites

FY14 Water abstraction and consumption

In 2014/2015, 28 million m³ of water was taken by the Group's industrial sites. Only 7.6 million m³ constitutes water consumption, the rest being exclusively used for the cooling of distilleries and restored without disturbing the environment. Around 80% of this volume was consumed by the distilleries, which remain the principal sites for water consumption by Pernod Ricard. To measure the efficiency of water use in our processes, we use the following indicator: quantity of water / quantity of alcohol produced by the distilleries (m³/kl PA). Since 2009/2010, it has been reduced by **20%** for the water abstraction and by **14%** for the water consumption. This reduction is the result of improvement actions undertaken by all production sites, in particular distilleries. Indeed, water management is the subject of long-term policies and investments by the distilleries and bottling plants to monitor their consumption and improve their production processes.

TRENDS IN WATER CONSUMPTION AND WATER ABSTRACTION (EXCLUDING VINEYARDS)



The most notable improvements are the following:

- ✓The Walkerville distillery in Canada has reduced its water consumption per litre of pure distilled alcohol by 25% since 2009/2010, following the replacement of its underground pipes and the implementation of a detailed consumption monitoring plan.
- ✓The Middleton distillery in Ireland has reduced its water consumption per litre of pure distilled alcohol by 26% since 2009/2010, following the implementation of various optimisation initiatives, including reusing cooling water from the fermenting units as process water.
- ✓Yerevan Brand Company in Armenia has reduced its water consumption per litre of pure distilled alcohol by 29% since 2009/2010, and celebrated this year's World Water Day by taking part in projects to clean up the rivers Vedi and Tavush.
- ✓In New Zealand, the Tamaki bottling site commissioned a system to recover bottle washing water, helping to reduce its water consumption per litre bottled by 15% between 2013/2014 and 2014/2015.

Areas of water risk areas: local action plans

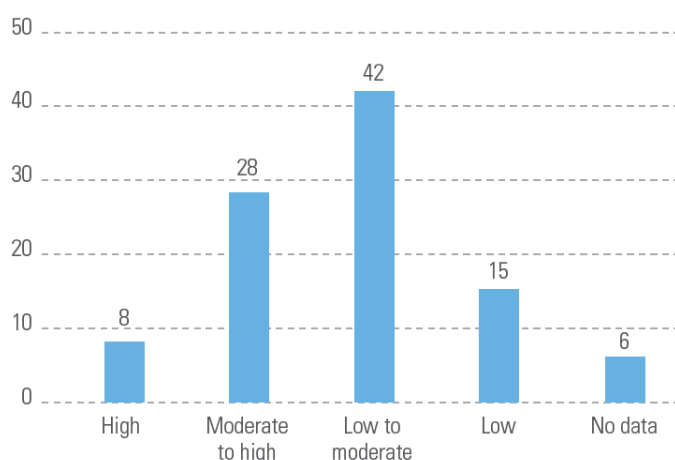
Because water resources are unevenly distributed throughout the world, particular attention is paid to water management on sites located in geographical regions where water is a sensitive resource.

The Group now uses the Overall Water Risk Index included in the Aqueduct tool developed by the World Resource Institute (WRI) to identify these geographical regions. This aggregate index combines various individual indicators of physical, regulatory and reputational risk. It has the advantage of highlighting areas at higher risk, as opposed to the Water Stress Index from the Global Water Tool, which was previously used but which only represented one specific feature of water resources, that is the proportion of resources that are withdrawn for human use, in relation to the amount of available renewable water produced by the local environment. This new index allows us to identify the priority regions for which a more detailed, local assessment is required.

Of Pernod Ricard's total production units,

- ✓8 sites are located in or in the immediate vicinity of high-risk regions as measured by the Overall Water Risk Index. These eight sites represent 2% of the Group's total consumption and are spread across four countries (Argentina, India, China and Mexico). These are mainly bottling sites.
- ✓28 sites are located in or in the immediate vicinity of moderate to high-risk regions as measured by the Overall Water Risk Index. These 28 sites represent 22% of the Group's total water consumption and are spread across 13 countries.
- ✓The other 63 sites, accounting for 76% of the Group's consumption, are located in areas considered to be at a low to moderate risk.

BREAKDOWN OF THE NUMBER OF PRODUCTION SITES BASED ON THE OVERALL WATER RISK INDEX AS MEASURED BY THE WRI'S AQUEDUCT TOOL (EXCLUDING VINEYARDS)



More detailed local studies will be conducted in 2016 on the eight sites for which the Overall Water Risk Index is high and an action plan will be put in place if necessary.

Wastewater treatment

Several types of processes are used by the Group's factories to reduce the water organic load and make it suitable for reuse or to be released into the environment: these include bio-digestion (hence producing biogas), aerobic lagoon treatment, membrane filtration, or even the use of grass to purify the water in the so-called "filter gardens", such as that put in place in 2010 by Pernod Ricard Argentina.

Vineyards Estates

Main water management practices

Pernod Ricard 5,657 hectares of vineyards' are located in seven main countries: New Zealand (46%), Australia (18%), Argentina (14%), France (12%), Spain (6%), the United States (3%) and China (2%). Since 2012/2013, specific annual environmental reporting has been in place for all vineyards. The objective is to monitor their practices and to measure different performance indicators, including water. This year, it covers 4,871 hectares of vineyards,

accounting for 44,106 tonnes of grapes harvested. This excludes data relating to vineyards located in Argentina, as it appears that this data, which has a significant impact in terms of the Group's vineyards overall, was not reliable enough to be used. Steps will be taken to ensure this data is included in reporting for 2015/2016

Of these 4,871 hectares of vineyards operated by the Group falling within the scope of the reporting, 6.8 million m³ of water was used to irrigate our vineyards. In 2014/2015, 99% of land used drip irrigation. This high proportion is explained by the fact that in China large areas of vines irrigated by gravity have been uprooted, with the intention of replanting them with a drip irrigation system. This technique both significantly reduces the water supplied to the plant and optimises the fertiliser supply and reduces the need for weeding.

Proper management of fertilizers and pesticides is another way to preserve groundwater reserves, by reducing the levels of residues (see page 68 of our 2014/2015 registration document).

Environmental certification

The majority of Group's vineyards are certified to environmental standards, representing 78% of surfaces covered by reporting:

- ✓ In New Zealand, all the vineyards run by the Group affiliates are certified to "Sustainable Wine Growing New Zealand", of which Pernod Ricard New Zealand was one of the founding members in 1995; 149 hectares are managed in line with organic standards.
- ✓ In Australia, Pernod Ricard is a member of "EntWine Australia", an environmental assurance programme for vineyards and winemaking sites. Since 2002, all of its vineyards are ISO 14001 certified and 49 hectares are managed in line with organic farming principles.
- ✓ In France, the Martell & Co and Mumm Perrier-Jouet vineyards follow the integrated viticulture principles developed by Cognac and Champagne industry bodies. The Martell vineyards are ISO 14001 certified and those of Mumm Perrier-Jouet will obtain this certification in 2016.
- ✓ In Spain, management of the vineyards is carried out according to the guidelines of the Sinergia standard, developed under the European Life programme, and all vineyards are certified as compliant with ISO 14001. 22 hectares are managed according to organic farming principles.

Actions undertaken both by Group's production sites and vineyards illustrate the ambition of Pernod Ricard to act with exemplarity in order to engage its suppliers to contribute to water stewardship.

Supply chain and watershed management

In addition to the direct consumption of the Pernod Ricard production sites and vineyards, water is also a large challenge for suppliers upstream from the Group's activities: for this reason a larger study was conducted in 2012 using methodologies known as the Water Footprint. This methodology consists in identifying the water resources used not only by the direct activities of the affiliates concerned, but also by the products and services they purchase along all the products lifecycle, such as agricultural raw materials, packaging, transportation etc... This study identified main challenges linked to the water resource along the production chain and evaluated that Group's water footprint to 675 million m³ per year, of which 99% is related to supplies of agricultural raw materials. Other elements of the production chain – including direct water consumption on industrial sites – only represent approximately 1% of the total. Challenges for Pernod Ricard relate therefore primarily to its agricultural suppliers and will consequently vary significantly from one region to the other and should therefore be dealt with at local level, taking specific climatic conditions into account.

Several steps have been undertaken with the Group's agricultural suppliers, in order to encourage them to work towards sustainable agriculture and thus acting to preserve water:

- ✓ In Australia, around 90% of Pernod Ricard Winemakers Australia's supplies are covered by the "Entwine Australia scheme", which requires that its members are ISO 14001 or Freshcare certified and requires reporting on the consumption of energy, water, fertilisers, and environmental management practices (biodiversity, soil and water conservation).
- ✓ In New Zealand, with all its vineyards now certified in accordance with the "Sustainable Winegrowing New Zealand" standard, Pernod Ricard Winemakers New Zealand has helped its grape growers to obtain this certification. 100% of vineyards are now accredited according to the sustainable agriculture standard.
- ✓ In Armenia, Yerevan Brandy Company helps wine growers with the management of their crop protection

products: the affiliate supplies wine growers with products that comply with the environmental standards in France as well as efficient sprayers that enable them to use the precise amount of crop protection products required to treat their plants. It then collects packaging waste, which is destroyed by an approved company. Through the PlaNet Finance NGO, it also provides help with establishing a cooperative, the goal of which is to develop the business capacity of small producers.

- ✓ In Sweden, The Absolut Company is supplied exclusively with locally-produced wheat, in line with stringent sustainable agriculture standards.
- ✓ In France, the majority of the fennel used for the production of Ricard is grown by farmers in Provence in accordance with sustainable agriculture principles: this very fragrant plant has fostered the development of insect populations, in particular bees, thus participating in maintaining biodiversity.
- ✓ In Greece, Pernod Ricard Hellas proactively supports small producers of green anise used to produce Ouzo, mainly through providing training for farmers on the island of Lesbos to raise their awareness of the dangers of pesticides and the benefits of sustainable agriculture.

In 2011, Pernod Ricard's commitment to Responsible Procurement has been formalised through documents and tools to consolidate the initiatives already in place in the affiliates. This process encourages its suppliers to reduce their environmental impacts thus, their water consumption. it is based on :

- ✓ A Responsible Procurement Policy for products and services, covering all purchases made by all employees
- ✓ Supplier CSR Commitment, which is to be signed by suppliers and subcontractors. At the end of June 2015, 629 signed documents had been uploaded;
- ✓ CSR Risk Mapping Tool to allow affiliates to identify which suppliers and subcontractors should be assessed as a priority. During 2014/2015, 1825 suppliers were assessed using this tool;
- ✓ CSR assessment of suppliers and subcontractors using the EcoVadis platform. At the end of June 2015, following use of
- ✓ the risk mapping tool, 324 suppliers or subcontractors had been assessed using EcoVadis;
- ✓ Harmonisation of CSR audit standards for suppliers and subcontractors. Pernod Ricard selected SMETA standards, which also means it is in line with the "Mutual Recognition" programme established by AIM Progress. At the end of June 2015, CSR audits had been completed for 36 suppliers.

Collective actions

In 2009, Pernod Ricard has joined the Beverage Industry Environment Roundtable (BIER). This allows the Group to share best practices related to water stewardship with other industry leaders, and to promote water responsible management. After the development of a water Footprint methodology for beverage products in 2010, a BIER taskforce related to the Management of water-related Business risks and opportunities in the Beverage Sector was developed in 2011. Early 2012, a white paper on Impacts and Dependencies of the Beverage Sector on Biodiversity and Ecosystem Services" has also been drafted by The Nature Conservancy. It highlights the dependence of the beverage industry on agriculture and fresh water, as well as its impacts on the environment (in particular water), and provide recommendations to these beverage companies to reduce their pressure on the water resources. This year, BIER released BIER's True Cost of Water Toolkit which is an interactive toolkit helping facilities within the beverage industry and beyond to understand their "true" water cost and promote more informed internal decision making. Indeed, although water is a strategic priority, for many businesses, investments commonly do not meet the company return on investment (ROI) rates due to their focus on "cost at tap". Working through this toolkit will help facilities dive deeper into the real costs associated with water to increase awareness and make more informed decisions and investments. In 2016; BIER will work on performance in watershed context through the development of a business-focused decision support tool with key technical advisors. This tool will help facilities identifying dependencies and impacts on local watersheds depending upon their location and this will be reflected it in their performance.

More locally, Pernod Ricard is an active member of various industry Associations, such as the Scotch Whisky Association, the Bureau National Interprofessionnel du Cognac or the Comité Interprofessionnel du Champagne, hence contributing to promote sustainable industry and agricultural standards.

- ✓ An example of collective action is the development of a joint venture dedicated to the treatment of

Cognac vinasses in France. Open to all distillers of the cognac area, it was promoted by Martell, and offers an sustainable solution to avoid river pollution.

- ✓ Another example is the involvement of the Wyndham Estate vineyard in Australia in the “New South Wales Department of Primary Industries’ innovative Fish Friendly Farms Program”, which aims to enhance the health of rivers and creeks and restore native fish populations.

Public policy

Access to water is essential for human and business development. As a consequence, Pernod Ricard and affiliates encourage Water Conservation and Resources Protection at local, regional, national or international level.

We deal with government ministries and agencies either directly or through trade associations which provide us with a platform to share our views on water conservation and other industry-wide issues. For example, the French Spirits Federation (FFS), the European Spirits Organization (CEPS), the Scotch Whisky Association (SWA), the Gin and Vodka Association (GVA), Distilled Spirits Council of the United States (DISCUS), the “Association Nationale des Industries Alimentaires” (ANIA), the European Confederation of Food and Drink Industry (CIAA), the International Federation of Wines and Spirits (FIVS), etc.

In addition, through the Beverage Industry Environment Roundtable (BIER), Pernod Ricard has developed contacts or partnerships with NGOs like Alliance for Water Stewardship, Carbon Disclosure project, World Business Council for Sustainable Development, World Resources Institute, Water Footprint Network, Sustainable Agriculture Initiative, or World Wildlife Fund (France or International).

This year, Pernod Ricard supported the joint Commitment Statement issued by BIER at the Business Climate Summit in Paris. By endorsing this statement, Pernod Ricard recognized that climate change is not only a carbon issue, but also a water issue. It is only through continued collaboration and leadership in the following areas that we will fight against Climate Change: Managing water risk in supply chains; Reducing the water footprint of agriculture; and Water conservation.

Community engagement

Protecting wetlands and rivers in the local environment of our facilities is a way to engage and support water preservation in our communities.

- ✓ In New Zealand, in the humid regions of Kaituna, the Group’s affiliate has conducted a programme to regenerate nine hectares of land, aiming to establish the original ecosystem (restoration of soil, reintroduction of local species, etc.). The affiliate has also contributed to the protection of the local falcon species thanks to a fund supported by the donation of one New Zealand dollar for each bottle of wine sold from the Living Land range series.
- ✓ In Australia, for many years now Pernod Ricard Winemakers has supported a significant programme aimed at protecting the biodiversity of the Barossa Valley. The affiliate continues to expand its actions in support of reforestation and the preservation of indigenous ecosystems in the Jacob’s Creek river basin. These include, for instance, more than 700 indigenous trees planted on World Rivers Day to replace invasive species, thus contributing to improved biodiversity and the return of frogs, fish and birds. This iconic project has become a reference model for Pernod Ricard throughout the world.
- ✓ In Ireland, Irish Distillers planted more than 17,000 trees of 15 different local species as part of its new whisky maturing cellars development at Dungleary in 2014, together with 12,000 undergrowth shrubs to create the layering that is so vital to biodiversity. 6,600 wetland plants were planted up by the rainwater collection pond, creating a variety of habitats and increasing biodiversity on the site.

Developing awareness of our employees and our neighbours is also a way to engage with our communities.

- ✓ The Paul Ricard Oceanographic Institute is member of the Ocean & Climate Platform. Its objective is to place “oceans” in the heart of the World Climate Conference at Paris end of 2015. A nice way for the Institute to highlight the major role of the oceans in climate change.
- ✓ In 2013, in partnership with Good planet, Pernod Ricard financially participated to mangrove plantation in Benin. Apart from the mangrove restauration, restauration of local people have been sensitised to the

mangrove importance in their environment and some of them benefited from micro-credits in order to develop IGA (Income Generating Activities).

Transparency

Every year, Pernod Ricard publishes its reference document which includes environmental section. This section describes all Pernod Ricard environmental impacts (including its water impact). Each of these impacts being assessed through indicators in line with the GRI standards and verified by third party auditors. Detailed information related to water policy, targets, results and actions implemented is available in the “reference document 2014/2015” page 70 to 72:

Since 2011, the Pernod Ricard group participates to the CDP Water Disclosure.

Additionally, Pernod Ricard pledges to inform all its employees of its environmental commitments through its Corporate Environmental Policy available on its website <http://pernod-ricard.com>.