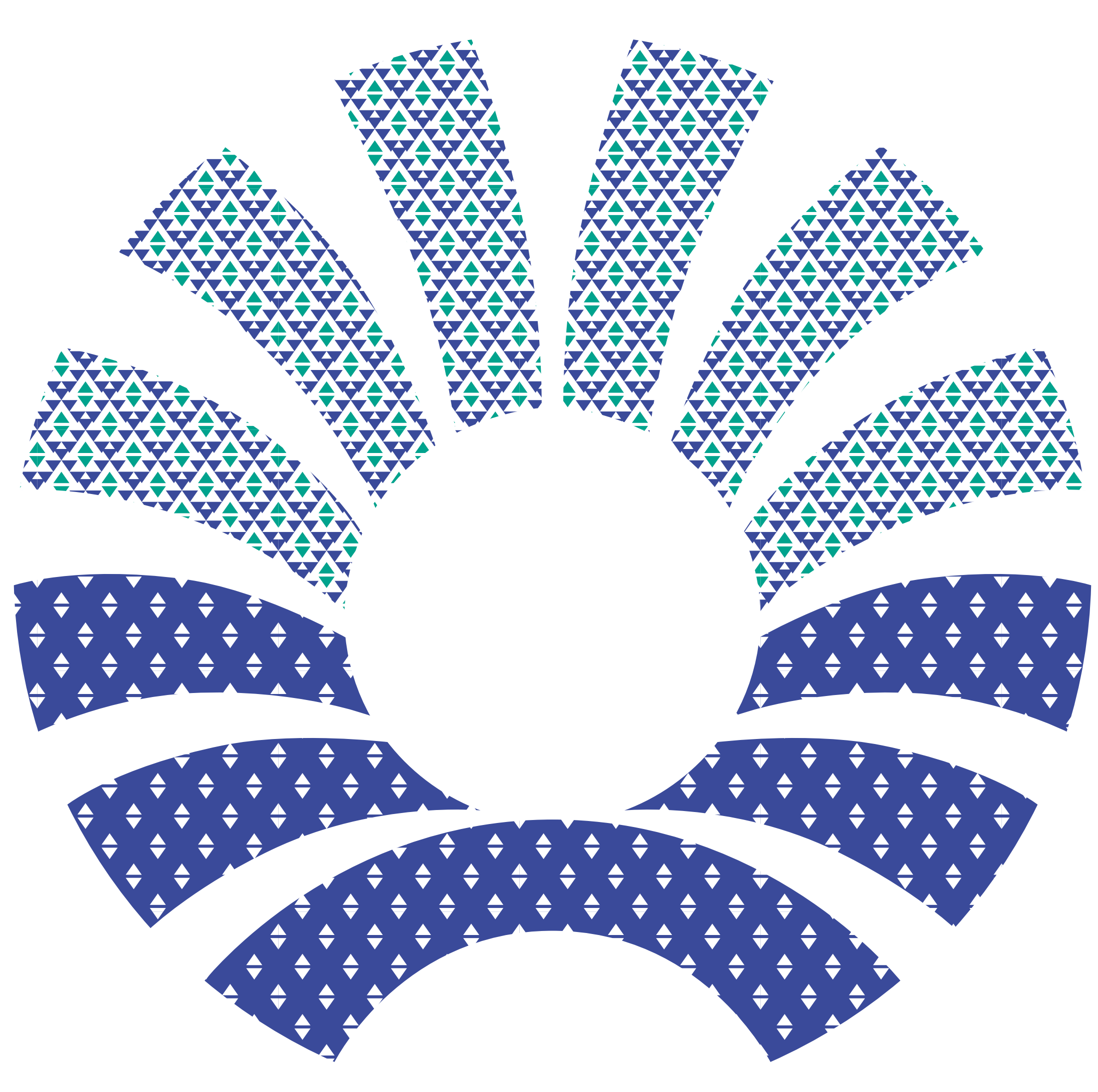
Registration document

2015 / 2016



KEY FIGURES 2

1

OVERVIEW OF PERNOD RICARD 5

An entrepreneurial and responsible mindset 6
Quest for leadership 12

2

CORPORATE GOVERNANCE AND INTERNAL CONTROL 17

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 19
Report of the Chairman of the Board of Directors on internal control and risk management 44
Financial and accounting reporting 46
Statutory auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of Pernod Ricard 47

3

SUSTAINABILITY & RESPONSIBILITY (S&R) 49

Appropriate governance 50
Empower our employees 53
Promote responsible drinking 64
Develop local communities 68
Protect the planet 73
Concordance table of the United Nations Global Compact Principles and the Sustainable Development Goals (SDGs) 90
Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report 91

4

MANAGEMENT REPORT 93

Key figures from the consolidated financial statements for the year ended 30 June 2016 94
Analysis of business activity and results 96
Net debt 100
Outlook 101
Definitions and link-up of alternative performance indicators with IFRS indicators 101
Compensation policy 102
Risk management 115
Significant contracts 125

5

CONSOLIDATED FINANCIAL STATEMENTS 131

Consolidated income statement 132
Consolidated statement of comprehensive income 133
Consolidated balance sheet 134
Changes in shareholders' equity 136
Consolidated cash flow statement 137
Notes to the consolidated financial statements 138
Statutory Auditors' report on the consolidated financial statements 187

6

PERNOD RICARD SA FINANCIAL STATEMENTS 189

Pernod Ricard SA income statement 190
Pernod Ricard SA balance sheet 191
Pernod Ricard SA cash flow statement 193
Analysis of Pernod Ricard SA results 194
Notes to the Pernod Ricard SA financial statements 196
Financial results over the last five financial years 209
Dividends distributed over the last five financial years 210
Inventory of marketable securities 210
Statutory Auditors' report on the annual financial statements 211
Statutory Auditors' special report on regulated agreements and commitments 212

7

COMBINED (ORDINARY AND EXTRAORDINARY) SHAREHOLDERS' MEETING OF 17 NOVEMBER 2016 215

Items of the agenda presented to the Combined Shareholders' Meeting of 17 November 2016 216
Presentation of the resolutions of the Combined Shareholders' Meeting of 17 November 2016 217
Draft resolutions 224
Statutory Auditors' report on the authorisation to grant free shares (Existing or to be issued) to certain Executive Committee members and The Executive Corporate Officer 231
Statutory Auditors' report on the issue of shares or securities granting access to the share capital, reserved for members of company savings plans 232

8

ABOUT THE COMPANY AND ITS SHARE CAPITAL 233

Information about Pernod Ricard 234
Information about its share capital 240

9

ADDITIONAL INFORMATION TO THE REGISTRATION DOCUMENT 253

Persons responsible 254
Documents available to the public 254
Concordance tables 255

REGISTRATION DOCUMENT

This Registration Document was filed with the French Financial Markets Authority on 28 September 2016, in accordance with article 212-13 of its General Regulations. It may be used in support of a financial transaction if it is supplemented by a prospectus approved by the French Financial Markets Authority. This document has been prepared by the issuer under the liability of the signatories.

WORLD No. 2
in Wines & Spirits

17 BRANDS
amongst the world's top 100 [a]

94% of employees are PROUD to work for PERNOD RICARD [b]

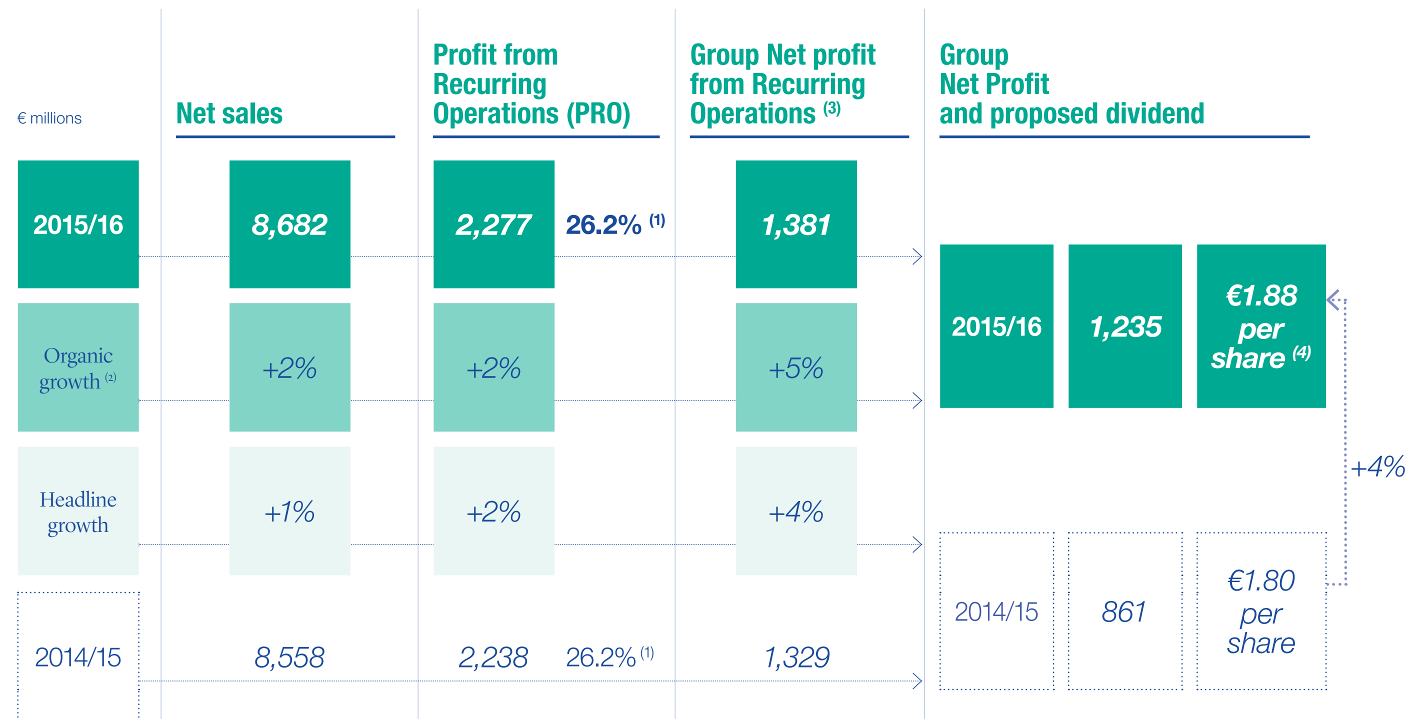
KEY FIGURES

Solid and encouraging FY 16 performance

Alexandre Ricard, Chairman & Chief Executive Officer, declared:

"FY16 was a solid and encouraging year, delivering Profit from Recurring Operations in line with guidance while maintaining investment and implementing significant initiatives to deliver our medium-term strategy and objectives.

For full year FY17, in a contrasted environment, we expect to continue improving our business performance year-on-year vs. FY16, supporting priority markets, brands and innovations and focusing on operational excellence. As a consequence, our guidance for FY17 is organic growth in Profit from Recurring Operations between +2% and +4%."



€ millions	Net sales	Profit from Recurring Operations (PRO)		Group Net profit from Recurring Operations [3]
2015/16	8,682	2,277	26.2% [1]	1,381
Organic growth [2]	+2%	+2%		+5%
Headline growth	+1%	+2%		+4%
2014/15	8,558	2,238	26.2% [1]	1,329

Group Net Profit and proposed dividend		
2015/16	1,235	€1.88 per share [4]
2014/15	861	€1.80 per share

+4%

(1) Operating margin.

(2) Organic growth is defined on p. 101 of this document.

(3) Group Net Profit From Recurring Operations: Profit from Recurring Operations adjusted for financial result from recurring operations, recurring income tax, share of net result of associates, profit from assets held for sale, and non-controlling interests.

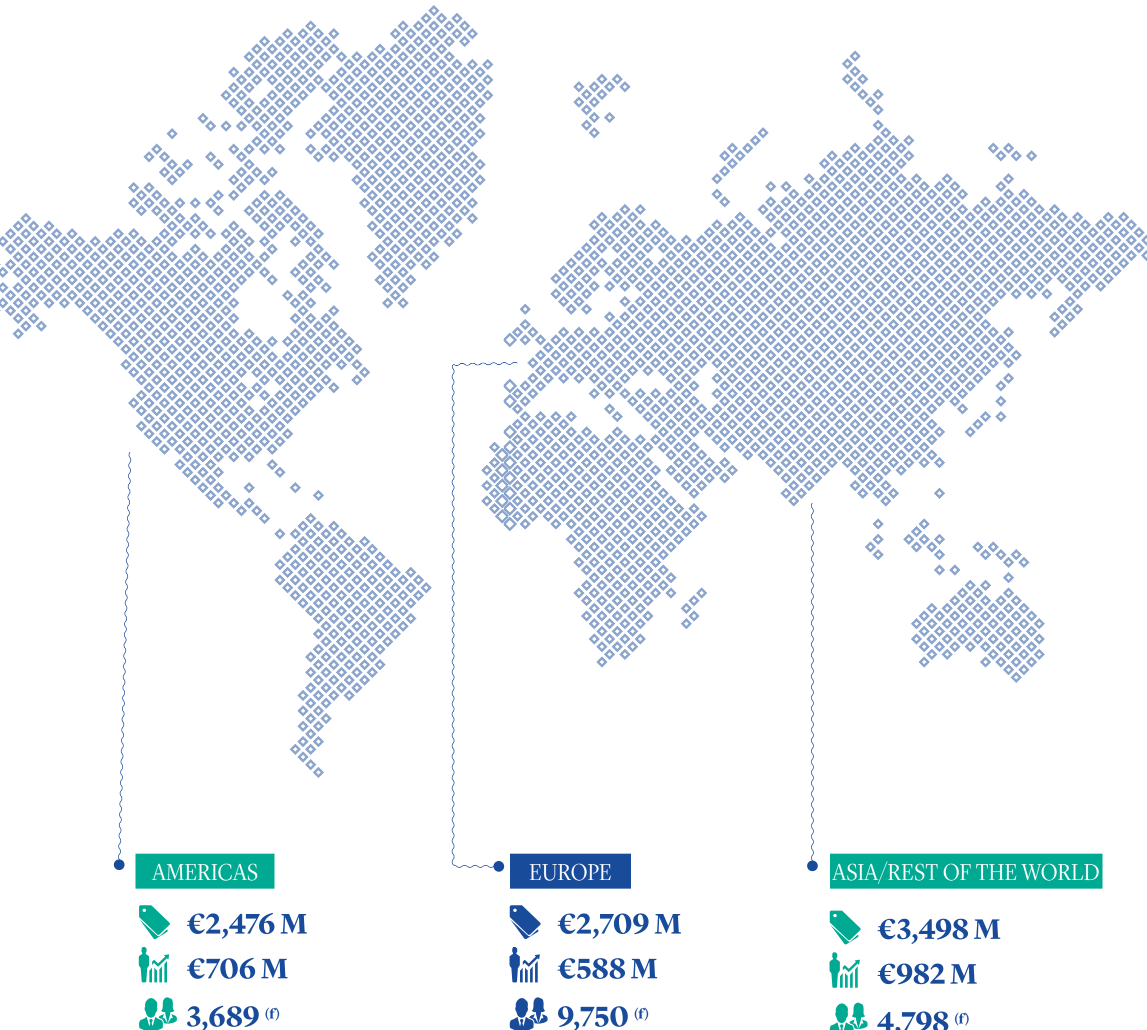
(4) Dividend proposed for approval by the Shareholders' Meeting of 17 November 2016.

AN INTERNATIONAL AND DECENTRALISED GROUP

€8,682 M
Net sales

€2,277 M
Profit from Recurring Operations

18,237
Employees (f)



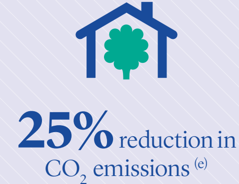
WORLD No. 1
in Premium and Prestige spirits (c)

85 MARKET COMPANIES
in 3 regions

92% of affiliates have undertaken an initiative to promote **RESPONSIBLE DRINKING**

101 production (d) **SITES**

17% reduction in water consumption (e)



25% reduction in CO_2 emissions (e)

The decentralised model which characterises Pernod Ricard is a major strategic advantage that enables the Group to seize every opportunity for growth. This highly flexible organisation, based on proximity to consumers and customers, has proven its effectiveness.

The Group is present in the three major regions of the world, both in mature and emerging markets. This is a real competitive advantage, making it well positioned to benefit from future growth drivers.

(a) Source: Impact Databank 2015, published in March 2016.
(b) Source: 2015 "i Say" survey.
(c) Source: "The Pernod Ricard Market View", based on IWSR volume data at end 2015 – Premium spirits: indicative retail sale price in USA ≥ USD 17 and <USD 26; Prestige spirits: indicative retail sale price in USA ≥USD 84.
(d) Number of sites operating as of 30 June 2016.
(e) Reduction per production unit between FY 2009/10 and FY 2015/16.
(f) Average headcount in FY 2015/16.

1

Overview of Pernod Ricard

AN ENTREPRENEURIAL AND RESPONSIBLE MINDSET 6

Key dates 6

History 8

Pernod Ricard today 9

QUEST FOR LEADERSHIP 12

Vision and ambition 12

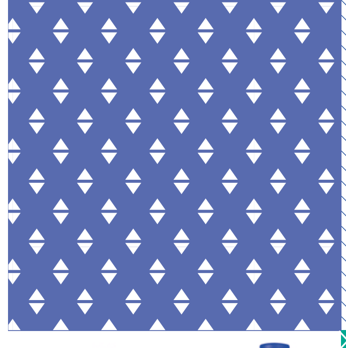
Strategy 12

An entrepreneurial and responsible mindset

KEY DATES

1975

Creation of Pernod Ricard from the merger of two French anise-based spirits companies: Pernod, founded in 1805, and Ricard, created in 1932 by Paul Ricard



1988

Acquisition of the leading Irish whiskey producer, Irish Distillers, owner of Jameson

1993

Pernod Ricard and the Cuban company Cuba Ròn form Havana Club International, a joint venture to market and sell Havana Club

2001

Acquisition of Seagram
The Group now occupies key positions in the whisky segment (Chivas Regal, The Glenlivet and Royal Salute), and in the cognac segment (Martell)

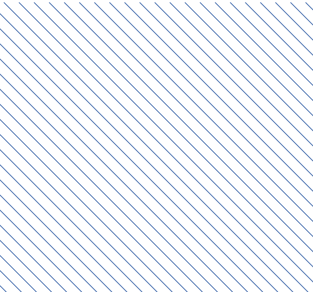
2003

Signing of the United Nations Global Compact

2005

Acquisition of Allied Domecq. Pernod Ricard doubles in size and becomes world No. 2 in Wines & Spirits, with, in particular, Mumm and Perrier-Jouët champagnes, Ballantine's whisky, Kahlúa and Malibu liqueurs and Beefeater gin

Member of IARD – International Alliance for Responsible Drinking (formerly ICAP)



2007

Adoption of a Code for commercial communications

2008

Acquisition of Vin&Sprit, owner of Absolut vodka

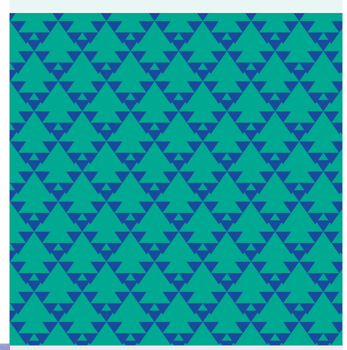
The Group signs up to the CEO Water Mandate

2011

The Group's rating is raised to "investment grade"

Launch of the first Responsib'All Day, the annual global responsibility event mobilising all Group employees

Responsible procurement policy



2012

Signing of the Wines & Spirits industry's five commitments to promote responsible drinking

2014

Signing of the European CSR Agreement [(1)] with EFFAT [(2)], and in collaboration with the EWC [(3)]

Pernod Ricard celebrates its 40th anniversary

Alexandre Ricard becomes Chairman & CEO

2016

Acquisition of a majority stake in Black Forest Distillers GmbH, owner of the Super-Premium gin brand Monkey 47

Pernod Ricard supports the UN's [(4)] Sustainable Development Goals (SDG)

(1) Corporate Social Responsibility.
(2) European Federation of Food, Agriculture and Tourism Trade Unions.
(3) Pernod Ricard European Works Council.
(4) United Nations.

HISTORY

Founding of Pernod Ricard and first international acquisitions

Pernod Ricard, hereafter "Pernod Ricard" or the "Group", was born in **1975** out of the link-up of two companies, **Pernod SA** and **Ricard SA**, long-time competitors in the French anise-based spirits market, by two passionate and visionary entrepreneurs: Jean Hémard and Paul Ricard. The Group that resulted was able to take advantage of increased resources to develop its distribution networks and brand portfolio (Ricard, Pernod, Pastis 51, Suze, Dubonnet, etc.) in France and other countries. Corporate Social Responsibility forms part of the Group's DNA, with, notably, employee shareholding having been in place at Ricard SA since 1938.

In making its initial acquisitions, Pernod Ricard gave priority to whisky, a category with one of the highest levels of worldwide consumption, and to the United States, the world's biggest Wines & Spirits market. It acquired Campbell Distillers, a producer of Scottish whiskies, in 1975 and Austin Nichols, a US spirits player, in 1981.

Global network

Given that the best way to develop its brands is to distribute its products itself, the Group gradually opened affiliates in all regions of the world. By acquiring local brands, the Group was also able to expand its portfolio and increase the profitability of this network (for example, Amaro Ramazzotti bitters and ArArAt Armenian brandy).

The Group also acquired several companies that owned brands with significant international potential: Irish Distillers, the top producer of Irish whiskeys with the **Jameson** brand in **1988** and Orlando Wines and Wyndham Estate, whose brands include **Jacob's Creek**, in **1989.**

In **1993**, Pernod Ricard and the Cuban company Cuba Ròn created Havana Club International, a joint venture that markets and sells **Havana Club** rum.

Through its decentralised structure consisting of "Market Companies" (with their own sales presence in local markets) and "Brand Companies" (overseeing the production and global strategy for brands), Pernod Ricard is able to ensure worldwide consistency in its brand management, while adapting its strategy to the specific features of local markets.

Strategic refocusing and transformative acquisitions

In **2001**, the Group doubled its size in Wines & Spirits by acquiring part of **Seagram's** Wines & Spirits business, making it one of the top three global operators in the sector by consolidating its position in the Americas and Asia. 3,500 Seagram employees joined Pernod Ricard as a result of this acquisition.

This moved the Group into key positions with strong brands in the whisky (Chivas Regal, Royal Salute and The Glenlivet), Cognac (Martell), and white spirits (Seagram's Gin). It also integrated local brands such as Royal Stag in India.

In parallel with this acquisition, the Group decided to refocus on its core business and withdraw from the food and non-alcoholic beverage segment: the Group therefore sold Orangina, SIAS-MPA, BWG and CSR-Pampryl.

As the market responded positively to the success of the Seagram deal and the Group's efforts to refocus its business strategy, Pernod Ricard re-entered the **CAC 40 in 2003**.

In **2005**, Pernod Ricard acquired **Allied Domecq**, the world's second largest spirits and wine group, in order to strengthen its presence in key growth markets (particularly in North America) and round out its portfolio by adding significant white spirits and liqueurs.

The Group took on debt in order to finance its successive acquisitions. As such, non-core activities acquired through the purchase of Allied Domecq, mainly Dunkin' Brands Inc. and its holdings in Britvic Plc, were sold, along with Bushmills, Glen Grant, Old Smuggler and Larios, to enable the Group to reduce its debt more quickly.

In **2008**, the Group made its third major acquisition by purchasing Vin&Sprit, owner of the **Absolut** Premium vodka brand, thereby positioning itself as the world number two in the industry.

Pursuing opportunities for growth

Since 2009, Pernod Ricard has focused on "bolt-on" acquisitions designed to further strengthen organic growth potential. This led to the acquisition in **2014** of **Kenwood**, a premium Californian wine brand, and a majority stake in Ultra-Premium tequila brand **Avión.**

In **2016**, Pernod Ricard completed the agreement for a majority share in Black Forest Distillers GmbH, the owner of **Monkey 47,** a dry gin produced in the Black Forest region of Germany. With this investment, Pernod Ricard expanded its portfolio into the fast-growing Super-Premium gin category.

Responsible company

For Pernod Ricard, Sustainability & Responsibility (S&R), better known as Corporate Social Responsibility (CSR), involves reconciling economic efficiency, social equity and environmental protection in a process of continuous improvement and sustainable development.

The Group has often been a pioneer in its actions, has grown in its respect for people and their cultures and has always put S&R at the heart of its vision and values (entrepreneurial spirit, mutual trust and a sense of ethics), as summed up in its tagline "Créateurs de convivialité". The Group has played a pioneering role in social policy, environmental protection, corporate responsibility and sponsorship, long before sustainable development became a necessity.

Pernod Ricard employees are at the heart of the Group's commitments, as beneficiaries of social commitments, but also as ambassadors for and contributors to the Group's responsible approach. Since May **2011,** Pernod Ricard has organised an annual event known as the Responsib'All Day, which aims to bring together all of the Group's employees around the world, share good practices and implement concrete initiatives in this area. The aim is for each of the employees to become an ambassador for the Group's responsible approach.

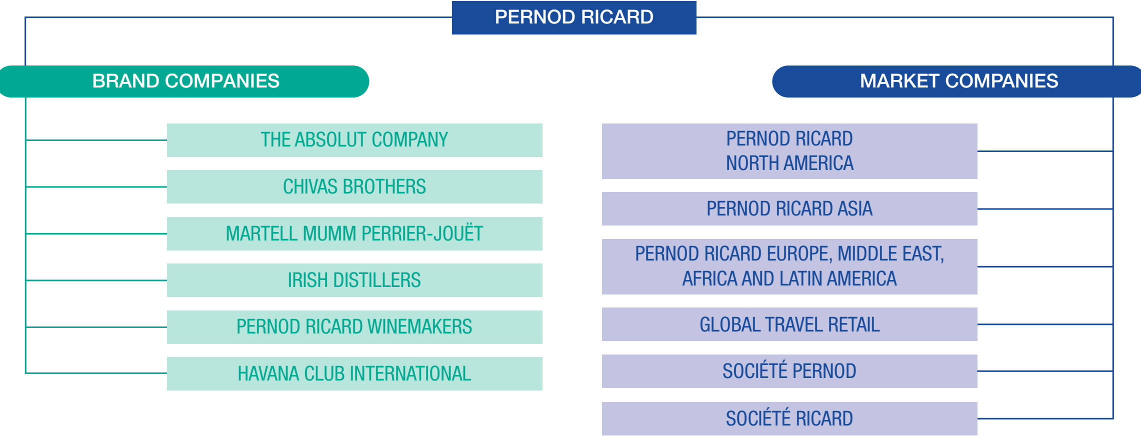
Pernod Ricard's approach and performance in terms of S&R have been recognised and rewarded by the FTSE4Good and Ethibel Excellence labels, in particular.

PERNOD RICARD TODAY

Pernod Ricard, the world no. 2 in Wines & Spirits, is listed on the Paris Stock Exchange. The Company has a reference family shareholder, Société Paul Ricard and the persons acting in concert with it, who hold around 14% of shares and 20% of voting rights on 30 June 2016. For more information, the Company shareholding structure is presented in Section 8 "About the Company and its share capital".

Decentralised organisation

Following the restructuring set out under "Analysis of business activity and results" in Section 4 "Management Report" of this Registration Document, the Group's organisational structure on 1 July 2016 is as follows:



The general organisation of the Group is based around Pernod Ricard, the "**Headquarters**", which holds the "**Brand Companies**" and – through entities called "**Regions**" – the "**Market Companies**". Some companies may combine both activities.

Under Pernod Ricard's decentralised model, the **Headquarters** is responsible for:

- strategy, particularly organic and external growth;
- management of equity investments, in particular any merger, acquisition or disposal, which might be necessary;
- management of the overall financial policy, including financing resources;
- tax policy and its implementation;
- management and protection of intellectual property;
- definition of remuneration policies, management of international executives and development of skills and competencies;
- approval of new advertising campaigns prior to launch;
- approval of key features of strategic brands;
- corporate communications and investor, analyst and shareholder relations;
- shared resources, notably through the Procurement Division;
- major applied research programmes.

The Headquarters' financial relations with its affiliates mainly involve the billing of royalties for the operation of brands owned by the Headquarters, various billing and receipt of dividends.

The Headquarters monitors and controls its affiliates' performance and prepares and reports Group accounting and financial information.

Lastly, the Headquarters is in charge of implementing policy and measures in key areas. It must ensure that its vision is shared and the business model understood, and that best practices are available to each part of the organisation. Knowledge-sharing and mutual support between affiliates are vital to the success of the decentralised business model.

The **Chairman and CEO** is responsible for the **General Management** of the Group and is assisted by the **Executive Board**. For more details, the Management Structures are presented in Section 2, "Corporate governance and internal control".

General Management, under the authority of the Chairman & CEO, whose powers are defined within the limits of the corporate purpose and subject to the powers expressly granted by law to Shareholders' Meetings and the Board of Directors, and within the limits of internal rules as defined by the Board of Directors and its Internal Regulations, **is collectively responsible for steering the Group's business.**

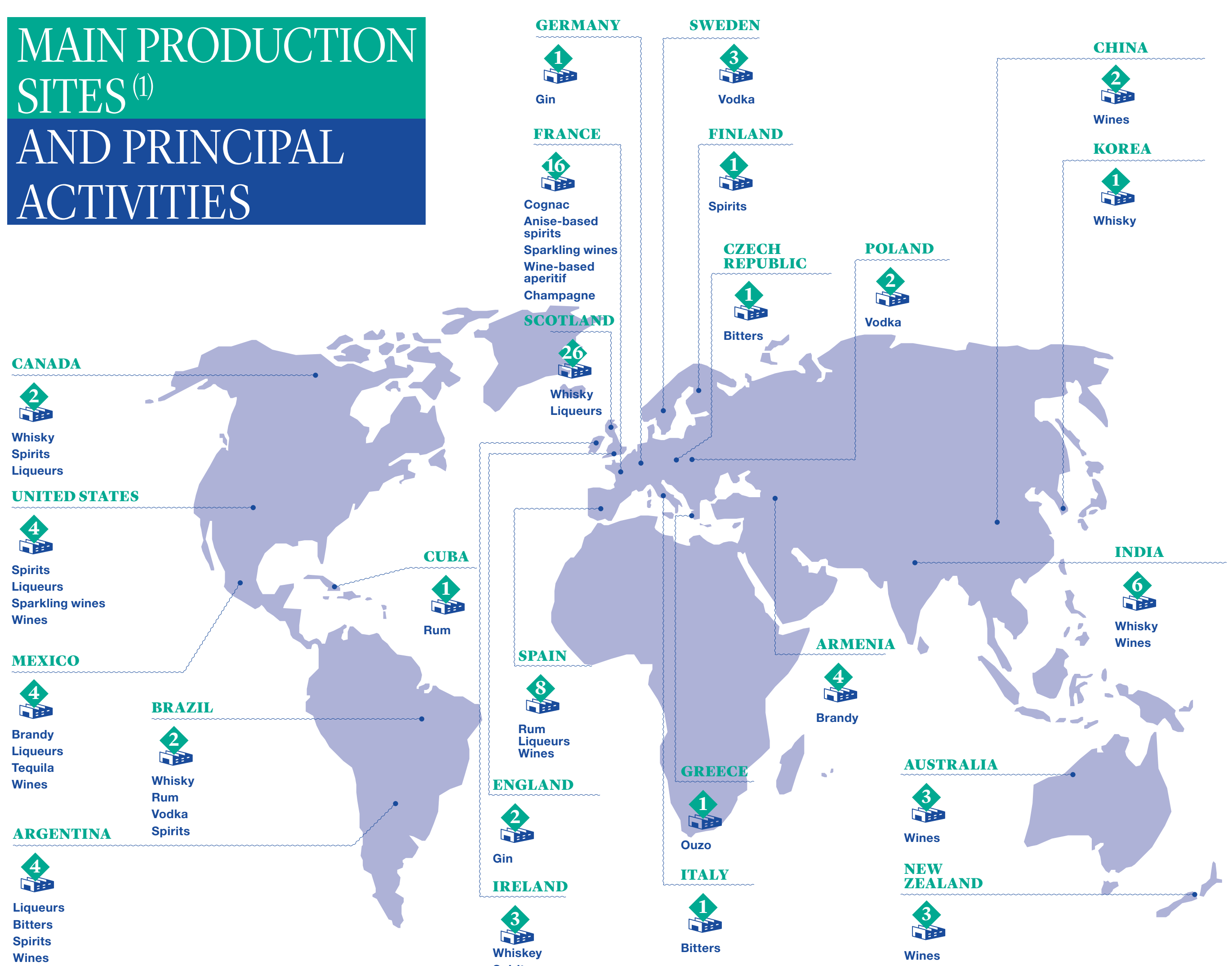
Under its authority, the **Executive Committee** is responsible for conducting the Group's business activities and ensuring that its key policies are applied. It coordinates between the Headquarters and its affiliates, as well as between the affiliates themselves.

Brand Companies are autonomous affiliates to which powers have been delegated by the Headquarters. They are responsible for brand strategy, development and production.

Regions are autonomous affiliates to which powers have been delegated by the Headquarters. They are in charge of the financial and operational control of their affiliates.

Market Companies are autonomous affiliates to which powers have been delegated by the Headquarters or by a Region. They are responsible for the distribution and development of brands in local markets.

Key facilities and industrial activities



(1) *Sites in operation on 30 June 2016.*

Featuring one of the most richest portfolios of Wines & Spirits brands in the industry, Pernod Ricard also has a varied and extensive industrial infrastructure.

To guarantee that its products are of the highest quality, the vast majority of production activities are performed on the Group's 101 industrial sites operating as of 30 June 2016, which are located in 24 countries and operated directly by Group affiliates.

The Group's main industrial facilities are as follows:

- wine production: cellars and bottling plants in France (Champagne), Spain, Australia, New Zealand, Argentina and California;
- production of distilled alcohols: distilleries, *eaux-de-vie* maturing sites for ageing alcohols, and bottling sites:
  - vodka in Sweden and Poland,
  - gin in the United Kingdom and Germany,
  - rum in Cuba,
  - whisky in Scotland, Ireland, India, Canada and Brazil,
  - cognac and brandy in France and Armenia,
  - tequila in Mexico;
- production of liqueurs and various spirits: development and bottling sites in Europe (France, Spain, Italy, Finland, Czech Republic and Greece), in Asia (India and Korea) and in America (USA, Brazil and Argentina).

In total, the Group operates 52 bottling sites, 50 maturing sites, 36 distilleries, and 26 wineries, with some sites conducting several of these activities.

In this context, the Group's largest industrial facilities are located in Europe: in Scotland (Chivas Brothers), Sweden (The Absolut Company), Ireland (Irish Distillers) and France (Martell, Mumm and Perrier-Jouët). There are also significant industrial sites in Canada, the United States, Mexico, Cuba, Brazil, Poland, Spain and in Australia and New Zealand. These sites account for almost 75% of the total bottled by the Group's units.

This network helps to embed the activities in the local regions where the Group's brands have achieved their growth: this is the case in particular in places where "appellations of origin" are associated with wine brands or other alcohols. It also offers plenty of opportunities for synergies between sites, which are used, for example, in the case of business continuity plans developed to deal with a disaster.

To manage these production activities, the Group has chosen to adopt an integrated Quality/Safety/Environment management policy based on the certification of its production sites to the following standards:

- ISO 9001: Quality management;
- ISO 22000: Food safety;
- ISO 14001: Environmental management;
- OHSAS 18001: Occupational health and safety.

As at 30 June 2016, Group sites with the four certifications represented 98.6% of the bottled volume.

In addition to these activities, which are conducted by the affiliates themselves, the Group occasionally uses subcontractors. This is the case in India, where significant growth in volumes has been achieved through a network of 26 bottling sites belonging to local partners. In such cases, an appropriate structure is implemented to ensure that subcontracted activities are under complete control, particularly in terms of risks linked to quality, personal safety, and environmental and social practices. It specifically includes the definition of precise contractual standards and the performance of audits.

Finally, Pernod Ricard also owns agricultural properties in several countries, representing a total of around 5,611 hectares of vineyards, mainly in France, Spain, Australia, New Zealand, Argentina and California.

During 2015/16, the Group's total capital expenditure amounted to €235 million (excluding IT, administrative infrastructure and visitor centres). These investments were mainly dedicated to:

- increasing the *eaux-de-vie* maturing capacity for whiskies and cognac, which involved building new cellars and buying storage casks at a cost of approximately €100 million;
- developing distillation and bottling units, spending a total of almost €50 million, primarily at Chivas Brothers and Irish Distillers;
- renewing industrial equipment and improving production sites, at a cost of around €85 million.

Commitment to stakeholders

Pernod Ricard creates value by maintaining an active dialogue with its stakeholders in order to gain a better understanding of their expectations. Pernod Ricard's key stakeholders are its employees, consumers, investors, clients and suppliers, as well as public authorities, experts, NGOs, media and communities.

Pernod Ricard's S&R strategy relies on identifying, understanding and prioritising issues. During the 2016/17 financial year, the Group will unveil its materiality matrix. It identifies the main issues by analysing existing information and through internal and external consultations using the following steps:

- **identifying the main issues at affiliate level;**
- **prioritising issues with the internal stakeholders** using the following criteria:
  - the significance of the issue for the main stakeholders,
  - the current and potential impact of the issue on the Group's business;
- **validation with external and internal stakeholders through a questionnaire and interviews.**

Section 3 "Sustainability & Responsibility (S&R)" includes detailed descriptions of the main issues, along with the results achieved and the goals for future years.

Competitive environment

Competitive position

The presence of many market participants, including both multinational companies and local entities, makes the Wines & Spirits segment a highly competitive market.

Pernod Ricard ranks as the world's second-largest international spirits group by volume [1].

Pernod Ricard group faces competition in its business lines, primarily from:

- large Wines & Spirits multinationals, such as Diageo, Bacardi-Martini, Beam Suntory, Brown-Forman, Campari, William Grant, Moët-Hennessy and Rémy Cointreau for international brands;
- smaller companies or producers of local brands such as Sazerac, Heaven Hill and Constellation Brands in the USA, Altia in the Nordic countries and Stock Spirits in Poland, among others.

Dependence on patents, licences and industrial agreements

The Group is not dependent on any specific patent or licence.

Pernod Ricard is not significantly dependent on its suppliers. The Group's five main industrial suppliers in the 2015/16 financial year were Verallia, Ardagh Glass, O-I, Saver Glass (glass bottles) and Guala (copping).

(1) Source: IWSR 2015 (calendar year).

Quest for leadership

VISION AND AMBITION

Forty years ago, Paul Ricard and Jean Hémard founded Pernod Ricard. The two partners set out with the ambitious goal of one day becoming the global leader in the sector. Today, with direct operations in 85 countries, Pernod Ricard is the world's second-largest Wines & Spirits company. Alexandre Ricard, Chairman & CEO, has restated the Group's **ambition** to attain leadership status.

As "Créateurs de convivialité", the Group's **vision** is to ensure that its brands are present for each moments of *convivialité*. This is the basis of the strategic model, which puts **consumers** and **conviviality** at its core.

STRATEGY

This model is based on four "Essentials" and four "Accelerators" and will help to achieve the Group's medium-term objective:

- organic growth in sales between +4% and +5%;
- growth in the operating margin from recurring operations.

Four “Essentials”

Operational excellence

By streamlining processes, setting priorities, simplifying tasks and pooling resources, the Group can redouble the speed and agility of its organisation.

For many years, Pernod Ricard has taken a category management approach to managing procurement directly related to the development of finished products (direct procurement). This approach helps to promote the establishment of partnerships with many suppliers. It also provides both Pernod Ricard and its partners with a stable environment that enables value to be created for all parties.

Following the Allegro project launched in financial year 2013/14 and conducted over a period of three years, the Group launched in 2015 a roadmap for operational efficiency by 2020 for all entities and functions, covering areas such as procurement (direct and indirect) and the supply chain.

This project aims to deliver significant savings:

- €200 million spread across product costings, advertising and promotion investments and, to a lesser extent, general expenses, half of which will be reinvested in advertising and promotion investments;
- €200 million reduction in Working Capital Requirement (WCR), particularly as a result of reducing inventories of finished products.

Talent management

Employees are at the heart of Pernod Ricard’s priorities. On 30 June 2016, the Group has 18,578 employees, 85% of whom are based outside France.

Attracting, welcoming, training, developing and engaging the employees to support the corporate strategy are guiding principles of Pernod Ricard’s Human Resources policy. The purpose of the function is to support the Group in achieving its ambition to attain leadership by supporting its unique business model, acting as guardian of its culture and values and by instilling and promoting entrepreneurial spirit.

Talent management is the cornerstone of this policy and has a clear goal: to create a pool of varied and successful talents in order to meet the current and future requirements of our business.

Several processes and tools have been established at Group level to ensure that the right person is in the right position at the right time and will make every effort to achieve the strategic priorities both at local and international level.

These tools also promote the development of leaders who are capable of communicating the company culture and the “winning and collective mindset” that is valued by Pernod Ricard.

Employee engagement is a key performance lever for the Group, which is confirmed by the third edition of the internal global “iSay” engagement survey, which was conducted in June 2015 by an independent firm: 94% of employees say they are proud to work for the Group and fully support its values, and 87% would recommend Pernod Ricard as a great place to work.

Sustainability & Responsibility (S&R)

Sustainability & Responsibility (S&R), the historical basis of Pernod Ricard, is included in the Group’s brand strategy and is a positive driver for long-term growth.

The S&R strategy is built around four areas of commitment:

- **empower employees** because they are at the heart of the model and are therefore the best ambassadors. Their involvement is encouraged by creating a collaborative and convivial working environment;
- **promote responsible drinking** through awareness-raising campaigns and training, undertaken individually or in partnership with the industry, associations and public authorities, to combat alcohol abuse;
- **protect the planet** and respect the environment, where all Pernod Ricard’s products are derived from. This is not only a good business practice, it is both fundamental and strategic to securing the future of the Group. Environmental performance is continuously improved by analysing and adjusting our business models, practices and processes along the entire production chain;
- **develop local communities,** particularly by promoting entrepreneurship and sharing local cultures, with a spirit of openness and respect. Involving partners, in particular suppliers and distributors, in the Group’s S&R ambitions is a prerequisite for generating value for stakeholders.

Route to market/consumer

Ensuring the Group's brands are present at every convivial occasion is critical. It determines how brands are available, visible and present among consumers within traditional (on-trade, off-trade and Travel Retail) and new distribution channels (e-commerce and Hometrade).

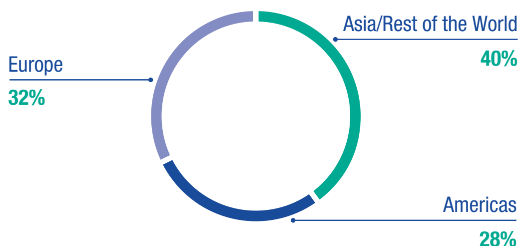
The Group strives to benefit from the full growth potential of its network and geographic exposure by embracing all relevant channels across all markets to reach consumers. The Group's strategy is to control its distribution network to best promote its portfolio of brands. This is the case for all significant markets in which the Group has an affiliate that makes or imports products developed by another Group company and distributes them in the market through third parties (wholesalers, retailers or specialised networks).

Emerging markets represented 38% of the Group's net sales in 2015/16, and provide significant opportunities for growth.

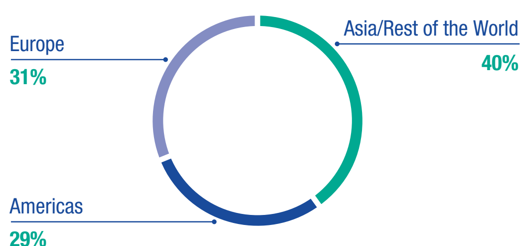
The list of main consolidated companies is set out in Note 7.2 of the Notes to the consolidated financial statements in Section 5 of this Registration Document.

Net sales by geographical region

Financial year 2014/15

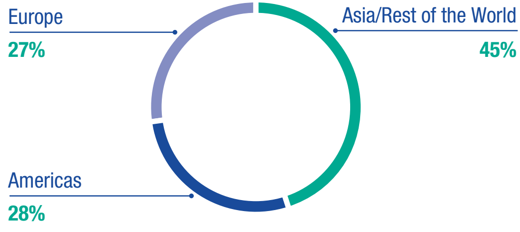


Financial year 2015/16

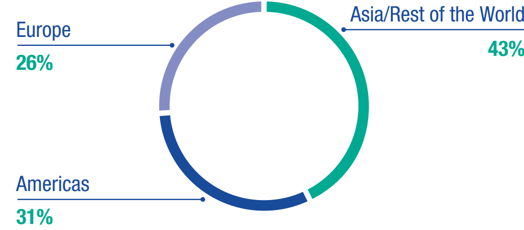


Profit from recurring operations by geographical region

Financial year 2014/15



Financial year 2015/16



Four “Accelerators”

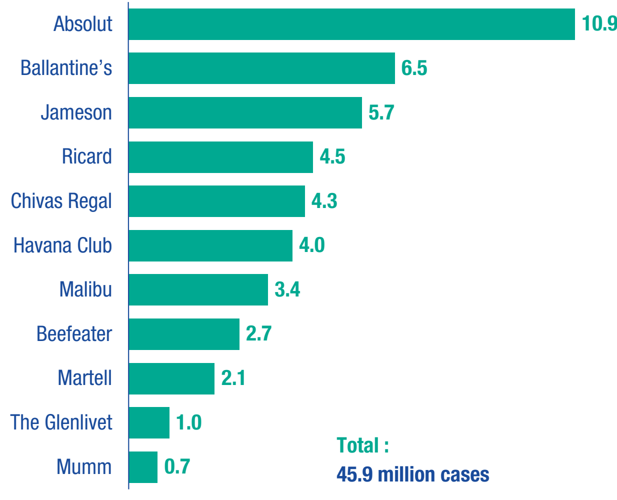
Brand portfolio

In view of the portfolio's prioritization criteria, (cf. right-hand page) Kahlúa is now part of strategic local brands whereas Suze, Ruavieja, Something Special and Becherovka are no more included in this category.

Pernod Ricard has the most comprehensive portfolio of international Premium and luxury brands in the sector, inventoried in the House of Brands. Portfolio management helps to improve the allocation of resources and the optimisation of market activity and strategic decisions by providing an overall picture of the market position of each brand in our portfolio.

Strategic international brands

(2015/16 volumes in millions of 9-litre cases)



Premiumisation and luxury

Pernod Ricard's aim is to consolidate its position as the global leader in the luxury spirits segment. Pernod Ricard's strategy is built on creating value through a systematic approach of brand upscaling (Premiumisation). To achieve this, most of our products and services are designed to attract affluent consumers around the world.

Premiumisation taps into the fastest growing segments in the sector, and represents a key source of growth acceleration for Pernod Ricard.

Innovation

Innovation is a fundamental pillar of the strategy of future growth, be it in services, experiences or custom products. The vision is for innovation to drive 20 to 25% of the Group's future growth. Current ambitious innovations include:

- **Jameson Caskmates:** the result of the joint endeavour of a master distiller and a master brewer, this whiskey, matured in barrels previously used to age craft beer, offers a unique taste;
- **Chivas Regal Extra:** a unique blend with a rich, full-bodied taste resulting from a subtle combination of whiskies, mainly single malts from small distilleries, and aged in Oloroso sherry barrels in Spain;
- **Absolut Elyx:** Ultra-Premium vodka with a unique taste and texture, made in a copper column still dating from the 1920s. Only the heirs to the expertise and knowledge of Swedish master distillers know how to achieve perfection and perform this process of artisanal distillation.

The emergence of innovations and their implementation within markets requires the building of a network of multidimensional expertise.

With this aim in mind, Pernod Ricard has established entities working in collaboration at the heart of the Innovation ecosystem. Their mission is to contribute to defining the innovation strategy, to support projects by providing high levels of scientific and technical expertise, to promote the development of innovations in unexplored territories and to bring new business into being. This is the case for the CRPR (Pernod Ricard Research Centre) and the BIG (Breakthrough Innovation Group) in particular.

The CRPR, created at the inception of the Group, has business expertise and material resources (analysis equipment, experimental laboratories and a pilot workshop) that are unrivalled in the spirits industry.

The BIG, founded in 2012, is a start-up unit within Pernod Ricard that is dedicated to disruptive innovation. It is based in Paris and has a team of ten people covering all fields of innovation, from prospective research to ideation and development. The BIG's main task is to develop innovations to invent the future of conviviality. As such, it implements a broader approach to conviviality by creating opportunities that extend beyond the product. The new solutions that it devises may therefore also include services and experiences.

The BIG and CRPR teams work together to develop new consumer experiences and new business through radical and disruptive innovations.

The Group employs a total of about 130 people full-time in the field of Research and Development.

Digital acceleration

Digital transforms all interactions that Group companies may have between themselves, with their consumers, their partners, customers or suppliers and their employees.

It provides a tremendous opportunity to get closer to the market and become fully consumer-centric. One way the Group is leveraging digital is by enriching consumer databases to improve the understanding and segmentation of the different communities.

In addition to changing the relationship with consumers, digital is changing the relationships between companies and with their partners through the implementation of collaborative tools which allow for continuous communication.

Pernod Ricard is also changing internally, as digital technology makes it possible to create a virtual universe in which each employee is able to find the tools and the resources they require.

It needs to be thought of as a new language that transcends all parts of the company, enabling the Group to streamline, hone its focus and move faster – the three fundamentals of digital acceleration.

2

Corporate governance and internal control

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 19

Composition of the Board of Directors on 30 June 2016 19

Duties performed by the Directors 20

Offices held outside the Group on 30 June 2016 27

Offices held within the Group on 30 June 2016 32

Renewals of directorships and ratification of the co-option of a Director 33

Convictions, bankruptcies, conflicts of interest and other information 33

Governance structure 34

Structure and operation of the Board of Directors 36

Corporate governance bodies 39

Management structure 43

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL AND RISK MANAGEMENT 44

Definition of internal control 44

Description of the internal control environment 44

FINANCIAL AND ACCOUNTING REPORTING 46

Preparation of the Group's consolidated financial statements 46

Preparation of Pernod Ricard's Parent Company financial statements 46

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF PERNOD RICARD 47

This section presents the report of the Chairman of the Board of Directors as required by Article L. 225-37 of the French Commercial Code, in two parts: the "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, as well as on the conditions governing the preparation and organisation of the work performed by the Board of Directors" and the "Report of the Chairman of the Board of Directors on internal control and risk management".

It describes, in the context of the preparation of the financial statements for the 2015/16 financial year, the conditions governing the preparation and organisation of the work performed by the Board of Directors and its Committees, the powers entrusted to the Chairman & CEO, the principles and rules used to determine the compensation and benefits of any kind granted to Executive Directors, and the internal control procedures implemented by Pernod Ricard.

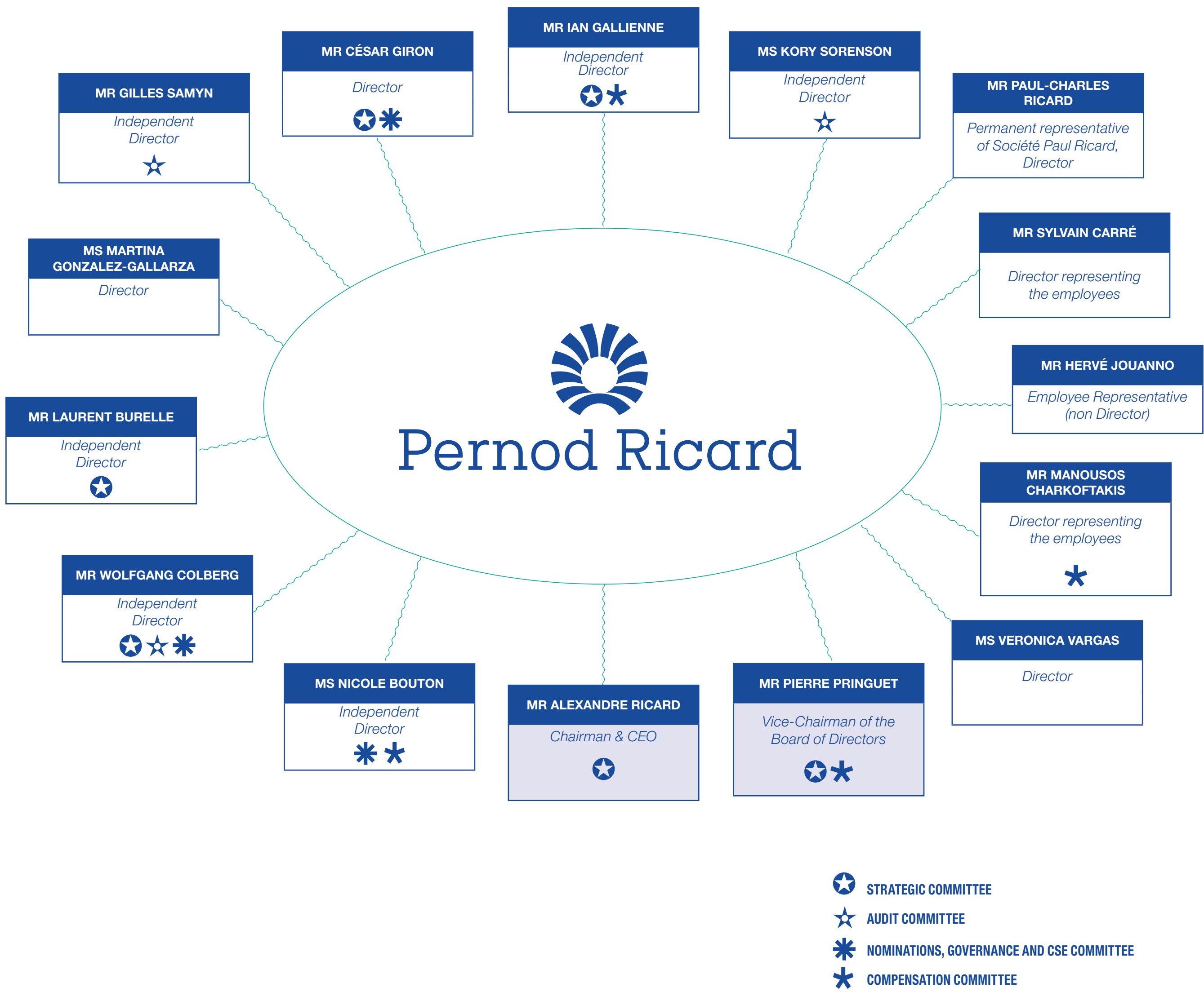
You are advised that the principles and rules used to determine the compensation and benefits of any kind granted to Executive Directors are detailed in Section 4, "Management Report – Compensation policy", under the paragraph entitled "Executive Directors' compensation" of this Registration Document. Moreover, in accordance with Article L. 225-100-3 of the French Commercial Code, the items that may have an impact in the event of a public offer are detailed in Section 8 of this Registration Document, "About the Company and its share capital", under the paragraph "Items likely to have an impact in the event of a public offer".

This report was prepared on the basis of work carried out by several different departments of the Company, in particular, the Legal Department and the Group Internal Audit Department.

This report was approved by the Board of Directors on 31 August 2016, after the Board's Committees had each examined the sections relating to their area of competence, and was forwarded to the Statutory Auditors.

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 2016



DUTIES PERFORMED BY THE DIRECTORS

Mr Alexandre RICARD

Chairman of the Board and Chief Executive Officer

44 years old
French citizen

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

Date of first appointment:
29.08.2012

Date of last renewal:
09.11.2012

Date of expiry of term of office:
2016 Shareholders' Meeting

Number of shares held on 30 June 2016:
49,542

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 company (a member of the Board) from 2 November 2009 until 29 August 2012, at which time 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.

Mr Pierre PRINGUET

Vice-Chairman of the Board of Directors

66 years old
French citizen

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

Date of first appointment:
17.05.2004

Date of last renewal:
09.11.2012

Date of expiry of term of office:
2016 Shareholders' Meeting

Number of shares held on 30 June 2016:
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, date of expiry of his term of office pursuant to the Company's bylaws.

Mr Pierre Pringuet has been Vice-Chairman of the Board of Directors since 29 August 2012.

Mr Pierre Pringuet has also been President of the *Association Française des Entreprises Privées* (AFEP) (French Association of Private Enterprises) since 29 June 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*.

Ms Nicole BOUTON

Independent Director

68 years old
French citizen

Business address:
Friedland Gestion
90, avenue des Ternes
75017 Paris (France)

Date of first appointment:
07.11.2007

Date of last renewal:
06.11.2015

Date of expiry of term of office:
2019 Shareholders' Meeting

Number of shares held on 30 June 2016:
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 a member of the Executive Committee of Banque NSMD (ABN AMRO France group) and became Vice-Chairman 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 Chairman of the Management Board and then Vice-Chairman of the Supervisory Board of Asset Allocation Advisors and Chairman 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 Chairman of Financière Accréditée. She was appointed Chairman of the Strategic Committee of Friedland Gestion, an investment management company, alongside two new partners.

Ms Nicole Bouton has been a Director of Pernod Ricard since 2007.

Mr Laurent BURELLE

Independent Director

66 years old
French citizen

Business address:
Compagnie Plastic Omnium
1, allée Pierre Burelle
92593 Levallois Cedex (France)

Date of first appointment:
04.05.2011

Date of last renewal:
06.11.2013

Date of expiry of term of office:
2017 Shareholders' Meeting

Number of shares held on 30 June 2016:
1,000

Mr Laurent Burelle is an engineering graduate of the Swiss Federal Institute of Technology in Zurich (Switzerland) and holds a Master of Sciences in Chemical Engineering from the Massachusetts Institute of Technology (MIT, United States).

He spent his entire career with Compagnie Plastic Omnium, and notably served as Chairman & CEO of Plastic Omnium Spain from 1977 to 1981 and then General Vice-Chairman & CEO of Compagnie Plastic Omnium from 1981 to 2001. Since 2001, Mr Laurent Burelle has held the position of Chairman & CEO of Compagnie Plastic Omnium. He also holds directorships in Lyonnaise de Banque, Labruyère-Eberlé and the Jacques Chirac Foundation.

Mr Laurent Burelle is a Commander of the Legion of Honour.

Mr Laurent Burelle has been a Director of Pernod Ricard since 2011.

Mr Laurent Burelle resigned from his directorship and as a member of the Strategic Committee on 20 July 2016 to comply with the new provisions of the "Macron" law regarding the limited number of directorships held by Executive Directors.

Mr Wolfgang COLBERG

Independent Director

56 years old
German citizen

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

Date of first appointment:
05.11.2008

Date of last renewal:
09.11.2012

Date of expiry of term of office:
2016 Shareholders' Meeting

Number of shares held on 30 June 2016:
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 held a post as Business Analyst (Headquarters), and then went on to become Head of Business Administration at the Gottingen 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-President-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 Board of Management. He was then Chief Financial Officer of Evonik Industries AG as well as a member of the Board of Management 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.

Mr Ian GALLIENNE

Independent Director

45 years old
French citizen

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

Date of first appointment:
09.11.2012

Date of last renewal:
06.11.2014

Date of expiry of term of office:
2018 Shareholders' Meeting

Number of shares held on 30 June 2016:
1,000

Mr Ian Gallienne has been Managing Director of Groupe Bruxelles Lambert since January 2012. He graduated in Management and Administration, with a major in Finance, from the ESDE Business School in Paris and obtained an MBA from INSEAD in Fontainebleau. From 1998 to 2005, he was Manager of the Rhône Capital LLC private equity funds in New York and London. In 2005, he founded the private equity funds Ergon Capital Partners I, II and III, 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, of Umicore since 2015 and of Adidas since 2016.

Mr Ian Gallienne has been a Director of Pernod Ricard since 2012.

Mr César GIRON

Director

54 years old
French citizen

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

Date of first appointment:
05.11.2008

Date of last renewal:
09.11.2012

Date of expiry of term of office:
2016 Shareholders' Meeting

Number of shares held on 30 June 2016:
8,711

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 1st 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.

Ms Martina GONZALEZ-GALLARZA

Director

47 years old
Spanish citizen

Business address:
Pernod Ricard España
C/Manuel Marañon 8
28043 Madrid (Spain)

Date of first appointment:
25.04.2012

Date of last renewal:
06.11.2014

Date of expiry of term of office:
2018 Shareholders' Meeting

Number of shares held on 30 June 2016:
1,100

Ms Martina Gonzalez-Gallarza is a graduate of the Jesuit ICADE Business School in Madrid *(licenciatura)* and holds a PhD in Marketing from the University of Valencia. She worked in the Marketing Department of KP Foods (part of the British United Biscuits group), then pursued her career in the academic world and held various roles in the Faculty of Business Studies at the Universitat Politècnica de València, including Director 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 she focused on consumer behaviour and teaches international master programmes (at the IAE in Rennes, at the IGC in Bremen (Germany)) and other professional degree programmes. She was a visiting scholar at Columbia University (New York City), at ESCP 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.

Mr Paul-Charles RICARD

Permanent representative of Société Paul Ricard [(1)]
Director

34 years old
French citizen

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

Société Paul Ricard:

Date of first appointment:
09.06.1983

Date of last renewal:
06.11.2013

Date of expiry of term of office:
2017 Shareholders' Meeting

Number of shares held by Mr Paul-Charles Ricard on 30 June 2016:
181,304

Number of shares held by Société Paul Ricard at 30 June 2016:
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's 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 and became Group Marketing Manager in 2014.

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 (a member of the Board) since 29 August 2012.

Mr Gilles SAMYN

Independent Director

66 years old
Belgian and French citizen

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

Date of first appointment:
06.11.2014

Date of last renewal:
N/A

Date of expiry of term of office:
2018 Shareholders' Meeting

Number of shares held on 30 June 2016:
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.

(1) Unlisted company, shareholder of Pernod Ricard.

Ms Kory SORENSON

Independent Director

47 years old
British citizen

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

Date of first appointment:
06.11.2015

Date of last renewal:
N/A

Date of expiry of term of office:
2019 Shareholders' Meeting

Number of shares held on 30 June 2016:
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 in Washington, D.C. In 2013, she completed the Harvard Business School's executive education programme, "Making Corporate Boards More Effective".

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 a member of Women Corporate Directors (Paris chapter).

Ms Kory Sorenson has been a Director of Pernod Ricard since 2015.

Ms Veronica VARGAS

Director

35 years old
Spanish citizen

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

Date of first appointment:
11.02.2015

Date of last renewal:
N/A

Date of expiry of term of office:
2017 Shareholders' Meeting

Number of shares held on 30 June 2016:
5,420

Ms Veronica Vargas, of Spanish nationality, received a MEng degree in Industrial Engineering from the "Escuela Técnica Superior de Ingenieros" (Seville, Spain) having completed her degree in France at École Centrale Paris.

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 the 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 and has been a permanent representative of Rigivar SL Company, member of the Supervisory Board of Société Paul Ricard SA since October 2009.

Ms Veronica Vargas has been a Director of Pernod Ricard since 2015.

Mr Sylvain CARRÉ

Director representing the employees

50 years old
French citizen

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

Date of first appointment:
02.12.2013

Date of last renewal:
N/A

Date of expiry of term of office:
02.12.2017

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.

Mr Manousos CHARKOFTAKIS

Director representing the employees

46 years old
Greek citizen

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

Date of first appointment:
28.11.2013

Date of last renewal:
N/A

Date of expiry of term of office:
28.11.2017

Number of shares held on 30 June 2016:
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 HELD OUTSIDE THE GROUP ON 30 JUNE 2016

The table below lists the offices outside the Group held by members of the Board of Directors on 30 June 2016:

Director's first name and surname or Company name	Date of first appointment	Date of expiry of term of office [(1)]	Offices and main functions held outside the Group on 30.06.2016 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last five years
CHAIRMAN & CEO				
Mr ALEXANDRE RICARD	29.08.2012	2015/16	◆ 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)	◆ Chairman & CEO of Le Delos Invest II ◆ Chairman & CEO of Lirix
VICE-CHAIRMAN OF THE BOARD OF DIRECTORS				
Mr PIERRE PRINGUET	17.05.2004	2015/16	◆ Director of Iliad* ◆ Director of Cap Gemini* ◆ Member of the Supervisory Board of Vallourec* ◆ Director of Avril Gestion SAS (Avril Group)	◆ Chairman of the Sully Committee
DIRECTORS				
Ms NICOLE BOUTON Independent Director	07.11.2007	2018/19	◆ Chairman of Financière Accréditée (affiliate of Centuria Capital) ◆ Chairman of the Strategy Committee of Friedland Gestion ◆ Director of AMOC (Opéra Comique)	◆ Chairman of Centuria Capital ◆ Chairman of Centuria Luxembourg (affiliate of Centuria Capital) ◆ Chairman of Financière Centuria Asset Management (affiliate of Centuria Capital) ◆ Chairman of Centuria Accréditation (affiliate of Centuria Capital)

* *Listed company.*

(1) *The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.*

Director's first name and surname or Company name	Date of first appointment	Date of expiry of term of office (1)	Offices and main functions held outside the Group on 30.06.2016 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last five years
Mr LAURENT BURELLE Independent Director	04.05.2011	2016/17	◆ Chairman & CEO of Compagnie Plastic Omnium SA* ◆ Chairman of Plastic Omnium Holding (Shanghai) Co Ltd (China) ◆ Chairman and Managing Director of Compania Plastic Omnium SA (Spain) ◆ Chairman of Plastic Omnium Inc. (United States) ◆ Deputy CEO of Burelle SA* ◆ Director of Burelle Participations SA ◆ Chairman and Member of the Supervisory Board of Sofiparc SAS ◆ Chairman of Plastic Omnium Auto Exteriors SAS ◆ Chairman of Plastic Omnium Auto Inergy SAS, ex-Inergy Automotive Systems SAS ◆ Director of La Lyonnaise de Banque ◆ Member of the Supervisory Board of Labruyère Eberlé SAS ◆ Member of the Supervisory Board of Wendel SA* ◆ Director of the AFEP ◆ Vice-Chairman of the Institut de l'Entreprise ◆ Director of the Comité de liaison européenne Transalpine Lyon-Turin ◆ Director of the Jacques Chirac Foundation ◆ Managing Director of Sogec 2 ◆ Manager of CIE Financière de la Cascade	◆ Chairman of Performances Plastics Products – 3P Inc. (United States) ◆ Chairman of Plastic Omnium Auto Exteriors LLC (United States) ◆ Chairman of Plastic Omnium Industries Inc. (United States) ◆ Chairman of Performances Automotive Services Inc. (United States) ◆ Chairman of Inergy Automotive Systems LLC (United States) ◆ Chairman of Plastic Omnium Auto SAS ◆ Co-Manager, representative of Société Plastic Omnium Auto Exteriors, at Valeo Plastic Omnium SNC ◆ Chairman of Plastic Omnium Ltd ◆ Manager of Plastic Omnium GmbH (Germany) ◆ Director of Signal AG (Germany) ◆ Chairman and Member of the Supervisory Board of Plastic Omnium Environnement SAS ◆ Chairman of Plastic Omnium International BV (Netherlands)
Mr WOLFGANG COLBERG Independent Director	05.11.2008	2015/16	◆ Chairman of the Board of Directors of ChemicalInvest Holding BV, Sittard (Netherlands) ◆ Chairman of the Board of AMSilk GmbH, Munich (Germany) ◆ Member of the Supervisory Board of Innoplexus AG, Stuttgart (Germany) ◆ Member of the Regional Board of Deutsche Bank AG (Germany)	◆ Member of the Executive Committee (CFO) of Evonik AG ◆ 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) ◆ Member of the Supervisory Board of Roto Frank AG, Stuttgart (Germany)

* *Listed company.*

(1) *The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.*

Director's first name and surname or Company name	Date of first appointment	Date of expiry of term of office [(1)]	Offices and main functions held outside the Group on 30.06.2016 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last five years
Mr IAN GALLIENNE Independent Director	09.11.2012	2017/18	◆ Managing Director of Groupe Bruxelles Lambert* (Belgium) ◆ Director of Imerys* ◆ Director of SGS SA* (Switzerland) ◆ Director of Erbe SA (Belgium) ◆ Director of Umicore* (Belgium) ◆ Director of Adidas AG* (Germany)	◆ Director of Lafarge SA* ◆ Director of Central Parc Villepinte SA ◆ Director of ELITech Group SAS ◆ Director of the Fonds de dotation du Palais ◆ Director of the Gardenia Beauty SpA (Italy) ◆ Director of Seves SpA (Italy) ◆ Director of Groupe de Boeck SA (Belgium) ◆ Director of PLU Holding SAS ◆ 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)
Mr CÉSAR GIRON Director	05.11.2008	2015/16	◆ 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)	◆ Director of Lirix
Ms MARTINA GONZALEZ-GALLARZA Director	25.04.2012	2017/18	◆ N/A	◆ N/A
SOCIÉTÉ PAUL RICARD [(2)] Director **Permanent representative: Mr PAUL-CHARLES RICARD**	09.06.1983	2016/17	◆ Chairman of Le Delos Invest III (Société Paul Ricard) ◆ Member of the Supervisory Board of Société Paul Ricard (Mr Paul-Charles Ricard)	◆ N/A

N/A : not applicable.

* *Listed company.*

(1) The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.

(2) Unlisted company, shareholder of Pernod Ricard.

Director's first name and surname or Company name	Date of first appointment	Date of expiry of term of office (1)	Offices and main functions held outside the Group on 30.06.2016 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last five years
Mr GILLES SAMYN Independent Director	06.11.2014	2017/18	◆ Chairman of the Board Groupe Flo SA* ◆ Chairman of the Board of Transcor Astra Group SA (Netherlands) ◆ Chairman of Cheval Blanc Finance SAS ◆ Chairman of Financière Flo 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) ◆ Chairman of Fibelpar SA (Belgium) ◆ Director of Groupe Bruxelles Lambert*, GBL (Belgium) ◆ Director of Pargesa Holding SA* (Switzerland) ◆ Director of M6 SA* ◆ Director of AOT Holding Ltd (Switzerland) ◆ Director of Banca Leonardo SpA (Italy) ◆ Director of Belholding Belgium SA (Belgium) ◆ Manager of Sienna Capital SARL (Luxembourg) ◆ Representative of Compagnie Immobilière De Roumont SA, Director of Bss Investments SA (Belgium) ◆ Representative of Société Des Quatre Chemins SA, Managing Director of Carpar 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) ◆ Director of Fidentia Real Estate Investment 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) ◆ Representative of Frère-Bourgeois SA (Belgium) ◆ Manager of Gosa SDC (Belgium) ◆ Representative of Frère-Bourgeois SA, Manager of GBL Energy SARL (Luxembourg) ◆ Director of Grand Hôpital de Charleroi ASBL (Belgium)	◆ Chairman and representative of Société des Quatre Chemins SA, Director of ACP SA (Belgium) ◆ *Commissaris* of Agesca Nederland NV (Netherlands) ◆ 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) ◆ 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 Tielen NV (Belgium)

* *Listed company.*
(1) *The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.*

Director's first name and surname or Company name	Date of first appointment	Date of expiry of term of office (1)	Offices and main functions held outside the Group on 30.06.2016 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last five years
			◆ Managing Director of Investor SA (Belgium) ◆ Chairman of the Board 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 (Belgium) ◆ Chairman of Swilux SA (Luxembourg)	◆ Member of the Investment Committee of Tikehau Capital Partners SAS ◆ Director of Transcor East Ltd (Switzerland) ◆ Director of TTR Energy SA (Belgium) ◆ Chairman of Unifem SAS
Ms KORY SORENSON Independent Director	06.11.2015	2018/19	◆ Director of Phoenix Group Holdings* (United Kingdom) ◆ 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 (United Kingdom) ◆ Member of the Supervisory Board of UNIQA Insurance Group AG* (Austria) ◆ Member of the Supervisory Board of Château Troplong Mondot ◆ Director of Institut Pasteur (non-profit foundation)	◆ N/A
Ms VERONICA VARGAS Director	11.02.2015	2016/17	◆ Permanent representative of Rigivar SL on the Supervisory Board of Société Paul Ricard	◆ N/A
DIRECTORS REPRESENTING THE EMPLOYEES				
Mr SYLVAIN CARRÉ	02.12.2013 (2)	02.12.2017	◆ N/A	◆ N/A
Mr MANOUSOS CHARKOFTAKIS	28.11.2013 (2)	28.11.2017	◆ N/A	◆ N/A

N/A : not applicable.
** Listed company.*
(1) The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.
(2) Date of designation by the Group Committee (France) and the European works council, respectively.

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, a member of the Board), Group Marketing Manager at Martell Mumm Perrier-Jouët; and Directors representing the employees Mr Sylvain Carré and Mr Manousos Charkoftakis, who hold the positions of Production Team Manager at Pernod and Area Sales Manager for Crete and the Aegean Islands at Pernod Ricard Hellas, respectively.

OFFICES HELD WITHIN THE GROUP ON 30 JUNE 2016

The table below lists the offices held within the Group by members of the Board of Directors on 30 June 2016:

Director's first name and surname	Nationality of company	Function	Company name
Mr Alexandre Ricard Chairman & CEO	French companies	Permanent representative of Pernod Ricard, Director	◆ Pernod SA
			◆ Ricard SA
		Permanent representative of Pernod Ricard, Member of the Supervisory Committee	◆ Pernod Ricard Europe, Middle East and Africa
	Non-French companies	Chairman	◆ Suntory Allied Limited
		Director	◆ Geo G. Sandeman Sons & Co. Ltd
			◆ Havana Club Holding SA
		Member of the Board of Directors ("Junta de Directores")	◆ Havana Club International SA
		Manager	◆ Havana Club Know-How SARL
Mr César Giron Director	French companies	Chairman & CEO	◆ Martell Mumm Perrier-Jouët
			◆ Martell & Co SA
			◆ Champagne Perrier-Jouët
			◆ G.H. Mumm & Cie S.V.C.S.
		Chairman	◆ Domaines Jean Martell
			◆ Augier Robin Briand & Cie
			◆ Le Maine au Bois
			◆ Financière Moulins de Champagne
			◆ Spirits Partners SAS
		Director	◆ Société des Produits d'Armagnac SA
			◆ Mumm Perrier-Jouët Vignobles et Recherches

RENEWALS OF DIRECTORSHIPS AND RATIFICATION OF THE CO-OPTION OF A DIRECTOR

As Mr Alexandre Ricard's, Mr Pierre Pringuet's, Mr César Giron's and Mr Wolfgang Colberg's directorships expire at the close of the Shareholders' Meeting held on 17 November 2016, it will be proposed that the Shareholders' Meeting (6th, 7th, 8th and 9th resolutions) renew their directorships as Directors for a four-year period expiring at the close of the Shareholders' Meeting to be held in 2020 to approve the financial statements for the previous financial year.

Furthermore, Mr Laurent Burelle informed the Board of Directors of his decision to resign from his directorship and membership of the Strategic Committee with effect from 20 July 2016 in order to comply with the new provisions of the "Macron" law regarding the limited number of directorships held by Executive Directors.

At the meeting held on 20 July 2016, following the recommendation of the Nominations, Governance and CSR Committee, the Board of Directors co-opted Ms Anne Lange as a Director (independent) and member of the Strategic Committee following Mr Laurent Burelle's resignation from his functions as a Director. This co-option will be submitted to the Shareholders' Meeting of 17 November 2016 (10th resolution) for ratification.

If the Shareholders ratify this co-option, Ms Anne Lange will be appointed for the remainder of Mr Laurent Burelle's term of office, namely, until the close of the Shareholders' Meeting to be held in 2017 to approve the financial statements for the previous financial year.

The Nominations, Governance and CSR Committee and the Board of Directors reviewed Ms Anne Lange's candidacy and determined that the Board of Directors could benefit from her expertise in innovation and digital technology, which are two major challenges for the Group. Furthermore, they agreed that Ms Anne Lange meets all of the independence criteria set by the AFEP-MEDEF Code, to which the Company refers.

Thus, at the close of the Shareholders' Meeting of 17 November 2016, the Board of Directors would comprise 14 members (including two Directors representing the employees), six Independent Directors (50%) and five women (42%) [(1)] in accordance with the recommendations of the AFEP-MEDEF Code.

Ms Anne Lange's career history is detailed below:

Ms Anne Lange,

Ms Anne Lange, a French citizen, is a graduate of the Institut d'Études Politiques in Paris and of the Ecole 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 Global Operations (in the USA), and 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 strong expertise in innovation and digital technology which she has developed for the past 20 years, both in the public and private sectors.

CONVICTIONS, BANKRUPTCIES, CONFLICTS OF INTEREST AND OTHER INFORMATION

Absence of convictions for fraud, association with bankruptcy or any offence and/or official public sanction

To the best of Pernod Ricard's knowledge and at the date hereof:

- no conviction for fraud has been issued against the 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 running a company.

Service agreements

No member of the Board of Directors or General Management has any service agreements with Pernod Ricard or any of its affiliates.

(1) *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.*

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 an 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" paragraph of Section 8 of this document, "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.

In accordance with the Board's Internal Regulations [1] 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.

Employee representatives

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

GOVERNANCE STRUCTURE

Corporate Governance 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 2015 (the "AFEP-MEDEF Code"), available on the AFEP and MEDEF websites, is applied by Pernod Ricard, including in preparing the report required by Article L. 225-37 of the French Commercial Code.

Implementation of the "Comply or Explain" rule

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 25.1 of the AFEP-MEDEF Code, the Company believes that its practices comply with the recommendations of the AFEP-MEDEF Code. However, the Company has deviated from certain provisions for the reasons explained in the table below:

Provisions of the AFEP-MEDEF Code from which the Company has deviated	Explanation
Review of the Board of Directors Article 10.4 recommends that Non-Executive Directors meet regularly without the Executive or Internal Directors. The Code specifies that the Board of Directors' Internal Regulations should provide for an annual meeting of this nature, during which the performance of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer & Chief Operating Officer(s) would be assessed and which would provide the opportunity for periodic reflection on the Company's future management.	Questions relating to the performance of the Executive Directors are dealt with, as the case may be, by the Nominations, Governance and CSR Committee as part of the periodic review of the operation of the Board of Directors, or by the Compensation Committee during the annual compensation review. For these reasons, and due to the collegiate nature of the Board of Directors (set out in Article 1.1 of the AFEP-MEDEF Code), no formal meeting of Non-Executive Directors is held without the presence of Executive Directors on internal Directors, nor is it provided for in the Board of Directors' Internal Regulations.
Audit Committee Article 16.2.1 recommends that the financial statements should be reviewed sufficiently in advance (at least two days before they are reviewed by the Board of Directors).	For practical reasons, linked particularly to the fact that the Committee comprises a majority of members not residing in France, the Audit Committee generally examines the financial statements the day before the Board of Directors' meeting. However, the members of the Audit Committee receive the documents and information required to perform their work with sufficient time to review them satisfactorily.

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 Chairman 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, however, retained his position as Chief Executive Officer, which was renewed during the Board meeting of 9 November 2012.

(1) The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be modified by the Board of Directors at any time.

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) and 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 performance, 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 paragraph "Limitation on the powers of the Chairman & CEO" below); 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 [1], and the Company goes 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 directs the Board's work, which is reported on 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 that 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 (see the paragraph "Limitation on the powers of the Chairman & CEO" below).

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 [2], 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 more than €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 more than €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 6 November 2015, 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 a limit of €100 million, and for an unlimited amount to tax and customs authorities.

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 connection with the 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;

(1) 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.

(2) The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be modified at any time by the Board of Directors.

- 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 shareholders and, more generally, of other stakeholders.

STRUCTURE AND OPERATION 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 in the section entitled "Composition of the Board of Directors and duties performed by the Directors".

The Board of Directors of the Company comprises no fewer than three 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 [1] recommend that Directors acquire and hold at least 1,000 Company shares [2].

The members of the Board of Directors are appointed at the Ordinary Shareholders' Meeting based on proposals from the Board of Directors following the recommendations of the Nominations, Governance and CSR Committee. They can be dismissed at any time by a 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.

At the date hereof, the Board of Directors comprises 14 members, including two Directors representing the employees. With five female Directors (42%) [3], Pernod Ricard exceeds the minimum requirements set out in the AFEP-MEDEF Code (a minimum of 40% women [3] as from the Shareholders' Meeting in 2016) and the law of 27 January 2011 on gender equality (for the Board to comprise a minimum of 40% women [3] from the Shareholders' Meeting in 2017). The Board has six Independent Directors [3]. Moreover, six Directors are of foreign nationality.

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, on 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.

Changes in the composition of the Board of Directors during the 2015/16 financial year

During the 2015/16 financial year, the Shareholders' Meeting of 6 November 2015 ratified the co-option of Ms Veronica Vargas as Director, in order to replace Ms Danièle Ricard, following her resignation from her functions as Director, for the remainder of Ms Danièle Ricard's term of office, namely, until the close of the Shareholders' Meeting held in 2017 to approve the financial statements for the previous financial year.

The Shareholders' Meeting of 6 November 2015 renewed, for a term of four years, the directorship (independent) of Ms Nicole Bouton and also appointed, for a term of four years, Ms Kory Sorenson as Director (independent), to replace Mr Anders Narvinger (Independent Director) whose term of office had expired.

Independence of Directors

The Company applies criteria of independence as expressed in the AFEP-MEDEF Code. A member of the Board of Directors is considered "independent" when he/she has 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 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 when a co-option, an appointment or a renewal is foreseen. The Board of Directors and the Nominations, Governance and CSR Committee consider whether the Director:

- performs any management duties in the Company or the Group or has any special ties with its Executive Directors;
- is or has been at any point in the past five years an employee or Executive Director or Director of the Company or of a Group company;
- is or has been an Executive Director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee or Executive Director of the Company (currently or in the past five years) holds the office of Director;
- is a significant client, supplier, banker or commercial/investment banker of the Company or its Group or for which the Company or its Group represents a significant part of its business;
- has close family ties with an Executive Director;
- has been a Statutory Auditor of the Company in the past five years;

(1) *The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be modified by the Board of Directors at any time.*

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

(3) *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.*

- has been a member of the Company's Board of Directors for more than 12 years;
- is a major or majority shareholder in the Company or the Parent Company controlling the Company. If this shareholder owns more than 10% of the share capital or voting rights in the Company, the Nominations, Governance and CSR Committee and Board will systematically review his/her independence in consideration of the Company's share ownership structure and the potential conflict of interest.

In the context of the annual Directors' independence review and with respect in particular to the business relationships with a Director criterion, 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 it did not challenge the Director's independence. Indeed, the purchases made by IDF/BSS and Group Flo from Pernod Ricard amounted to approximately €600,000 (on a turnover of €166 million) and approximately €1,000 (on a turnover of €294 million), respectively.

After consideration and review of all criteria referred to above, the Board of Directors' meeting held on 20 July 2016, on the recommendation of the Nominations, Governance and CSR Committee, confirmed that six out of 12 members of the Board of Directors (excluding the two Directors representing the employees [(1)]) are deemed to be independent: Ms Nicole Bouton, Ms Anne Lange and Ms Kory Sorenson and Messrs Wolfgang Colberg, Ian Gallienne and Gilles Samyn.

Directors' Code of Conduct

Article 4 of the Internal Regulations 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 obligations prior to accepting the office.

Moreover, the Board of Directors' meeting of 16 February 2011 adopted a Code of Conduct to prevent insider trading and misconduct.

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.

Operation and activity

The method of operation of the Board of Directors is set forth in the legal and regulatory provisions, in its bylaws and in its Internal Regulations adopted by the Board of Directors at its meeting held on 17 December 2002, and as amended most recently on 11 February 2015. The Internal Regulations of the Board of Directors specify the rules and methods for the operation 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.

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 declaration and publication requirements relating thereto.

The Board of Directors includes discussion of its operation on its agenda on a regular basis and at least once a year, focusing in particular on the following areas:

- a review of its composition, operation and structure;
- a verification that significant issues are adequately prepared and discussed.

Furthermore, at least once every three years, it performs or arranges an external and formal review of its work with the support of a corporate governance external consultant. Such a review was conducted during the 2014/15 financial year and the main conclusions from it are set out in the section on the Board of Directors' review, as part of the Report of the Chairman of the Board of Directors in the 2014/15 Registration Document.

Meetings of the Board of Directors

It is the responsibility of the Chairman to call meetings of the Board of Directors either at regular intervals, 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 its 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 for the purpose of approving the financial statements.

Board meetings are called by the Chairman. The notice of the Board meeting, which is 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, in principle, be 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 role. 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, pursuant to the Internal Regulations.

A Director may ask for explanations or for additional information to be produced and, more generally, submit to the Chairman any request for information or access to information which he or she deems appropriate.

As the Directors have insider 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 publication of the annual and half-year results and 15 days prior to 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 (6.00 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 (as indicated in the paragraph "Directors' Code of Conduct").

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

Responsibilities of the Board of Directors and activity in 2015/16

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 to it that these are implemented 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 verifications that it considers appropriate, including the review of the management of the Company;
- approves investment projects and any transaction, 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 the publication of 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 on 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.

During the 2015/16 financial year, the Board of Directors met nine times with an attendance rate of 89%. 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 to reporting on and discussing projects entrusted to 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 31 August 2016 established the 2015/16 terms of compensation for the Chairman & CEO.

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 an external and formal review of its operations at its meeting of 20 July 2016, the conclusions of which are set out below.

Board of Directors' review

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.

It appears from the triennial review and the annual review performed during the 2015/16 financial year 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, 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.

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.

CORPORATE GOVERNANCE BODIES

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

At 31 August 2016, 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 adopted at the Board of Directors' meeting of 21 January 2014.

During the 2015/16 financial year, the Audit Committee met five times, with an attendance rate of 100%.

Main roles of the Audit Committee

The main roles of the Audit Committee are as follows:

- 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;
- 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;
- supervising the procedure for the selection of Statutory Auditors.

Report on the work carried out during the 2015/16 financial year

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 2015 during the meeting of 9 February 2016;
- review of the consolidated financial statements on 30 June 2016 (these financial statements were reviewed at the meeting of 30 August 2016): the Audit Committee met with Management and with 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;
- monitoring of the Group's cash flow and debt;
- renewal or appointment of the Statutory Auditors:
  - proposal during the meeting of 18 September 2015 to appoint CBA company as alternate Statutory Auditor to Mazars following Patrick de Cambourg's notification of the termination of his activity as Statutory Auditor,
  - in the context of the forthcoming expiry of Mazars' term of office, the Audit Committee oversaw a selection process, which began in December 2015 by launching a tender process, then oversaw the various stages, until its final recommendation submitted at the meeting of 14 June 2016 of selecting KPMG to replace Mazars as Statutory Auditor;
- risk management: the Group's main risks are regularly the object of detailed presentations to the Audit Committee (the meetings held on 8 December 2015 and 14 June 2016 were devoted mainly to risk management). A diagnosis and an action plan on cyber and IT security were drafted in 2016, which involved the Group's various functions and affiliates. An online MOOC (training platform) on internal control has been developed and promoted among the Group's employees. Moreover, the marketing organisation and the application of the anti-bribery policy were subject to functional reviews in 2015/16 in order to reinforce the process 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 latter'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 of 30 August 2016;

- examination of the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 22 internal audits were performed in 2015/16 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 2016/17 at the meeting of 14 June 2016. The audit plan was prepared and approved, taking into account the Group's main risks.

Outlook for 2016/17

In 2016/17, 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, 2016/17 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 2016/17 audit plan.

The Nominations, Governance and CSR Committee

At 31 August 2016, the Nominations, Governance and CSR Committee comprises:

Chairman:

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 2015/16, this Committee met four times, with an attendance rate of 100%.

Main roles of the Nominations, Governance and CSR Committee

The roles of this Committee, formalised in its Internal Regulations amended on 11 February 2015, include:

- 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 post of Director or for membership of a Committee of the Board of Directors qualify as independent in light of the independence criteria of the AFEP-MEDEF Code;
- 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 (CSR);
- monitoring the implementation of the CSR commitments at Group level.

Report on the work carried out during the 2015/16 financial year

In 2015/16, the activities of the Nominations, Governance and CSR Committee included:

- an examination of the evolving composition of the Board of Directors and Committees, in particular regarding the criteria of feminisation and diversity;
- the selection of new Directors, instructions given to a headhunter company, a review of the applications and recommendations on Ms Anne Lange's co-option;
- an examination of the governance of the Group;
- annual examination of the Board members' independence;
- review of the CSR issues and the Group's performance;
- 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 2016/17

In 2016/17, 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 evaluation of the Board's operation so that it can present to the Directors proposals for improvements, and will review the Group's CSR challenges.

Compensation Committee

At 31 August 2016, the Compensation Committee comprises:

Chairman:

Ms Nicole Bouton (Independent Director)

Members:

Mr Ian Gallienne (Independent Director)

Mr Pierre Pringuet (Director)

Ms Kory Sorenson (Independent Director) [1]

Mr Manousos Charkoftakis (Director representing the employees)

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

In 2015/16, the Compensation Committee met seven times, with an attendance rate of 96%.

Main roles of the Compensation Committee

The roles of this Committee, formalised in its Internal Regulations amended on 12 February 2014, include:

- 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 Executive Directors and ensure that the criteria applied are in line with the Company's short-term, medium-term and long-term strategies;
- 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 managers of Group companies;
- ensuring that the compensation policy for senior 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 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.

Report on the work carried out during the 2015/16 financial year

Further details of the work of the Compensation Committee are provided in the "Corporate officers' compensation" paragraph in Section 4 "Management report" of this Registration Document.

During the 2015/16 financial year, the members of the Compensation Committee considered the regulatory developments and the best practices notably in terms of good governance and the transparency of 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.

Outlook for 2016/17

In 2016/17, 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, as well as preparing the elements of compensation due or granted in respect of the 2015/16 financial year to the Executive Director and to be submitted to the shareholders' advisory vote at the Shareholders' Meeting of 17 November 2016 ("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 or the proportion of women on the Board of Directors.

Strategic Committee

The Strategic Committee was created by the Board of Directors on 11 February 2015, on the proposal of the Chairman of the Board of Directors and following the recommendation of the Nominations, Governance and CSR Committee.

At 31 August 2016, 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) [1]

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 2015/16, the Strategic Committee met twice with an attendance rate of 92%.

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

Main roles of the Strategic Committee

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

- 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.

Report on the work carried out during the 2015/16 financial year

During the 2015/16 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.

Outlook for 2016/17

In 2016/17, 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.

MANAGEMENT STRUCTURE

General Management

As at 30 June 2016, the General Management of the Group is carried out by the Chairman & CEO, Mr Alexandre Ricard, and two Managing Directors [1]. They form the permanent body for coordinating the management of the Group.

The Executive Board is composed of Group General Management and the General Counsel and the Global Business Development Director.

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.

Composition of the Executive Board on 30 June 2016:

- **Chairman & CEO, Alexandre Ricard,** Executive Director;
- **Two Managing Directors [1], respectively:**
  - **Gilles Bogaert**, Managing Director, Finance & Operations,
  - **Bruno Rain**, Managing Director, Human Resources and Corporate Social Responsibility [2];
- **Ian FitzSimons**, General Counsel;
- **Conor McQuaid**, Global Business Development Director.

The Group Communication Department also reports 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 eight to eleven times a year.

The Executive Committee comprises on 30 June 2016:

- 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, Jean-Christophe Coutures, Chairman & CEO [2],
  - Irish Distillers Group, Anna Malmhake, Chairman & CEO [2],
  - The Absolut Company, Paul Duffy, Chairman & CEO [2];
- the Chairmen of the Market Companies [3]:
  - Pernod Ricard Americas, Philippe Dréano, Chairman & CEO [4],
  - Pernod Ricard Asia, Philippe Guettat, Chairman & CEO,
  - Pernod Ricard Europe, Middle East and Africa, Christian Porta, Chairman & CEO,
  - Ricard SA and Pernod SA, Philippe Savinel, Chairman & CEO.
- The Executive Senior Vice-President in charge of growth initiatives, Pierre Coppéré.

(1) Until 30 June 2016. From 1 July 2016, the Managing Director, Human Resources and Corporate Social Responsibility is replaced by the Human Resources of the Group, Sustainability & Responsibility Director.

(2) Until 30 June 2016. On 1 July 2016:
- *Bruno Rain was appointed Chairman & CEO of Pernod Ricard Winemakers;*
- *Cédric Ramat was appointed Human Resources of the Group, Sustainability & Responsibility Director;*
- *Jean-Christophe Coutures was appointed Chairman & CEO of Irish Distillers Group;*
- *Anna Malmhake was appointed Chairman & CEO of The Absolut Company;*
- *Paul Duffy was appointed Chairman & CEO of Pernod Ricard North America.*

(3) On 1 July 2016, a new Market Company was created, Pernod Ricard Global Travel Retail, under the management of Mr Mohit Lal. It will strengthen the coordination between the three current areas of Travel Retail (Europe, Americas and Asia) and all of the domestic "Travel Retail" teams.

(4) Until 30 June 2016. On 1 July 2016, the Market Company Pernod Ricard Americas was reorganised into Pernod Ricard North America (United States and Canada) under the management of Mr Paul Duffy and Pernod Ricard Latin America, which is included in the scope of the market company Pernod Ricard Europe Middle East and Africa, under the management of Mr Christian Porta. As from this date, Mr Philippe Dréano decided to retire after 27 years within the Group.

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. It comprises the Chairman & CEO, the Managing Director, Finance and Operations, the Managing Director, Human Resources and Corporate Social Responsibility, the Global Business Development Director and the General Counsel. The Executive Board prepares, examines and approves all decisions relating to the functioning of the Group or submits these to the Board of Directors when the latter's approval is required. It organises the work of the Executive Committee.

The **Executive Committee** comprises the Group's Executive Board and the Chairman & CEOs of the Brand and Market Companies. The Executive Committee ensures that the Group's operations are carried out and that its main policies are applied. The Executive Committee meets 8 to 11 times a year.

The **Group's Internal Audit Department** is attached to the Group's Finance Department and reports to General Management 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 and the IT teams. The audit plan is drawn up once the Group's main risks have been identified and analysed. It is validated by 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 & 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 Finance Officer** is tasked by the affiliate's Chairman & 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 2015/16 financial year focused on:

- reviewing and defining an action plan relating to the cyber security process which involved various functions and affiliates of the Group;
- different approaches which are designed to strengthen internal control within the Group, notably through the development and launch of an online MOOC (training platform) on internal control, for use by employees;
- 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: 22 internal audits were conducted in 2015/16. 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 two cross-disciplinary areas: the marketing organisation and the application of the anti-corruption policy.

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, issued by the Board of Directors, sets out the powers of the Chairman & 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 & CEO of their parent company and a letter of representation from the various parent companies to the Chairman & 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 four-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 four-year strategic plan for the Group's main brands is prepared every two years 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 paragraph on "Decentralised organisation" in Section 1 "Presentation of the Pernod Ricard group" of this Registration Document, is an important component of the control of affiliates.

Financial and accounting reporting

PREPARATION OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

In addition to the management information described above, the Group prepares half-year and annual consolidated financial statements. This process is managed by the Consolidation Department attached to the Group's Finance Department, as follows:

- communication of the main Group accounting and financial policies through a procedures manual;
- preparation of specific instructions by the Consolidation Department, including a detailed timetable, and issuance to the affiliates prior to each consolidation;
- consolidation by sub-group;
- preparation of the consolidated financial statements on the basis of the information provided, to cover the entire scope of consolidation;
- use of a single software package by Group affiliates. The maintenance of this software package and user training are carried out by the Group's Finance Department, with occasional assistance from external consultants.

In addition, consolidated affiliates sign a letter of representation addressed to the Statutory Auditors, which is also sent to the Headquarters. This letter is binding on the Senior Management of each consolidated affiliate with regard to the accuracy and completeness of the financial information sent to the Headquarters in respect of the consolidation process.

PREPARATION OF PERNOD RICARD'S PARENT COMPANY FINANCIAL STATEMENTS

Pernod Ricard prepares its financial statements in accordance with applicable laws and regulations. It prepares the consolidation package in accordance with the instructions received from the Company's Finance Department.

Paris, 31 August 2016

Mr Alexandre Ricard

Chairman & CEO

Statutory auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of Pernod Ricard

To the Shareholders,

In our capacity as Statutory Auditors of Pernod Ricard and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby present our report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*) for the financial year ended 30 June 2016.

The Chairman is responsible for preparing and submitting to the approval of the Board of Directors, a report describing the internal control and risk management procedures implemented by the Company and disclosing other information as required by Article L. 225-37 of the French Commercial Code (*Code de commerce*) dealing in particular with corporate governance.

Our own responsibility is to:

- report you of any observations we may have as to the information contained in the Chairman's report and relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information; and
- attest that the report includes the other disclosures required by Article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that we are not responsible for verifying the fair presentation of those other disclosures.

We have performed our work in accordance with the professional standards applicable in France.

Information relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information

Our professional standards require the implementation of procedures designed to assess the fair presentation of the information contained in the Chairman's report and relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information.

Those procedures involve in particular:

- gain an understanding of the internal control and risk management procedures with respect to the preparation and processing of financial and accounting information presented in the Chairman's report, and of the related documentation;
- gain an understanding of the work performed as a basis for preparing that information and the existing documentation;
- determine if any major internal control weaknesses with respect to the preparation and processing of financial and accounting information identified by us in the course of our engagement have been appropriately disclosed in the Chairman's report.

Based on the procedures performed, we have nothing to report on the information relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information contained in the report of the Chairman of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other disclosures

We hereby attest that the report of the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Courbevoie and Neuilly-sur-Seine, 19 September 2016

The Statutory Auditors,

French original signed by

MAZARS		DELOITTE & ASSOCIES
Isabelle Sapet	Erwan Candau	David Dupont-Noel

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-335 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and is construed in accordance with French law and the relevant professional standards applicable in France.

“Sustainable development is obviously a key issue for Pernod Ricard’s growth, but it is above all a mindset and a commitment that seem natural to me. It is firstly expressed by respecting human rights and more specifically by respecting our employees and all of the communities and partners in our value chain, and also by dialogue, transparency and the protection of our environment.

This year, we continue to reaffirm our vision of being “Créateurs de convivialité”, and our ambition to become the world leader of the Wines & Spirits industry. I am firmly convinced that this will only be possible if we have a profound sense of social responsibility at all levels of the organisation. After all, there can be no conviviality without responsibility and no leadership without setting an example on ethics.

This is why corporate social responsibility is a core part of our strategic model. As leaders, we are determined to strengthen initiatives that have a positive impact both at Group level and at the level of all our brands. We want to lead by example and encourage individual and collective responsibility.

Moreover, we are now supporting the Sustainable Development Goals (SDGs) published by the United Nations in September 2015, and will encourage all our stakeholders to follow us in this collective action. Our commitments are not new, and as we are developing over time, I would also like to reiterate our commitment to the 10 fundamental principles of the United Nations Global Compact for which we obtained the “advanced” status and confirm our support for the CEO Water Mandate.

We are responsible for the impact of our activities, and for meeting the expectations of all of our stakeholders. Our responsibility model is focused around four areas of commitment, each imbued with this mindset: Empower our employees, Promote responsible drinking, Protect our planet and, finally, Develop our communities and engage our partners.

Lastly, I would like to thank all our employees, our front-line ambassadors and key stakeholders, for proudly building on their contribution every year. It is thanks to them that these commitments are a daily reality at Pernod Ricard.”

Alexandre Ricard, Chairman & CEO of Pernod Ricard

Communication on our progress,
United Nations Global Compact – 2015/16

3

Sustainability & Responsibility (S&R)

APPROPRIATE GOVERNANCE	50

EMPOWER OUR EMPLOYEES	53
The women and men of Pernod Ricard	53
Headcount mapping	53
Commitment to respect for human rights	57
Employee development and employability	58
Welfare, social protection and working conditions	60
Labour relations	61
Note on the methodology used to consolidate corporate indicators	62

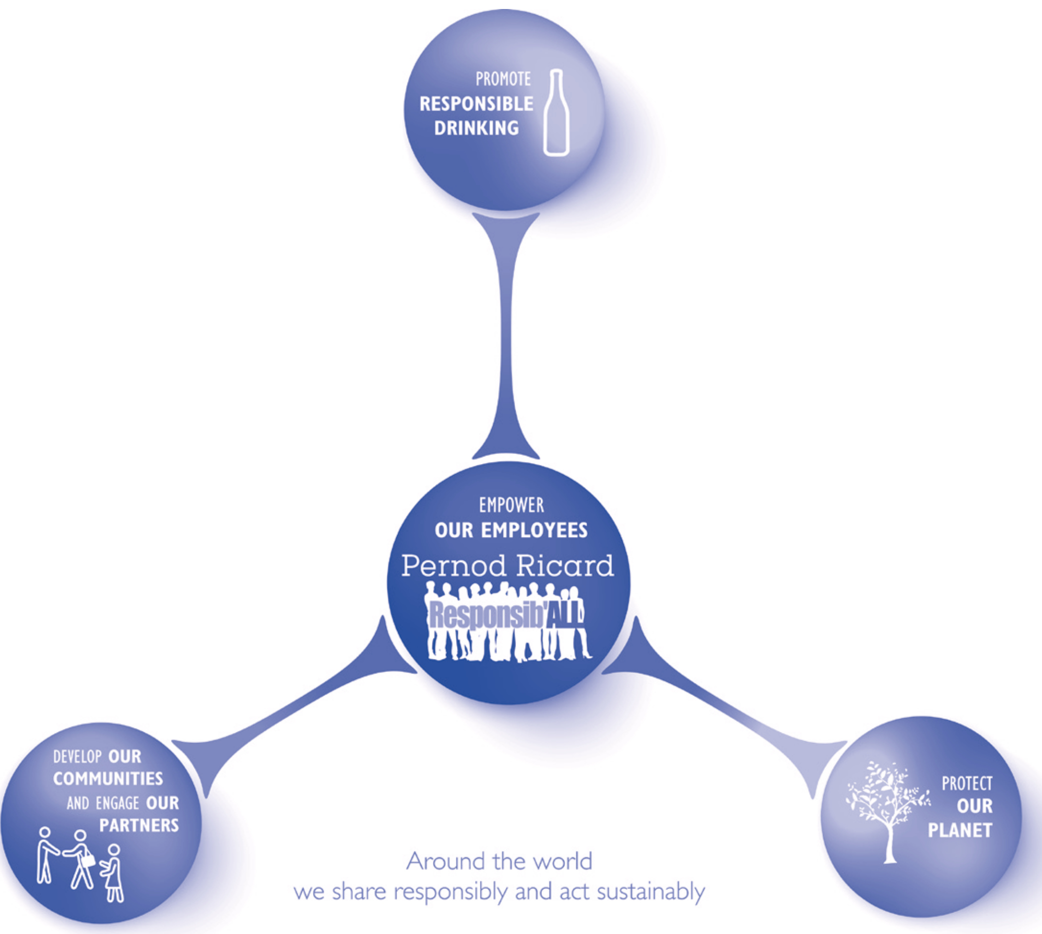
PROMOTE RESPONSIBLE DRINKING	64
Impact on the society of the Company's products and services	64
Responsible communication	66

DEVELOP LOCAL COMMUNITIES	68
Community involvement	68
The Group's ethical practices	69
Involvement of the Group's partners in its S&R commitments	71

PROTECT THE PLANET	73
A long-standing commitment	73
Environmental governance	73
Efficient management system	76
Promoting sustainable agriculture	77
Preserving and saving water resources	80
Contributing to reducing climate change	82
Developing sustainable products and reducing the impact of waste	85
Summary table of environmental indicators	88

CONCORDANCE TABLE OF THE UNITED NATIONS GLOBAL COMPACT PRINCIPLES AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)	90

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT	91



Appropriate governance

This chapter will describe in more detail how Pernod Ricard delivers on its ambition, meeting stakeholders' expectations by making a positive impact on its various communities and its environment with its business activities.

A high-level governance structure has been put in place:

- the Board of Directors is tasked with evaluating the relevance of the Company's S&R commitments and monitoring implementation within the Group through the Nominations, Governance and CSR Committee;
- the responsibilities of the Managing Director in charge of Human Resources were extended to include S&R;
- a Group-level S&R Strategic Committee was created. Its membership includes employees from all regions and functions. Its primary missions are to examine and make recommendations on strategic S&R challenges to the Executive Committee, to ensure the implementation of S&R initiatives and to validate the assessment of the progress made each year;
- a network of S&R leaders, comprising employees from more than 85 countries, who operate under the management of their affiliate to implement the S&R strategy at a local level. They receive training twice a year at the annual meeting of S&R leaders in the autumn and the regional meetings organised in February/March.

There are three prerequisites that underpin S&R activities:

- relevant to the Group's business;
- rooted in the Group's culture and identity;
- involving all employees.

Engaging with stakeholders and identification of relevant issues

In order to identify its major S&R issues, Pernod Ricard analysed CSR (Corporate Social Responsibility) standards and consulted its internal and external stakeholders.

Pernod Ricard conducts ongoing assessments of its S&R approach, as the current issues are evolving. Several stages were involved in the Group identifying its key S&R issues:

- 2009/10: formalisation of the Group's S&R policy. This involved conducting interviews with internal and external stakeholders and mapping their expectations. This enabled the identification of the key issues for the Group, including promoting responsible drinking, protecting the environment and ethics for our partners (including suppliers and subcontractors) and employees. Pernod Ricard also identified one prerequisite: compliance with the 10 principles of the United Nations Global Compact. The S&R platform was therefore developed with a focus on these issues;
- 2012: three years after it was implemented, the relevance of the S&R approach was evaluated using an experimental French standard. This standard evaluates the credibility of CSR measures with regard to ISO 26000. Over a period of five months, independent experts conducted internal interviews in different affiliates and with external stakeholders to assess the Group's S&R strategy (http://pernod-ricard.fr/49/la-rse/strategie). This work enabled the Group to reconfirm the issues it had identified and to highlight areas of improvement.
- 2013: in order to include the areas of improvement identified by the credibility report and strengthen our actions, the Group's S&R strategy was reviewed around four areas of commitment;
- 2015: regional training programmes were set up for all S&R leaders on key S&R subjects, including dialogue with stakeholders. Nine training sessions were held worldwide imparting training to more than 80 people;
- 2016: Pernod Ricard will finalise its materiality matrix, consolidated at Group level, based on issues identified by 90 S&R leaders during eight regional training programmes and based on the consultation of a number of internal and external stakeholders in order to identify the priority S&R challenges of the Group.

Pernod Ricard's ongoing dialogue with its key stakeholders is conducted as follows:

Stakeholders	Our Engagement	Methods of Engagement
Employees	A collaborative and convivial work environment where talents can grow.	"ISay" opinion survey, Intranet, corporate social network Chatter, European and local Works Councils, employee representation, Responsib'All Day, materiality questionnaire.
Consumers	Quality of products, consumer information, particularly on responsible drinking.	Complaint management system, consumer research, websites and social media, materiality questionnaire.
Investors	Create value for investors with transparency and responsibility.	Annual General Shareholders' Meetings, investor conferences, meetings, materiality questionnaire.
Public authorities	Transparent dialogue with public bodies at local, national, regional and international levels:	Briefings and direct meetings, participation in consultations, materiality questionnaire.
Suppliers	Involvement of suppliers and subcontractors to Pernod Ricard's long-term sustainable business.	Supplier CSR commitment, responsible procurement policy, Procurement Code of Ethics, self-assessment checklist, trainings, materiality questionnaire.
Experts	Collaboration with experts, more specifically scientific experts:	Ongoing dialogue, conferences, partnerships, materiality questionnaire.
Retailers	Long-term relationships through joint value creation initiatives and responsible retailing programs.	Ongoing dialogue by sales representatives, trade marketing initiatives, sustainability related initiatives, materiality questionnaire.
Media	High standards of transparency and accountability.	Ongoing dialogue with communication department and top management, press conferences, materiality questionnaire.
Communities	Contribution to development of local communities through promoting entrepreneurship and on sharing local cultures.	Ongoing long-term partnerships, corporate contributions, community programmes, materiality questionnaire.
NGOs	Collaboration with NGOs on common issues and take into account their concerns.	Meetings, multi-stakeholder forums, conferences, ongoing dialogue, materiality questionnaire.

The four S&R commitments presented in the paragraph "Sustainability & Responsibility (S&R)" of Section 1 "Overview of the Pernod Ricard group" incorporate the results of the entire process of stakeholder dialogue. Each of these commitments is described in detail in this Section 3, covering challenges, results achieved and medium-term objectives.

Dedicated supervisory bodies

On 16 February 2011, the Board of Directors, whose composition and functions are described in Section 2 "Corporate governance and internal control", decided to create a Business Code of Ethics and a Committee to prevent insider trading.

The Audit Committee, whose composition and missions are also described in Section 2 "Corporate governance and internal control", exercises an extended role in supervising internal and external control.

Operational and S&R risks are covered by the Group's audit and internal control systems.

Internal QSE standards are a key reference for internal control procedures.

Moreover, in order to improve the transparency and reliability of the social, environmental and societal data issued, the Group has instigated a progressive system of verification of some of these environmental, social and societal indicators by its Statutory Auditors. The first Statutory Auditors' report on this matter was published in respect of the 2009/10 financial year.

External benchmarks

Pernod Ricard believes in, supports and intends to respect the internationally recognised principles and guidelines set out in binding texts such as:

- the Sustainable Development Goals (SDGs) of the United Nations issued in September 2015;
- the OECD Guidelines for Multinational Enterprises;
- the 10 principles set out in the United Nations Global Compact for businesses;
- the ISO 26000 standard providing guidelines for CSR and the XP X30-027 standard;
- the International Labour Organization's (ILO) tripartite declaration on the United Nations guiding principles concerning multinational enterprises and social policy;
- the United Nations guiding principles on Business and Human Rights.

In particular, the Group confirms its compliance with ILO conventions governing fundamental rights at work:

- elimination of discrimination regarding employment and occupation (Convention nos. 100 & 111);
- prohibition of child labour (Convention nos. 138 & 182);
- elimination of forced or mandatory labour (Convention nos. 29 & 105);
- freedom of association and the right to collective bargaining (Convention nos. 87 & 98);
- protection of workers' representatives and union members and refusal of anti-union discrimination (Convention no. 135);
- equal opportunities and equal treatment for men and women workers with family responsibilities and for expectant or breast-feeding mothers (Convention no. 156).

Pernod Ricard also seeks to comply with the following texts:

- on human rights: the Universal Declaration of Human Rights, the Declaration on the Elimination of all Forms of Discrimination against Women, the Declaration of the Rights of the Child and the OHSAS 18001 standard (Occupational Health and Safety Management);
- on the environment: the GHG Protocol, the CEO Water Mandate, the ISO 14001 standard (environment) and the Millennium Ecosystem assessment;
- product quality: the ISO 9001 (Quality Management) and ISO 22000 (Food Safety Management) standards;
- the Group applies the recommendations of the GRI (Global Reporting Initiative) in the implementation and monitoring of these indicators.

The Group's societal reporting

The Group's societal reporting is linked to its social reporting. It covers all Pernod Ricard affiliates (Brand Companies and Market Companies) which are required to include their societal information in the social report. For some entities, roll-out of the S&R model and the associated action plans are managed by another affiliate. These entities are not obliged to include their societal information in the Group's reporting system, since the affiliates in question include their data in their own reporting.

Empower our employees

THE WOMEN AND MEN OF PERNOD RICARD

An organisational model to support the quest for leadership

The financial year 2015/16 is the first full year under the Group's new organisational structure, resulting from Allegro organisational efficiency project, launched in 2013/14.

As a reminder, Allegro project was based on three main principles: prioritisation, simplifying processes and structures, and sharing expertise and resources.

In 2012/13, before the change in organisational structure, there were 18,972 employees in the Group, 18,578 today. Some of the headcount reductions made as part of the project were offset by growth of the Group activity in countries like India and Africa.

The main organisational change in 2015/16 was the simplification of the America region, now centered on both North American markets: the USA and Canada.

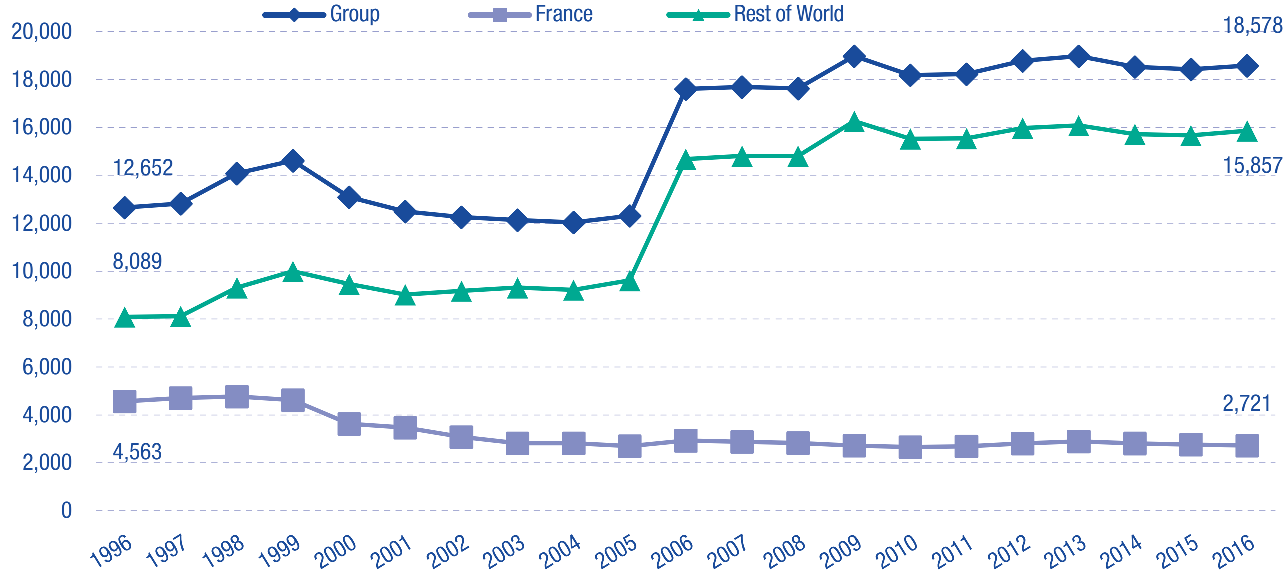
This new entity has a direct representative at the Executive Committee and aims to increase the focus on the Group's largest market, the USA. Accordingly, two new Management Entities have been added to Pernod Ricard Europe, Middle East and Africa, which becomes Pernod Ricard Europe, Middle East, Africa and Latin America from the next financial year: one of the entities with Mexico as Lead Market together with Colombia, Venezuela and Peru; the other, with Brazil as Lead Market, together with Argentina, Uruguay and Chile.

Lastly, a Global Travel Retail entity has been created, reporting directly to Headquarters. This link-up will reinforce coordination between the three existing Travel Retail regions (Europe, America and Asia) and the domestic Travel Retail teams.

HEADCOUNT MAPPING

Pernod Ricard's social profile is drawn thanks to the contributions of all the affiliates, as part of Group social reporting. To optimise transparency and reliability of the corporate data published, the Statutory Auditors have verified Group data since the financial year 2009/10. The list of data verified is contained in the Statutory Auditors' report on page 91.

Trends in worldwide headcount at 30 June



Group headcount increased by 50% in 20 years, symbolising with its development the global ambitions of the Group, particularly through external growth operations, and the relevance of its decentralised business model.

Average workforce by region

	2013/14		2014/15		2015/16	
	Annual average headcount		Annual average headcount		Annual average headcount	
Group	18,596	100%	18,232	100%	18,237	100%
Europe & Africa	9,834	53%	9,775	54%	9,750	54%
France	*2,820*	*15%*	*2,745*	*15%*	*2,700*	*15%*
Europe & Africa excluding France	*7,013*	*38%*	*7,031*	*39%*	*7,050*	*39%*
Americas	4,050	22%	3,785	21%	3,689	20%
Asia-Pacific	4,713	25%	4,672	25%	4,798	26%

Average workforce is stable compared to last year.

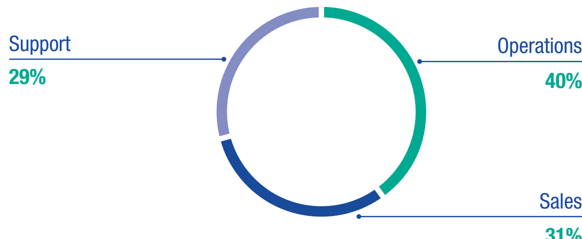
The Group has a strong international presence, with affiliates located accross 85 countries: 54% of employees are based in Europe and Africa, 20% in the Americas and 26% in the Asia-Pacific region (including the Group's Wines business). This diversity contributes to the Group's performance and reflects its capacity and desire to integrate employees from different cultural backgrounds. France, the birthplace of Pernod Ricard, is home to 15% of the Group's total workforce.

The main changes in headcount compared to the previous year were:

- increase in Asia (increased operational staff in India);
- increase in Africa (growth of the sales network in Sub-Saharan Africa) – headcount included in the Europe & Africa region;
- decrease in the Americas (reduction of headcount in Mexico following a plant shutdown, closure of the Headquarters);
- overall stability in Europe (a decrease in headcount in France, following the back-office mutualisation of the Pernod and Ricard support functions, an increase in headcount in Irish Distillers Ltd);
- stability of the headcount in the Wines business, excluding the automatic impacts of entity transfer hereafter.

The California-based production and wine-growing activities and support functions of the Mumm Napa entity in the USA were merged into Pernod Ricard Winemakers, reducing the headcount for the Americas region and increasing it for the Wines business in the Asia-Pacific region.

Average workforce by sector of activity

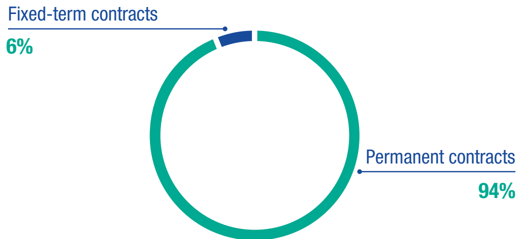


40% of Pernod Ricard employees work right at the heart of production activity, in operational areas that include distilleries and wine-making, ageing warehouses, bottling sites and logistics: purchasing, supply chain, logistics centres, QSE - Quality, Security, Environment - research and development.

The sales function also accounts for a significant proportion of the workforce, employing 31% of staff. The Group's key focus is the consumer. Fostering close consumer relationships involves stronger links between the Group's sales and marketing functions, as embodied at Headquarters level by a cross-functional Global Business Development Department.

29% of staff work in areas that support the Group's operational and sales activities (marketing, communications, human resources, legal affairs, information systems, finance, S&R and public affairs).

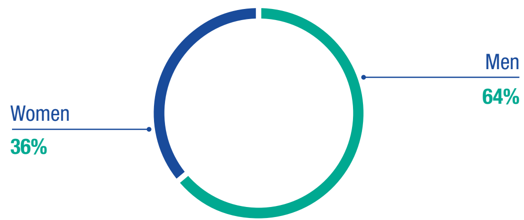
Headcount by type of employment contract at 30 June



The Group encourages permanent contracts and internal mobility, reflecting its commitment to developing long-term relationships with its employees and offering them stable employment.

In the long term, the proportion of fixed-term contracts remains stable.

Headcount by gender at 30 June



Women represent more than one-third of Pernod Ricard's workforce. In 2015/16, 42% of external recruits were female. The high proportion of men compared to women can be explained by the Group's significant presence in countries where the labour market is dominated by men, such as in India, where men make up more than 90% of the employees.

The proportion of managerial positions held by women has been increasing for the past five years: 34% of managers are women compared with 29% in 2011. Pernod Ricard has also set itself the target that more than 50% of its external hires for the 500 most senior positions in the Group should be women. Over the year, this proportion was maintained once again.

Average workforce on fixed-term contracts by function

Distillery, ageing, blending, vinification	192
Bottling wines and spirits	94
Viticulture	152
Operations (other)	95
Sales	168
Support	267
TOTAL FIXED-TERM CONTRACTS	**968**

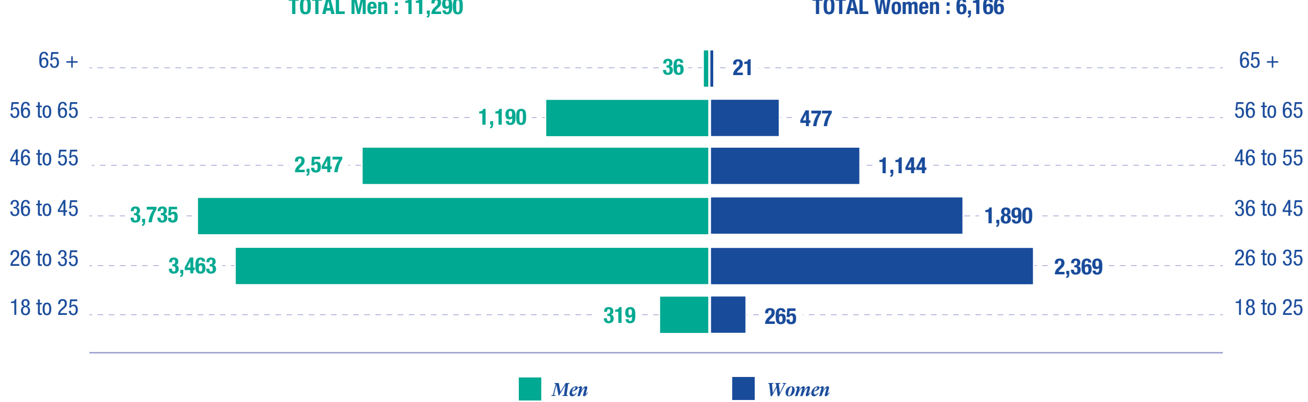
The main reasons for using fixed-term contracts are the temporary increase in production activity (distilling, bottling, harvesting), the strengthening of sales teams during holiday periods, the assistance given to support teams for projects and the replacement of absent colleagues (maternity leave, sabbaticals, etc.).

The duration of fixed-term contracts varies greatly, depending on the reasons of the contract in question, ranging from just a few weeks during the harvest and sales campaigns, to several months for replacements.

Fixed-term contracts are very rarely terminated before the expected date.

The main reasons for terminating fixed-term contracts are the end of the contract period or conversion of the fixed-term contract into an indefinite-term contract.

Average age and seniority of staff with permanent contracts at the end of the period

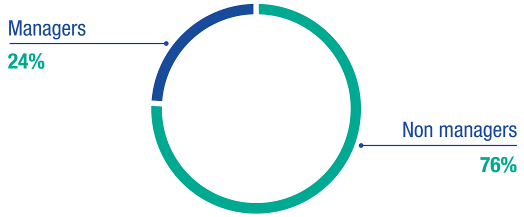


The average age of Group employees with permanent contracts is 41 years old. In France, the average age is 43 years old.

The average seniority of Group employees with permanent contracts is 10 years. In France, this average is about 15 years.

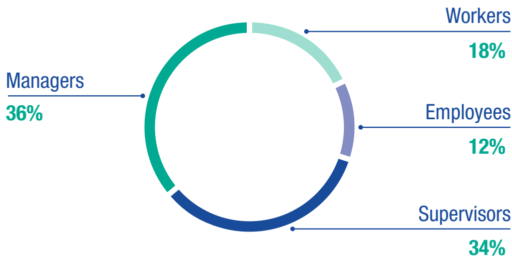
These figures are stable compared to the previous period.

Breakdown of Group average workforce by category



Worldwide, 24% of employees hold a managerial position (internal definition: a strategic-level job with elements of autonomy and responsibility).

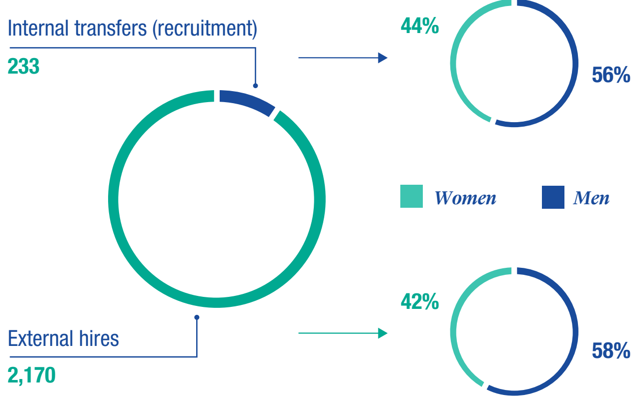
Breakdown of average workforce in France by category



Of the 2,700 employees (average workforce) in France, 64% are workers, employees or supervisors and 36% are managers.

Recruitment

Breakdown of positions filled in financial year 2015/16

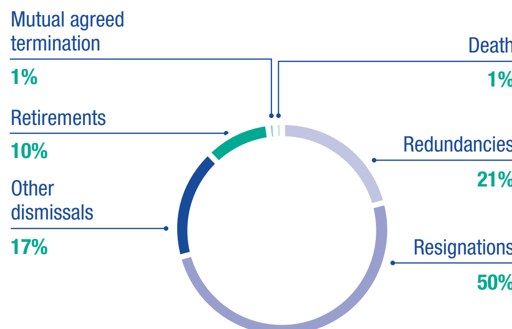


233 positions were filled as a result of transfers between affiliates this year, representing around 10% of new permanent contracts during the period. There were 2,170 external hires on permanent contracts over the period, a rise of around 5%.

Promote the recruitment and integration of young people

The Group has strengthened its global policy of inclusion and professional integration of young people with a goal of sharing and transferring skills. In addition to the training provided, particularly for students in France through internships and apprenticeship in various business lines and functions, the Group pursues an ambitious recruitment and development policy for recent graduates through the VIE (*Volontariat International en Entreprise*) programme and numerous international Graduate Programmes. These programmes offer students from any country the opportunity to go on a 12 to 24-month assignment to one of the Group's international affiliates. The Group currently has five Graduate Programmes: the Jameson International Graduate Programme, the Chivas International Graduate Programme, the Pernod Ricard Asia Regional Management Trainee Programme, the Pernod Ricard Winemakers Graduate Programme and the Martell Mumm Perrier-Jouët Ambassadors programme, created this year. Around 150 graduates took part in these various programmes during the year.

Employee departures by reason (employees with indefinite-term contracts)



The number of Group departures has slightly decreased compared to last year (2,078 in 2015/16 compared to 2,140 in 2014/15), mainly due to the 16% reduction in economic redundancies. The percentage of departures due to redundancy, therefore, fell from 24% in 2014/15 to 21% in 2015/16.

Resignations are the main reason for departures from the Group (50% of departures). Individual departures excluding resignations (*i.e.* dismissals for reasons other than economic, and contractual terminations) declined in 2015/16, accounting for 382 departures this year (compared to 435 in 2014/15), *i.e.* a fall of 12%.

Staff movements

	Resignations	Average headcount on permanent contracts	Rate of voluntary departures *(as a %)*
Managers	234	4,301	5.4%
Non-managers	804	12,967	6.2%
TOTAL	**1,038**	**17,268**	**6.0%**

1,038 resignations were recorded over the year. The voluntary departure rate remained stable, at 6% for 2015/16.

COMMITMENT TO RESPECT FOR HUMAN RIGHTS

Pernod Ricard's commitment to respect human rights is deeply rooted in its history and culture. Since the Group was founded, it has fostered respect for people and cultures through its actions and the actions of its employees.

This commitment is reflected in its support for the United Nations Global Compact Principles, which Patrick Ricard signed in 2003. The 10 principles, including those linked to human rights are fully accessible to its employees on the Group's Intranet (businesses should support and respect the protection of internationally proclaimed Human Rights and ensure that they are not complicit in human rights abuses).

Respect for human rights and prevention of abuses

Pernod Ricard's Internal Charter sets out the requirement that its employees comply with the law, including fundamental principles such as the respect of human rights. In addition, Pernod Ricard policy has been detailed in Pernod Ricard's Sustainable Development Commitment. These two documents are available on the Group's global website (www.pernod-ricard.com).

As a decentralised organisation, Pernod Ricard gives responsibility to its affiliates for the adoption, respect and promotion of the content of its Charters locally. For example, Chivas Brothers Limited published on its website a "*Slavery and Human Trafficking Statement*" in which you can find its commitment and Anti-slavery Policy as well as its key performance indicators. This statement is made pursuant to section 54 of the United-Kingdom Modern Slavery Act 2015 (http://www.chivasspirit.com/media/488858/slaveryandhumantraffickingstatement.pdf). Dedicated teams at Group level regularly evaluate these principles (through internal audit and support for local initiatives aimed at developing or monitoring the Company's commitment to ethical practices).

The visits to affiliates by cross-functional internal audit teams include elements of social evaluation, allowing for coverage of matters specific to human rights.

Managing Directors' performance assessments include corporate as well as social and economic aspects of performance. The targets considered are specific to each affiliate.

Respect for freedom of association and the right to collective bargaining [(1)]

Pernod Ricard is committed to ensuring that freedom of association and the right to collective bargaining is fully respected through its Pernod Ricard's Sustainable Development Commitment. Further information is presented in the paragraph on "Labour relations" of the subsection "Empower our employees" of this section.

Non-discrimination [(2)]

The principle of non-discrimination forms the basis of the Group's Human Resources practices, particularly for recruitment and career development activities.

Pernod Ricard made a formalised commitment to non-discrimination in its Pernod Ricard's Sustainable Development Commitment. Pernod Ricard is a signatory to the United Nations Global Compact and communicates on this principle. In 2003, Pernod Ricard also signed the "Business Workplace Diversity Charter", whose aim is to encourage the employment of different members in French society. This Charter bans all forms of discrimination when recruiting, during training and in professional development. Diversity is a major strategic focus for the Group; the section on "Employee development and employability" expands on this.

With regard to disability, Group affiliates comply with local legal requirements, where applicable. Efforts are being made each year to improve the integration of disabled workers and empower teams in this area. In 2015/16, 17 affiliates carried out work to adapt their premises for disabled people and 17 affiliates invested in appropriate equipment. 13 Group affiliates conducted disability training and/or awareness actions for their employees. Other measures implemented in 2015/16 included joint work with specialist establishments (launched by 17 affiliates), participation in dedicated forums (provided by four affiliates), and distribution of information brochures (in 11 affiliates). In the countries where it is authorised and possible to gather this information, a dozen affiliates hired disabled workers this year.

Elimination of forced labour and effective abolition of child labour [(3)]

As in its fight against discrimination, Pernod Ricard is committed through the United Nations Global Compact to eliminate forced or compulsory labour and to abolish child labour. The Pernod Ricard Charter sets out the Group's commitments for compliance with the International Labour Organization standards. Pernod Ricard also requires its suppliers and subcontractors to respect these principles (see subsection "Involvement of the Group's partners in its S&R commitments" on page 71).

(1) In accordance with principle 3 of the United Nations Global Compact: "to uphold the freedom of association and the effective recognition of the right to collective bargaining".

(2) In accordance with principle 6 of the United Nations Global Compact: "Elimination of discrimination in respect of employment and occupation".

(3) In accordance with principles 4 & 5 of the United Nations Global Compact: "elimination of all forms of forced and compulsory labour" and "effective abolition of child labour", respectively.

EMPLOYEE DEVELOPMENT AND EMPLOYABILITY

Leadership culture

Leadership culture is inherent in Pernod Ricard's values and history and drives its performance. In order to accelerate its development, since 2010 the Group has been committed to creating and deploying common tools and processes across all its affiliates. For example, the talent management system "iLead" – defined by a set of key competencies and formalised by an assessment tool – has been up and running in all Group affiliates since 2012.

In addition to this talent management system, the Group continues to set up Development Centers to assess and develop the leadership competencies of employees from all Group affiliates. These Development Centers are structured as two-day sessions during which participants take part in individual interviews, undertake case studies and benefit from extensive feedback sessions. Before attending these sessions, participants take part in a 360-degree assessment. An individual development plan is then defined for each employee. This advanced-level development programme has been gradually extended to more and more employees, as it plays a key role in identifying and supporting future leaders.

The Group created Pernod Ricard University in 2011 in order to support talent development and train its future leaders while encouraging diversity. Pernod Ricard University introduced a leadership development course in 2012, to promote the development of individual leadership skills in the spirit of Group's leadership model. This training path is composed by different programmes: "Mixers", for managers who need to strengthen leadership aspects in comparison to operational element of their role; "Shakers", for leaders with confirmed potential for Management Committee and/or more generalist roles; and the offer is expected to soon be extended with the introduction of a third module, "Blenders", for the Group's top 200 executives. During 2015/16, 90 employees took part in the "Mixers" module and 31 attended the "Shakers" module.

In addition, Pernod Ricard and leading management school HEC Paris launched the "Leadership" certificate in June 2014 at the HEC campus under the aegis of the Pernod Ricard Chair. The certificate is open to all students of HEC Paris and consists of one hundred hours of lessons and lectures. It examines the relationship between human capital and corporate performance, focusing on a leadership vision entirely in line with Pernod Ricard's culture and values.

Diversity: a major strategic focus for the Group

Pernod Ricard has made diversity a focus of leadership. Diversity is understood as a genuine performance driver for the Company, which aims to reflect the diversity of its consumers. For instance, 92% of net sales are generated outside of France, and women represent a growing proportion of consumers. The Group is therefore striving to build a global talent pool to reflect these developments more closely within staff teams and at top management level. The objective is to embed major expertise on key markets, develop closer relationships with consumers, and take advantage of new opportunities for growth.

The "Better Balance" initiative was launched in this context, with the emphasis on fostering a better balance of Talent profiles with a focus on nationality and diversity. The "Better Balance" project is a strategic initiative which involves the Executive Committee in both raising awareness amongst management teams and establishing a global action plan for long term. Two of the Committee's members are official sponsors of this project. This commitment is supported by a number of global initiatives, including mentoring programmes, leadership training, Development Centers, and the introduction of flexibility measures across all affiliates. These global initiatives are completed by local programmes specific to each affiliate. The proportion of women on Management Committees in the affiliates is now 23.8%.

- Each affiliate is committed to implementing at least one flexible working measure during the year
- Two members of the Executive Committee are sponsors of the "Better Balance" initiative

Ambitious HR tools and processes

Pernod Ricard's HR procedures include induction programmes, annual development and performance reviews, as well as training sessions, to encourage employees' personal and professional development. As an example, the "iLead" talent promotion system, described above, is one of the tools shared by the whole Group. Together with management reviews and succession planning for key Group positions, it is a key mechanism for recognising and selecting future leaders. All these processes and tools are available on the Group HR Intranet, and are therefore disseminated in a transparent manner to all employees throughout the world. These tools and processes are being continually improved.

To measure the effectiveness of its HR policy on employee engagement, in June 2015 Pernod Ricard invited all its employees throughout the world to participate in the third edition of the "iSay" engagement survey already deployed in 2011 and 2013, developed with an independent consulting firm. 84% of staff responded to a questionnaire that was available in 35 languages and included a little over 100 questions. These questions were identical to those in the previous two editions so that progress could be observed.

It indicated a level of engagement of 87%, far outstripping other businesses in the Fast Moving Consumer Goods sector. Despite a somewhat strained macroeconomic environment and given the transformation process embarked on by the Group in 2014, this is an exceptional performance.

While there are differences between affiliates, the results of the survey are stable compared to the results seen in 2013, which were already very positive. They also reveal improvements in the areas that were identified as priorities two years ago ("Decentralising management", "Evaluating performance" and "Supporting innovation"), areas in which the Group has introduced specific action plans, as it had committed to do. The main areas for long-term action are still "Organisational Efficiency", "Career Development" and "Diversity".

Digitising HR tools and processes: Innovative HR practices

As part of its commitment to continuous improvement, the Group is in a process of digitising some of its HR tools and processes to keep pace with digital expectations. This is taking place by means of a number of initiatives.

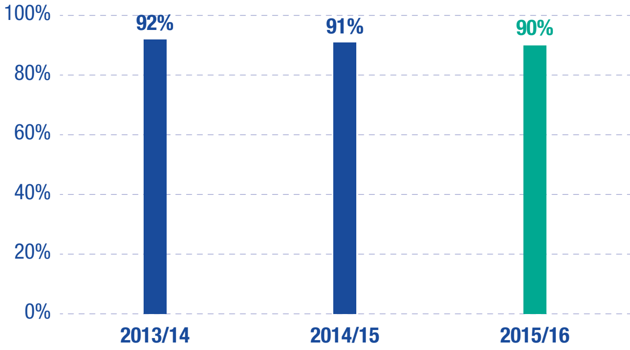
The digitisation relates firstly to certain aspects of training and recruitment. Several Massive Open Online Courses (MOOCs) for all employees were launched this year by Pernod Ricard University: "Code of Business Conduct", "Internal Control", "Crisis Management", "HR For HR", and "Digifit". The last of these allows employees to develop basic digital skills and has reached almost 4,500 individuals, including 450 who have achieved the level of "coach", the highest level of the whole programme. These training programmes are accessible through the Group portal (MyPortal) and the Pernod Ricard University Intranet. In the field of recruitment, an innovative new tool for preselection interviews through time-delayed video was introduced.

In parallel, the Group created a number of tools specifically for employees, to allow them to develop their visibility and become Pernod Ricard ambassadors on social media.

The Group also increased its social media presence. Communication on the LinkedIn professional network is increasingly tailored to the different affiliates, helping them to improve their visibility at local level. Lastly, this year saw the launch of a Group-level "Pernod Ricard Graduates" Facebook page for recent graduates, providing a central source of information on the different Graduate programmes available.

Annual performance reviews

Trends in annual performance review rate



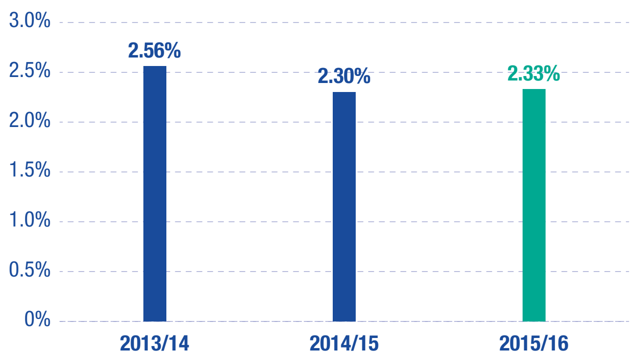
Pernod Ricard encourages holding annual performance and development reviews for all of its permanent contract employees. The portion of annual performance reviews has remained stable over the last three years: 90% of permanent contract employees within the Company as of 30 June received a performance review during the year. The annual performance reviews ensure individual monitoring for employees, allowing them to review with their Line Manager the position that they hold, the skills they need to develop, their previous and future objectives, their potential mobilities and their training needs.

- The annual performance review rate is consistently above 85%. These reviews are a key element of the Group's Human Resources management policy

Training

Trends in training investment within the Group

(as a percentage of total payroll)



With 429,589 training hours this year, the Group was able to offer training to 15,399 employees (fixed-term and permanent contracts), accounting for around 84% of the total average workforce. This figure is up 6.4 points compared to the previous year.

The employees trained received on average 28 hours of training. The Group is therefore pursuing with its development policy on employee training.

Training programmes are aimed at adapting employees' skills to the requirements of their current position and also preparing them for their future positions.

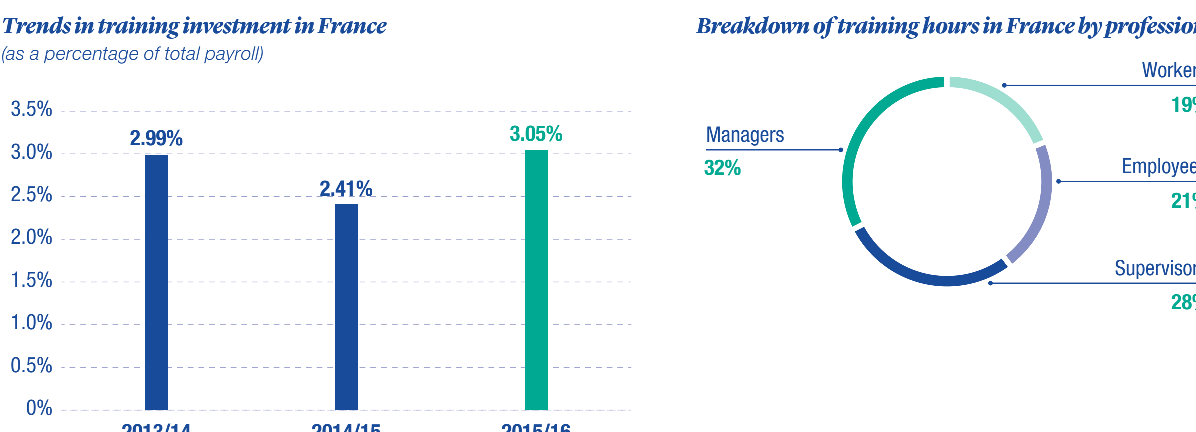
- Each year, more than 75% of Group employees receive training. The percentage this year was almost 85%. Pernod Ricard is committed to developing the employability of all its staff throughout their working life

As mentioned above, Pernod Ricard has developed programmes and MOOCs to develop its employees' behavioural skills (management and especially leadership) and operational ones (marketing, finance, sales, manufacturing, communication, legal and regulatory, S&R and public affairs) through Pernod Ricard University.

Around 600 new talents took part in some 30 programmes, mostly delivered in English, but also in French and Spanish.

In July 2015, the Group took the first steps in the construction of the Pernod Ricard University campus in La Voisine (France), which will open its doors in spring 2017. The building will have major facilities for arranging meetings and training courses, including a 55-seat lecture theatre, a flexible auditorium with 350 places, numerous meeting and conference rooms, and 60 single bedrooms. The site is expected to obtain the HQE (Haute Qualité Environnementale, High Environmental Quality standard) and BREEAM (Building Research Establishment Environmental Assessment Method) environmental certifications. It will also be possible for external companies to hire the campus for their own events.

Pernod Ricard University continued to support the work of the Youth Action Council (YAC), a think-tank made up exclusively of employees aged under 30, founded in 2013 for the purpose of providing Top Management with their generation's view on the strategic issues faced by the Group. The YAC has presented a variety of projects to the Group's Top Management to be soon implemented. The nine members of the YAC benefited from a programme of mentoring by Group senior executives. Nine representatives of the Pernod Ricard Youth Network (created by the YAC) took part in the "One Young World" summit that was held in Bangkok in November, and more recently, two young people from the Americas region attended the "Environment at Biosphere 2" summit in Arizona.



WELFARE, SOCIAL PROTECTION AND WORKING CONDITIONS

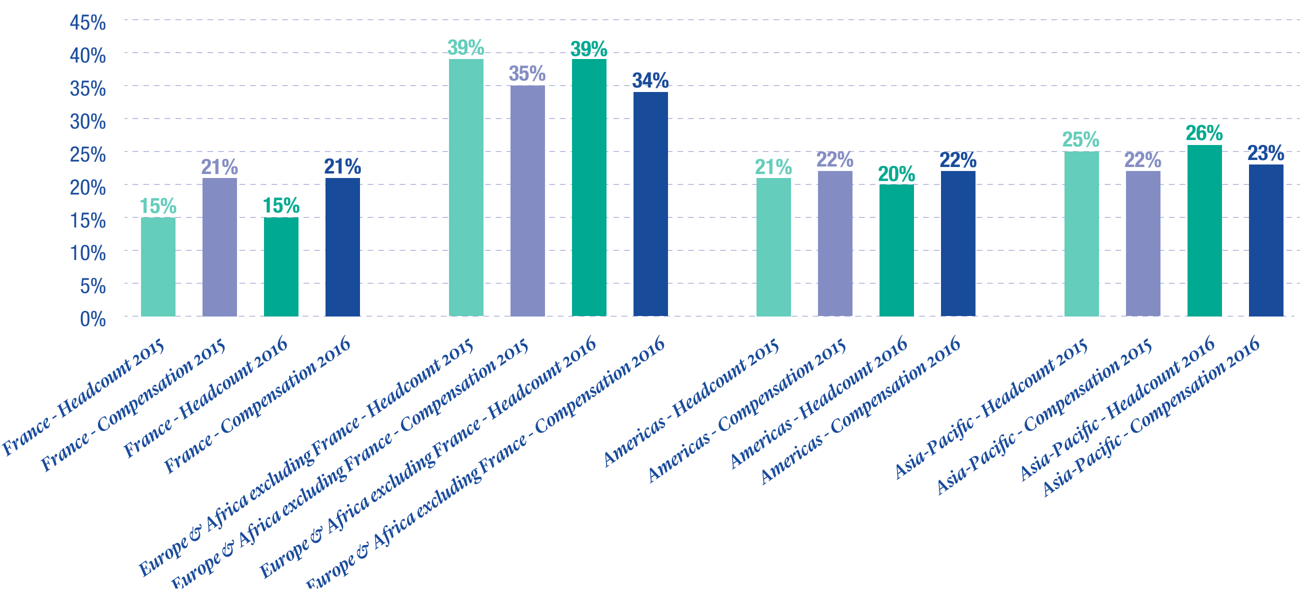
Collective and individual performance

As a result of its decentralised economic model, Pernod Ricard's culture is based on three core values: entrepreneurial spirit, mutual trust and a sense of ethics. On a day-to-day basis, it goes hand in hand with a collective attitude of conviviality and team spirit that fosters engagement, as seen in the ease of interactions and the recognition of success.

Performance is encouraged in the Group through favourable profit-sharing policies. In addition, more than 1,000 employees were also awarded long-term incentive policies (such as the granting of performance-based shares) in 2015/16.

Payroll and workforce by region

Breakdown of average workforce and payroll by geographical region for 2015/16



Different headquarters, including the Group one, are located in France, the Group's birthplace, consequently representing a higher proportion of the payroll.

Total payroll is included in paragraph Note 3.5 – *Expenses by type* of Section 5 "Annual consolidated financial statements".

The Pernod Ricard group's compensation policy is based on its organisational principle of decentralisation.

Each affiliate manages its policy locally while upholding a common set of rules: develop a performance culture, offer compensation that is competitive with local market practices, and set up straightforward, meaningful and engaging compensation packages.

Working time

Across the Group, 3.4% of the workforce work part-time.

The average number of theoretical hours worked per employee in 2015/16 was approximately 1,796. The number of theoretical hours worked per day in the Group averages 7.8 hours and around 230 days worked per year (excluding weekends, public holidays, legal or contractual annual leave, additional holidays and compensation days for reduction in working hours ("RTT" in France)).

Health and safety [(1)]

In accordance with the Group's commitment, all employees are covered by major risks protection (death and invalidity) and 86% of employees are covered by health insurance (social security cover is defined as the regime which is compulsory at local level, with or without a company plan).

Pernod Ricard made a formalised commitment to health and safety issues in its Sustainable Development Charter (now "Pernod Ricard's Sustainable Development Commitment"). This commitment applies throughout the Group, and is supported by senior management.

The Company has established the means to optimise occupational health and safety, particularly with the implementation of the health and safety management system at industrial sites in accordance with the OHSAS 18001 specification. Today, 93% of the industrial sites are certified to this standard.

Furthermore, Pernod Ricard has set out key principles for managing working conditions that define the minimum standards to be applied throughout the organisation. These requirements, from training for all staff to management of particular risks specific to the Group's activities, are internally audited.

Finally, since 2007, Pernod Ricard has been a signatory of the European Road Safety Charter, a European Community initiative.

- All Group employees are covered by major risks protection

Group workplace accidents

	2013/14	2014/15	2015/16
Number of lost-time accidents	211	195	181
Frequency rate	6	6	6
Severity rate	0.12	0.12	0.15

Commuting accidents are included in the number of accidents, and are used to calculate the frequency and severity rates.

Under the French Grenelle 2 Law, these indicators are calculated as follows:

- frequency rate: number of accidents with lost-time of more than one day occurring in a 12-month period per million working hours;
- severity rate: number of days compensated per 1,000 hours worked, number of days lost through temporary disability per 1,000 hours worked.

The frequency and severity rates do not take into account the number of workplace accidents involving temporary staff or external service providers.

Absenteeism

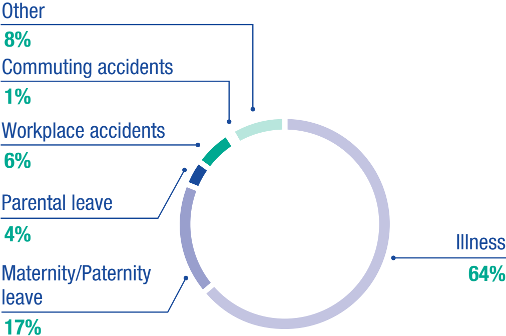
Group absenteeism Rate

	2013/14	2014/15	2015/16
Absenteeism rate	3.42%	3.60%	3.59%

Occupational illnesses are included in illnesses in order to calculate the absenteeism rate. An illness is said to be occupational if it is the result of employee exposure to a physical, chemical or biological risk or if it results from the conditions in which the employee performs their job.

Breakdown of reasons for absenteeism in France during the 2015/16 financial year

(as a percentage)



LABOUR RELATIONS

Social dialogue [(2)]

The Group has a long tradition of social dialogue and promotes freedom of association in all the countries where it is present. In addition, it firmly believes in the importance of providing a working environment which optimises working conditions.

With more than 50% of its staff based in Europe, the Group has mainly focused its actions on the European trade unions, through the European Works Council. This council gathers one or more representatives of every European affiliate with more than 50 employees.

The European Works Council meets for three days each year, including one day dedicated to specific training offered to all 24 trade union representatives. This year, the emphasis of this training has been made on communication and managing difficult situations as a staff representative compared to the rest of the employees.

(1) In accordance with principle 1 of the United Nations Global Compact: "to support and respect the protection of internationally proclaimed Human Rights".

(2) In accordance with principle 3 of the United Nations Global Compact: "to uphold the freedom of association and the effective recognition of the right to collective bargaining".

In order to share information, an online brochure published each year summarises the content of the annual meeting and is made available to all of the Group's European employees.

The renewal of the European Works Council in November 2014 allowed the election of a select committee that meets at least once a year and comprises five members from five different countries, elected by their peers. The select committee may act on its own initiative to respond to any social measure that might be taken in Europe involving at least two European countries in which Pernod Ricard has local teams.

At the November 2015 meeting, the European Committee was given a further progress report on the application of the European agreement on Corporate Social Responsibility that was signed in January 2014 between Pernod Ricard and EFFAT (the European Federation of Food, Agriculture and Tourism Trade Unions). The delegates were also brought up to date on the results of the "iSay" internal opinion survey.

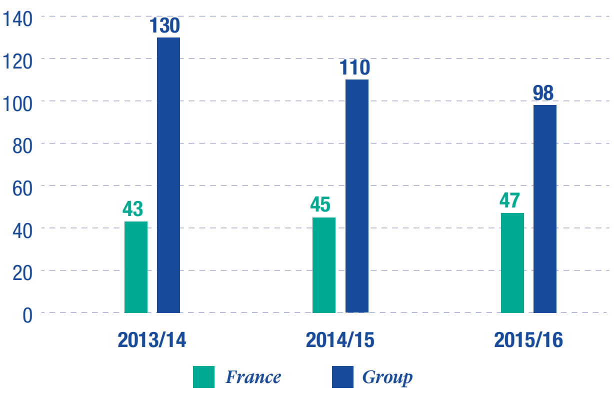
In addition, by 2020, Pernod Ricard has committed to extend the principles of this agreement to all of its affiliates worldwide. They will be compiled into a list of objectives shared between the Group's various affiliates, covering the major S&R themes described in this Registration Document.

The France Group Committee meets once a year. This Committee brings together employees' representatives appointed by the largest trade union organisations in the French affiliates. Meetings of the France Group Committee review the Group's business activity, as well as examining employment and its forecast change over the forthcoming year.

The France Group Committee and the European Committee are chaired by the Group's Chairman and CEO, Alexandre Ricard, and moderated by the Human Resources Department, to guarantee the quality of interactions.

Company agreements (1)

Trends in the number of company agreements signed



Each year, the affiliates sign about a hundred agreements with the various social partners throughout the world; in this way, the Group encourages the enhancement of social dialogue. The number of agreements signed depends on local legislations changes.

24 affiliates (accounting for 34% of the Group's workforce) signed at least one company agreement during the year.

Several agreements were signed in relation to compensation and profit-sharing: 27 agreements in 2015/16, in France, Africa, Italy, Bulgaria, Poland, the Czech Republic, Sweden, Finland, Ireland, Brazil, Argentina, Uruguay, South Korea, Vietnam, Australia and New Zealand.

Outside France, negotiations have addressed, for example, collective benefit schemes (Africa, Belgium, Italy, Bulgaria, Poland, the Czech Republic, Finland, Brazil, Uruguay, South Korea and Vietnam) and on occupational health and safety (Africa, Belgium, Bulgaria, the Czech Republic, Sweden, Brazil, Cuba and New Zealand).

In France, 47 company agreements were signed by Group affiliates in 2015/16. The agreements covered issues such as profit-sharing, compensation, health and safety, collective benefit schemes, equal opportunities, employment of senior citizens and disability.

In total, trade unions are present in 36% of the Group's entities. There are also non-unionised employee representation groups in the majority of Group affiliates: 45 affiliates also indicated that regular meetings had been arranged during the year for all employees and Management to address various business-related or organisational matters.

NOTE ON THE METHODOLOGY USED TO CONSOLIDATE CORPORATE INDICATORS

Tools used

The Hyperion Financial Management (HFM) consolidation software has been used to gather and process the corporate data for 2015/16, supplied by local entities. Controls are performed by combining the HFM package with the query editor features of the Smart View data retrieval tool.

Corporate indicators in this report are based on all Group entities that have reported data on their employees for the period concerned.

When a company joins the Group scope in the time period concerned and is controlled by the Group, its corporate data is immediately and fully included in the figures, regardless of the equity stake held by Pernod Ricard.

At each financial year-end, the list of entities in the Group' Social Reporting is compared to the one in the Financial Reporting to ensure its completeness.

Consolidation scope for data retrieval

The consolidation scope and level of detail for corporate data has slightly changed since 2014/15:

- in France, the Société des Produits d'Armagnac (SPA) was merged into Martell Mumm Perrier-Jouët and the Lina 17 (Kangaroo Fund) entity was created, with its data reported by Headquarters;
- in Europe, PR Mozambique has been added to the scope. Black Forrest Distillers GmbH, owner of the Brand Monkey 47 will be reported from 2016/17, as the acquisition of a majority stake has been made this year;
- in Asia, there are no changes to note for 2015/16;
- in the Group's Wines business in the Pacific region, a new entity, Pernod Ricard Winemakers Mumm Napa, was established in California, combining production and wine-growing activities and support functions. Meanwhile, the sales functions for the site are included in the reporting for Pernod Ricard USA in the Americas region.

(1) In accordance with principle 3 of the United Nations Global Compact: "to uphold the freedom of association and the effective recognition of the right to collective bargaining".

The Asia-Pacific region includes the Asia distribution network and the Group's Wines business, which also includes the Pernod Ricard Winemakers Spain affiliate, based in Spain, and the Pernod Ricard Winemakers Kenwood and Pernod Ricard Winemakers Mumm Napa affiliates, based in the United States.

Pernod Ricard's African activities are managed by Pernod Ricard Europe, Middle East and Africa and the related data is therefore included in this region.

The social reporting indicators are selected to provide the Group with a reliable and accurate picture of its presence in the world. The data collected enables Pernod Ricard to be increasingly socially responsible in respect of its employees all over the world. These indicators are mostly given for a global consolidation scope. However, for some indicators, such as the absenteeism rate including maternity, paternity and parental leave, which are difficult to standardise at a global level, a separate analysis was chosen on two scopes: France and World.

This methodology, while allowing a breakdown of data by geographic region, is nevertheless limited as there are no universally recognised definitions at local or international level for some indicators, such as professional categories. Professional categories are a specific French concept that Pernod Ricard group entities in other countries find hard to apply. In order to improve the reliability of data, the Group has expanded this concept by retaining the four categories used in the French Group scope (executives, supervisors, workers and employees) and allocating two categories for the World scope: managers (executives) and non-managers (supervisors, workers and employees). The Group entities have been explicitly notified of the categories.

The requests made to affiliates in respect of social indicators are influenced by a number of reference texts followed by Pernod Ricard: the list of information required by the French Grenelle 2 law, which provides a list of indicators to which Pernod Ricard has been subject since the 2012/13 financial year (in accordance with article L. 225-102-1 of the French Commercial Code) and ISO 26000 have provided a framework.

Method of consolidation of indicators

After being submitted by the entities, data is gathered at Management Entity level, then at Region or Brand level, to be sent to the Headquarters. At each level, the data is processed and consolidated following clear defined procedure and criteria. Each entity that collects and includes data is responsible for the indicators supplied and certifies the data as well as its control.

This control is facilitated by automatic checks within the data entry tool, known as Shuttle, in the consolidation documents sent to the Regions or Brands and in the HFM consolidation tool. Amongst other things, these include consistency checks in comparison with previous years and between the indicators themselves, with the common concern of ensuring the data is reliable between Affiliates, Regions or Brands and at Group level.

Once all the data is gathered, the Headquarters checks all the data to guarantee its overall accuracy and consistency. In the event of inconsistency or error, the Headquarters enables new data uploading from the Region or Brand, which can then correct and update the data relating to their affiliates.

To improve the reliability of the reporting process, a glossary in French and English is updated every year, providing precise definitions of each indicator, illustrated by specific cases. Any changes made since the previous year are highlighted. The updates result from: contributions made by affiliates when updating data, auditors' feedback, or the detailed proofreading of the glossary. A user guide for the reporting tool is also available for contributors. Automatic consistency controls, which sometimes have a blocking effect, also exist since 2010.

The Pernod Ricard group constantly seeks to improve its collection and analysis of corporate data and therefore updates its glossary and user guide each year in line with the evolving needs of the Group.

In 2016, in-house trainings have been provided to users at Region level, to recap on the principles of corporate reporting and provide training in the tools used.

Additional information

The details of the social reporting functions (marketing, operations, finance, etc.) were slightly amended this year in order to align them with those used by the Finance Department, thus promoting consistency across the Group's various reports.

The reliability of a new indicator for fixed-term contract hires and departures is in the process of being improved. The indicator is expected to be published next year.

Recruitment and departures, age and seniority are calculated based on staff with permanent contracts.

Average headcount is calculated on a full-time equivalent basis, without taking into account long-and short-term absences.

Since 2015, expatriate and seconded employees have to be included in the headcount of the affiliate that bears the costs or the majority of their costs, especially if their payrolls are reinvoiced to this company. This is also the case for Brand Ambassadors and Brand Promoters.

Pernod Ricard China employees are accounted for as staff on permanent contracts. Chinese employment contracts actually comprise a statutory duration and are only converted into permanent contracts after a number of years. However, given the specific characteristics of employment legislation in China, the Pernod Ricard Group considers its employee to be staff on permanent contracts. Due to the particular characteristics of local employment laws, as of this year the same rule applies to Pernod Ricard Minsk employees, as the concept of a fixed-term contract does not exist in Belarus.

Work-study contracts (apprenticeship contracts and training contracts) are not counted as fixed-term contracts, and this also applies to work placement students, temporary workers and volunteers on the VIE programme.

Maternity/paternity/parental leave are included in the absenteeism rate.

Working time, absenteeism rate and frequency and severity rates of workplace accidents are calculated on the basis of the theoretical number of hours or days worked per year and in working days.

Commuting accidents are included in the number of accidents, and are used to calculate the frequency and severity rates.

All training hours effectively completed by employees are recognised, including both face-to-face training and e-learning hours. They are all included in the same indicator. Employees are only counted as having received training once, regardless of the number of training courses they have attended.

Promote responsible drinking

In accordance with the goal articulated in its *"Créateurs de convivialité"* tagline, Pernod Ricard is fully committed to promoting responsible drinking and conviviality.

To ensure that consuming our products is an enjoyable and safe experience, Pernod Ricard promotes moderation in alcohol consumption, and works to combat excessive consumption through awareness-raising and education campaigns, undertaken individually or in partnership with other industry members, not-for-profit organisations and public authorities. The Group has also defined strict internal criteria for responsible marketing through its Code for Commercial Communications.

IMPACT ON THE SOCIETY OF THE COMPANY'S PRODUCTS AND SERVICES (1)

Product health and safety (production and consumption)

Pernod Ricard aims to provide its customers with products of the highest quality, and places particular importance on consumer health and safety. This has resulted in significant commitment in terms of the prevention of risks associated with alcohol abuse, but also a strict policy in terms of food safety during product preparation.

The control of product health and safety is based on the implementation of the Hazard Analysis Critical Control Point (HACCP) method which aims to identify all the points for potential risks in the manufacturing process and to control these with appropriate preventive measures. Despite the fact that Wines & Spirits are less exposed to food safety risks than the products of other food-industry segments, Pernod Ricard decided to proceed with the gradual certification of its facilities in accordance with ISO 22000 "Food safety management systems". On 30 June 2016, 89% of bottling plants were certified, representing 100% of volumes produced and covering all the Group's strategic brands. Certified distilleries account for 85% of alcohol produced.

The internal standards established by Pernod Ricard for its industrial activities include different specific guidelines, the aim being to control risks such as for example the accidental contamination of a product or the presence of a foreign body in a bottle. An absolute priority for the Group is to ensure its products comply with the regulations that apply to each of its various markets.

In addition, a Group Intranet site called "Complaint Management System" has been developed to track customer complaints and any other quality issues in real time and to immediately inform the affiliate concerned so that corrective action can be taken. In the case of a serious product health and safety concern, the system also informs the Headquarters instantly, allowing for very rapid response. Each affiliate has a crisis management procedure that can be activated particularly in the case of a health risk caused by a product with, if necessary, a product recall. These procedures are subject to regular testing, training of people involved and updates. Nearly 8,200 complaints were recorded in this way during the 2015/16 financial year, and these were handled so as to improve satisfaction levels for the Group's customers and consumers alike.

Furthermore, a Health Risk Management Committee chaired by the Group's Operations Director monitors the consideration of risks linked to product health safety and in particular the risks linked to scientific knowledge or new regulations.

Finally, to our knowledge, the Pernod Ricard group's products do not rely on nanotechnologies and do not include free nanoparticles in their manufacturing processes, ingredients or packaging.

Transparent labelling and responsible advertising/marketing practices

Through its Code for Commercial Communications (see details on page 66-67), Pernod Ricard assumes its main responsibilities as a producer of alcoholic beverages and includes ethics within all of its commercial communications.

In addition, the Group and its employees are committed to transparent labelling of its products. Pernod Ricard has allocated significant resources to:

- ensure the public is properly informed of potential risks linked to excessive or inappropriate consumption of its products;
- label its products in a transparent manner;
- disseminate its Code for Commercial Communications as well as its Internal Approval Panel procedures to employees and communication/marketing agencies;
- train sales and marketing staff on responsible marketing and commercial practices.

With regard to transparent labelling, 100% of affiliates incorporate the "pregnant lady" warning logo on all bottles distributed in European Union countries. In 2013, the decision was taken to gradually extend the application of this logo to all bottles distributed by Pernod Ricard worldwide. To date, 97% of affiliates with a distribution business have already applied it (notwithstanding regulatory constraints). In 2015, Pernod Ricard decided to add the address of a responsible drinking website to the back labels on bottles across the whole of its brand portfolio as stocks are gradually replenished. All affiliates must be compliant by December 2017. In most cases, the www.wise-drinking.com address redirects consumers to the responsible drinking site for the country they are in or, if there is no site for that country, to the IARD (International Alliance for Responsible Drinking) website at www.responsibledrinking.org. The website www.wise-drinking.com also allows them to download the application of the same name.

(1) In accordance with principle 1 of the United Nations Global Compact: "to support and respect the protection of internationally proclaimed Human Rights".

In addition, 97% of affiliates include a responsible drinking message in the majority of their advertising and promotional material (new media, television, cinema, posters and press). The field of sponsorship is excluded, since this falls outside the traditional framework of advertising.

Prevention of high-risk drinking habits

The Chief Executive Officers of the affiliates uphold this commitment. Their annual bonus calculation includes S&R criteria, including one related to responsible drinking, showing the strategic importance given to this policy.

The Group's strategy against alcohol abuse covers the following five areas:

- advocating consumption in moderation, in particular through its Code for Commercial Communications;
- combating drink driving: Pernod Ricard recommends abstaining from drinking before driving and develops dedicated initiatives, for example "designated driver" initiatives;
- raising awareness among young people of the risks associated with alcohol misuse and abuse. The Group strives to prevent alcohol consumption among minors by developing programmes aimed at delaying the age of first alcohol consumption and first intoxication and works with young adults to combat alcohol misuse and abuse;
- dissuading pregnant women, for whom Pernod Ricard recommends abstinence from drinking alcohol;
- making staff aware of their responsibilities through training, awareness campaigns and the Responsib'All Day.

The Group has allocated significant resources to making this commitment a reality: dissemination of the results of research, support for medical research, prevention campaigns and programmes involving stakeholders.

Pernod Ricard is, for example, a founder member of the *Fondation pour la Recherche en Alcoologie* (FRA – Foundation for alcohol research, formerly IREB), an independent research organisation dedicated to alcohol and its impacts on society, which publishes and finances studies on these subjects in France.

A number of initiatives are also performed at local level by the affiliates. In 2015/16, 92% of affiliates implemented at least one initiative to promote responsible drinking.

Since 2011, the Group has chosen to go further by launching a special event for the entire Group, the Responsib'All Day. This event aims to promote the sharing of best practices and to take concrete action, engaging all of the Group's affiliates and employees around a common S&R theme throughout the event. The aim is to transform its employees into ambassadors of Pernod Ricard's S&R policy. The first five editions were devoted to the promotion of responsible drinking.

In June 2014, Pernod Ricard launched the first global application, Wise Drinking, www.wise-drinking.com/app, helping consumers to estimate their alcohol consumption and get home safely by selecting appropriate means of transport.

The industry's five commitments

At the IARD (International Alliance for Responsible Drinking) conference in October 2012, the world's leading producers of beers, wines and spirits, announced that they had signed up to five commitments covering 10 action areas, in order to reduce the harmful use of alcohol. These five commitments are:

- reduce alcohol consumption among young people under the legal minimum age;
- strengthen and expand codes of marketing practice;
- communicate information to consumers and develop responsible product innovations;
- reduce drink driving;
- enlist the support of retailers in reducing harmful alcohol consumption.

These commitments are implemented over a period of five years and are reviewed annually by an independent third party. All the information and the details of the progress made are available at http://www.producerscommitments.org.

In order to measure and monitor its contribution to these commitments, Pernod Ricard has set specific and ambitious targets that all affiliates must achieve by December 2017. An innovative interactive tool, the Smart Barometer (https://smartbarometer.pernod-ricard.com/), has been implemented for real-time monitoring of the progress made and to share initiatives by country.

Stakeholders' feedback

We are not aware of any allegations against the Group in terms of its management of health and social problems caused by the consumption of its products.

RESPONSIBLE COMMUNICATION

The Pernod Ricard Code for Commercial Communications

All advertising campaigns run by Pernod Ricard throughout the world must comply with the Code for Commercial Communications. This Code was adopted in 2007 and was updated in 2010, 2012 and 2013 to incorporate the use of new media (Digital Marketing) and provide more effective management of product innovations. The articles on "sexual success", "motorsport", "digital" and "sponsorship" were also updated in 2015, when the Code introduced a new provision on not portraying stereotypes or demeaning situations in our advertising. The new Code can be accessed by all employees on the Pernod Ricard Intranet site and on the Group's website (see the Code at http://pernod-ricard.com/12796/csr/the-pernod-ricard-code-for-commercial-communications), available in English, French and Spanish.

The Code covers the following topics (full details are available in the Code), which apply to commercial communications (including new media) and product innovations:

- do not encourage alcohol abuse;
- do not produce communications that could be attractive to minors;
- no drink driving;
- do not associate alcohol with hazardous/workplace activities;
- do not present alcohol consumption as having beneficial health aspects;
- do not show pregnant women consuming alcohol;
- do not use the level of alcohol as the main topic of promotion;
- do not link alcohol to physical performance and/or social success and/or sexual prowess.

In addition, all of these topics must be taken into account when developing new products.

Employee training in the Code for Commercial Communications

Pernod Ricard trains relevant employees in the Code for Commercial Communications.

This training deals with the following issues: the importance of internal control of campaigns, the main provisions of the Code and the review procedure; particular attention is given to new media. At the end of each training session, an interactive training module allows the team to confirm their knowledge and understanding of the Code for Commercial Communications.

During the 2015/16 financial year, 100 employees received training *via* dedicated training sessions. For each training course, an attendance list is produced in order to monitor the names and number of participants.

In June 2014, Pernod Ricard released its new e-learning course related to the Code. The course was updated in 2016 to comply with the revision to the Code in 2015. This is a fun, interactive training course lasting 60 minutes. Following the course, employees will have enhanced knowledge of Pernod Ricard's Code for Commercial Communications. It tackles changes in alcohol advertising and presents the Code. This e-learning is compulsory for all marketing staff and their agencies, and is open to all.

After the training course, a quiz allows employees to test their knowledge and a certificate is awarded if they score over 80% in the test. 1,389 people from the Group, mostly from the marketing function, have passed the e-learning module and received their certificate.

Internal Approval Panel

Ethical control over advertising is the responsibility of the Responsible Marketing Panel (RMP), which comprises five members: Audrey Yayon-Dauvet, Vice-President Legal and Public Affairs (Pernod Ricard Americas), Jenny To, HR & Talent Development Director (Pernod Ricard Asia), Anthony Schofield, Director of Public Affairs (Chivas Brothers), Armand Hennon, VP Responsible Marketing & CSR France (Pernod Ricard) and Brian Chevlin, General Counsel (Pernod Ricard USA). The Panel is independent from the Marketing Department and directly reports to the Pernod Ricard Executive Committee. Its decisions are binding throughout the Group and provide "case law" for the application of the Pernod Ricard Code for Commercial Communications. This Panel is required to provide its decisions within a maximum of seven days. Its decisions are taken in a collegiate manner.

In the event of doubts pertaining to a campaign, the RMP has the right to seek advice from advertising regulators in the relevant markets. For example, in France, the ARPP (*Autorité de Régulation Professionelle de la Publicité* – the French Advertising Standards Authority) is regularly consulted.

The Panel provides formal opinions on every campaign submitted: approval of the campaign, approval subject to modification, or rejection, in which case a substitute campaign must be devised and submitted.

In 2015, the Executive Committee appointed two of its members, Philippe Guettat and Anna Malmhake, to liaise with the RMP. In particular, they are asked for advice in the event of an orange or red ruling being given.

Some affiliates, such as The Absolut Company, have introduced similar local control procedures. The implementation of such procedures, which are conducted prior to submission to the Panel, is strongly recommended.

Scope of controls

Controls are mandatory for all the international strategic Spirits and Champagne brands [(1)] and the Priority Premium Wine Brands [(2)] (which account for 75% of media spending). Since February 2013, they have also been mandatory for local brands [(3)] (which represent 16% of media spending). Controls encompass advertising, the Internet and sponsorship. Since September 2013, the Panel has reviewed the Code's compliance with all new products.

Like all Group advertising, promotions must also comply with the Code.

In cases of ethical issues, it is recommended that marketing teams submit their proposed promotions to the Panel.

Reporting

The Responsible Marketing Panel directly reports to the Group Executive Committee. A report on all advertising campaigns is submitted to the Executive Committee at each of its meetings. 10 reports were submitted during the 2015/16 financial year.

Results of controls in 2015/16

During the 2015/16 financial year, the RMP examined 217 campaigns and product innovations. Only one of these campaigns has been subject to a modification request (orange ruling). The orange ruling related to the incidental inclusion of minors in an advertisement, which was amended accordingly. The Committee also gave confidential advice (copy advice procedure) for 181 campaign proposals and product innovations. In total, the Panel examined 398 advertising campaigns during the 2015/16 financial year [(4)].

Since the Panel was set up in 2005, only two of the 2,279 campaigns examined were cancelled following a complaint.

(1) Absolut, Chivas Regal, Ballantine's, Jameson, Kahlúa, Beefeater, Malibu, Ricard, Havana Club, Martell, Perrier-Jouët, The Glenlivet, Royal Salute, Mumm.

(2) Jacob's Creek, Brancott Estate, Campo Viejo, Kenwood.

(3) 100 Pipers, Olmeca, Clan Campbell, Seagram's Gin, Ramazzotti, Blenders Pride, Pastis 51, Wiser's, Something Special, Royal Stag, ArArAt, Ruavieja, Montilla, Becherovka, Passport, Wyborowa, Suze, Imperial.

(4) Note on methodology: advice issued between the final Executive Committee meeting of the financial year (21 June 2016) and the balance sheet date (30 June 2016) has not been included and will be included in financial year 2016/17.

Develop local communities

Due to the diversity of its brands and its decentralised model, Pernod Ricard is deeply rooted in local communities. Pernod Ricard is committed to sharing the value and income generated by the development of its activities with local communities and its partners, in order to build long-lasting relationships that benefit everyone. The Group conducts its activities in a fair, transparent and honest manner.

This commitment is based on five main actions:

- contribute to the development of local communities;
- promote the spirit of entrepreneurship, a source of value creation and wealth;
- share the diversity of local cultures;
- encourage our partners to respect sustainable development principles;
- create value and share it with our partners and shareholders.

In 2015/16, 96% of affiliates had at least one initiative to promote the development of local communities and the engagement of partners.

The Pernod Ricard Charter and Pernod Ricard's Sustainable Development Commitments outline the promotion of local social and economic development.

Pernod Ricard's worldwide affiliates:

- provide employment to local economies, especially in agriculture, through the production and purchase of raw and processed agricultural products corresponding to around 2.6 million tonnes of equivalent raw agricultural products per year (around €900 million per year);
- develop the skills of their employees and provide them with fair, just and rewarding remuneration;
- add value to the goods and services purchased from suppliers and partners;
- generate revenue for governments through taxes, duties and royalties, particularly those related to its brands, as well as for its shareholders and investors.

The Chief Executive Officer of each affiliate is responsible for implementing this policy.

COMMUNITY INVOLVEMENT (1)

Contribution to the development of local communities

The Group commits to help local communities to benefit from its growth by supporting economic development through training programmes, support for access to education or job creation. For example, in New Zealand, a training programme for jobs within the wine trade was set up with the Ministry of Development and NMIT (Nelson Marlborough Institute of Technology), while in Ireland, Irish Distillers funds a grant for two students at the University of Dublin.

Furthermore, the Group strives to improve health and social conditions by funding social projects or organising volunteering programmes. In India, for example, Pernod Ricard helps set up clinics providing free medical services, delivering prevention programmes at the same time.

Promote entrepreneurship

A core Group value, entrepreneurship is also considered a driver of local economic development. There are two aspects to the Group's action: encourage the younger generation to set up businesses, or support the creation of local businesses and help to improve their effectiveness.

For example, Chivas Brothers undertakes to support young people from the local communities surrounding its sites in developing their business skills.

Another example is the Pernod Ricard Group's continuing commitment to Positive Planet, an association for the development of microcredit, through the development of 12 new agricultural cooperatives, mainly in the Tavush region of Armenia. This initiative follows the success of a pilot cooperative and aims to provide small farms with the equipment and training required to enable families to live in dignity from their agricultural activities.

To end with another iconic example, on Responsib'All Day 2016, all employees took an active role in neighbourhood initiatives, participating in projects to build and renovate living spaces for local communities. The objective is to provide them with places to meet with others for shared discussion. By getting involved in this practical way, the Group's employees have embodied its vision of being "*Créateurs de convivialité*". A total of more than 140 projects were undertaken in just one day. Here are a few examples: In Paris, the Headquarters employees worked on the Petite Ceinture site, providing the "*Danse sur les Rails*" festival of dance in Clignancourt with an outdoor dance floor, building furniture and arbours for the Ruisseau shared community garden and helping to develop the future Hasard Ludique performance hall and living space in a former station. In Japan, two former residential and office buildings in Tokyo were redeveloped to become a drop-in centre for lone parents and elderly people. As a final example of many in Mexico, where employees devoted the day to converting their former production site in Los Reyes into a training and education centre which will be made available to the "Cauce Ciudadano" NGO, amongst others.

Share the diversity of local cultures

Pernod Ricard's commitment to all forms of art and, in particular, contemporary art, is the result of a long tradition of partnering the arts. Pernod Ricard strives to promote worldwide the culture of the countries in which it operates, sharing their traditions, art and lifestyles in order to encourage entrepreneurship, open-mindedness and respect. Moreover, Pernod Ricard is committed to promoting and showcasing art by supporting young artists.

(1) In accordance with principle 1 of the United Nations Global Compact: "to support and respect the protection of internationally proclaimed Human Rights".

Paul Ricard, passionate about painting and a painter himself, had already created a foundation to support young artists in the 1960s. Since then, the *Prix de la Fondation d'Entreprise Ricard* has been created, rewarding one of the most representative young artists of his/her generation. Each year, the Foundation buys one of the winning artist's works and donates it to the Pompidou Centre in Paris.

Other examples: Domecq Bodegas has been working with the Guggenheim Museum in Bilbao for 10 years; in the United States, Pernod Ricard is linked with New York's New Museum and in England, with the Saatchi Gallery. In Berlin, MADE by Absolut is a versatile creative platform that promotes innovative interdisciplinary projects.

Encourage our partners to respect sustainable development principles

A number of approaches help to strengthen our links with suppliers and build long-term relationships with them (see page 71 for details): defining a responsible procurement policy, convincing subcontractors to commit to comply with certain sustainable development requirements, assessing and monitoring supplier practices to help them improve their social and environmental performance and lastly, harmonising standards for S&R audits.

Create value and share it with our partners and shareholders

The relationship between the Group and its shareholders is based on confidence, dialogue and transparency.

THE GROUP'S ETHICAL PRACTICES (1)

Prevention of corruption

Pernod Ricard's commitment to combating corruption has historically been expressed through several documents. These documents include:

- Pernod Ricard's Charter, in particular the business model chapter, which specifies that all employees must abide by the legislation in their market and by the Group's policies and procedures;
- Pernod Ricard's Code of Business Conduct, which covers eight key chapters of the Group's compliance programme: combating corruption, gifts and hospitality, competition law, combating money laundering, conflicts of interest, insider dealing, protection of personal data, use of digital technology, media and social networks, and brand protection. This Code states unambiguously that, "Doing business with integrity has long been one of Pernod Ricard's core values and commitments", and applies a principle of zero tolerance on corruption. The Code has been circulated to all employees and is available on the Pernod Ricard website at: http://pernod-ricard.com/13203/csr/code-of-business-conduct, with versions in French, English and Spanish;
- Pernod Ricard's Procurement Code of Ethics, which notably contains the principles to be observed in respect of gifts and hospitality;
- the 10th principle of the United Nations Global Compact, which states that "Businesses should work against corruption in all its forms, including extortion and bribery";
- the United Nations Sustainable Development Goals adopted in September 2015 to end poverty, protect the planet and ensure prosperity for all, particularly goal 16, "Significantly reduce corruption and the practice of bribery in all its forms";
- the OECD guidelines for multinational enterprises, where anti-corruption measures are addressed in Chapter 7.

Pernod Ricard has also adopted an anti-bribery policy that applies to all Group companies. Brand Companies and Market Companies are required to establish systems and controls to comply with this policy, which may include the adoption of local versions of the Group policy.

An Ethics Committee made up of the Group General Counsel, the Group Managing Director of Human Resources and Corporate Social Responsibility and the Managing Director in charge of Finance and Operations meets at least once a year. Its mission is to ensure that the roll-out of the anti-corruption policy within the Group is monitored and controlled, and to make changes to it if necessary.

Pernod Ricard's internal control principles, which apply to all Group affiliates, specify that all Pernod Ricard affiliates must comply with the Pernod Ricard Charter, the Pernod Ricard Code of Business Conduct, the Procurement Code of Ethics and the principles of the United Nations Global Compact. Pernod Ricard sends all affiliates a self-assessment questionnaire every year, in which they must state whether they are compliant with Group policies. The reliability of the responses to these questionnaires is confirmed in a letter of representation signed by the CEO and Chief Financial Officer of each entity. In addition, the Legal Department works with the Internal Audit team to conduct a number of compliance audits each year at certain affiliates.

Furthermore, two online training platforms are now accessible to all Group employees. These training courses, delivered as MOOCs (Massive Online Open Courses), cover:

- the eight Chapters of the Pernod Ricard Code of Business Conduct, including anti-corruption measures. Specific training on these topics is also delivered locally, as required;
- the principles of internal control implemented within the Group, including with regard to preventing corruption.

Prevention of anti-competitive practices

Pernod Ricard's policy is to always act and do business in compliance with applicable laws and regulations. This policy is included in the Pernod Ricard Charter. With regards to compliance with competition laws, the Charter states: "Pernod Ricard is committed to the public policy goals of competition laws and to acting lawfully in the marketplace. It is the Group's policy to observe both the letter and the spirit of the competition laws in all countries where we do business. Wherever one is located in the world, competition laws will certainly apply to the way the Group conducts its business. Specifically, it is prohibited to fix selling or purchase prices with our competitors or any other terms on

(1) *In accordance with principles 2 & 10 of the United Nations Global Compact: "to make sure that they are not complicit in Human Rights abuses" and "to work against corruption in all its forms, including extortion and bribery".*

which we trade. Not only explicit agreements between competitors to fix prices are prohibited, but also informal coordination of price level increases and the exchange of price information. Similarly, agreements or understandings with competitors to divide up markets or territories are illegal as well.

These principles are set out in the chapter "Competition Rules" of the Pernod Ricard Code of Business Conduct, and listed in the Pernod Ricard Policy on Compliance with Competition Law, where more details and practical examples are given. In addition, the MOOC online training platform also includes a module on "Compliance with Competition Law".

Lastly, the Pernod Ricard principles of internal control, applicable to all Group's affiliates, require that the affiliates comply with the Pernod Ricard Charter and, as a consequence, prevent any anti-competitive practice.

Transparency and integrity of strategies and influencing practices

All Pernod Ricard employees are subject to the provisions of the Pernod Ricard Charter, and specifically to its rules of ethics (in the Business Model section of the Charter), which are one of the Group's three key values. The Charter states that Pernod Ricard expects all its employees to have a strong sense of ethics, with "respect" and "transparency" as watchwords. All employees are required to:

- abide by the applicable legislation in their market and by the Group's policies and procedures;
- be honest and trustworthy by being sincere and open about their actions;
- treat colleagues, shareholders, customers, consumers, suppliers and competitors with the greatest respect;
- respect the environment;
- comply with our industry commitments;
- act as ambassadors for responsible drinking and properly behave in all professional situations.

More specifically, the Group lobbying policy [1] complies with professional (EPACA in Europe, *Association pour les Relations avec les Pouvoirs Publics* in France, etc.) or institutional codes (see: http://ec.europa.eu/). The company's Vice-President of Government Affairs and Sustainability & Responsibility is responsible for the oversight and implementation of this policy. The main lobbying actions are approved by the Group's Chairman & CEO and the rest of senior management is kept informed of the status of the projects.

The organisation chart of the Institutional Affairs team, guidelines on lobbying and the main stances on current issues in this area are available on the Pernod Ricard website: http://pernod-ricard.com/9473/csr/lobbying-at-pernod-ricard.

A "lobbying" training course, part of which focuses on ethical issues, has been set up, and can be found in the Pernod Ricard University brochure under "Lobbying, the art of influencing". Part of the course is delivered by Transparency International (http://www.transparency.org/), of which Pernod Ricard has been a member since early 2013. It aims to train participants in:

- ensuring that lobbying practices are transparent and responsible;
- defining a series of recommendations for representatives of interests;
- ensuring that lobbying practices comply with the Group's S&R commitments.

Although it is open to all, this training course is primarily aimed at employees who interact with public authorities and national and international organisations, specifically affiliate CEOs, those working in public affairs, communication professionals, S&R leaders and so on.

In France, Pernod Ricard is a signatory of the joint declaration on lobbying presented by Transparency International's corporate members https://transparency-france.org/project/declaration-commune-entreprises-membres-de-transparency-international-france-lobbying/. Pernod Ricard is a joint signatory to a best practices guide on parliamentary lobbying expendetures published by Transparency International (https://transparency-france.org/project/entreprises-engagees-transparency-france-innovent-guide-de-declaration-budgets-de-lobbying/).

Regarding interactions with public authorities, the requirement for high ethical standards is fully integrated in the Group's Charter and the Code of Business Conduct, which, as set out above, covers all of the Group's activities and not just lobbying.

Furthermore, in the European Union, Pernod Ricard has been registered in the Register of Representatives of Interests since its creation in 2008, under ID number 352172811-92. This register contains useful information about teams, budgets, areas of interest, membership of associations, etc. (http://ec.europa.eu/transparencyregister/public/homePage.do?redir=false&locale=en#en).

In France, Pernod Ricard is also registered on the National Assembly's list of representatives of interests (http://www2.assemblee-nationale.fr/14/representant-d-interets/repre_interet) and on that of the Senate.

Lobbying activities in the United States are highly regulated at federal level and also at state and municipal level. Pernod Ricard conducts its lobbying activities in full compliance with applicable US laws, including the Lobbying and Disclosure Act of 1995, the Honest Leadership and Open Government Act of 2007 and the Federal Election Campaign Act of 1971. In addition, Pernod Ricard complies with the various ethics rules adopted by the US Senate, the US House of Representatives and the agencies of the Executive Branch. Pernod Ricard is required under US law to file quarterly and half-yearly reports on its lobbying activities and political contributions with the Secretary of the Senate and the Clerk of the House of Representatives. In addition, the Pernod Ricard USA Political Action Committee is required to file regular reports with the Federal Election Commission.

(1) Absolut, Chivas Regal, Ballantine's, Jameson, Kahlúa, Beefeater, Malibu, Ricard, Havana Club, Martell, Perrier-Jouët, The Glenlivet, Royal Salute, Mumm.

These reports are available for public examination at:

- Secretary of the Senate: http://www.senate.gov/legislative/lobbyingdisc.htm#lobbyingdisc=lda;
- Federal Election Commission: http://www.fec.gov/finance/disclosure/candcmte_info.shtml.

Stances on regulatory issues

Generally speaking, Pernod Ricard has no particular stance on regulatory issues, other than those taken officially and communicated by our trade associations worldwide. In some cases, the Group may take a specific position on issues of particular interest. The issues for us relate to trade, alcohol and health, taxation and communication.

In general, the policies we uphold are covered on the websites of our trade associations, for example:

- on intellectual property: European Brands Association www.aim.be;
- on marketing matters: World Federation of Advertisers, www.wfanet.org;
- for sector-specific matters: spiritsEUROPE (www.spirits.eu); Comité Européen des Entreprises Vins (www.ceev.be); Scotch Whisky Association (www.scotch-whisky.org.uk); Fédération des Exportateurs de Vins & Spiritueux de France (www.fevs.com); Distilled Spirits Council of the United States (www.discus.org); Winemakers' Federation of Australia (www.wfa.org.au); the Industry Association for Responsible Alcohol Use in South Africa (www.ara.co.za); Association of Canadian Distillers (www.acd.ca); Thai Alcohol Business Association; EU Chamber of Commerce in China, Agriculture, Food & Beverage Working Group (www.europeanchamber.com.cn); International Alliance for Responsible Drinking (IARD) (www.iard.org).

Our representatives are occasionally invited to events where they publicly speak about regulatory issues.

The main stances adopted by Pernod Ricard are available on the Group's website: http://pernod-ricard.com/10320/csr/lobbying-at-pernod-ricard/pernod-ricard-s-main-positions.

INVOLVEMENT OF THE GROUP'S PARTNERS IN ITS S&R COMMITMENTS (1)

Sustainable relationships with suppliers and subcontractors

Pernod Ricard has had sustainable relationships with its suppliers and subcontractors for a long time, particularly through its affiliates, and relies upon them to convey its values and share its S&R commitments.

These commitments apply throughout the Group and are supported by Top Management.

Each affiliate selects and monitors its own suppliers and subcontractors and is therefore responsible for its Procurement policy.

For some years, Pernod Ricard's commitment to Responsible Procurement has been formalised through documents and tools to consolidate the initiatives already in place.

These documents and tools form part of the following iterative process:

- **Responsible Procurement Policy** for products and services, covering all purchases made by the entire workforce. Published in December 2011, it is available on the Pernod Ricard Intranet in English, French, Spanish, Portuguese and Mandarin;
- **Supplier CSR Commitment**, launched in October 2013. It is available in English, French, Spanish, Portuguese, Mandarin, Russian and Armenian. This document is to be signed by suppliers and subcontractors. In order to avoid duplication and to promote sharing, a copy of each signed Supplier CSR Commitment is uploaded to the Pernod Ricard Intranet. At the end of June 2016, 822 signed documents had been uploaded;
- **CSR Risk Mapping Tool** to allow affiliates to identify suppliers and subcontractors for priority assessment (see following point). During 2015/16, 1,204 suppliers were mapped using this tool;
- **S&R assessment** of suppliers and subcontractors using the EcoVadis platform. At the end of June 2016, following the CSR risk mapping, 347 suppliers or subcontractors had been assessed using EcoVadis. Additionally, Pernod Ricard has asked access to the existing EcoVadis scorecard of further suppliers, 78 of them having already been assessed for other customers, and 27 voluntarily requested an assessment. Lastly, 101 suppliers have been re-assessed since Pernod Ricard began using EcoVadis;
- **S&R audits** of providers and subcontractors. In this regard, Pernod Ricard opted for the SMETA standards, which also means it is in line with the "Mutual Recognition" programme established by AIM Progress. At the end of June 2016, 43 suppliers S&R audits had been finalised for the Asia region. These audits will be rolled out to a wider scope in the coming months.

(1) In accordance with principles 2, 3, 4, 5, 6, 7, 8 et 10 of the United Nations Global Compact: "ensuring its companies are not complicit in Human Rights abuses", "elimination of all forms of forced and compulsory labour" and "effective abolition of child labour", respectively.

Among the actions taken by the Group to ensure that relationships with suppliers and subcontractors are managed responsibly include the following:

- in the Pernod Ricard internal training course on procurement, a section addresses the selection of suppliers and partnerships;
- that Headquarters has close relationships with its top 10 suppliers, representing 65% of the packaging expenditure. These relationships are regularly examined from a commercial standpoint. In addition, in all Group affiliates, partnerships are built on specific requirements and regular controls.
- deployment of the Self-Assessment Checklist (SAC, formerly Supplier Audit Checklist) including around 100 criteria, of which about 20 refer to social and environmental responsibility. This tool is used to monitor the main suppliers and to reference new suppliers. This tool has also been used in tender processes. At the end of June 2016, 252 completed SACs had been shared on the Pernod Ricard Intranet.

  Parts of the Self-Assessment Checklist are repeated in Pernod Ricard's guidelines for selecting third party contract packers;
- the implementation of digital training in Smart and safe POS purchasing, linked to the S&R risks inherent in the development and purchase of point-of-sale (POS) material. This training provision is intended for Marketing and Communication staff who may develop and purchase POS materials;
- the Pernod Ricard Procurement Code of Ethics, in line with the Code of Business Conduct, establishes rules for balanced and healthy relationships with suppliers as well as the basic S&R principles. The new 2015 version is available in French, English, Spanish and Portuguese;
- the S&R clauses templates, which were updated in 2015, are available in French, English, Mandarin, Spanish and Portuguese. These provisions are for use both in contracts and Standard Terms and Conditions of Purchase.

In addition to the results published for previous years, one recent result should be highlighted:

- for its new bottle, Mumm adopted an ecodesign approach from the start. This helped significantly reduce its weight (it is the lightest champagne bottle on the market), while adopting a novel shape. The green colour has been chosen, so that a high proportion of recycled glass could be used.

No allegations have been made against the Company regarding the sustainability of its partnerships with its suppliers and subcontractors.

Integration of environmental and social factors in the supply chain

Pernod Ricard has made a formal commitment to include environmental and social factors in its supply chain management in its Responsible Procurement Policy and its Procurement Code of Ethics.

This commitment applies throughout the Group, supported by Top Management. The Chief Executive Officer of each affiliate is responsible for implementing this policy.

The Group's social requirements for suppliers and sub-contractors refer to the United Nations Global Compact and the International Labour Organization (ILO) conventions and address the most relevant issues in the sector: trade union rights, abolition of child labour, non-discrimination and equality of compensation.

Pernod Ricard has adopted at least six measures to enable the inclusion of environmental and social factors in its supply chain management:

- integration of environmental and social issues into tenders and some contractual clauses;
- awareness-raising among suppliers and subcontractors about environmental protection and social issues through Pernod Ricard's Responsible Procurement Policy and the Supplier CSR Commitment;
- assessment of some suppliers and subcontractors on environmental and social factors using EcoVadis;
- S&R audit of some suppliers according to SMETA standards;
- support of suppliers, primarily on environmental matters (*e.g.* by providing training, technical assistance, etc.);
- training and awareness-raising of employees in charge of procurement. Buyers must acknowledge and comply with the Procurement Code of Ethics, which specifically includes environmental and social issues.

In addition, affiliates help suppliers and subcontractors to achieve ISO 14001 or equivalent certification. The Pernod Ricard point of sale material (POS) procurement coordination team has drawn up a list of Group-wide referenced POS suppliers. All these referenced suppliers have been assessed through EcoVadis, especially in terms of environmental and social aspects.

Protect the planet

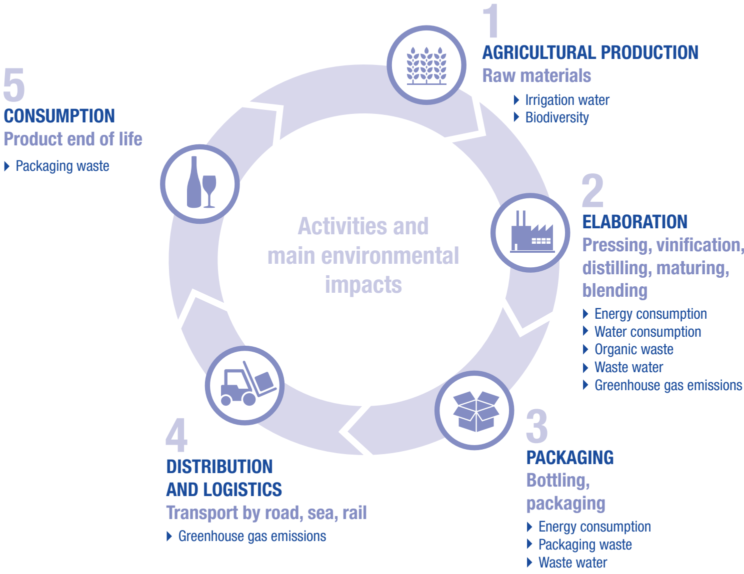
A LONG-STANDING COMMITMENT

Pernod Ricard was built upon the development of brands deeply rooted in the land and from the transformation of farm raw materials. As such, preserving the environment is a top priority. Since the 1960s, Paul Ricard was a pioneer and visionary in environmental protection, having created a marine observatory in 1966 which became the Paul Ricard Oceanographic Institute. Half a century later, the Group has developed very strong relationships with the agricultural regions sourcing of the Group's raw material and where it produces many of its brands, thus linking the Group's development with the areas where the Company's roots were established.

ENVIRONMENTAL GOVERNANCE (1)

A policy born from the risks and environmental impacts

Every stage of our product lifecycle generates direct and indirect impacts affecting our environment:



Climate change and other environmental occurrences create various kinds of risks for the Group's business activities. The most significant of these risks are those relating to the procurement of raw materials and to water resource management. They are described in the paragraph entitled "Risks associated with the environment and climate change" in Section 4 "Management Report".

The Group's Environmental Policy is based on five areas of commitment that arise from these impacts and risks:

- roll-out of an effective **environmental management system**;
- promotion of **sustainable agriculture** and **biodiversity** protection;
- preservation of **water resources**;
- reduction in **energy consumption** and **carbon footprint**;
- development of **sustainable products** and a reduction in the impact of **waste**.

This policy covers the Group's entire value chain and all its business activities, from upstream procurement, production and market distribution to the end of the product's life. It is directed to all our stakeholders, starting with all employees across the world, as well as numerous suppliers and partners.

A goal for 2020

Roadmap 2020 for the environment details the Group's guidelines, areas for priority action and targets, such that the environmental policy can be rolled out to all affiliates, regardless of whether they are involved in production or distribution.

This Roadmap is founded on four pillars, each with specific actions and precise milestones to be achieved by 2020. These pillars are as follows: governance, supply chain, resource stewardship, brands and consumers.

(1) In accordance with principles 7 & 8 of the United Nations Global Compact: "to support a precautionary approach to environmental challenges" and "to undertake initiatives to promote greater environmental responsibility", respectively.

The Group's goals for 2020, the associated targets and progress made in each pillar are as follows:

Pillars	Goal for 2020	2020 targets	Progress
Governance	Manage our long-term environmental risks and place the environment at the heart of our business.	100% of our Brand Companies have conducted an assessment of their long-term environmental risks.	88% of our Brand Companies completed the assessment. The results are illustrated in the paragraph on "Risks associated with climate change and other environmental factors" of Section 4 "Management Report".
		The commitment of all our employees is regularly measured and their support is shown.	According to the results of the "i Say" survey in 2015, 69% of employees feel sufficiently informed about the environmental commitments of the Group or of their affiliate.
		All Group office sites have good environmental practices (waste sorting, energy, optimisation of paper use, etc.).	Headquarters produced a "green office" guideline in 2015/16. It will be applied by 10 major offices in 2016/17.
		Indicators that are material to the Group's business activity are defined and used for decision-making.	The performance steering dashboards reviewed by senior management include key environmental indicators.
Supply chain	Demonstrate our leadership in sustainable agriculture and the preservation of biodiversity on our agricultural properties.	100% of the vineyards operated by the Group are certified according to environmental standards and have implemented a biodiversity preservation programme.	82% of vineyards (by area) are certified and 78% have a biodiversity preservation programme (see the paragraph on "Promoting sustainable agriculture" of this sub-section).
	Engage our suppliers in environmental and social issues.	100% of Brand Companies have assessed the social and environmental conditions under which the farm raw materials they use are produced.	The assessment has started and is in progress. The results will be shared in the next Registration Document.
		The specifications for the main packaging for our products include environmental requirements.	This will be undertaken in 2017/18.
		80% of the Group's purchases are covered by our responsible procurement policy.	On 30 June 2016: ◆ 822 partners have signed up to our Supplier CSR Commitment; ◆ 1,204 suppliers were analysed using the *CSR Risk mapping tool;* ◆ 347 suppliers or subcontractors were assessed using Ecovadis. (See the paragraph on "Involvement of the Group's partners in its S&R commitments" of this Section).

Pillars	Goal for 2020	2020 targets	Progress
Management of resources	Conserve water resources locally.	100% of the Group's irrigated vineyards are equipped with a drip irrigation system.	99% of vineyards were drip-irrigated at the end of June 2016 (see the paragraph entitled "Promoting sustainable agriculture" of this subsection).
		20% reduction in water consumption per unit produced at production sites between 2010 and 2020.	Between 2010 and 2016, water consumption per unit produced fell by 17% (see the paragraph on "Conserving and maintaining water resources" of this subsection).
		100% of sites located in high water risk areas have implemented an action plan for managing water resources.	This assessment is underway and the results will be reported in the next Registration Document.
	Reduce energy consumption and reduce greenhouse gas emissions along the entire production chain.	20% reduction in energy consumption and 30% reduction in CO_2 emissions per unit produced at production sites between 2010 and 2020.	Between 2010 and 2016, energy consumption per unit produced fell by 19%, while CO_2 emissions per unit produced fell by 25% (see the paragraph on "Contributing to reducing climate change" of this subsection).
	Reduce the impact of waste.	Aim for zero waste landfill by 2020 at production sites.	All affiliates have recorded the waste landfill this year. This waste represented 8% of total waste. Alternative solutions for waste treatment will be explored in 2016/17 (see the paragraph on "Reducing the impact of waste" of this subsection).
		Aim for 100% recyclable packaging at consumer level.	This will be undertaken in 2016/17.
Brands and consumers	Place environmental concerns at the heart of our brands and meet our consumers' expectations in this respect.	19 of the Group's priority brands incorporate eco-design principles into their product development.	Action is underway and will continue in 2016/17. It will mean that environmental concerns are considered from product design stage and that marketing teams are involved.
		19 of the Group's priority brands have conducted a life-cycle analysis in compliance with the environmental labelling regulations and are in a position to provide information regarding their impacts to consumers.	This will be undertaken in 2016/17.
		Consumers' aspirations and concerns have been identified and the resulting measures introduced.	This will be undertaken in 2017/18.

To support this approach and help all affiliates, employees and brands in rolling out the Roadmap 2020, instruction sheets have been circulated, facilitating the implementation of each action. In addition to this, the existence of an Intranet community, a good practice database, and the corporate social network, Chatter®, means that all employees can actively get involved in protecting the environment and more specifically, in deploying the Roadmap 2020.

The series of actions under the Roadmap 2020 give substance to the Group's five areas of commitment, which are described below.

EFFICIENT MANAGEMENT SYSTEM

Organisation and certification

In accordance with the principles outlined in its Environmental Policy, Pernod Ricard has deployed dedicated environmental management systems in each of the countries in which it has production sites. These systems are based on the following principles:

- promoting affiliates' accountability: each affiliate is fully responsible for determining how to reduce its own environmental impact and how to apply the Group's policy locally. The Headquarters Sustainable Performance Division oversees and coordinates measures at Group level, notably by setting shared objectives, circulating guidelines and sharing best practices;
- the policy of ISO 14001 certification (Environmental Management): on 30 June 2016, 95% of the production sites operated by the Group were certified to ISO 14001.

To roll out the Group's environmental strategy beyond its production sites, a "green office" guideline has been developed to describe best practices and the minimum environmental requirements to be met in an office setting. This guideline applies to all affiliates and aims to engage all employees on the topic of the environment by incorporating it into their day-to-day lives. Produced this year, it will be implemented in the headquarters of 10 major affiliates in 2016/17. The Group's target is that all office sites meet the minimum requirements of this guideline by 2020.

Environmental reporting 2015/16

Pernod Ricard's environmental reporting relates to production sites and vineyards under operational control on 30 June of the financial year in question and which have been in operation throughout the entire year. It does not cover administrative sites (head offices or sales offices), or logistics warehouses when these are located outside industrial sites (this relates to only a few isolated warehouses), since their environmental impacts are not significant compared to those located within industrial sites.

For 2015/16, this production site reporting covers the activity of 99 industrial sites. This figure is the same as the one for financial year 2014/15, considering the disposal of the maturing site in Malaga, Spain, and the start of operations in the distilling site in Dalmunach in Scotland. The industrial scope taken into account for this financial year therefore covers a production volume of 1,064 million litres (bottled or inbulk) compared to 1,055 million in 2014/15 and a volume of distilled alcohol of 256 million litres (measured as pure alcohol) compared to 244 million in 2014/15. Comments on the results are provided in the different sections of the subsection "Protect the planet" in this document.

The reporting for the year 2015/16 also covers 5,611 hectares of vineyards, located mainly in New Zealand, Australia, France, Spain, the United States and China. Key results related to vineyards are set out in the paragraph on "Sustainable agriculture and performance of our vineyards" hereafter.

Environmental performance

The Group's environmental performance is monitored using indicators that are relevant to its industrial activity. They are defined based on requirements set out in the implementing decree of the French Grenelle 2 law and the recommendations and principles of the GRI (Global Reporting Initiative, version G4), and are adapted to the Group's specific activity where necessary.

The main categories of data collected refer to: environmental management, water management (consumption and discharge), energy consumption, waste management, the consumption of packaging materials, direct and indirect CO_2 emissions, use of crop protection products, sanctions and incidents reported to the authorities and complaints filed by third parties.

To improve transparency and guarantee the reliability of the data disclosed, the Group's environmental data is checked by its Statutory Auditors. Their report, detailing the work performed as well as their comments and conclusions, appears at the end of this Section.

Furthermore, in order to ensure consistent results throughout the scope, a manual defining each indicator is sent to all the Environment managers in charge of compiling and consolidating data. This manual is annually updated. Data is recorded by the Environment Managers of each affiliate. The Group then analyses this data and runs consistency checks to identify any reporting or input errors. When there are significant gaps in the data, the Group checks with the affiliates to ensure the data is valid. The data is then formally approved by the affiliates. Finally, the Group consolidates the data by analysing the progress in environmental performance, both globally and by business activities.

In case of identification of a significant reporting error from previous periods, historical data is only readjusted if the impact on Group performance is greater than 1%, allowing a better interpretation of results and trends.

The environmental performance of sites is expressed using several ratios, based on the categories of activities in which the Group has classified them:

- for distilleries: data broken down by volumes of pure distilled alcohol;
- for bottling sites: data broken down by volumes of bottled finished products;
- for wineries: data broken down by volumes made into wine;
- for vineyards: data broken down by surface area cultivated with vines.

At Group level, consolidated performance is expressed based either on:

- the amount of distilled alcohol for environmental impacts primarily due to distillation (*e.g.* water or energy consumption), expressed in units per thousand litres of pure distilled alcohol (kl PA);
- the bottled volume or the volume of finished products manufactured (including products delivered in bulk) when bottling or production is the main source of impact (such as in the case of solid waste), expressed in units per thousand litres (kl);
- the number of hectares occupied by vineyards for agricultural properties, expressed in units per hectare (ha).

For industrial sites, this distinction is sometimes complex, as some sites have several activities. As such, since the time frames involved in bottling may sometimes be very different from those for distilling (aged spirits: whiskies, cognac, etc.), these figures may be difficult to interpret from one year to another. Both calculation methods are therefore presented for some indicators. Setting overall Group quantitative targets for the quantity of water or energy consumed per unit produced, for example, becomes complex as the consolidation of targets depends on the business mix during the year and the consolidated indicator chosen. For that reason, the results expressed by the indicators should be used with care and interpreted over the long term.

Environmental compliance

All certified sites are subject to internal and external audits, during which any failures to comply are reviewed.

One case of administrative non-compliance was identified this year and six environmental incidents were reported to the local authorities:

- the administrative non-compliance involved the withdrawal of the permit to use treated waste water for irrigating vineyards on a wine-growing site in Argentina, due to a defect in the wastewater processing system;
- the six environmental incidents declared to the authorities were as follows:
  - a gas leak in a refrigeration unit at a vinification site in the USA;
  - a nitric acid leak when commissioning a vat at a distillery in Scotland;
  - a spillage of fire-retardant foam in a vodka rectification plant in Poland;
  - a leak from an underground pipeline at a distillery in Ireland;
  - two involving waste water discharge limits being significantly exceeded at two distilleries in Scotland and Ireland.

This non-compliance and these incidents only had moderate environmental impacts; they were analysed and action plans were drawn up to correct the consequences and eliminate the causes, with a view to continuous improvement.

Nuisances to neighbours

During 2015/16, two complaints from neighbours were received in Ireland, relating to the noise created by distillery operations.

Provisions for environmental risk

As at 30 June 2016, no provision had been made for environmental risks. Some affiliates had to provide guarantees when applying for operating permits from the authorities. These do not correspond to specific amounts but ensure the affiliates' solvency to deal with any consequences of pollution or any other environmental accident.

PROMOTING SUSTAINABLE AGRICULTURE (1)

Challenges and strategy

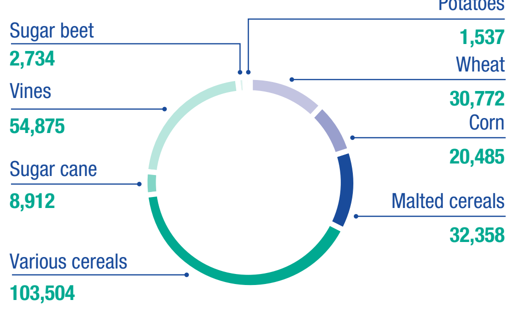
Pernod Ricard is a major partner of agriculture, sourcing all of its products from agricultural raw materials. The main farm raw materials used by the Group are cereals for whiskies and vodkas, sugar cane for rums, and grapes for wines, Champagnes, cognacs and brandies. Then comes sugar beet for neutral alcohol used in various liqueurs, agave for tequilas, potatoes for some vodkas, and lesser quantities of numerous aromatic herbs and spices.

During 2015/16, the raw materials used by the Group were equivalent to 2,590,524 tonnes of agricultural products, representing both in-house production from our vineyards and farms (74,713 tonnes), direct purchases of raw agricultural products (957,369 tonnes), or purchases of processed products such as sugar and alcohol (equivalent to 1,558,442 tonnes of agricultural products). The following chart shows the breakdown of the various raw materials used by the Group.

In farming terms, in 2015/16 this output represented the equivalent of around 255,863 hectares of crops, from Europe (grain, grapes), Asia (grain, aromatic plants), the Americas (sugar cane, grain, agave) and Oceania (grapes).

Agricultural land corresponding to used raw materials

(hectares)



(1) *In accordance with principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.*

Pernod Ricard is committed to developing and promoting environmentally-friendly farming practices, both through its own farming activities (mainly vineyards) and in the products it buys from its suppliers. As such, the Group acts in accordance with local standards with the following requirements:

- reduced use of fertilisers, selection and use of pesticides that are less hazardous for the environment;
- control of water consumption, in particular using drip irrigation techniques where possible;
- preservation of soil and biodiversity;
- training and assistance in sustainable agriculture practices provided for farmers.

Sustainable agriculture and performance of our vineyards

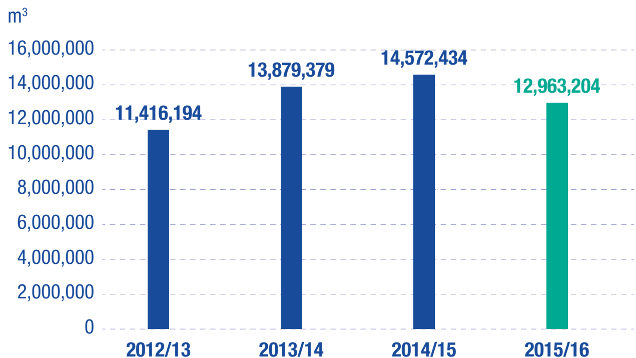
The vineyards run directly by the Group cover 5,611 hectares in seven main countries: New Zealand (44%), Australia (18%), Argentina (14%), France (13%), Spain (6%), the United States (2%) and China (2%). The majority of these vineyards are certified to environmental standards, representing 82% of the land belonging to the Group. The objective for 2020 is to obtain environmental certifications for all our vineyards.

- in New Zealand, all the vineyards run by the affiliate are certified to "Sustainable Wine Growing New Zealand", of which Pernod Ricard New Zealand was one of the founding members in 1995;
- 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 have been ISO 14001 certified;
- in France, the Martell & Co and Mumm Perrier-Jouët vineyards are certified to ISO 14001 and follow the sustainable viticulture standards developed by Cognac and Champagne industry bodies. Furthermore, the Mumm Perrier-Jouët vineyards are seeking *Haute Valeur Environnementale* (HVE, High Environmental Value) certification;
- in Spain, the vineyards are managed according to the guidelines of the Sinergia standard, developed under the European Life programme, and all vineyards are certified to ISO 14001 standard;
- in the USA, the Mumm Napa and Kenwood vineyards are certified to the standard developed by the Sustainable Winegrowing Alliance (CSWA).

During the 2015/16 financial year, 64,575 tonnes of grapes were harvested in our vineyards. The water consumption associated with this yield amounted to 13 million m^3, primarily for irrigation, or almost double the water consumed by our 99 production sites.

To optimise water consumption, a drip-irrigation system has been gradually installed in our vineyards and thus, in 2015/16, 99% of our irrigated vineyards are now equipped with this system which not only significantly reduces the water supplied to the plant, but also optimises the fertiliser supply and reduces the need for weeding.

Trend in vineyard water consumption



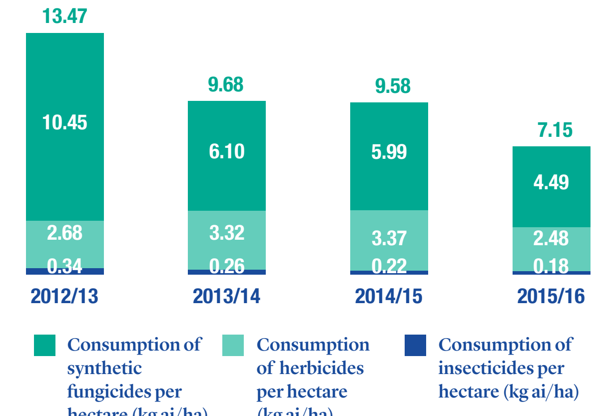
There are two main types of crop protection products: those of mineral origin (sulphur and copper), and those of synthetic origin (synthetic fungicides, insecticides and herbicides). The total quantity of products of mineral origin consumed in 2015/16 was 118 tonnes, while consumption of products of synthetic origin was 40 tonnes of active ingredients. The reference to the "active ingredients" unit is used to compare the quantities of products consumed, disregarding the impacts of product composition and dilution volumes when preparing products.

Since 2013, the quantity of herbicide applied per hectare has fallen by 8%, thanks to the increasingly widespread practice of green cover between rows, which is now the case in 70% of vineyard areas. This practice also reduces the risk of soil erosion and promotes the development of beneficial organisms which protect the vines from pests. In New Zealand, sheep are used instead of chemical or mechanical weeding, thus reducing the use of pesticides, and allowing the removal of weeds as well as better stripping of excess leaves;

Meanwhile, the quantity of insecticide per hectare fell by 46% between 2013 and 2016. It has been greatly reduced, particularly in France and Spain, through the use of the technique known as "sexual confusion", which consists of disrupting the reproduction of vine parasites by using pheromones.

Finally, the quantity of synthetic fungicides applied per hectare was reduced by 57% between 2013 and 2016, specifically as a result of the use of less environmentally harmful mineral fungicides.

Trend in the consumption of synthetic fungicides and pesticides



119 tonnes of nitrogen fertiliser were used. Controlling fertilisation by soil and plant analysis allows fertiliser doses to be adapted to the exact plant requirements.

229 hectares of vineyards are managed according to organic farming standards, without the use of any synthetic pesticides or herbicides, representing 4% of the Group's land.

Around 50% of the agricultural land managed by the Group (in hectares) contributes to the preservation of biodiversity. These are areas within the vineyard estates hosting biodiversity (rivers, forests, hedgerows, native biotope, etc.), that are preserved with the aim of protecting ecosystems.

The Group's vineyards used 16,826 MWh of energy, which is less than 1% of that used by the production sites.

Partnership with suppliers of agricultural products

There are two aspects to the Group's actions in respect of agricultural product purchases:

- the application of the Responsible Procurement process (see the paragraph on "Involvement of the Group's partners in its S&R commitments") that makes it possible to identify and assess direct suppliers who present a risk in terms of S&R, so that appropriate action plans can be developed;
- the identification of environmental and social risks in agricultural activities. In 2016, a study of the environmental and social conditions of the production of farm raw materials used by Group Brand Companies has started. The results will be shared next year.

The direct purchasing of agricultural products by affiliates results in a number of partnership initiatives being undertaken with the Group's agricultural suppliers:

- 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 has helped its grape growers to obtain this certification. 100% of the vineyards belonging to the affiliate are now accredited to this 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. Furthermore, with the assistance of the NGO Positive Planet, the affiliate has created seven cooperatives, whose purpose is to develop the business capability of small producers and thereby improve their income and their families' living conditions;
- 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 highly fragrant plant fosters the development of entomofauna, in particular bees, thus helping to maintain biodiversity.

Furthermore, the Group has made the sugar cane sector a priority for action. Sugar cane is often grown in poor countries where social protection, working conditions and respect for social rights or environmental protection are not guaranteed. An addition, this sector has a particularly complex supply chain involving a series of numerous operators from the field to the crushing plant, the distillery and the trader, through to the end user. To demonstrate its commitment and make an active contribution to developing this sector, Pernod Ricard joined the Bonsucro association in 2015, whose purpose is to develop internationally recognised responsible practices for a sustainable sugar cane sector. Through the standards that it has developed, Bonsucro contributes to improving the conditions of sugar cane production on plantations and in processing plants and ensures that practices are traceable across the supply chain.

Actions for the protection of biodiversity

In addition to its sustainable agriculture practices, Pernod Ricard is committed to projects aimed at protecting and developing the biodiversity of ecosystems on the agricultural land where the Group operates vineyards. It also encourages all of its affiliates to undertake projects to preserve biodiversity in line with their activities. The Group has identified 33 protected or sensitive natural areas close to its production sites throughout the world, and it is monitoring these closely. These areas are mainly located in Scotland, Ireland, France and Sweden.

Some affiliates have been conducting particularly significant biodiversity measures for several years now:

- in Scotland, Chivas used an interactive tool to map sensitive ecosystems located close to its industrial sites. The Group can thus measure the impact of its activities on these environments and implement measures to protect biodiversity in the most sensitive areas;
- in France, in 2013, Martell identified practical measures to strengthen the land's biodiversity, particularly on non-cultivated land (borders, groves, ditches, etc.), which represents 8-15% of the land and plays an essential role as a habitat for many wildlife species. This subject was also discussed with the affiliate's wine suppliers, *i.e.*, 1,200 wine growers who could potentially deploy scaled versions of the measures on their plots; in 2015, Martell also obtained High Environmental Quality (HEQ) certification for all new maturing cellars, thus helping to minimise the visual impact of these buildings and their effect on the landscape, and increase the site's environmental potential.
- in France, the growing of yellow gentian, whose root is a key ingredient in the Suze recipe, has been the subject of research programmes to enable its production in specialised farms, thus ensuring the protection of 50,000 wild plants every year;
- 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 a 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;

- 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. This year, the affiliate has committed to replanting local species of trees and shrubs on non-productive parcels of land on its vineyards, working alongside Trees for Life and the NRM (National Resource Management Board);
- in Spain, the Campo Viejo vinification site has developed an action plan to improve biodiversity in collaboration with the Accionatura NGO, which has an in-depth knowledge of the ecosystems in the Rioja region: installing nesting boxes and feeders for birds, building animal shelters and insect hotels, etc.;
- 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 Dungourney 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;
- in Russia, Pernod Ricard Rouss signed a partnership agreement with the World Wide Fund for Nature (WWFN) in 2015 to help protect the snow leopard, a species from central Asia that is threatened with extinction;
- finally, the Paul Ricard Oceanographic Institute would not have been able to play its essential research and public education role for the protection of marine ecosystems and aquatic biodiversity without the material and financial support of the Société Paul Ricard and the Group.

In addition to biodiversity protection, the Group is committed to ensuring complete traceability of its products in terms of GMOs (Genetically Modified Organisms) to assure consumers that the labelling regulations for products containing GMOs are strictly complied with. Accordingly, all affiliates will conduct a risk assessment to identify potential sources of raw materials, taking the necessary measures to ensure control of these sources. Although the distillation stage removes the risk that GMO material may be present in the distilled products, supply chains for products that are guaranteed GMO-free have been established for certain corn-based alcohols in the United States and Europe.

PRESERVING AND SAVING WATER RESOURCES (1)

Challenges and strategy

Water is an essential component in the products manufactured by Pernod Ricard. It is present at all stages of the lifecycle of Group products: irrigating crops, processing of raw materials, distilling, blending spirits, formulating products, etc.

Pernod Ricard has marked water management as one of the five strategic focuses in its environmental policy. The Group has been a member of the United Nations CEO Water Mandate since 2010, reinforcing its commitment to the protection of the planet's water resources.

At production site level, 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.

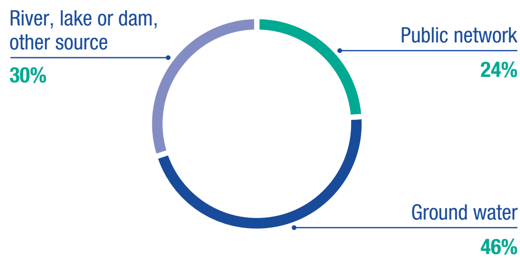
Another aspect of the impact of the Group's activities on water resources is the indirect consumption generated by the production of farm raw materials, packaging materials or electricity consumed by the Group. These impacts generated by our suppliers are covered using the methodology known as the water footprint.

Water consumption and industrial site performance

A distinction should be made between water abstraction, which covers the total volume of water taken from the environment (groundwater, surface water, public water supply network, etc.) regardless of what it is used for, and water consumption, which only covers the amount of water used with a measurable impact on the environment. As such, the use of river water to cool down a distillery still, when the water is returned to the same river without any alteration to its chemical, biological, thermal or other characteristics, is deemed water abstraction and not water consumption.

46% of the water consumed by the Group is sourced from the underground water table, 24% from the public network and 30% from surface water sources (rivers, lakes, dams, etc.).

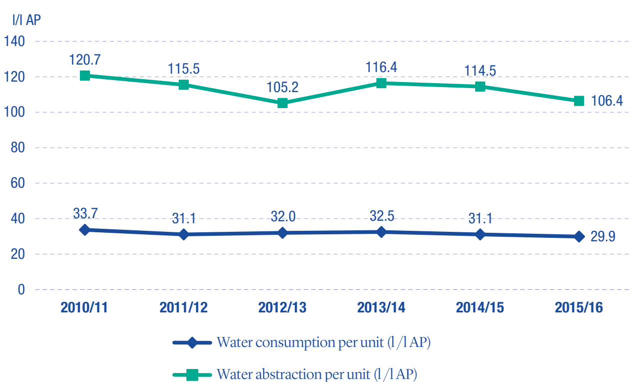
Origin of the water consumption of industrial sites



In 2015/16, 27 million m³ of water was taken by the Group's industrial sites. Only 7.7 million m³ constitute water consumption as defined above, the rest being exclusively used by cooling facilities 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. The water used to adjust the degree of alcohol in products accounts for 0.5 million m³ (*i.e.* 7% of the Group's total consumption). Adjusted for volume produced (m³/kl PA), the quantity of water taken and the quantity consumed have been falling since 2009/10, by 26% and 17% respectively. It should be noted that 87% of the volume of water consumed was measured accurately by meters, and the remaining 13% is estimated.

(1) In accordance with principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.

Trend in water consumption and abstraction by industrial sites



This reduction in water consumption is the result of improvement actions undertaken by all production sites, in particular distilleries. The most notable improvements are the following:

- the Walkerville distillery in Canada has reduced its water consumption per litre of pure distilled alcohol by 29% since 2009/10, following the replacement of its underground pipes and the implementation of a detailed consumption monitoring plan;
- at the same time, Irish Distillers has reduced its water consumption per litre of pure distilled alcohol by 35% as a result of investments in the new Midleton distillery, which enabled the implementation of numerous optimisation measures, including the reuse of cooling water from the fermenting units as process water;

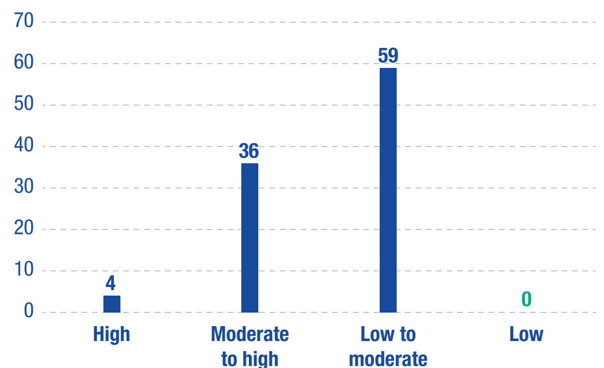
Water management tailored to meet local challenges

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 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 risks and classifies sites according to four risk categories: high, moderate to high, low to moderate and low. As such, of Pernod Ricard's total production units:

- four sites are located in or in the immediate vicinity of high-risk areas. These four sites account for less than 1% of the Group's total consumption and are divided between two countries (India and Mexico);
- 36 sites are located in or in the immediate vicinity of moderate to high-risk areas. These 36 sites represent 22% of the Group's total water consumption and are spread across 16 countries;
- the other 59 sites, accounting for 77% of the Group's consumption, are located in areas considered to be at a low to moderate risk.

In India, where water is an important local issue, Pernod Ricard India has built rainwater tanks covering an area of 32,000 m² on Grampanchayat (local government) land in Waghadevnager. This water will be used by the villagers and will provide farmers with reserves to irrigate their fields and supply their livestock with drinking water.

Breakdown of the number of industrial sites based on the Overall Water Risk Index (AQUEDUCT tool from WRI)



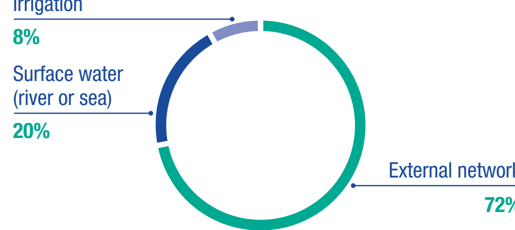
In order to gain a better understanding of the risks associated with medium-to long-term water supply, the Group has this year launched a study covering the majority of its industrial sites and vineyards. This study will confirm the results obtained above by the Aqueduct tool and identify present and future risks, as well as risks specific to certain sites due to local constraints. It will provide a basis for prioritising sites and the implementation of action plans appropriate to the specific level of risk in each situation.

Treatment of waste water

During 2015/16, the volume of waste water released was 4.2 million m³, compared to 4.6 million m³ in 2014/15. More than 78% of the volume of waste water was measured accurately using meters; the remainder was estimated.

72% of waste water was released into a public sewer system. 20% was released into the environment (rivers or seas) under permits delivered by local authorities and in accordance with the imposed discharge criteria. The remaining 8% of waste water was recycled and used to irrigate crops (vineyards), after appropriate treatment.

Waste water destination

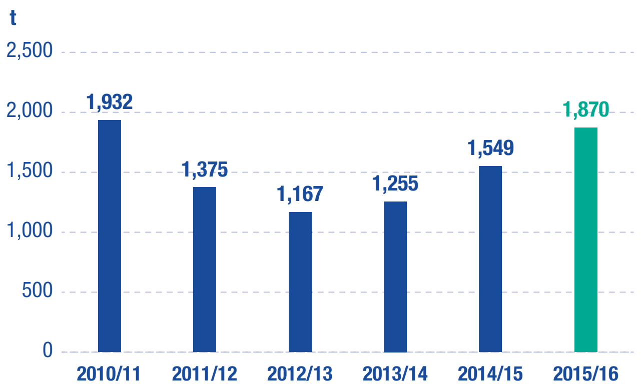


The pollutant load linked to the organic matter contained in this water is expressed by the Chemical Oxygen Demand (COD) measured after treatment and before release into the natural environment. It should be noted that this is not considered a very reliable performance indicator for the Group, due to the fact that the samples for analysis are not wholly representative, and to the variety of activities undertaken during the year. The Group's facilities use several types of procedures to reduce the organic content of water and make it suitable for reuse or

for release into the natural environment: these include methanisation with micro-organisms to produce biogas, aerobic lagoon treatment, membrane filtration, and the use of plants to purify water in so-called "filter garden" systems.

In 2015/16, the cumulative COD released by Group facilities was approximately 1,870 tonnes, compared with 1,549 tonnes the previous year. This increase is primarily the result of higher volumes of waste water discharged by Scotland's whisky industry into the public network, where performance is inferior to the treatment stations that we have on our sites.

Change in chemical oxygen demand (COD) released into the natural environment



Contributing to reducing the Group's water footprint

In addition to the direct consumption of Pernod Ricard's production sites, water is also a significant issue 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. These consist of identifying the water resources used not only by the direct activities of the affiliates concerned, but also by the products and services they purchase, such as farm raw materials, packaging materials or energy.

This study identified the main challenges linked to the water resource along the production chain. The Group's ultimate water footprint is equal to 675 million m^3 per year, of which 99% is related to supplies of farm raw materials. Other elements of the production chain – including direct water consumption on industrial sites – only represent approximately 1% of the total. Globally, Pernod Ricard challenges relating to the availability of water relate primarily to our agricultural suppliers: they vary significantly from region to region and should therefore be dealt with at local level, taking specific climatic conditions into account.

CONTRIBUTING TO REDUCING CLIMATE CHANGE [1]

Challenges and strategy

Pernod Ricard's activities contribute to the generation of CO_2 emissions in several ways:

- directly, due to the combustion of fossil fuel sources, notably at distilleries: these are so-called "Scope 1" emissions [2];
- through the electricity consumed, which generates CO_2 emissions when produced by our suppliers: so-called "Scope 2" emissions [2];
- indirectly, through products (farm materials, packaging, etc.) and services (transport, etc.) purchased by affiliates: "Scope 3" emissions [2].

Climate change presents several risks for Pernod Ricard's businesses, such as the supply of agricultural raw materials and water for affiliates, the consequences of exceptional meteorological events on production sites and regulatory changes in the Group's operating countries. Conscious of these risks, Pernod Ricard takes them into account to anticipate and gradually adapt its operational activities. These risks, and the measures to prevent them, are detailed in Section 4 "Management report" of this Registration Document ("Risk management" section).

In order to help reduce this change, the Group continues to adopt an approach, within its sphere of influence, based on two stages:

- assessing its carbon footprint throughout the production chain;
- implementing measures to reduce greenhouse gas emissions:
  - directly on production sites, and
  - indirectly with its suppliers, based on the eco-design of products and the optimisation of the logistics chain.

Assessment of the Group's carbon footprint

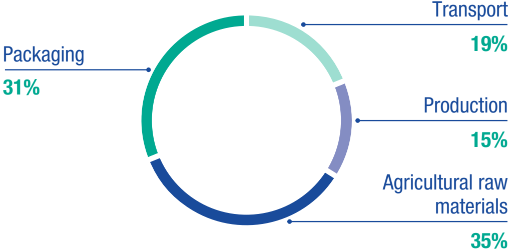
In 2013, the Group assessed the total carbon footprint of its activities using the methodology set out in the GHG Protocol. These assessments cover the entire volume produced by the Group, including the three scopes described above, from production of farm raw materials and packaging to the shipping of finished products to export markets. The CO_2 emissions generated by the following activities are not taken into account: the commercial vehicle fleet, administrative and distribution sites, and the distribution of finished products from the warehouse to the first customers.

This evaluation confirmed the major role of purchases of farm raw materials (grains, grapes, wines, spirits, etc., which account for 35% of the total footprint), and purchases of packaging (chiefly glass and cardboard, accounting for 31% of the total). Transport accounts for 19% of the total. Finally, emissions linked to energy consumption at production sites (Scopes 1 and 2) are only responsible for 15% of the Group's total footprint.

(1) In accordance with principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.

(2) In accordance with the Greenhouse Gas Protocol (GHG protocol).

Carbon footprint linked to direct and indirect emissions along the production chain



In view of the significance of agricultural raw materials and packaging in the Group's carbon footprint, a tool for annual assessment of the CO_2 emissions associated with these two stages of the production chain has been developed this year, to ensure regular monitoring of these emissions and identify potential opportunities to reduce them.

Action to reduce CO_2 emissions on production sites

Improving the energy efficiency of industrial installations

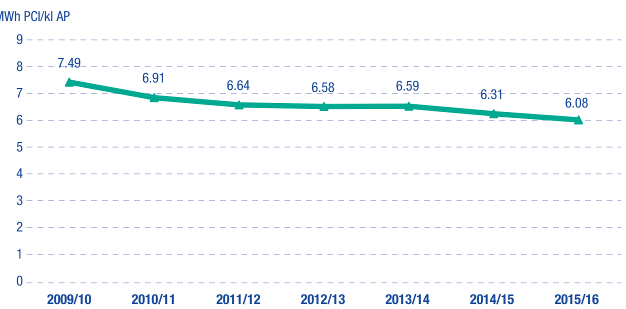
At production site level, actions are based on four levers to increase energy efficiency:

- continuous monitoring of energy consumption;
- in-depth energy assessments, with the setting of energy-efficiency targets;
- roll-out of consumption reduction programmes requiring the management of processes and utilities, and which may result in significant investment;
- implementing energy management systems.

During 2015/16, total energy consumption of Group production sites amounted to 1,560 GWh, compared to 1,542 GWh in 2014/15. Adjusted for production volume, the average consumption per litre of pure distilled alcohol was 6.08 kWh per litre, a 4% reduction compared with the previous year. Compared to 2009/10, the fall is 19%, against a target of 20% for 2019/20. This strong performance is explained mainly by the improvement in the efficiency of distilleries, which account for 84% of the Group's total energy consumption:

- in Sweden, the Nöbbelöv distillery has a certified energy management system, guaranteeing its high energy performance. Since the distillery was built in 2004, there has been a 45% decrease in energy consumption per litre of vodka, due in particular to the reuse of heat produced during the fermentation and distillation processes;
- in Scotland, since 2006 Chivas Brothers has undertaken an ambitious plan to reduce consumption at all its sites by investing in more efficient equipment (third-generation thermo-compressors, etc.) and by implementing energy recycling measures in its processes. There has been a reduction of around 21% in the energy consumption per litre of pure alcohol produced in all Chivas Brothers production sites since 2010;
- in Ireland, Irish Distillers took advantage of the extension of its Midleton distillery to optimise its processes and select the best available technologies, enabling it to reduce its energy consumption by 30% per unit produced over the last two distilling campaigns;
- in France, the Gallienne distillery is certified to the ISO 50001 energy management system. The site has reduced its energy consumption per litre of distilled alcohol by 15% since 2009/10, following the installation of next-generation burners and a more efficient system for preheating wine.

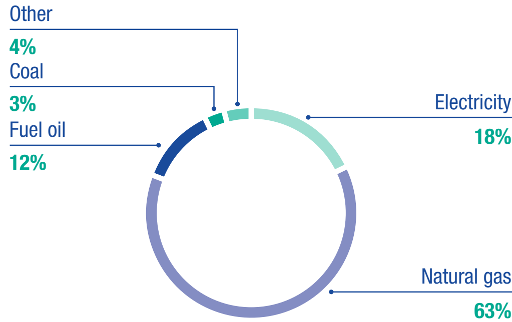
Trends in energy consumption



Use of cleaner, more sustainable energy sources

Pernod Ricard's industrial activities use energy in different forms. The majority comes from natural gas (63%), then electricity (18%), fuel oil (12%), coal (3%) and various other sources (4%).

Breakdown of energy consumption



The share of renewable energy in this energy mix is 11%, with around two-thirds in the form of renewable energy certificates (sites using 100% renewable electricity) and one-third resulting from the countries' energy mix. This share of renewable energy rose by 68% between 2009/10 and 2015/16, largely as the result of the purchase of renewable energy certificates. It should be noted that electricity consumed based on

renewable energy certificates is counted as renewable energy, and that national data is used to estimate the percentage of renewable electricity not covered by renewable energy certificates. Only the percentage of renewable energy at Chivas sites is calculated using information from the supplier (37% of renewable energy) rather than national information (12% of renewable energy). If national data was applied to all sites, including Chivas, the share of renewable energy would be 10.3% rather than 11% as indicated above.

In order to reduce its carbon footprint, the Group is also working to replace heavy fuel oil and coal with other, cleaner sources of energy. The consumption of fuel oil and coal per litre of pure distilled alcohol has decreased by 46% and 42% respectively since 2009/10, in favour of natural gas. As an example, the Glenlivet distillery is now supplied by a natural gas pipeline, thereby reducing its direct CO_2 emissions by 30% per unit compared to the period when it was using fuel oil.

Another example of the development of cleaner energy is the site Nashik in India, which installed more than 5,000 m^2 of solar panels on the roofs of its production buildings in 2015, with an installed capacity of 345 kW.

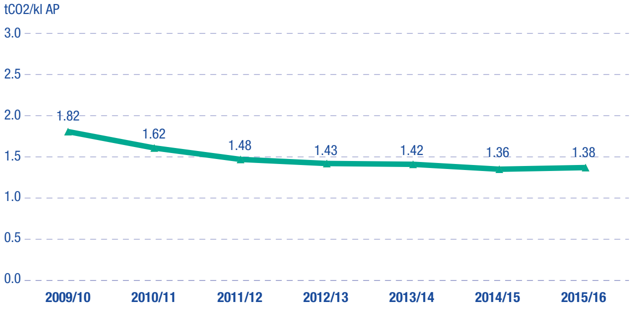
Monitoring CO_2 emissions at our production sites (Scopes 1 and 2)

In 2015/16, total emissions from Pernod Ricard industrial sites (Scopes 1 and 2) stood at 352,546 tonnes of CO_2 equivalent, compared with 332,488 tonnes of CO_2 equivalent for 2014/15. Adjusted for units produced, these emissions amount to 1.38 kg of CO_2 equivalent per litre of pure alcohol, compared to 1.36 kg/litre in 2014/15, an increase of 1%. This increase is explained by the fact that the Scottish production sites did not have renewable energy certificates for the electricity they used as they did last year, despite the major part of it coming from green sources. However, only CO_2 emissions associated with the consumption of electricity covered by renewable energy certificates are calculated on the basis of a zero CO_2 emission factor. Furthermore, it should be noted that the CO_2 emission factors for certain categories of energy have been revised upwards or downwards, with the Group using the Greenhouse Gas Protocol database for national electricity emission factors and the DEFRA emission factor for combustible fuels.

Over the long term, we have seen a sharp fall in CO_2 emissions per unit: 25% between 2009/10 and 2015/16, which is mainly explained by the policy of energy efficiency improvement on the production sites and the gradual move towards an energy mix that includes less carbon. It should be noted that, as with renewable energy, only the CO_2 emissions on Chivas sites are calculated from the supplier's emission factor (0.398 t/MWh), rather than the national emission factor (0.479 t/MWh). If national data was applied to all sites, including Chivas sites, CO_2 emissions would be equivalent to 1.40 kg CO_2 per litre of pure alcohol, *i.e.* a reduction of 23% in CO_2 emissions per unit and not 25% as indicated above.

For the period 2009/10 to 2019/20, the Group has set itself the target of reducing the CO_2 emissions of Scopes 1 and 2 for production sites (per unit produced) by 30%.

CO_2 emissions at production sites (Scopes 1 and 2)



In addition to efforts to reduce emissions, various initiatives have also been undertaken to achieve carbon neutrality:

- in Sweden, The Absolut Company has been working for many years towards achieving environmental excellence. Initially, the Nöbbelöv distillery's industrial process was subject to every type of optimisation, making the distillery one of the most energy-efficient in the world. Subsequently, the affiliate replaced its carbon energy sources with cleaner energy: the three production sites are now powered by renewable electricity, and the oil-fired boiler at the Ahus bottling site was replaced by the use of district heating, leading to a four-fold reduction in site emissions. Finally, in order for the distillery to become carbon neutral, the affiliate committed to a carbon offsetting programme, thereby helping to reduce the volume of CO_2 emissions equivalent to its own residual Scope 1 and 2 emissions;
- in Spain, Pernod Ricard Winemakers Spain has been committed since 2011 to several initiatives to reduce the carbon footprint of its Campo Viejo production site. In that year, the site obtained ISO 14064 certification, and then in 2012 it obtained the CarbonNeutral® certification awarded by The Carbon Neutral Company, by offsetting the CO_2 emissions related to its energy consumption, the transportation of its employees, its business trips and the treatment of its waste through participation in a United Nations project (production of hydroelectric power in Gansu province, China). In 2013, the site renewed its CarbonNeutral® certification by participating in the García river reforestation project (California) and a project to generate methane from waste in China. In 2015, the site gained ISO 50001 certification for its energy management system.

Measures to reduce the indirect CO_2 emissions of our suppliers (Scope 3)

"Indirect" emissions are those caused by the suppliers of products and services purchased (mainly packaging, raw materials and logistics services).

The eco-design of products

The Group's eco-design process, which has been in place since 2008, helps to reduce CO_2 emissions linked to packaging, but also those related to the logistics chain. Details of this approach are provided hereafter.

The optimisation of logistics and transport

The logistics teams are actively involved in reducing the Group's environmental impacts. The team works at several levels: choosing the type of transport, planning and finally optimising loads.

- Choice of transport type

  The Group estimates that nearly 80% of all transport involved in producing and distributing its products from the factory to the first customer is by sea (expressed in tonne-kilometres). As this method of transport consumes a particularly low amount of energy, it generates only about one-quarter of the greenhouse gas emissions related to the logistics businesses. Continental transport, which represents the remaining 20%, is optimised thanks to planning of loads and routes. Multi-modal transport (notably a combination of boat and rail) is used when available and financially profitable.

- Planning

  It allows for a more stable production planning to be established over a longer time horizon. This represents an important gain due to the reduction in the stock of finished goods, the reduction in losses (obsolete stock) and the optimisation of transport flows.

- Load optimisation

  The size and format of containers are selected and harmonised in order to facilitate optimisation in loading vehicles. Load sharing is also favoured in order to increase lorry load rates.

There are a number of initiatives, which are illustrated by the following examples:

- as a member of the Smart Way Transport Partnership programme launched by the United States Environmental Protection Agency, Pernod Ricard USA has collaborated closely with its transport suppliers: 99% of these are now members of Smart Way, and are thereby helping to reduce the CO_2 emissions generated in transporting the affiliate's products;
- The Absolut Company has built a station for locally produced biofuels and a proportion of its wheat and vinasses are now transported using biofuels. The Swedish affiliate encourages the use of sea transport (75% of its transportation is carried out by boat) and supports alternative energies. Since 2007 it has been a member of the Clean Shipping Project, a Swedish group that brings together large manufacturers to develop cleaner, more efficient shipping solutions.

The Group plans to continue these initiatives in the future, particularly by strengthening its eco-design actions along the supply chain, from product development to distribution.

Other emissions into the atmosphere

Other gas emissions in the atmosphere likely to affect our environment:

- include those from cooling gas, some of which damage the ozone layer. Some of these gases contribute to the increase in the greenhouse effect: they were not taken into account in calculating the Group's direct emissions since they represent less than 1% of such emissions. A programme to eliminate the most environmentally harmful refrigerant gases has been ongoing for a number of years, resulting in the complete elimination of CFCs. The programme aims to reduce the proportion of HCFC gases, with the aim of eliminating them completely by 2020.
- nitrogen and sulphur oxide emissions (NOx and SOx) contributing indirectly to the greenhouse effect and environmental acidification. These compounds are produced by fossil fuel combustion, mainly during the distillation process. As emissions of these atmospheric pollutants for the alcoholic beverages sector are low compared to worldwide emissions, they appear to have no material impact for Pernod Ricard, and the Group does not consider it appropriate to monitor such emissions on an annual basis. However, the major distilleries ensure that they comply with the legal limits set for discharge of these pollutants.

DEVELOPING SUSTAINABLE PRODUCTS AND REDUCING THE IMPACT OF WASTE (1)

Challenges and strategy

The impact of our activities on the environment begins with the design of the products and continues throughout their life cycle. For this reason, Pernod Ricard implements eco-design principles during the development of new products or packaging in order to reduce its overall environmental footprint, paying particular attention to the waste generated along the entire production chain. We know that consumers expect our brands to be sustainably managed, providing them with the highest quality while respecting the environment.

To achieve this, our strategy is based on the following elements:

- the implementation of eco-design principles for packaging, namely:
  - assessing a product's environmental footprint,
  - selecting sustainable, recyclable packaging materials,
  - optimisation of the amount of material used (glass, cardboard, plastic),
  - participation in systems for the collection of used packaging in support of recycling;
- reducing, recycling and recovering waste on industrial sites with the aim of achieving the "zero waste to landfill" target and reducing the amount of waste incinerated.

Implementing eco-design principles for packaging

The Group introduced its eco-design process in 2006 and it has now been rolled out through the following drivers:

- the Environmental Policy, which defines the Group's eco-design commitments;

(1) In accordance with principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.

- steering the process by rolling out the Group's Environment Roadmap, which sets out the actions to be taken by 2020: this will be carried out with members of the main departments involved in eco-design (CSR, Operations, Marketing);
- an interactive eco-design tool for Marketing, Product Development and Procurement teams;
- monitoring of key indicators to track the implementation of the process: weight of glass and cardboard, adjusted for litres of bottled product and the value of the product created;
- product Life Cycle analysis software that enables the main Brand Companies to evaluate the environmental impact of their new developments;
- ongoing collaboration with Pernod Ricard suppliers and customers to improve the environmental impact of packaging throughout its life cycle.

Selection of sustainable packaging materials and design of recyclable products

By definition, the main materials used are recyclable: glass, cardboard, plastic (PET), etc. However, product design must ensure that the treatments or accessories applied to such packaging, or the combination of various materials (such as in the case of a cardboard slipcase with a plastic window) do not compromise this characteristic.

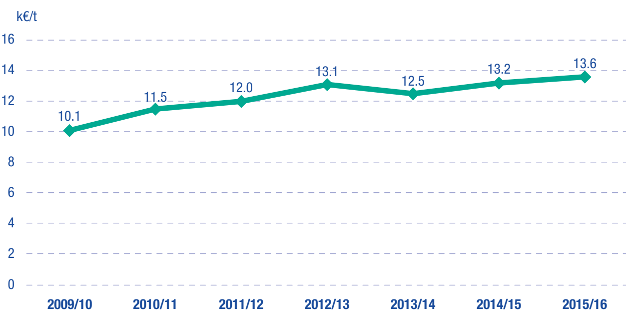
In rolling out its Environmental Roadmap, the Group planned to identify all non-recyclable packaging and look for alternative solutions, working towards a target of 100% of recyclable consumer packaging by 2020.

Optimisation of the amount of material used

The main materials used for packaging are glass and cardboard. In 2015/16, the total amount of glass used was assessed at 639,542 tonnes and cardboard/paper at 71,672 tonnes.

Since 2009/10, the average ratio per litre of bottled product has fallen slightly for glass (from 673 g/l in 2009/10 to 657 g/l in 2015/16) and risen for cardboard (from 61.7 g/l in 2009/10 to 73.7 g/l in 2015/16). This indicator only partly reflects the progress made in terms of reducing the weight of packaging: the change in the mix towards the more premium products in the range, which generally have more sophisticated packaging, was offset by the progress made in reducing the weight of numerous bottles. In order to gain a better understanding of the efforts made in terms of eco-design, we should examine the ratio between the quantity of glass used and the value created, in terms of net sales generated, as this reflects the value created per unit of resource used. The net sales generated by each kilogram of glass used increased from €10.1 to €13.6/kg of glass between 2009/10 and 2015/16, an improvement of 34%.

Trend in net sales generated by quantity of glass used



The Group's wine and Champagne brands have been at the forefront of numerous achievements in terms of reducing glass weights. The weight of the bottle has thus been reduced, with effect from 2008/09 by 7% for the Mumm and Perrier-Jouët standard Champagne bottle, 25% for the Café de Paris sparkling wine, 30% for the Spanish wine, Campo Viejo, 12% for Mumm Napa in California and 28% for Jacob's Creek wines. Progress has also been made in this area for the spirits brands, in particular with The Absolut Company announcing the launch of a lighter version of the brand's iconic bottle in 2015, with an average weight saving of 13% depending on the format, at the same time as increasing the level of quality as perceived by the consumer.

In parallel with these glass weight reduction projects, other measures have been adopted to optimise secondary packaging: changing the shape of cases to increase the number of bottles per palette (Jan Becher), using returnable cardboard boxes to transport PET plastic bottles (Pernod Ricard Brazil), etc.

Participation in systems for the collection of used packaging in support of recycling

Most packaging waste produced by the Group's activities is generated after final consumption of the products on the markets (end-of-life waste for products sold). It is for this reason that, for 20 years, Pernod Ricard has been committed to financing the French system enabling consumers to recycle their packaging. With help from businesses, as symbolised by the well-known Green Dot logo, the Eco Emballages and Adelphe organisations have facilitated the collection and recycling of various materials such as glass, metal, paper, cardboard and plastic. Similar systems exist in other European Union countries, as well as in numerous other countries: as such, over €7 million is devoted to supporting Pernod Ricard's recycling schemes in Europe each year.

In the United States, there is no such system for glass. In 2016, Pernod Ricard USA joined the "Glass Recycling Coalition" which unites all players in the chain (glass manufacturers, bottlers, recycling service providers, etc.) with the goal of fostering efficient and economically viable recycling channels.

Reduce and recycle waste on industrial sites

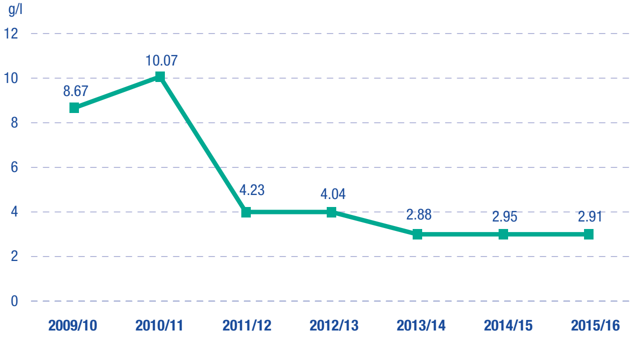
The production sites generate various kinds of waste:

- packaging waste (glass, paper, cardboard and plastics);
- waste arising from the transformation of farm raw materials (grape marc, stalks, sediment, etc.). Only those items sent to landfill or for incineration are considered as waste, with the other fractions being recovered as by-products (primarily animal feed);
- waste produced by the site's activities (sludge from treatment plants, office waste, green waste, etc.).

In 2015/16, the Group's production sites generated 35,366 tonnes of solid waste, compared to 29,321 tonnes in 2014/15 (waste evacuated from the sites during the year). This increase is explained firstly by the recovery of coal ash in India, which was stored on the site, and secondly by a change to the way that waste is categorised. 32,273 tonnes of this waste were recycled *via* different processes – a recycling rate of 91%. In addition, 2,724 tonnes had to be sent to landfill and 369 tonnes were incinerated.

The indicator used to measure the final impact of waste on the environment is the quantity of non-recycled (landfilled or incinerated) waste per litre of finished product. Since 2009/10, this has fallen by 66%, from 8.67 g/l to 2.91 g/l, demonstrating the efforts made by the affiliates to reduce the quantity of waste generated and identify recovery processes.

Trend in overall production of landfilled or incinerated waste



For the period 2009/10 to 2019/20, the Group has set itself a target of working towards "zero waste to landfill".

As players in the circular economy, the production sites generate various kinds of by-products from the transformation of farm raw materials: spent grains, vinasses, grape marc, etc. These are recovered to manufacture animal feed, to produce biogas, to make farm compost or for other industrial purposes:

- the majority of the Group's grain distilleries transform the spent grain obtained from distilling into distillers' dark grains, a dehydrated feed for livestock, rich in protein and easy to store. This is the case notably in Scotland, Ireland, Canada and India;
- in Sweden, the vinasses from The Absolut distillery are supplied directly to the pig farms in the Ahus region as part of a genuine "industrial ecosystem", helping to feed 250,000 pigs and 40,000 cows all year round;
- in Scotland, the Glenlivet distillery (Chivas Brothers Limited) was equipped with a new evaporator used to concentrate the vinasses produced by distilling malt. The resulting syrup is rich in nutrients and is also used in animal feed;
- in France, the company REVICO recovers the vinasses produced at Martell & Co's cognac distilleries to transform it into biogas;
- in Spain, the grape stalks are recovered after vinification to make compost;
- in Mexico, the Arandas distillery has developed an original process for the treatment of agave residues generated from the distilling of tequila, enabling them to be transformed into compost and organic fertiliser.

Group plants also generate some hazardous waste that requires the use of a specific treatment process because of the environmental risks that it presents: empty chemical product containers, used oils, solvents, electrical and electronic waste, neon tubes, batteries, etc. All this waste is sorted and sent to appropriate treatment processes when they exist locally.

In 2015/16, the volume of hazardous waste collected was 458 tonnes, compared to 530 tonnes in 2014/15. It should be noted that this figure represents the volume of waste collected, but not necessarily the amount of waste generated throughout the year, as due to its small size, this waste is most often stored on site for a certain amount of time. In addition, this waste may also be generated during ad hoc cleaning operations. For these reasons, this data item does not strictly represent a performance indicator for the current year.

SUMMARY TABLE OF ENVIRONMENTAL INDICATORS

Category	Definition	Unit	Total Pernod Ricard 2009/10	2011/12	2013/14	2014/15	2015/16
Number of sites	Number of reporting sites		108	98	97	99	99
ISO 14001 (at 30 June)	Number of ISO 14001 certified sites	%	90	94	96	96	95
	Proportion of ISO 14001 certified sites in total production	%	96.0	97.9	99.6	99.7	99.7
Investments	Amount of investment for environmental protection	€M	7.3	12.60	18.17	14.89	11.69
Business compliance	Fines or penalties related to the environment	Number	2	1	0	1	1
Production volume	Total production a) distilled alcohol	kl PA	195,689	237,371	241,664	244,447	256,395
	b) finished product	kl	1,182,500	1,182,446	1,066,252	1,055,523	1,063,554
Water	Total volume used	m³	7,095,145	7,393,874	7,856,996	7,598,984	7,671,291
	Total volume taken (consumption and cooling water)	m³	28,052,000	27,411,000	28,130,655	27,996,417	27,291,713
Waste water	Total volume of waste water released	m³	5,445,849	4,993,818	5,450,755	4,626,321	4,194,206
COD	Quantity of COD released into the natural environment	t	-	1,375	1,255	1,549	1,870
Energy	Total energy consumed	MWh LHV	1,465,872	1,575,545	1,591,567	1,542,462	1,559,746
	% of renewable energy	%	7%	11%	13%	12%	11%
CO_2 emissions	Direct emissions (Scope 1) + indirect emissions (Scope 2)	t CO_2 eq.	357,654	352,060	343,257	332,488	352,546
	Direct emissions (Scope 1)	t CO_2 eq.	259,896	280,470	273,314	269,525	274,610
	Indirect emissions (Scope 2)	t CO_2 eq.	97,758	71,590	69,943	62,963	77,936
Packaging materials	Glass consumption	t	698,948	682,576	636,494	650,587	639,543
	Cardboard consumption	t	64,074	75,576	76,675	70,778	71,672
Waste	Quantity of waste landfilled	t	10,253	5,007	3,070	3,111	2,724
	Quantity of waste incinerated	t					369
	Quantity of waste recycled	t	25,564	28,577	25,474	26,210	32,273
	Total quantity of waste	t	35,817	33,584	28,544	29,321	35,366
	% of solid waste recycled or recovered	%	82	85	89	89	91
Hazardous waste	Quantity of hazardous waste treated externally	t	626	545	570	530	458

Unit	a) Ratio for 1,000 l of pure alcohol (kl PA) b) Ratio for 1,000 l of finished product (kl) c) Ratio for 1,000 l of bottled product (kl)	2009/10	2011/12	2013/14	2014/15	2015/16	G4 GRI Index
		-	-	-	-	-	
		-	-	-	-	-	
		-	-	-	-	-	
		-	-	-	-	-	EN31
		-	-	-	-	-	EN29
		-	-	-	-	-	
		-	-	-	-	-	
m^3/kl	a)	36.26	31.15	32.51	31.09	29.92	
m^3/kl	a)	143.35	115.48	116.40	114.53	106.44	EN8
m^3/kl	a)	27.83	21.04	22.56	18.93	16.36	EN22
		-	-	-	-	-	
MWh/kl	a)	7.49	6.64	6.59	6.31	6.08	EN3 EN5 EN6
		-	-	-	-	-	
t CO_2 eq./kl	a)	1.83	1.48	1.42	1.36	1.38	EN15 EN16 EN18 EN19
t CO_2 eq./kl	a)	1.33	1.18	1.13	1.10	1.07	
t CO_2 eq./kl	a)	0.50	0.30	0.29	0.26	0.30	
g/l bottled	c)	673	656	665	681	657	
g/l bottled	c)	61.7	72.7	80.2	74.1	73.7	EN1
g/l	b)	8.67	4.23	2.88	2.95	2.56	
g/l	b)					0.35	
g/l	b)	21.62	24.17	23.89	24.83	30.34	
g/l	b)	30.3	28.4	26.8	27.8	33.3	
		-	-	-	-	-	EN23
g/l		0.53	0.46	0.53	0.50	0.43	EN25

Concordance table of the United Nations Global Compact Principles and the Sustainable Development Goals (SDGs)

The 10 Principles of the Global Compact	Section title	Page	The sustainable development objectives
Human Rights			1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Principle 1: Businesses should support and respect the protection of internationally proclaimed Human Rights	An appropriate governance	50	
	Welfare, social protection and working conditions	60	
	Commitment to respect for human rights	57	
	Community involvement	68	
Principle 2: Businesses should make sure that they are not complicit in Human Rights violations	Impact on society of the Company's products and services	64	
	The Group's ethical practices	69	
	Involvement of the Group's partners in its S&R commitments	71	
Employment law			5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Labour relations	61	
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour	Commitment to respect for Human Rights	57	
Principle 5: Effective abolition of child labour	Non-discrimination	57	
Principle 6: Businesses should uphold the elimination of discrimination regarding employment and occupation	Involvement of the Group's partners in its S&R commitments	71	
Environment			6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Principle 7: Businesses should support a precautionary approach to environmental challenges	Environmental management	73	
	Efficient management system	76	
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Promoting sustainable agriculture	77	
	Preserving and saving water resources	80	
	Contributing to reducing climate change	82	
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	Developing sustainable products and reducing the impact of waste	85	
	Involvement of the Group's partners in its S&R commitments	71	
Anti-corruption			16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	The Group's ethical practices	69	
	Involvement of the Group's partners in its S&R commitments	71	

Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended June 30th 2016

To the Shareholders,

In our capacity as Statutory Auditor of Pernod Ricard, (the "Company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048 [(1)], we hereby report to you on the consolidated human resources, environmental and social information for the year ended June 30th, 2016 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code *(Code de commerce)*.

Company's responsibility

The Board of Directors of Pernod Ricard is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the reporting protocols and guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available for consultation at the headquarters of the Company and for which a summary is presented in the chapter titled "Sustainability & Responsibility" of the management report.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics *(Code de déontologie)* of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved eight persons and was conducted between May and September 2016 during a seven week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and the professional guidelines of the Compagnie nationale des commissaires aux comptes and with ISAE 3000 [(2)] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations presented in the chapter titled "Sustainability & Responsibility" of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around forty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

(1) whose scope is available at www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Regarding the CSR Information that we considered to be the most important:

- at the consolidating entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities/divisions/sites selected by us [(1)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average of 21% of headcount and between 15% and 95% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 19 September 2016

French original signed by one of the Statutory Auditors:

Deloitte & Associés

David Dupont-Noel	Florence Didier-Noaro
Partner	Partner, Sustainability Services

Appendix

Social information:

***Quantitative information**: Worldwide workforce at 30 June; Breakdown of average workforce on fixed-term contracts by function; Employee departures by reason (employees with indefinite-term contracts); Breakdown of positions filled in financial year 2015/2016; Breakdown of payroll by geographical region; Number of average theoretical hours worked per employee; Absenteeism rate; Number of agreements signed with social partners; Percentage of the industrial sites certified to the OHSAS standard; Number of lost-time accidents; Frequency rate of workplace accidents; Severity rate of workplace accidents; Average number of training hours per employee; Proportion of women on Management Committees in the affiliates; Number of affiliates who conducted disability training and/or awareness actions to their employees.*

Environmental information:

***Quantitative information**: Volume of distilled alcohol and volume of finished products; Total volume of water consumed; Total volume of water abstracted (consumption and cooling water); Total volume of waste water released; Quantity of COD released into the natural environment; Quantity of recycled waste; Quantity of waste sent to landfilled and incinerated; Quantity of hazardous waste; Total quantity of fungicides of mineral origin (sulphur and copper) ; Total quantity of fungicides of synthetic origin; Total quantity of insecticides and herbicides; Quantity of nitrogen fertiliser used; Quantity of glass used; Quantity of agricultural products used; Quantity of agricultural land corresponding to raw materials used; Total energy consumed (including Natural gas consumption and Electricity consumption); Share of renewable energies in the energy mix; CO_2 direct emissions (Scope 1); CO_2 indirect emissions (Scope 2); Area of vineyard owned by Pernod Ricard; Area of land contributing to the protection of biodiversity.*

***Qualitative information:** Study on the risks associated with medium to long-term water supply.*

Societal information:

***Quantitative information**: Percentage of affiliates holding at least one initiative to promote the development of local communities; Percentage of affiliates having implemented at least one initiative to promote responsible drinking; Percentage of affiliates incorporating the "pregnant lady" warning logo on all bottles distributed in European Union countries; Percentage of affiliates including a responsible drinking message in the majority of their advertising and promotional material; Number of advertising campaigns examined by the Internal Approval Panel and distribution of given rulings; Number of employees trained to the Code for Commercial Communication.*

***Qualitative information**: Engagement with stakeholders and identification of relevant issues; Partnership with suppliers of agricultural products in the sugar cane sector; Sustainable relationships with suppliers and subcontractors; Prevention of corruption.*

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

(1) Entities and sites covered by testing on social information: PR Espana, PRW Spain, TAC Stockholm, TAC Ahus, PR Brasil, Hiram Walker & Corby, Ricard SA, Pernod SA, PR UK.

Entities and sites covered by testing on environmental information : Kilmalid, Paisley, Strathclyde, Lignères distillery, Lignères bottling, Campo Viejo, Ahus, Walkerville, Cafayate, Bella Vista, San Rafael, San Juan, PR Argentina Vineyards, Martell Vineyards, Orlando Wines Vineyards.

4

Management report

KEY FIGURES FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 94

Income statement 94
Balance sheet 94
Net financial debt 95
Cash flow statement 95

ANALYSIS OF BUSINESS ACTIVITY AND RESULTS 96

Presentation of results 97
Net sales growth and volumes of strategic brands 98
Contribution after advertising & promotion investments 99
Profit from Recurring Operations 99
Financial income/(expense) 99
Group Net Profit from Recurring Operations 99
Group Net Profit 99

NET DEBT 100

OUTLOOK 101

DEFINITIONS AND LINK-UP OF ALTERNATIVE PERFORMANCE INDICATORS WITH IFRS INDICATORS 101

COMPENSATION POLICY 102

Corporate officers' compensation 102
Compensation elements due or granted for the 2015/16 financial year to the Company's Executive Director, submitted to the shareholders' advisory vote 108
Other aspects of the compensation policy 109
Transactions involving Pernod Ricard shares made by Directors in the 2015/16 financial year (Article 223-26 of the AMF General Regulations) 113
Directors' equity investments in the share capital of the Company (position at 30 June 2016) 114

RISK MANAGEMENT 115

Introduction 115
Summary of the main risk factors to which Pernod Ricard considers itself exposed at the date of this Registration Document 115
Risks relating to business activities 115
Industrial and environmental risks 118
Legal and regulatory risks 120
Financial risks 122
Insurance and risk coverage 123
Risks and disputes: provisioning procedure 124

SIGNIFICANT CONTRACTS 125

Significant contracts not related to financing 125
Financing contracts 125

Key figures from the consolidated financial statements for the year ended 30 June 2016

INCOME STATEMENT

€ million	30.06.2014	30.06.2015	30.06.2016
Net sales	7,945	8,558	8,682
Gross margin after logistics expenses	4,987	5,296	5,371
Advertising and promotion investments	(1,503)	(1,625)	(1,646)
Contribution after advertising & promotion investments	3,484	3,671	3,725
Profit from Recurring Operations	2,056	2,238	2,277
Operating profit	1,817	1,590	2,095
Financial income/(expense)	(485)	(489)	(432)
Corporate income tax	(305)	(221)	(408)
NET PROFIT	**1,027**	**880**	**1,255**
o/w:			
◆ Non-controlling interests	11	19	20
◆ Group share	1,016	861	1,235
Earnings per share – basic (in euro)	3.86	3.26	4.68
Earnings per share – diluted (in euro)	3.82	3.24	4.65

BALANCE SHEET

€ million	30.06.2014	30.06.2015	30.06.2016
Assets			
Non-current assets	20,968	22,978	23,310
Of which intangible assets	16,449	17,706	17,572
Current assets	6,646	7,419	7,282
Assets held for sale	2	1	6
TOTAL ASSETS	**27,616**	**30,398**	**30,598**
Liabilities and shareholders' equity			
Consolidated shareholders' equity	11,778	13,288	13,506
Non-current liabilities	11,933	11,972	12,137
Current liabilities	3,905	5,138	4,955
Liabilities held for sale	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**27,616**	**30,398**	**30,598**

NET FINANCIAL DEBT

€ million	30.06.2014	30.06.2015	30.06.2016
Gross non-current financial debt	7,673	7,459	7,335
Gross current financial debt	1,219	2,052	2,027
Non-current derivative instruments – assets	(63)	(51)	(77)
Current derivative instruments – assets	(1)	(15)	-
Non-current derivative instruments – liabilities	1	-	-
Current derivative instruments – liabilities	-	121	-
Cash and cash equivalents	(477)	(545)	(569)
NET FINANCIAL DEBT	**8,353**	**9,021**	**8,716**
Free Cash Flow [1]	755	808	1,061

(1) The calculation of Free Cash Flow is set out in the Note-Net Debt in the Management Report.

CASH FLOW STATEMENT

€ million	30.06.2014	30.06.2015	30.06.2016
Self-financing capacity before financing interest and taxes	2,089	2,220	2,315
Net interest paid	(428)	(455)	(408)
Net income tax paid	(413)	(538)	(393)
Decrease/(increase) in working capital requirements	(308)	(193)	(178)
Net change in cash flow from operating activities	**940**	**1,035**	**1,336**
Net change in cash flow from investment activities	**(311)**	**(264)**	**(359)**
Net change in cash flow from financing activities	**(632)**	**(735)**	**(928)**
Cash flow from discontinued operations	-	-	-
Foreign currency translation adjustments	(117)	32	(25)
Cash and cash equivalents at beginning of period	**597**	**477**	**545**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**477**	**545**	**569**

Analysis of business activity and results

Pernod Ricard uses alternative performance indicators when conducting an analysis of its activity. These indicators are set out on page 101.

In 2015/16, Pernod Ricard delivered a solid and encouraging year.

The Group achieved its quantitative objectives:

- Organic growth [1] in net sales of +2%, an improvement on the 2014/15 financial year restated for French technical impact [2];
- An improvement in pricing: +1% (compared with stable over the 2014/15 financial year);
- Organic growth [1] in Profit from Recurring Operations of 2%, in line with the guidance;
- Improvement of 7 bps [1] in the recurring operating margin, thanks to tight control of resources and initiatives to increase operating efficiency;
- Solid growth of Group Net Profit From Recurring Operations up 4% to a historic high;
- Significant growth in Free Cash Flow at €1,061 million, up 31%;
- Continuing debt reduction with a decrease in net debt of €0.3 billion and a corresponding decrease in the average Net debt/EBITDA ratio to 3.4 [3] (-0.3 excluding currency effect).

The Group also undertook significant initiatives to implement its medium-term strategy and further improve its performance:

- Acceleration in USA and on innovation;
- Organisational changes to enhance performance (United States, Travel Retail, China, Korea, etc.);
- Implementation of an operational efficiency roadmap covering the supply chain, production, purchases and advertising and promotion investments;
- Active portfolio management and resource allocation with a targeted M&A policy, with the disposal of non-strategic assets (*e.g.* Paddy) to focus on "Premium+" segments undergoing rapid growth (Monkey 47);
- Sound management of trade inventories;
- Refinancing at excellent conditions and upgrading by Moody's of Pernod Ricard's rating to Baa2/P2.

Furthermore, in 2015/16, there was:

- An increase in organic growth [1] in Profit from Recurring Operations of +4% in the Americas and +7% in Europe, but a decline of -2% in Asia/Rest of World (impacted by China and Travel Retail);
- A slight decline in gross margin (-13 bps [1]) with an improvement in pricing, amid challenging price conditions, and with a negative mix, but strict discipline on cost control (+1% on a constant mix basis);
- Strong cash generation with Free Cash Flow from recurring operations of €1,200 million, up 4% on the 2014/15 financial year;
- A proposed dividend per share of €1.88, a 4% increase compared with the previous year. This represents a pay-out ratio of 36%, in line with the customary policy of cash payment of approximately one-third of Group net profit from recurring operations.

The following operating changes occurred since 1 July 2016:

- **Simplification of the Americas region**, to better focus on its core business, the United States;
- **Creation of two new management entities**: one with a lead market of Mexico, combining Colombia, Venezuela and Peru, and another with a lead market of Brazil, combining Argentina, Uruguay and Chile;
- **Establishment of Global Travel Retail**, reporting directly to the Headquarters;
- **Completion of the transformation** of the affiliate in the **United States**, based on the following principles:
  - Continue to make the Company fully "consumer centric" to win over consumers in the long term, by reorganising the marketing team into brand divisions, based around five key moments of *Convivialité*,
  - Focus Pernod Ricard's resources in the field to speed up decision-making and improve excellence in performance in both Off-Trade and On-Trade. To do this, the sales team will be reorganised along territorial lines, with the creation of dedicated Market Entities in four States, three multi-State Divisions, and a Distribution Channel division, all supported by a Route To Market centre of excellence,
  - Stimulate the development of future growth drivers by creating an "incubator" for brands with high potential, the New Brand Ventures Department.
- **Adjustment of the organisational structure in China** to fit the new market context, based on the following principles:
  - Creation of a dedicated sales force for premium brands, consistent with the reallocation of network resources and traditional brands towards new trends,
  - Reorganisation of the marketing team based around moments of *Convivialité*.
- **Change of organisation in Korea** with a new management team and a new commercial team to turnaround business performance.

(1) Organic growth, defined on page 101.
(2) Shipments brought forward from July to June 2015 ahead of back-office mutualisation between Ricard and Pernod on 1 July 2015.
(3) Average EUR/US dollar exchange rate of 1.11 over the 2015/16 financial year compared to 1.20 over the 2014/15 financial year.

PRESENTATION OF RESULTS

Group Net Profit per share from Recurring Operations – diluted

€ million	30.06.2015	30.06.2016
Number of shares in circulation – diluted	266,230,412	265,632,528
Profit from Recurring Operations	2,238	2,277
Operating margin	26.2%	26.2%
Financial income/(expense) from recurring operations	(457)	(422)
Corporate income tax on recurring operations	(434)	(455)
Non-controlling interests, profit from discontinued operations and share of net profit from equity associates	(18)	(20)
GROUP NET PROFIT FROM RECURRING OPERATIONS [1]	**1,329**	**1,381**
GROUP NET PROFIT PER SHARE FROM RECURRING OPERATIONS – DILUTED *(in euros)*	**4.99**	**5.20**

Group Profit from Recurring Operations

Group *(€ million)*	30.06.2015	30.06.2016	Reported growth		Organic growth [2]	
Net sales	8,558	8,682	124	1%	152	2%
Gross margin after logistics expenses	5,296	5,371	76	1%	83	2%
Advertising and promotion	(1,625)	(1,646)	(21)	1%	(14)	1%
Contribution after advertising & promotion	3,671	3,725	54	1%	68	2%
PROFIT FROM RECURRING OPERATIONS	**2,238**	**2,277**	**39**	**2%**	**46**	**2%**

Americas *(€ million)*	30.06.2015	30.06.2016	Reported growth		Organic growth [2]	
Net sales	2,382	2,476	94	4%	96	4%
Gross margin after logistics expenses	1,519	1,639	120	8%	61	4%
Advertising and promotion	(478)	(509)	(31)	7%	(26)	6%
Contribution after advertising & promotion	1,041	1,130	88	8%	35	3%
PROFIT FROM RECURRING OPERATIONS	**632**	**706**	**75**	**12%**	**28**	**4%**

Asia/Rest of World *(€ million)*	30.06.2015	30.06.2016	Reported growth		Organic growth [2]	
Net sales	3,446	3,498	51	1%	27	1%
Gross margin after logistics expenses	2,073	2,071	(2)	0%	(14)	-1%
Advertising and promotion	(627)	(621)	6	-1%	13	-2%
Contribution after advertising & promotion	1,446	1,450	4	0%	(1)	0%
PROFIT FROM RECURRING OPERATIONS	**999**	**982**	**(16)**	**-2%**	**(24)**	**-2%**

Europe *(€ million)*	30.06.2015	30.06.2016	Reported growth		Organic growth [2]	
Net sales	2,731	2,709	(21)	-1%	29	1%
Gross margin after logistics expenses	1,704	1,662	(42)	-2%	36	2%
Advertising and promotion	(521)	(516)	4	-1%	(1)	0%
Contribution after advertising & promotion	1,183	1,145	(38)	-3%	34	3%
PROFIT FROM RECURRING OPERATIONS	**608**	**588**	**(20)**	**-3%**	**42**	**7%**

(1) Profit from Recurring Operations adjusted for financial result from recurring operations, recurring income tax, share of net result of associates and profit from assets held for sale, as well as non-controlling interests.

(2) Organic growth, defined on page 101.

NET SALES GROWTH AND VOLUMES OF STRATEGIC BRANDS

In millions of 9-litre cases	Volume 30.06.2015	Volume 30.06.2016	Organic growth [1] in net sales	Including Volume growth	Including Price/mix
Absolut	11.2	10.9	-4%	-2%	-1%
Chivas Regal	4.5	4.3	-4%	-5%	1%
Ballantine's	6.2	6.5	3%	5%	-2%
Ricard	4.9	4.5	-8%	-8%	0%
Jameson	5.1	5.7	16%	12%	4%
Havana Club	4.0	4.0	3%	1%	2%
Malibu	3.4	3.4	1%	1%	0%
Beefeater	2.6	2.7	4%	3%	1%
Kahlúa	1.5	1.5	-2%	-2%	0%
Martell	2.1	2.1	-4%	-1%	-3%
The Glenlivet	1.1	1.0	3%	-2%	5%
Royal Salute	0.2	0.2	4%	5%	-1%
Mumm	0.7	0.7	0%	2%	-2%
Perrier-Jouët	0.3	0.3	9%	7%	1%
TOTAL TOP 14	**47.8**	**47.9**	**0%**	**0%**	**0%**

(1) Organic growth, defined on page 101.

Full-year sales [1] were €8,682 million, representing reported growth of +1%, as a result of:

- Organic growth [2] of +2% in a contrasted environment, with growth impacted by the technical effect of anticipating shipments from July to June 2015 ahead of the mutualisation of Pernod and Ricard's back offices on 1 July 2015;
- A slightly positive currency effect of +€23 million over the year, linked primarily to the strengthening of the US dollar against the euro, despite the weakness of currencies on emerging markets; and
- a negative scope effect of €(52) million.

All Regions experienced growth [2]:

- Americas were up 4% [2], with an acceleration of growth [2] driven by the United States. The performance of both the Group and the market improved over the year, with growth helped by the establishment of a new organisational structure, and the initial results of innovations and growth drivers. Jameson, The Glenlivet and Martell posted very strong growth [2], while Absolut was in decline, but with improving underlying trends. Outside the USA, dynamic growth of +4% [2] was reported in other markets in the region;
- Asia/Rest of World saw modest growth of +1% [2] with double-digit growth [2] in India and Africa/Middle East, despite difficulties in China, South Korea and Travel Retail Asia. India, the Group's second-largest market (in terms of net sales), posted very good performance of +12% [2] driven by local and imported whiskies, and solid momentum on the Top 14 strategic brands and key local brands. In a climate that remains difficult, sales in China were down 9% [2];
- Europe posted growth of +1% [2] with an improving global performance driven primarily by Spain. Restated for the French technical effect [3], sales in Europe were up 3% [2], and stable in France: In Spain, growth continued, driven by a good performance in gins and whiskies. Furthermore, Travel Retail Europe and Russia proved their resilience in an ongoing challenging environment.

(1) Net sales presented after deduction of excise duties (see Accounting principles in the Notes to the consolidated financial statements, Note 2: Segment reporting – "Net Sales").

(2) Organic growth, defined on page 101.

(3) Shipments brought forward from July to June 2015 ahead of back-office mutualisation between Ricard and Pernod on 1 July 2015.

CONTRIBUTION AFTER ADVERTISING & PROMOTION INVESTMENTS

The gross margin (after logistics expenses) amounted to €5,371 million, or +2% [1]. Gross margin stood at 61.9% for the 2015/16 financial year, down slightly by 13 bps [1] compared to a fall of 105 bps [1] during the previous year, due to:

- pricing improving in a challenging environment with +1% [1] compared to a stable figure last year;
- a negative mix effect due to the geographic mix (reduction of China's weight in favour of India), that is less significant than last year due to renewed growth in the United States;
- good cost control (+1% on a constant mix basis), thanks to the first results of operational efficiency initiatives.

Advertising and promotion investments were up +1% [1] to €1,646 million, and the ratio remained virtually stable at 19% of sales. Investments are targeted, specifically on key innovation projects and new growth opportunities (particularly in the United States). Many initiatives were undertaken to improve their effectiveness.

PROFIT FROM RECURRING OPERATIONS

Profit from Recurring Operations was up +2% [1], in line with the increase [1] in net sales, to reach €2,277 million. Structure costs were managed very well, with an increase of 2% [1], which is in line with sales. The currency effect (+0%, or +€6 million) and the scope effect (-1%, or €(13) million) remained limited.

FINANCIAL INCOME/(EXPENSE)

Financial expenses from recurring operations were €(422) million, compared with €(457) million the previous year. The cost of debt stood at 4.1% for the year, compared with 4.4% for the 2014/15 financial year. For 2016/17, the average cost of debt should be around 3.8%.

The debt structure at 30 June 2016 was as follows:

- the bond portion was approximately 96% of gross debt;
- the fixed rate portion was 94% of total debt;
- the maturity of gross debt at the end of June 2016 was six years and eight months;
- the Group had €0.6 billion in cash and €2.4 billion in available credit facilities (undrawn syndicated loan at 30 June 2016);
- structuring the debt by currency (USD: 61%) provides a natural hedging mechanism with debt by currency matched with cash flow by currency.

GROUP NET PROFIT FROM RECURRING OPERATIONS

Tax on Profit from Recurring Operations stood at €(455) million, giving a current effective rate of tax of 24.5%, compared with 24.4% at 30 June 2015. Non-controlling interests amounted to €(20) million.

Group net profit from recurring operations reached €1,381 million, up by +4% compared to the 2014/15 financial year, due to:

- a rise [1] in Profit from Recurring Operations;
- a reduction in net interest expense.

Diluted net profit per share from recurring operations stood at €5.20, up +4%.

GROUP NET PROFIT

Other non-recurring operating income and expenses amounted to €(182) million. Non-current financial income (expense) amounted to a net expense of €(10) million. Corporate income tax on non-recurring item as amounted to net income of €46 million.

Accordingly, Group net profit stood at €1,235 million, up +43% on 2014/15, with Group net profit having been affected the previous year by the partial impairment of the Absolut brand (€404 million in net profit after taxes).

(1) Organic growth, defined on page 101.

Net debt

Reconciliation of net financial debt — The Group uses net financial debt in the management of its cash and its net debt capacity. A reconciliation of net financial debt and the main balance sheet items is provided in Note 4.9 – *Financial instruments* of the Notes to the consolidated financial statements. The following table shows the change in net debt over the year:

€ million	30.06.2015	30.06.2016
Profit from Recurring Operations	**2,238**	**2,277**
Other operating income and expenses	(649)	(182)
◆ Depreciation of fixed assets	214	219
◆ Net change in impairment of goodwill, property, plant and equipment and intangible assets	656	107
◆ Net change in provisions	(156)	(76)
◆ Restatement of contributions to pension funds acquired from Allied Domecq	75	43
◆ Fair value adjustments on commercial derivatives and biological assets	(12)	(4)
◆ Net (gain)/loss on disposal of assets	(98)	(59)
◆ Share-based payments	27	32
Sub-total of depreciation of fixed assets, change in provisions and others	**706**	**263**
SELF-FINANCING CAPACITY BEFORE FINANCING INTEREST AND TAX (1)	**2,296**	**2,358**
Decrease/(increase) in working capital requirements	(193)	(178)
Net interest and tax payments	(992)	(801)
Net acquisitions of non-financial assets and other	(302)	(317)
FREE CASH FLOW	**808**	**1,061**
Of which Free Cash Flow from recurring operations	1,154	1,200
Net disposals of financial assets and activities, contributions to pension funds acquired from Allied Domecq	(37)	(85)
Change in the scope of consolidation	-	-
◆ Capital increase and other changes in shareholders' equity	-	-
◆ Dividends and interim dividends paid	(461)	(497)
◆ (Acquisition)/disposal of treasury shares	(14)	(18)
Sub-total of dividends, purchase of treasury shares and other	**(475)**	**(515)**
DECREASE/(INCREASE) IN DEBT (BEFORE FOREIGN EXCHANGE IMPACT)	**296**	**461**
Foreign currency translation adjustments	(964)	(157)
DECREASE/(INCREASE) IN DEBT (AFTER FOREIGN EXCHANGE IMPACT)	**(668)**	**305**
Net debt at beginning of period	(8,353)	(9,021)
Net debt at end of period	(9,021)	(8,716)

(1) Excluding investments in pension funds acquired from Allied Domecq.

Outlook

Pernod Ricard continued to implement its strategy and confirmed its confidence in its ability to deliver medium-term objectives:

- organic sales growth between +4% and +5%;
- improvement in operating margin.

For 2016/17, the Group expects:

- ongoing solid performance in the United States, India, on Jameson and innovations;
- an improvement in the sales trend compared to the 2015/16 financial year on China, Absolut and Chivas;
- continued implementation of the operational efficiency roadmap and emphasis placed on its priority brands and innovations;
- continued strong cash generation.

The guidance for 2016/17 is organic growth in Profit from Recurring Operations between +2% and +4%.

Definitions and link-up of alternative performance indicators with IFRS indicators

Pernod Ricard's management process is based on the following non-IFRS measures which are chosen for planning and reporting. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. These non-IFRS measures should be considered as complementary to the comparable IFRS measures and reported movements therein.

Organic growth

Organic growth is calculated after excluding the impacts of exchange rate movements and acquisitions and disposals.

Exchange rates impact is calculated by translating the current year results at the prior year's exchange rates.

For acquisitions in the current year, the post-acquisition results are excluded from the organic movement calculations. For acquisitions in the prior year, postacquisition results are included in the prior year but are included in the organic movement calculation from the anniversary of the acquisition date in the current year.

Where a business, brand, brand distribution right or agency agreement was disposed of, or terminated, in the prior year, the Group, in the organic movement calculations, excludes the results for that business from the prior year. For disposals or terminations in the current year, the Group excludes the results for that business from the prior year from the date of the disposal or termination.

This measure enables to focus on the performance of the business which is common to both years and which represents those measures that local managers are most directly able to influence.

Free Cash Flow

Free Cash Flow comprises the net cash flow from operating activities excluding the contributions to Allied Domecq pension plans, aggregated with the proceeds from disposals of property, plant and equipment and intangible assets and after deduction of the capital expenditures.

"Recurring" indicators

The following 3 measures represent key indicators for the measurement of the recurring performance of the business, excluding significant items that, because of their nature and their unusual occurrence, cannot be considered as inherent to the recurring performance of the Group:

- **Recurring Free Cash Flow:**

  Recurring Free Cash Flow is calculated by restating Free Cash Flow from non-recurring items.

- **Profit from Recurring Operations:**

  Profit from Recurring Operations corresponds to the operating profit excluding other non-current operating income and expenses.

- **Group share of Net Profit from Recurring Operations:**

  Group share of Net Profit from Recurring Operations corresponds to the Group share of Net Profit excluding other non-current operating income and expenses, non-recurring financial items and corporate income tax on non-recurring items.

Net Debt

Net Debt, as defined and used by the Group, corresponds to total gross debt (translated at the closing rate), including fair value and net foreign currency assets hedging derivatives (hedging of net investments and similar), less cash and cash equivalents.

EBITDA

EBITDA stands for "earnings before interest, taxes, depreciation and amortization". EBITDA is an accounting measure calculated using the Group's profit from recurring operations excluding depreciation and amortization on operating fixed assets.

Compensation policy

CORPORATE OFFICERS' COMPENSATION

This section has been drawn up with the assistance of the Compensation Committee.

Compensation policy for members of the Board of Directors

The conditions governing Directors' compensation are determined by the Board of Directors on the basis of a recommendation from the Compensation Committee and must fall within the bounds of the total amount allocated by the Shareholders' Meeting for Directors' fees.

Directors' annual compensation comprises a fixed portion set at €11,500, with an additional €5,500 for members of the Audit Committee and €3,000 for members of the Strategic Committee, the Compensation Committee, and the Nominations, Governance and CSR Committee. The Chairman of the Audit Committee receives an additional sum of €6,000, while the Chairmen of the Compensation Committee and of the Nominations, Governance and CSR Committee each receive an additional €3,000.

The Vice Chairman of the Board of Directors receives an additional Directors' fee of €40,000 each year.

Directors are also eligible for a variable portion, calculated on the basis of their presence at Board and Committee meetings. The variable portion is €4,000 per meeting.

Furthermore, in order to take account of distance constraints, an additional premium of €1,500 is paid to Directors who are not French residents when they attend Board meetings. Directors who take part in Board meetings by videoconference or conference call are not eligible for this additional amount.

Employee Directors receive, in the form of Directors' fees, a fixed annual sum of €15,000 for their attendance at meetings of the Board of Directors and of its Committees, if applicable.

The Chairman & CEO does not receive Directors' fees.

Of the €950,000 allocated by the Shareholders' Meeting of 6 November 2015, a total of €880,917 in Directors' fees was paid to members of the Board of Directors in the 2015/16 financial year, in accordance with the rules set out above.

Table of Directors' fees and other compensation received by Non-Executive corporate officers (in euro) (Table 3 AMF nomenclature):

Members of the Board	Amounts paid in 2014/15	Amounts paid in 2015/16
Ms Nicole Bouton	95,500	99,500
Mr Laurent Burelle	40,750	38,500
Mr Michel Chambaud (1)	35,583	N/A
Mr Wolfgang Colberg	83,750	110,000
Mr Ian Gallienne	85,250	92,500
Mr François Gérard (1)	27,583	N/A
Mr César Giron (2)	71,750	73,500
Ms Martina Gonzalez-Gallarza	55,500	55,500
Ms Susan Murray (1)	31,583	N/A
Mr Anders Narvinger (3)	117,167	59,583
Mr Pierre Pringuet (4)	38,708	104,500
Société Paul Ricard represented by Mr Paul-Charles Ricard (2) (5)	43,500	39,500
Mr Gilles Samyn	52,333	71,500
Ms Kory Sorenson (6)	N/A	50,834
Ms Veronica Vargas (7)	21,292	55,500
Mr Sylvain Carré (2)	15,000	15,000
Mr Manousos Charkoftakis (2)	15,000	15,000
TOTAL	**830,250**	**880,917**

N/A: not applicable.

(1) Until 6 November 2014.

(2) In addition to Directors' fees, Messrs César Giron and Paul-Charles Ricard also received compensation in their respective capacities as Chairman & CEO of Martell Mumm Perrier-Jouët (MMPJ) and Marketing Manager of Martell Mumm Perrier-Jouët (MMPJ). Messrs Sylvain Carré and Manousos Charkoftakis, Employee Directors, also received compensation in their respective capacities as Production Team Leader at Pernod S.A. and Area Sales Manager for Crete and the Aegean Islands at Pernod Ricard Hellas.

(3) Until 6 November 2015.

(4) From 11 February 2015, the end of his term of office as Chief Executive Officer.

(5) Permanent representative of Société Paul Ricard, Director.

(6) From 6 November 2015, the date on which she was appointed as a Director by the Shareholders' Meeting to replace Mr Anders Narvinger.

(7) From 11 February 2015, date of her co-option as a Director to replace Ms Danièle Ricard.

Compensation policy for the Executive Director

1. *Overall criteria of the policy*

The compensation policy for the Executive Director of Pernod Ricard is established by the Board of Directors on the basis of recommendations from the Compensation Committee. This policy is regularly reviewed and discussed by the Board of Directors. During the 2015/16 financial year, members of the Compensation Committee looked into regulatory developments and best practices in terms of proper governance and the level of transparency of the component parts of the Executive Director's compensation package, and made proposals to the Board of Directors for the practical implementation of a number of measures for Pernod Ricard.

In its analysis and proposals to the Board, the Compensation Committee is particularly careful to follow the recommendations of the AFEP-MEDEF Code, which the Group uses as reference. The Board takes particular care to adhere to the following core principles:

Overview and balance

All the elements comprising the compensation package for the Executive Director are reviewed annually and their respective weightings are considered: fixed and variable compensation, volumes and the value of any stock option and/or performance-based share allocations as well as the criteria for definitive allocation, social security benefits and deferred commitments such as the supplementary pension scheme.

Simplicity and consistency

Based on the recommendations of the Compensation Committee, the Board of Directors seeks to implement a compensation policy for the Executive Director that is straightforward, easy to understand and consistent over time. As an example, the decision was therefore made some years ago not to pay Directors' fees to Executive Directors, ensuring impartiality.

The Compensation Committee and the Board of Directors take regular steps to ensure that the elements of the compensation policy for the Executive Director are fully consistent with the policy for all members of the Group's Management team. Such consistency helps to unite players who are key to the Group's development around shared criteria that are known to all.

Motivation and performance

In its recommendations to the Board of Directors, the Compensation Committee aims to propose a compensation policy commensurate with the responsibilities of each recipient and in line with the practices of large international corporations.

The Executive Director of Pernod Ricard receives consistent annual compensation (fixed and variable) in comparison to the compensation paid to his counterparts in French groups that are listed on the CAC 40. In addition, the variable portion granted in the form of stock options and performance-based shares is historically reasonable.

In its recommendations, the Compensation Committee is careful to maintain this balance between motivation and performance, while also taking into consideration Executive Directors' compensation in other corporations especially in spirit industry, around the world.

Lastly, the policy on variable compensation (setting the criteria for the annual variable portion and the performance conditions for stock options and performance-based shares) is kept under regular review, based on the Group's strategic priorities.

2. *Fixed portion*

The amount of the fixed portion is determined on the basis of the responsibilities of the Executive Director.

Every year, a study is carried out with the help of specialist firms on the positioning of compensation for the Executive Director in relation to the practices of other CAC 40-listed French companies and other spirits corporations around the world.

3. *Variable portion*

Several years ago, the Board of Directors defined a method for calculating the variable portion of Executive Directors' compensation that was designed to provide a significant incentive. The procedure is based on ambitious quantitative and qualitative criteria in order to align Directors' compensation with Group performance.

This variable portion is expressed as a percentage of the annual fixed portion. It may vary between 0% and 110% if the quantitative and qualitative targets are achieved (target level), and can rise to a maximum of 180% if the Group records exceptional financial performance in relation to the targets. The criteria are reviewed regularly and modified on an occasional basis. During the 2015/16 financial year, on the recommendation of the Compensation Committee, the Board reviewed the criteria and adopted the following:

- **achievement of the target for Profit from Recurring Operations:** the weight of this criterion may vary between 0 and 30% of the fixed compensation if the target is achieved, rising to a maximum of 55% if the target is significantly exceeded. This criterion, intended to foster an incentive to exceed the target for Profit from Recurring Operations, restated for foreign exchange impact and scope changes, is one of the key elements of the Group's decentralised 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:** the weight of this criterion may vary between 0 and 20% if the target is achieved and up to 40% if significantly exceeded. This criterion, restated for currency effects and changes in the scope of consolidation, takes account of all of the Group's financial items over the financial year and thus helps to best align the Executive Director's compensation with shareholders' remuneration;
- **reduction in Group debt (Net debt/EBITDA ratio):** the weight of this criterion varies between 0 and 30% if the target is achieved and up to 55% for an exceptional level of debt reduction, restated for currency effects and changes in the scope of consolidation. The inclusion of this criterion in the calculation of the variable portion paid to the Executive Director is in line with the Group's target. It also applies to operating affiliates' Management Committees in the form of a cash flow generation target during the year. This evaluation of debt reduction is restated for currency effects and changes in the scope of consolidation;

- **qualitative criteria:** these criteria may vary between 0 and a maximum of 30% of the fixed annual compensation. The individual performance of the Executive Director is assessed annually by the Board of Directors on the recommendation of the Compensation Committee. The qualitative criteria assessed are reviewed annually, based on the Group's strategic priorities. For confidentiality reasons regarding the Group's strategy, details of qualitative objectives can only be made public after assessment by the Board of Directors.

4. Stock option and performance-based share allocation policy for the Executive Director

As part of its stock option and performance-based share allocation policy, the Board of Directors has implemented **the following principles**:

- the Executive Director's entire allocation is subject to the performance condition(s). Such condition(s) are internal or external performance conditions, or a combination of both where possible and relevant;
- the economic value of the total award made to Executive Director is limited to 5% of the plan's total economic value (the plan's total economic value comprises all elements distributed);
- the financial amount of the allocation to the Executive Director is proportional to his individual annual compensation, and adds to his motivation to achieve medium and long-term financial performance for the Group;
- the total volume of stock options subject to performance conditions awarded to the Executive Director must not exceed the specific ceiling of 0.21% of the share capital on the allocation date, as provided in the 23rd resolution of the Shareholders' Meeting of 6 November 2015;
- the total volume of performance-based shares awarded to the Executive Director must not exceed the specific ceiling of 0.06% of the share capital on the allocation date, as provided in the 22nd resolution of the Shareholders' Meeting of 6 November 2015;
- the Board of Directors requires the Executive Director:
  - to retain in a registered form until the end of his term of office a number of shares corresponding to (i) in respect of stock options, 30% of the capital gain since acquisition, net of social security contributions and taxes, resulting from the exercise of the stock options, and (ii) in respect of performance-based shares, 20% of the volume of performance-based shares that have been actually transferred to him,
  - to undertake to buy a number of additional shares equal to 10% of the performance-based shares transferred, at the time that the performance-based shares are actually transferred to him,
  - once an Executive Director holds a number of registered Company shares that correspond to more than three times his or her gross fixed annual compensation at that time, the above-mentioned obligation will be reduced to 10% for stock options and for performance-based shares and the Executive Director concerned will no longer be required to acquire additional shares. If, in the future, his registered holdings fall below the three-times ratio, the lock-in and acquisition requirements cited above will again apply;
- in accordance with the Code of Conduct approved by the Board of Directors (see Section 2 "Corporate governance and internal control", paragraph "Directors' Code of Conduct") and the AFEP-MEDEF Code, the Executive Director has formally committed to refrain from using hedging mechanisms for any stock options and performance-based shares received from the Company.

A combined allocation plan was implemented by the Board of Directors' meeting of 6 November 2015, under authorisations to allocate stock options and performance-based shares granted for a period of 38 months by the Shareholders' Meeting of 6 November 2015.

The terms and conditions, including the volumes granted under the plan of November 2015 for the Executive Director, are disclosed in the elements of compensation due or granted in respect of the 2015/16 financial year ("Say on Pay") in the section 7 "Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016 of this Registration Document.

5. Policy on deferred commitments

In accordance with recommendations of the AFEP-MEDEF Code, Mr Alexandre Ricard, at the time of his appointment as the Chairman and CEO of the Group, resigned on 11 February 2015 from his suspended contract of employment and, consequently, waived his right to the benefits related to that contract.

Since that date, Mr Alexandre Ricard no longer has a contract of employment with Pernod Ricard. His compensation relates entirely to his directorship.

Contract of employment/term of office (Table 11 AMF nomenclature)

	Contract of employment		Supplementary defined-benefit pension scheme		Indemnities or advantages due or liable to be due by virtue of the discontinuance of or change in his or her positions		Indemnities relating to a non-compete clause	
Executive Directors	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Mr Alexandre Ricard, Chairman and CEO (1)		X	X		X		X	

(1) *Mr Alexandre Ricard resigned from his contract of employment on 11 February 2015, when he was appointed Chairman and CEO. Before this, his contract of employment with Pernod Ricard had been suspended since 29 August 2012.*

In addition, Mr Alexandre Ricard, as Chairman & CEO, benefits from:

- **One-year non-compete clause** a one-year non-compete clause (corresponding to 12 months of compensation: last fixed + variable annual compensation decided by the Board of Directors). The purpose of this non-compete clause is to prevent the Executive Director from performing duties for a competitor. It is a protection mechanism for the Company. 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;
- **Imposed departure clause** an imposed departure clause (corresponding to a maximum of 12 months of compensation: last fixed + variable annual compensation decided by the Board of Directors) subject to performance conditions. In accordance with the AFEP-MEDEF Code, this amount will be due in case of a change of control or strategy of the Group, but there would be no payment in case of a departure related to i) non-renewal of his term of office, ii) if the departure was decided by the Executive Director himself, iii) in case of a change of position within the Group or iv) if he is able to benefit in the near future from pension rights.

  The imposed departure clause is subject to the following three performance criteria:

  - 1st criterion: bonus rates achieved over the term(s) of office: criterion number 1 will be considered as met if the average bonus paid over the entire length of the term(s) of office is no less than 90% of the target variable compensation;
  - 2nd criterion: growth rate of Profit from Recurring Operations over the term(s) of office: criterion number 2 will be considered as met if the average growth rate of Profit from Recurring Operations vs budget of each year over the entire length of the term(s) of office is more than 95% (adjusted from foreign exchange and scope impacts);
  - 3rd criterion: average sales growth over the term(s) of office: criterion number 3 will be considered as met if the average sales growth over the entire length of the term(s) of office is greater than or equal to 3% (adjusted from foreign exchange and scope impacts).

  The amount of the compensation paid under the imposed departure clause is calculated as follows:

  - if all three criteria are met: payment of 12 months' compensation[(1)];
  - if two of the three criteria are met: payment of 8 months' compensation[(1)];
  - if one of the three criteria is met: payment of 4 months' compensation[(1)];
  - if no criterion is met: no compensation paid.

In accordance with the AFEP-MEDEF Code, the overall amount of the non-compete clause and the imposed departure clause will be capped at (sum of both clauses) 24 months' compensation (fixed + variable).

Pursuant to the regulated agreements and commitments procedure, these commitments were approved by the Shareholders' Meeting of 6 November 2015 (5th resolution).

The Shareholders' Meeting of 17 November 2016 (5th resolution) will be asked to approve the renewal of these regulated agreements benefiting Mr Alexandre Ricard, subject to the renewal of his term of office as Executive Director by the Board of Directors to be held at the close of the Shareholders' Meeting.

(1) Last annual fixed and variable compensation decided by the Board of Directors.

- **Defined-benefit supplementary pension scheme**

During the Board of Directors' meeting of 11 February 2015, Mr Alexandre Ricard was allowed to retain the benefits of the supplementary and conditional defined-benefit pension scheme described below.

The defined-benefit supplementary pension scheme for the Executive Director, as described below, corresponds to the scheme applicable to Mr Alexandre Ricard during the 2015/16 financial year.

The Executive Director and French Senior Management team of Pernod Ricard have a conditional defined-benefit supplementary pension scheme (Article 39) under article L. 137-11 of the French Social Security Code, provided that they:

- have at least 10 years' seniority within the Group when they leave or retire,
- are at least 60 years of age on the date of leaving or retirement,
- have wound up the basic and complementary French social security pension schemes (ARRCO, AGIRC (T1 and T2)),
- permanently put an end to their professional career, and
- end their professional career within the Group. In accordance with regulations, employees aged over 55 whose contract is terminated and who do not take up another job are deemed to have retired. The Board of Directors has consistently chosen to treat the Group's Executive Directors in the same way as its Senior Managers, especially with regard to elements comprising compensation and advantages, including supplementary pensions. It therefore signalled at its meeting of 12 February 2009 that the termination of an Executive Director's mandate can be assimilated with the termination of a work contract, subject to the above-mentioned conditions regarding age and failure to take up another job.

The aim of the scheme is to allow the Group's Senior Managers to supplement the pension provided by France's mandatory state-run pension scheme. It offers retired beneficiaries a life annuity that can be passed on to their spouse and/or ex-spouse in the event of death.

Pensions are proportionate to the beneficiary's length of service, with an upper limit of 20 years. Pensions are calculated on the basis of the beneficiary's average compensation (fixed and variable) over the three years preceding his or her retirement.

The amount of the supplementary annuity is calculated by applying the following coefficients to the basis of calculation:

- for the portion of the compensation between 8 and 12 times France's annual social security ceiling, the coefficient is 2% multiplied by the number of years' service (capped at 20 years, i.e. 40%),
- between 12 and 16 times France's annual social security ceiling, the coefficient is 1.5% per year of service (capped at 20 years, i.e. 30%), and
- in excess of 16 times France's annual social security ceiling, the coefficient is 1% per year of service (capped at 20 years, *i.e.* 20%)

The supplementary pension equals the sum of the three amounts above.

In addition, the rights granted under this plan, added to those of other pensions, cannot exceed two-thirds of the amount of the beneficiary's most recent fixed annual compensation.

A provision is entered on the balance sheet during the build-up phase (while the Executive Director is active) and, when the beneficiary claims his or her pension, the capital is transferred to an insurer and thus entirely outsourced.

Funding for this scheme is the responsibility of Pernod Ricard, which pays premiums to a third-party insurance agency to which it has entrusted management of this pension scheme.

Pursuant to the provisions of Decree No. 2016-182 of 23 February 2016, at 30 June 2016, the estimated gross amount of the annuity potentially paid under the supplementary defined-benefit pension scheme for Mr Alexandre Ricard was €173,105 per year.

The relevant social security contributions falling due to Pernod Ricard stood at 24% of the contributions transferred to the insurer.

◆ Supplementary pension scheme

Given the current high charges of the defined-benefit supplementary pension scheme (article L. 137-11 of the French Social Security Code) and its loss of efficiency, the Board of Directors at its meeting of 31 August 2016 [1], acting on the recommendation of the Compensation Committee, decided to remove this advantage granted to Mr Alexandre Ricard, Executive Director, as of the renewal of his term of office as Executive Director, which will be put to the Board of Directors' meeting to be held at the close of the Shareholders' Meeting of 17 November 2016. In return for the removal of the defined-benefit supplementary pension scheme and to take account of the fact that the Executive Director must then be personally responsible for establishing his own supplementary pension, the Board of Directors, on the recommendation of the Compensation Committee, decided to compensate Mr Alexandre Ricard, subject to (i) the renewal of his term of office as Executive Director by the Board of Directors' meeting to be held at the close of the Shareholders' Meeting of 17 November 2016 and (ii) the vote by the Shareholders' Meeting of 17 November 2016 on the resolution regarding the allocation of free shares, *via* the granting of two components of additional compensation:

- an exceptional component intended to allow the Executive Director to build up seed capital allowing him to establish his supplementary pension. This will consist of an exceptional allocation of 26,968 free shares that will be vested, subject to a presence condition, in instalments over a period of three years (*i.e.* 8,989 shares in November 2017, 8,989 shares in November 2018 and 8,990 shares in November 2019). At the end of the vesting period, they will all be subject to a lock-in period that shall be no less than two years. The Board of Directors wished to arrange compensation exclusively in shares so as to ensure total alignment of interests with that of the shareholders. These shares have an IFRS value of €2,668 million.

  Since this allocation is intended to partially compensate the rights granted in connection with the defined-benefit supplementary pension scheme which will no longer apply to the Executive Director, the Board of Directors, acting on the recommendation of the Compensation Committee, decided not to submit said shares to performance criteria. However, it did wish to impose a presence condition by spreading the vesting period over three years.

  This exceptional allocation of free shares will be subject to the approval of the relevant resolution by the Shareholders' Meeting of 17 November 2016 (16th resolution) and as part of a specific plan to be implemented by the Board of Directors following the Shareholders' Meeting.

- an annual component equal to 10% of his annual fixed and variable compensation, paid each year with effect from 2017:
  - half (*i.e.* 5%) in the form of the allocation of performance-based shares, the number of which will be determined based on the IFRS value of shares when the allocation occurs, which must be approved by the Board of Directors each year. The conditions relating to performance, presence and holding that will apply to these allocations will be the same as those outlined under the allocation of Group performance-based shares plan in effect on the grant date, and
  - half (*i.e.* 5%) in cash.

  It is made clear that the Executive Director will commit to invest the cash component of this additional compensation he may receive, net of social security contributions and tax, in investment vehicles dedicated to financing his supplementary pension.

Based on the calculations made by a consulting actuary and verified by a second consulting actuary, this decision to terminate the Executive Director's defined-benefit supplementary pension scheme will result in a reversal of provision of €7.0 million in the consolidated financial statements for the 2016/17 financial year and a saving for the Company of approximately 39%, *i.e.* €7.1 million (composed of €3.8 million for past services and €3.3 million for future services).

◆ Collective healthcare and welfare schemes

The Board of Directors, held on 11 February 2015, allowed Mr Alexandre Ricard to retain the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable to the category of employees to which he belongs for the determination of his welfare benefits and other additional elements of his compensation.

In accordance with the regulated agreements and commitments procedure, this commitment was approved by the Shareholders' Meeting of 6 November 2015 (5th resolution).

The Shareholders' Meeting of 17 November 2016 (5th resolution) will be asked to renew this commitment benefiting Mr Alexandre Ricard, subject to the renewal of his term of office as Executive Director by the Board of Directors to be held at the close of the Shareholders' Meeting.

(1) *A notice was published online on 5 September 2016 detailing this removal.*

Summary of Mr Alexandre Ricard elements of compensation due or granted for the 2015/16 financial year

Summary table of compensation paid and options and shares granted to Mr Alexandre Ricard (Table 1 AMF nomenclature)

In euro	2014/15	2015/16
Compensation due for the financial year [(1)]	1,724,100	1,833,649
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	N/A	332,028
Value of performance-based shares allocated during the financial year	505,528	593,290
TOTAL	**2,229,628**	**2,758,967**

N/A: not applicable.
(1) 2014/15: in his capacity as Deputy Chief Executive Officer and Chief Operating Officer until 11 February 2015 then as Chairman & CEO after that date.

Summary table of compensation paid to Mr Alexandre Ricard (by the Company and the controlled companies as defined by article L. 233-16 of the French Commercial Code and the controlling company or companies) – (Table 2 AMF nomenclature)

	2014/15		2015/16	
In euro	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation [(1)]	837,185	837,185	950,000	950,000
Annual variable compensation [(1)(2)]	883,649	415,500	913,900	883,649
Multi-year variable compensation	N/A	N/A	N/A	N/A
Special bonus	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind [(3)]	3,266	3,266	3,260	3,260
TOTAL	**1,724,100**	**1,255,951**	**1,867,160**	**1,836,909**

N/A: not applicable.
(1) 2014/15: in his capacity as Deputy Chief Executive Officer and Chief Operating Officer until 11 February 2015 then as Chairman & CEO after that date.
(2) The variable compensation due in year N-1 is paid in year N.
(3) Company car.

Stock options granted to Mr Alexandre Ricard by the Company and any Group companies during the financial year (Table 4 AMF nomenclature)

	Date of plan	Type of options (purchase or subscription)	Value of shares according to the method used for the consolidated financial statements (IFRS)	Number of options granted during the financial year	Strike price	Performance conditions	Exercise period
2015/16 financial year	06.11.2015	Purchase	€332,028	20,700	€102.80	Positioning of the overall performance of the Pernod Ricard share compared to the overall performance of a panel of 12 companies over three years	From 07.11.2019 to 06.11.2023

Stock options exercised by Mr Alexandre Ricard during the financial year (Table 5 AMF nomenclature)

Date of plan	Number of options exercised during the financial year	Strike price
15.06.2011	12,092	€68.54

Performance-based shares granted to Mr Alexandre Ricard by the Company and any Group companies during the financial year (Table 6 AMF nomenclature)

Date of plan	Number of shares granted during the year	Valuation of shares according to the method used for the consolidated financial statements (IFRS)	Acquisition date	Vesting date	Performance conditions
06.11.2015	3,000	€297,720	07.11.2019	07.11.2019	Average ratio of achievement of the forecast Profit from Recurring Operations in N, N+1, and N+2 (three consecutive financial years).
06.11.2015	5,500	€295,570	07.11.2019	07.11.2019	* Average ratio of achievement of the forecast Profit from Recurring Operations in N, N+1, and N+2 (three consecutive financial years). * Positioning of the overall performance of the Pernod Ricard share compared to the overall performance of a panel of 12 companies over three years.

Performance-based shares vested to Mr Alexandre Ricard during the financial year (Table 7 AMF nomenclature)

Date of plan	Number of shares vested during the financial year	Terms of acquisition
N/A [(1)]	-	-

N/A: not applicable.

(1) Only performance-based shares granted to Mr Alexandre Ricard in his capacity as an Executive Director and vested during the financial year are cited.

COMPENSATION ELEMENTS DUE OR GRANTED FOR THE 2015/16 FINANCIAL YEAR TO THE COMPANY'S EXECUTIVE DIRECTOR, SUBMITTED TO THE SHAREHOLDERS' ADVISORY VOTE

Details of the compensation due or granted for the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO, submitted to the shareholders' advisory vote at the Shareholders' Meeting of 17 November 2016 ("Say on Pay") are given in Section 7 "Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016" of this Registration Document.

OTHER ASPECTS OF THE COMPENSATION POLICY

Overall stock option and performance-based share allocation policy

During the 2015/16 financial year, the Board of Directors reaffirmed its desire to give the Group's key personnel an interest in the performance of Pernod Ricard shares, and during its meeting of 6 November 2015, it decided to introduce a combined allocation plan made up of stock options and performance-based shares.

The Board's aim is therefore to continue to align the interests of Pernod Ricard employees with those of the shareholders, by encouraging them to hold shares of the Company.

As in the past, more than 1,000 employees were rewarded, so that the Company could target not only senior managers but also foster the loyalty of young managers with potential (identified as "new talents") in the Group's affiliates worldwide.

The 6 November 2015 allocation plan consists of stock options with performance conditions and performance-based shares.

The Board of Directors confirmed the following plan features on the recommendation of the Compensation Committee:

- subject all allocations (stock options and performance-based shares) to performance criteria;
- change the external performance criterion applicable to stock options and a portion of the performance-based shares allocated to the Executive Director: positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a panel of comparable companies over three years, only considering positioning on the median or higher;
- retain the internal performance criterion applicable to performance-based shares, *i.e.* the average level of achievement of annual objectives of profit from recurring operations, though this time assessed over three consecutive financial years;
- reintroduce a mixed award for managers in the most senior positions, comprising a balance between stock options and performance-based shares, which provides a fair reward when the external and internal criteria have been met;
- for staff at lower levels, the plan continues with performance-based share awards, with the number of shares varying depending on the classification of the employee's position within the Group.

Allocation of stock options with external performance conditions

The volume of performance-based stock options allocated by the Board of Directors' meeting of 6 November 2015 stood at 278,575 stock options (including 20,700 to Mr Alexandre Ricard).

All of the stock options under the plan are subject to an external performance condition and will become exercisable from November 2019 depending on the positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a panel of 12 comparable companies. This condition will be evaluated over a three-year period following the plan allocation, *i.e.* from 6 November 2015 to 6 November 2018 inclusive.

The number of shares that will be ultimately granted to Mr Alexandre Ricard will be determined by comparing the performance of the Pernod Ricard share and the overall performance of a Panel from 6 November 2015 to 6 November 2018 inclusive (three years). Therefore, if the overall performance of the Pernod Ricard share (TSR) is:

- below the median (8th to 13th position): no options will be exercisable;
- at the median (7th position): 66% of the options will be exercisable;
- in 6th, 5th or 4th position: 83% of the options will be exercisable; and
- in 3rd, 2nd or 1st position: 100% of options will be exercisable.

At the grant date, the Board of Directors decided that the Panel shall comprise, in addition to Pernod Ricard, the following twelve companies: Diageo, Brown Forman, Rémy Cointreau, Campari, Constellation Brands, AB InBev, SAB Miller plc, Heineken, Carlsberg, Coca-Cola, PepsiCo and Danone.

The Panel's composition is subject to change, based on the above-mentioned companies' evolution. The Board of Directors shall, with a duly reasoned decision and following the recommendation of the Compensation Committee, exclude a company from or add a new company to the Panel, especially in the case of an acquisition, absorption, dissolution, spin-off, merger or change of business of one or more of the Panel's members, subject to maintaining the overall consistency of the Panel and enabling the application of the external performance condition in line with the performance objective set upon allocation.

The vesting period of the options is of four years followed by an exercise period of four years.

Allocation of performance-based shares with internal and external performance conditions

The volume of performance-based shares with internal and external performance conditions allocated by the Board of Directors' meeting of 6 November 2015 was 5,500 shares (allocated in full to Mr Alexandre Ricard).

All of the performance-based shares under the plan are subject to internal and external performance conditions and will be granted from November 2019 depending on the internal performance condition (see below) and the positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a panel of 12 comparable companies (see above). This condition will be evaluated over a three-year period following the plan allocation, *i.e.* from 6 November 2015 to 6 November 2018 inclusive.

The volumes subject to the external performance condition will be those determined at the close of the 2017/18 accounts after applying the internal condition. The final volumes will be calculated at the end of the evaluation period of the external condition by applying the following formula:

- below the median (8th to 13th position), no options will be exercisable;
- at the median (7th position), 66% of the options will be exercisable;
- in 6th, 5th, or 4th position, 83% of the options will be exercisable; and
- in 3rd, 2nd or 1st position, 100% of the options will be exercisable.

Allocation of performance-based shares with internal condition

A total of 413,423 performance-based shares were awarded by the Board of Directors on 6 November 2015 (of which 3,000 were awarded to Mr Alexandre Ricard) subject to the internal performance condition described below.

The number of performance-based shares that will be ultimately granted will be determined based on the ratios of achievement of Group net profit from recurring operations realised, adjusted from foreign exchange and scope impacts, compared to the Group net profit from recurring operations forecast for three consecutive financial years (2015/16, 2016/17 and 2017/18).

The number of performance-based shares is determined according to the following conditions:

- if the average level of achievement is below or equal to 0.95: no performance-based shares will be acquired;
- if the average level of achievement is between 0.95 and 1: the number of performance-based shares acquired is determined by applying the percentage of linear progression between 0 and 100%; and
- if the average level of achievement is greater than or equal to 1: 100% of the performance-based shares may be acquired.

Performance-based shares allocated to all beneficiaries have a four-year vesting period, with no lock-in period.

In addition, beneficiaries must still be part of the Group on the vesting date, except in the case of retirement, death or invalidity.

History of allocations of stock options – Situation at 30 June 2016 (Table 8 AMF nomenclature)

	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 18.06.2008	Plan dated 24.06.2010	Plan dated 15.09.2010
Date of authorisation by Shareholders' Meeting	17.05.2004	17.05.2004	07.11.2006	02.11.2009	02.11.2009
Date of Board of Directors' meeting	25.07.2005	14.06.2006	18.06.2008	24.06.2010	01.09.2010
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	981,206	2,279,214	1,273,556	901,603	70,000
of which by corporate officers of Pernod Ricard SA	115,945	205,140	141,258	-	70,000
of which by Mr Pierre Pringuet [1]	35,675	91,174	57,062	-	70,000
of which by Mr Alexandre Ricard [2]	N/A	N/A	N/A	N/A	N/A
Commencement date for exercise of options	12.08.2009	15.06.2010	19.06.2012	25.06.2014	16.09.2014
Expiry date	11.08.2015	14.06.2016	18.06.2016	24.06.2018	15.09.2018
Subscription or purchase price (in euro)	€52.59	€58.41	€66.16	€64.00	€64.00
Number of shares subscribed or purchased	906,566	2,145,531	1,170,908	402,494	2,500
Total number of stock options cancelled or lapsed [3]	74,640	133,683	102,648	51,495	-
of which allocated to Mr Pierre Pringuet [1]	-	-	-	-	-
of which allocated to Mr Alexandre Ricard [2]	N/A	N/A	N/A	N/A	N/A
Subscription or purchase options remaining	-	-	-	447,614	67,500

	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2015
Date of authorisation by Shareholders' Meeting	02.11.2009	02.11.2009	09.11.2012	06.11.2015
Date of Board of Directors' meeting	15.06.2011	27.06.2012	06.11.2013	06.11.2015
Type of options	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	948,050	415,400	349,640	278,575
of which by corporate officers of Pernod Ricard SA	65,220	60,000	42,500	20,700
of which by Mr Pierre Pringuet [1]	65,220	60,000	26,000	0
of which by Mr Alexandre Ricard [2]	N/A	N/A	16,500	20,700
Commencement date for exercise of options	16.06.2015	28.06.2016	07.11.2017	07.11.2019
Expiry date	15.06.2019	27.06.2020	06.11.2021	06.11.2023
Subscription or purchase price (in euro)	€68.54	€78.93	€88.11	€102.80
Number of shares subscribed or purchased	272,129	-	-	-
Total number of stock options cancelled or lapsed [3]	50,852	415,400	1,000	-
of which allocated to Mr Pierre Pringuet [1]	978	60,000	-	-
of which allocated to Mr Alexandre Ricard [2]	N/A	N/A	-	-
Subscription or purchase options remaining	625,069	-	348,640	278,575

N/A: not applicable.

(1) Only options cancelled or allocated to Mr Pierre Pringuet in his capacity as an Executive Director (i.e. until 11 February 2015) are cited.

(2) Only options cancelled or allocated to Mr Alexandre Ricard in his capacity as an Executive Director are cited.

(3) Options cancelled after the beneficiaries failed to meet the continuous service and/or performance conditions.

On 30 June 2016, 1,767,398 stock options (all for share purchases) were in circulation, or approximately 0.67% of the Company's share capital; all these options were in the money (at the Pernod Ricard share closing price on 30 June 2016 = €100.10).

At present, there are no Pernod Ricard "subscription" stock options in circulation.

History of allocations of performance-based shares – Situation at 30 June 2016 (Table 10 AMF nomenclature)

	Plan dated 18.06.2008	Plan dated 24.06.2010	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2015
Date of authorisation by Shareholders' Meeting	07.11.2007	07.11.2007	10.11.2010	10.11.2010	09.11.2012	06.11.2014	06.11.2015
Date of Board of Directors' meeting	18.06.2008	24.06.2010	15.06.2011	27.06.2012	06.11.2013	06.11.2014	06.11.2015
Number of performance-based shares allocated	411,634	572,119	578,759	654,750	570,880	583,240	418,923
of which to corporate officers of Pernod Ricard SA	N/A	N/A	N/A	N/A	15,600	29,800	8,500
of which to Mr Pierre Pringuet [1]	N/A	N/A	N/A	N/A	9,500	18,200	-
of which to Mr Alexandre Ricard [2]	N/A	N/A	N/A	N/A	6,100	11,600	8,500
Vesting date of the performance-based shares	18.06.2010 (FRA) 18.06.2012 (ROW)	24.06.2013 (FRA) 24.06.2014 (ROW)	15.06.2014 (FRA) 15.06.2015 (ROW)	27.06.2015 (FRA) 27.06.2016 (ROW)	06.11.2016 (FRA) 06.11.2017 (ROW)	06.11.2018	06.11.2019
End date for share lock-in period	19.06.2012 (FRA and ROW)	25.06.2015 (FRA) 25.06.2014 (ROW)	16.06.2016 (FRA) 16.06.2015 (ROW)	28.06.2017 (FRA) 28.06.2016 (ROW)	07.11.2018 (FRA) 07.11.2017 (ROW)	07.11.2018	07.11.2019
Presence of performance condition	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of performance-based shares cancelled [3]	237,110	89,751	114,711	245,968	231,219	155,027	7,200
of which allocated to Mr Pierre Pringuet [1]	-	-	-	-	2,850	4,004	-
of which allocated to Mr Alexandre Ricard [2]	-	-	-	-	1,830	2,552	-
Performance-based shares vested [4]	174,524	482,368	464,048	408,782	388	-	-
Unvested performance-based shares [5]	-	-	-	-	339,273	428,213	411,723

N/A: not applicable.

All performance-based shares are subject to performance conditions and the beneficiaries must still be working for the Company. Performance-based shares become available after four or five years on condition that the beneficiaries are still working for the Company on the vesting date. The vesting period is two years (for the 2008 plan) or three years (plans after 2008) for tax residents of France (FRA) (followed by a two-year lock-in period) and four years for non-tax residents of France (ROW) (no lock-in period). For the 2014 and 2015 plans, the vesting period is four years with no lock-in period for all beneficiaries.

(1) Only performance-based shares cancelled or allocated to Mr Pierre Pringuet in his capacity as an Executive Director (i.e. until 11 February 2015) are cited.

(2) Only performance-based shares cancelled or allocated to Mr Alexandre Ricard in his capacity as an Executive Director are cited.

(3) Performance-based shares cancelled after the beneficiaries ceased to meet the continuous service condition (through resignation or redundancy) or failed to meet the performance conditions (June 2008, June 2011, June 2012, November 2013 and November 2014 plans).

(4) Allocated shares that were vested and transferred to the beneficiaries. The 2013 plan shares were transferred early to heirs following the death of a beneficiary.

(5) For the November 2013, November 2014 and November 2015 plans, it consists of all performance-based shares under these plans for which the performance condition was evaluated in full for the November 2013 plan and the November 2014 plan and not evaluated at all for the November 2015 plan, since the condition is now based on an average achievement of annual targets, the achievement will only be determined at the close of the 2017/18 accounts.

Stock options granted to the Group's top 10 employees other than corporate officers and options exercised by the Group's top 10 employees other than corporate officers during the 2015/16 financial year (Table 9 AMF nomenclature)

	Number of options granted/shares subscribed or purchased	Weighted average price *(in euro)*	Plans
Options granted during the financial year by the Company and any companies within its Group granting options, to the top 10 employees of the Company and any such Group company, receiving the highest number of options	78,400	102.80	06.11.2015
Options exercised during the financial year by the top 10 employees of the Company and all companies within its Group granting options, with the highest number of options thus exercised	160,873	62.28	11.08.2005/ 14.06.2006/ 18.06.2008/ 24.06.2010/ 15.06.2011

Pernod Ricard has not issued any other option instruments granting access to shares reserved for its Executive Directors or the top 10 employees of the Company and all companies within its Group granting options.

Employee profit-sharing plans

All employees of the Group's French companies benefit from profit-sharing and incentive agreements based on the results of each specific entity. In line with the Group's decentralised structure, the terms and conditions of each of these agreements are negotiated at the level of each entity concerned.

Similarly, outside France, the Group encourages all affiliates to implement local agreements enabling employees to share in the profits of the entity to which they belong.

Profit-sharing agreements of this type exist in countries including Ireland and the United Kingdom: in each of these countries, employees may potentially receive Pernod Ricard shares based on their entity's annual results.

Provisions for pension benefits

Details of the total amount of provisions recorded or otherwise recognised by the Company for the payment of pensions are set out in Note 4.7 – *Provisions* of the Notes to the consolidated financial statements.

Compensation of Executive Committee members

The members of the Compensation Committee are kept regularly informed of changes in the compensation given to members of the Executive Committee, made up of the Executive Board (the Managing Directors, General Counsel and Global Business Development Director) and the Chairmen of the Group's direct affiliates.

In regularly reviewing the various aspects of compensation, the members of the Compensation Committee pay particular attention to ensuring that the policy applied to the Group's Executive Director is consistent with the policy applied to the members of the Group's Senior Management both in France and internationally.

The compensation of the members of the Executive Board (excluding the Chairman & CEO), which is set by the General Management, comprises a fixed annual portion, plus a variable portion representing an attractive incentive, for which the criteria are largely based, as is the case for the Executive Director, on the Group's financial performances and debt reduction. Qualitative criteria to evaluate individual performance are also applied to this variable financial portion.

The Chairmen of the Group's direct affiliates, who are members of the Executive Committee, also receive compensation comprising a fixed portion, which is set in proportion to individual responsibilities, plus a variable portion, for which the quantitative criteria depend firstly on the financial performance of the entity they manage and secondly on the Group's results, with a view to strengthening solidarity and collegiality. The Chairmen are also evaluated using individual qualitative criteria.

The same performance indicators thus apply to the key players in the Group's business development, through the structure of and the method for evaluating the variable portion of their annual compensation.

For a number of years, all members of the Executive Committee have also been evaluated on the basis of their people development and management performance and the implementation of Sustainability & Responsibility (S&R) projects.

The total amount of the fixed compensation allocated for the 2015/16 financial year to the members of the Executive Committee, including the Executive Director, stood at €7.6 million (vs. €8.2 million in N-1). In addition to this, variable compensation of €5.1 million (variable portion calculated for 2014/15) was also paid (vs. €5.2 million in N-1).

The total expense in respect of pension commitments for members of the Executive Committee, including the Executive Director, was €4.3 million in the financial statements for the year ended 30 June 2016 (vs. the same figure of €4.3 million at 30 June 2015).

TRANSACTIONS INVOLVING PERNOD RICARD SHARES MADE BY DIRECTORS IN THE 2015/16 FINANCIAL YEAR (ARTICLE 223-26 OF THE AMF GENERAL REGULATIONS)

First name, surname, Company name	Function	Financial instrument	Type of transaction	Date	Price (in euro)	Amount of transaction (in euro)
Mr Alexandre Ricard	Chairman & CEO	Stock options	Exercise of stock options	02.07.2015	68.54	828,786
		Shares	Acquisition	12.02.2016	92.85	19,777
		Shares	Acquisition	24.06.2016	93.50	129,310
Mr Pierre Pringuet	Vice Chairman of the Board of Directors	Stock options	Exercise of stock options	29.03.2016	66.16	3,775,222
Mr César Giron	Chairman & CEO, Martell Mumm Perrier-Jouët (MMPJ)	Stock options	Exercise of stock options	15.07.2015	68.54	828,786
		Shares	Disposal	15.07.2015	108.9072	1,316,906
Ms Kory Sorenson	Director	Shares	Acquisition	12.02.2016	93.35	4,667
		Shares	Acquisition	15.02.2016	96.20	24,050
		Shares	Acquisition	15.02.2016	96.00	19,200
		Shares	Acquisition	15.02.2016	95.842	47,921
Le Delos Invest II	Legal entity linked to Mr Alexandre Ricard, Chairman & CEO	Shares	Acquisition	30.09.2015	90.2015	7,216,120
		Shares	Acquisition	01.10.2015	90.84	7,783,807
		Stock options	Transfer of stock put options	04.12.2015	2.2316	273,255
		Stock options	Transfer of stock put options	22.04.2016	0.9602	126,620
Rigivar SL	Legal entity that is linked to Paul Ricard concert	Shares	Acquisition	01.09.2015	90.68	163,224

DIRECTORS' EQUITY INVESTMENTS IN THE SHARE CAPITAL OF THE COMPANY (POSITION AT 30 JUNE 2016)

Members of the Board of Directors	Number of shares at 30.06.2016	Percentage of share capital at 30.06.2016	Number of voting rights at 30.06.2016	Percentage of voting rights at 30.06.2016
Executive Directors				
Mr Alexandre Ricard (Chairman & CEO)	49,542	0.02%	49,542	0.02%
Mr Pierre Pringuet (Vice Chairman of the Board of Directors)	380,088	0.14%	439,072	0.15%
Directors				
Mr César Giron	8,711	N.M.	11,618	N.M.
Ms Martina Gonzalez-Gallarza	1,100	N.M.	1,100	N.M.
Société Paul Ricard represented by Mr Paul-Charles Ricard (1)	35,031,887	13.20%	55,930,570	19.16%
Veronica Vargas	5,420	N.M.	5,420	N.M.
Independent Directors				
Ms Nicole Bouton	1,150	N.M.	1,150	N.M.
Mr Laurent Burelle	1,000	N.M.	1,000	N.M.
Mr Wolfgang Colberg	1,076	N.M.	1,076	N.M.
Mr Ian Gallienne	1,000	N.M.	1,000	N.M.
Mr Gilles Samyn	1,000	N.M.	1,000	N.M.
Ms Kory Sorenson	1,000	N.M.	1,000	N.M.
Employee Director (2)				
Mr Manousos Charkoftakis	50	N.M.	50	N.M.
Mr Sylvain Carré	-	N.M.	-	N.M.

N.M.: Not meaningful.

(1) This includes the shares held by Société Paul Ricard and by Le Garlaban, Le Delos Invest I, Le Delos Invest II and Le Delos Invest III (the 8,392,096 Pernod Ricard shares held by Le Delos Invest III were transferred as collateral for the full performance of its obligations under the terms of a financial futures contract entered into on 10 April 2009), related to Société Paul Ricard as defined in article L. 621-18-2 of the French Monetary and Financial Code.

(2) In accordance with the law, Employee Directors are not obliged to hold a minimum number of shares of the Company.

Risk management

INTRODUCTION

Pernod Ricard faces a range of internal and external risks that may affect the achievement of its objectives. The main risks to which the Group considers itself exposed at this date of this document are set out below.

In view of these risks, Pernod Ricard has implemented a system of internal control and risk management to better forecast and control them. The principles and procedures of internal control and risk management are described in Section 2 “Corporate governance and internal control” of this document in the Report of the Chairman of the Board of Directors on internal control and risk management. As part of the Group’s decentralised structure, each function and each affiliate continuously participates in the smooth running and improvement of this system. The coverage and insurance implemented by the Group to counter these risks is given below.

In the future, it may be the case that other risks not currently known or considered as insignificant could negatively affect the Group.

SUMMARY OF THE MAIN RISK FACTORS TO WHICH PERNOD RICARD CONSIDERS ITSELF EXPOSED AT THE DATE OF THIS REGISTRATION DOCUMENT

Risks relating to business activities	Risks relating to the global economic environment and location Risks relating to further consolidation in the Wines & Spirits segment Image risks relating to product quality Risks relating to competition Risks relating to innovation and consumer expectations Risks relating to personnel Risks relating to information systems Risks relating to raw materials and energy prices Risks relating to external growth operations Risks relating to seasonal trends
Industrial and environmental risks	Risks relating to industrial sites and inventory management Risks for consumers Industrial and environmental risks
Legal and regulatory risks	Risks relating to changes in the regulatory environment Risks relating to Intellectual Property Risks relating to litigation
Financial risks	Risks relating to the Group’s indebtedness Market risks (currency and interest rates) Liquidity risks Counterparty risks in financial transactions Risks relating to the Group’s pension plans

RISKS RELATING TO BUSINESS ACTIVITIES

Risks relating to the global economic environment and location

The Group’s business is sensitive to general economic conditions in its key markets, in particular in the United States, China, India and France. In most countries, the consumption of Wines & Spirits, which is closely linked to the broader economic environment, tends to decline during periods of economic recession, unemployment, reductions in consumer spending, and increases in the cost of living.

Currency fluctuations against the euro may also impact the Group’s results. Due to the geographic split of its business activity, the Group is specifically exposed to fluctuations in the US dollar, the pound sterling and emerging market currencies against the euro (see “Analysis of business activity and results” in this Management Report).

In addition, Wines & Spirits consumers, including consumers of Pernod Ricard’s products, also have the option of trading down to less costly products (“standard” as opposed to “premium” products), particularly during economic downturns, or as a result of government measures. To this end, the Chinese government has established measures to dampen conspicuous consumption. This resulted in lower sales growth (at constant exchange rates and scope of consolidation) over the last three financial years, with Pernod Ricard recording -23% for the 2013/14 financial year, -2% for 2014/15, then -9% for 2015/16, even though the Group had been growing strongly in this market in previous years (+9% in 2012/13 and +24% in 2011/12).

Furthermore, the Group derives a considerable portion of its business (38% of sales in 2015/16) from emerging markets in Asia, Eastern Europe and Latin America (China, India, and Russia). Although any country in the world could be affected, the Group’s activities in emerging markets are more particularly exposed to political and economic risks, including risks resulting from regulatory changes, protectionist measures or changes in government or monetary policy. These risks specifically include risks stemming from exchange rate

controls, inflation, problems with the repatriation of foreign earnings, dividends and investment capital, exchange rate fluctuations, changes in tax regimes, implementation of restrictions on imports, and political instability. Moreover, the Group may find itself unable to defend its rights appropriately before the courts of some of these countries, particularly in litigation with the state or state-controlled entities. (See "Risks relating to litigation" in this management report.) In addition, acts of terrorism or a declaration of war, the impact on consumer sentiment and tourism from said acts, or any other adverse political event, or concerns relating to the threat of global pandemics could have a negative impact on consumers' propensity to make purchases in the more expensive product ranges of the Group's key product categories, in Travel Retail and in other markets.

Such disruptions or other economic and political upheavals in the Group's markets could spark heightened volatility in the Group's sales, with a negative impact on its results and outlook in these markets.

The diverse geographical distribution of the Group's businesses means that today it can seize every growth opportunity and help alleviate the difficulties encountered in a number of markets (see *"Analysis of business activity and results*" in this Management Report), although a global recession or marked or extended downturns in the Group's main markets may weigh down on the Group's overall sales and adversely affect its consolidated results and outlook.

Risks relating to further consolidation in the Wines & Spirits segment

The industry has witnessed a trend towards the consolidation of distributors and merchants, and a further consolidation among spirits producers and merchants in the Group's key markets could negatively impact the sale of the Group's products as a result of, for example, fewer resources allocated to its brands. As the retail trade consolidates, wholesalers and retailers will have greater resources and bargaining power and, as a result, could seek to have the Group and other producers reduce their prices, conduct product promotions and/or accept payment terms that could reduce margins. An increase in a distributor's market share could have an adverse impact on the Group's sales and profitability. Changes in merchants' strategies, including a reduction in the number of brands they carry, the allocation of shelf space for our competitors' brands or private label products may adversely affect the Group's sales, margin, outlook and market share.

Image risks relating to product quality

The success of the Group's brands depends upon the positive image that consumers have of those brands. The Group's reputation and image may at any time be significantly undermined by one-off incidents at an industrial facility or relating to a specific product. For example, contamination, whether arising accidentally, or through an act of malice, or other events that harm the integrity of or consumer support for their brands, could adversely affect the sales of the Group's products. The Group purchases most of the raw materials for the production of its Wines & Spirits from third-party producers or on the open market. Contaminants in those raw materials or defects in the distillation or fermentation process at one of our industrial facilities could lead to low beverage quality as well as illness among, or injury to, our consumers, which could subject the Group to liability and result in reduced sales of the affected brand or all its brands.

In addition, to the extent that third parties sell products that are either counterfeit versions of the Group's brands or inferior "lookalike" brands, consumers of the Group's brands could confuse its products with those brands. This could discourage them from purchasing the Group's products in the future, which could in turn adversely impact brand equity and the Group's results.

Although the Group has implemented protection and control systems to limit the risk of contamination and other industrial accidents and has a Group Intellectual Property Department devoted to protecting its brands (for more information, see the section on "Risks relating to Intellectual Property"), there can be no guarantee that problems arising from industrial accidents, contamination and other factors will not compromise the Group's reputation and image on a global scale. Reputational damage could potentially have negative effects on the Group's image, financial position, reported results and outlook.

The net carrying value of brands and goodwill recorded in the Group's balance sheet at 30 June 2016 was €17.5 billion.

Risks relating to competition

The Group operates in very competitive markets, where brand recognition, corporate image, price, innovation, product quality, the breadth of distribution networks and services provided to consumers are differentiating factors among competitors.

The Group constantly aims to strengthen the recognition of its brands, particularly its strategic brands, through advertising and promotional campaigns, enhancing the quality of its products and optimising its distribution and service networks. Nevertheless, it must also face heightened competition from major international players on its international brands and from smaller groups or local producers on its local brands, including the growing success of artisan production, as may be the case for vodka in the United States, the main market for Absolut vodka. This fierce competition prevailing in the mature markets and the increasingly competitive nature of the emerging markets could require the Group to boost its advertising and promotional expenditure, or even reduce or freeze its prices, in order to protect its market share.

Risks relating to innovation and consumer expectations

The Group's performance is dependent on its capacity to satisfy consumer expectations and desires. However, change in consumer expectations and desires is difficult to anticipate, and in many cases is beyond the Group's control. As a result, negative changes in consumer demands could affect its sales and market share.

In addition, the increasing number of campaigns aimed at discouraging the consumption of alcoholic beverages, as well as changes in lifestyle, means of distribution, consumer habits and consumers' approaches to health issues, could, over time, modify consumer habits and the general social acceptability of alcoholic beverages, and have an adverse impact on the Group's reputation, sales, financial position, results and outlook.

In order to properly cover these risks, the Group supports its brands, in particular as regards innovations (Chivas Extra, Jameson Caskmates, Absolut Elyx, etc.) and new growth opportunities (digital communications, Sub-Saharan Africa). Innovations accounted for half of all growth in sales in the 2015/16 financial year, *i.e.* around 1%.

Risks relating to personnel

The Group's success is dependent on the loyalty of its employees, and in particular of those in key roles, as well as its ability to continue to attract and retain highly qualified personnel. To date, no significant impacts have been identified in this regard. However, the Group is aware that difficulties hiring or retaining key personnel, or the unexpected departure of experienced employees, including among acquired companies, could potentially slow the implementation of the Group's strategic growth plans, and could have an adverse impact on its business, financial position and the results of its operations.

In compliance with freedom of association and the right to collective bargaining, strikes or other social action may take place. Any extended labour disputes could have an impact on the Group's sales. However, to date, Pernod Ricard has not had to face prolonged industrial action that could significantly impact Group sales.

Risks relating to information systems

IT and telecoms systems are fundamentally important in the daily performance of Group operations, in terms of the processing, transmission and storage of electronic data relating to the Group's operations and financial statements and of the communication between the personnel, customers and suppliers of Pernod Ricard.

At a time of constant changes in computer technology and its uses, Pernod Ricard, a decentralised group whose operation is increasingly digital and dematerialised, is exposed to the risk of failure of its IT systems, due to a malfunction or malicious intent, either internal and external, that may harm the availability of IT services, or to the integrity and confidentiality of sensitive data. The Group's information technology systems could be exposed to interruptions for reasons beyond its control, including, but not limited to, natural disasters, terrorist attacks, telecommunications breakdowns, computer viruses, hackers or other security issues. Although the Group invests a significant amount in the maintenance and protection of its IT systems, particularly in view of growing threats in terms of cybercriminality, any malfunctions, significant disruption, loss or disclosure of sensitive data could disrupt the normal course of the Group's business, and have financial, operational or image-related consequences.

A detailed description of the Group's image risks is given in the section "Image risks relating to product quality" of this Management Report.

Risks relating to raw materials and energy prices

Some of the raw materials that the Group uses for the production of its products are commodities that are subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls.

An unexpected rise in the cost of raw materials or packaging materials could significantly increase our operating costs. Similarly, shortages of such materials could have a negative effect on our business. Moreover, an increase in energy costs could result in higher transportation, freight, distillation and other operating costs.

The Group may not be able to increase its prices to offset these increased costs without suffering reduced volume, sales and operating profit, which could negatively impact the Group's results.

For farm raw materials, hedge agreements have been entered into with banks to secure the price of a portion of wheat supplies and to limit production cost volatility. These hedges involve no physical delivery (see Note 4.10 – *Interest rate, foreign exchange and commodity derivatives* of the Notes to the consolidated financial statements). Moreover, the Group has entered into physical supply contracts with some suppliers in order to secure the delivery price of *eaux-de-vie*, grapes, and certain grains (see Note 6.3 – *Off-balance sheet commitments* of the Notes to the consolidated financial statements).

Risks relating to external growth operations

The Group has made major acquisitions in the past (see the subsection "A responsible business with a spirit of adventure" of Section 1 "Overview of Pernod Ricard"). Pernod Ricard believes that it was able to successfully integrate these acquisitions.

In the event that Pernod Ricard decides to conduct a major acquisition in the future, successful integration of the target into the Group cannot be guaranteed. In addition to the fact that acquisitions require General Management to devote a significant amount of time to resolving organisational issues, they also require the integration of new businesses, employees and products belonging to newly acquired companies. The integration process involves a great many unknowns, including the impact of the integration of new entities into a new structure and the management of the Human Resources of merged businesses. The Group's financial position, reported results and outlook could be affected should it be unable to make a success of the integration of newly acquired companies.

The Group has made no major acquisitions since 2008.

Risks relating to seasonal trends

Pernod Ricard makes an above-average portion of its sales during the Christmas and New Year season and the Chinese New Year. The last quarter of the calendar year traditionally accounts for about a third of full-year sales. Any major unexpected adverse event occurring during this period, such as a natural disaster, pandemic, or economic or political crises, could lead to a reduction in the Group's revenues and, consequently, a deterioration in its full-year results.

INDUSTRIAL AND ENVIRONMENTAL RISKS

Risks relating to industrial sites and inventory management

The Group has a substantial inventory of aged product categories, principally Scotch whisky, Irish whiskey, cognac, rum, brandy and wines. The maturing periods can occasionally extend beyond 30 years. The Group's maturing inventories (representing 79% of work in progress, as cited in Note 4.4 – *Inventories and work in progress* of the Notes to the consolidated financial statements), are stored at numerous locations around the world (see map of main production sites in Section 1 "Presentation of the Pernod Ricard group").

The loss of all or part of the maturing inventories or the loss of all or some of the production, distilling, blending or packaging sites as a result of negligence, an act of malice, contamination, fire or natural disaster could lead to a significant fall in or prolonged interruption to the supply of certain products, precluding the Group from satisfying consumer demand for the said products. In addition, there is an inherent risk of forecasting error in determining the quantity of maturing stock to store in a given year for future consumption. This could lead to either an inability to meet future demand or a future surplus of inventory resulting in write-downs in the value of maturing stocks. Finally, there also can be no assurance that insurance proceeds would be sufficient to cover the replacement value of lost maturing inventories or assets in the event of their loss or destruction.

Risks for consumers

The Group has noted the health risk involved in the inappropriate consumption of alcoholic beverages and accordingly has a very strong ethical commitment to encouraging responsible drinking (see Section 3 "Sustainability & Responsibility").

The other risks for consumers relate to product quality: they mainly concern the presence of foreign bodies in bottles (glass fragments) or contamination by an undesirable component, occurring voluntarily or involuntarily. The control of these risks is based both on the application of the HACCP method, which aims to identify risks involved in the manufacturing process and to bring them under control, as well as on the implementation of specific internal guidelines. Active monitoring is also implemented on emerging risks, particularly those relating to components present in packaging, raw materials and water that are liable to pose a risk to consumer health.

This approach is also accompanied – as mentioned above – by the implementation of management systems compliant with the ISO 22000 standard for food safety management, which is aimed specifically at controlling such risks.

To date, Pernod Ricard is not aware of any litigation or significant incident involving consumer safety, connected with the quality of the Group's products.

Industrial and environmental risks

Pernod Ricard's management of industrial and environmental risks is based on a joint QSE (Quality/Safety/Environment) management approach implemented in all production affiliates worldwide.

Coordinated by the Group's Sustainable Performance Department, this risk management policy is based on internal Pernod Ricard standards and on systematic risk analysis. It is based on the guidelines setting out good practices and the minimum requirements needed in each of the relevant areas:

- product quality;
- safety of personnel;
- management of environmental impact;
- protection of insured capital (industrial risks).

It is also supported by an ambitious QSE certification process for production sites according to the following four international standards:

- ISO 9001 for quality management;
- ISO 22000 for food safety management;
- ISO 14001 for environmental management;
- OHSAS 18001 for occupational health and safety.

At the end of June 2016, 89% of sites were quadruple QSE-certified according to these four standards, representing 99% of total bottled production.

As part of the Group's decentralised organisation, this policy is implemented by all affiliates *via* a QSE correspondent network, with each affiliate being entirely responsible for identifying and controlling its risks and its environmental impact. At Group level, a "QSE Executive Committee", composed of experts from the main affiliates, is consulted regularly to identify and approve priority actions and develop joint requirements in terms of risk prevention. This is an essential approach to the definition and implementation of the Group's risk management policy. The prevention personnel working in the various QSE fields form an extremely active network, coordinated by the sustainable performance team at the Headquarters, notably *via* the internal social network, Chatter. It meets each year during a working seminar that brings together the entire network. The seminar helps participants come together, identifying and sharing best practices with a view to continuous improvement.

With specific regard to insured capital protection and major industrial risks, an Operations Risk Manager coordinates the work done by affiliates in the area of risk reduction. The Risk Manager mainly focuses on prevention measures (design and maintenance of facilities, training, operating procedures, etc.) and protection systems (automatic fire extinguishing systems, water retention facilities, emergency procedures, etc.). In cooperation with the insurer, more than 60 industrial sites are audited each year, leading to an appraisal of the quality of risk as well as action recommendations for each of them. In addition, a programme devoted to implementing Business Continuity Management Systems (BCMS) has been initiated as a priority for the most strategic affiliates.

It is aimed at protecting the Group's operations from the consequences of a major disaster with significant consequences, such as a fire. To this end, for each affiliate, the programme sets out the various scenarios liable to affect their organisation, and looks for ways to reduce the impact on business. In most cases, the approach leads to the preparation of a business recovery plan including the implementation of emergency solutions and access to alternative means of production. In 2013/14, the affiliates with the largest contributions for the Group (The Absolut Company, Martell & Co, Chivas Brothers, Irish Distillers) had their BCMSs audited. These audits, conducted by a third party, confirmed the good level of maturity of the systems in place and identified priority areas for improvement. Today, 19 industrial affiliates are monitored each year to assess the maturity of their BCMS.

Major risks identified and specific risk prevention measures

Various types of risks have been identified in relation to the level of the Group's industrial activities, for which specific preventive measures or monitoring procedures have been implemented.

Fire hazard

As alcohol is highly flammable, fire is one of the main risks to our staff and facilities, particularly at production sites where spirits are produced and stored. This risk is also present at sites where blending and bottling of alcohol take place. In certain cases, this fire risk may be accompanied by the risk of explosion, particularly if alcohol vapours come into contact with a heat source.

Of the 101 industrial sites operating as at 30 June 2016, eight sites (one in Ireland, one in France and six in Scotland) were classified as "high-threshold" under the Seveso Directive due to the volumes stored there, higher than 50,000 tonnes (classification by the European Seveso III Directive for the prevention of major accidents). In the rest of the world, only one site, in Canada, was above this threshold. These sites are systematically subject to a high level of protection and prevention, which can be seen in the use of fire-resistant materials, the presence of automatic fire-extinguishing systems (sprinklers) with water reserves and remote retention, training and the implementation of rigorous working procedures. Moreover, the recommendations of the ATEX Directive on explosive atmospheres have been reflected in the Group's internal guidelines, which are applicable to all affiliates.

Since May 2000, when a fire led to the loss of a bourbon cellar in Kentucky, no major fires have occurred on the Group's sites.

At the end of June 2015, extra surveillance measures were put in place at French sites subject to the Seveso Directive, following the attack on 26 June at a Seveso site belonging to another company in the Isère department.

Risk of accidental spillage

The accidental spillage of product (wine, alcohol or other) into the environment is liable to pollute the soil, a river or water tables. This risk is of particular concern in cases of fire following a leak or spillage of alcohol and its extinction using water and foam. This risk is identified in all risk analyses carried out on our sites, and is subject to significant preventive measures: water retention facilities in storage and unloading areas, construction of drainage systems, and drainage to storage tanks.

Risk of natural disasters

Several facilities are located in areas known to be at significant risk of earthquake. This includes facilities located in New Zealand, Armenia, California and Mexico. In July and August 2013, the Brancott wine production facility in New Zealand was hit by two successive earthquakes. This caused substantial material damage to storage vats, for which a claim has been lodged with the Group's insurer.

Some areas are exposed to hurricane risk. The San José plant in Cuba has taken preventive measures to cover this eventuality.

There is also a risk of flooding. For example, cellars were affected in Scotland in 2009, but there was no significant damage. All sites exposed to this risk are subject to the implementation of specific emergency plans approved by our insurer. Lastly, in January 2010, exceptionally heavy snowfalls in the northern part of Scotland caused the roofs of 40 ageing cellars at the Mulben facility to collapse. A weather event of this nature had never previously been seen in this region and was deemed extremely unlikely. The damage only concerned the buildings, as the collapse did not affect inventories of spirits. Since this claim, specific attention was paid to those sites likely to face similar weather events. Preventive measures were set out together with our insurer and implemented by the sites.

Risks relating to the environment and climate change

In 2015/16, the Group launched a specific study of its 26 production affiliates to ensure that all long-term environmental risks, whether physical, regulatory or reputational, were identified and managed. Risks relating to the procurement of raw materials and water resource management proved to be the most significant.

Thus in terms of physical consequences, the major risk relates to the impact of climate changes on the supply of farm raw materials. Increasingly irregular crop yields, climatic events such as frost, hail and drought and shifting climatic boundaries can affect the quality, availability and, to a greater extent, the price of raw materials. Where grains are concerned, this effect, coupled with rising global demand, is contributing to the increasing volatility of market prices, which must be taken into account in procurement strategies and economic supply models. As regards grapes – another of the Group's key raw materials – climate models reveal the risk of an increase in wine alcohol content, changes to certain qualitative parameters and, in the longer term, a gradual shift in favourable climate areas. The affected inter-professional organisations, such as those for Cognac and Champagne and the corresponding organisations in Australia and New Zealand, have incorporated this issue into their research programmes in order to adapt their practices to these changes (choice of vine sorts, vine training, vinification, etc.). A similar risk exists in relation to the water supply for production sites: a number of sites use underground water tables for their water needs and these can also be affected by climate change. The availability and quality of water are therefore key factors for the quality of our products, and are monitored very closely. Responsible water management is a significant component of the Group's environmental policy: every site has to ensure that the use of groundwater or river water and the release of waste water back into the environment do not cause harm to nature. Sites located in areas identified as high-risk in terms of their water supply are subject to enhanced monitoring so as to ensure the sustainability of the resources used (see the "Environment" paragraph in Section 3, "Sustainability & Responsibility"). Another related risk is

that of the increasingly frequent occurrence of extreme weather events liable to damage production facilities or affect the supply chain, such as cyclones, floods or exceptional levels of snowfall. This risk is taken into account in the Group's insurance strategy and in the critical scenarios for our Business Continuity Management Systems.

From a regulatory point of view, environmental issues, and in particular climate-related issues, are leading to stricter regulations on carbon emissions. In Europe, the Group's three largest distilleries are subject to the CO_2 emission quota system (EU-ETS). The direct financial impact for Pernod Ricard is negligible. However, the economic impact of regulations on energy and carbon is also felt through indirect consumption *via* our suppliers (especially with respect to glass, alcohol and transportation) and is likely to increase over the coming years.

Finally, in terms of reputation, the environment also represents a challenge due to growing awareness among consumers and public opinion, whose expectations in terms of sustainable consumption are changing rapidly: this reality is taken into account by the marketing teams and is becoming one of the elements of the Group's marketing strategy. It is reflected mainly in the focus on eco-design of products, and incorporating the CSR dimension into brand platforms.

The existence of risks associated with various environmental aspects is reflected in the Group's environmental roadmap through specific actions in the fields of energy, carbon, water, and farm raw materials. The actions undertaken are set out in the paragraph on "Environment" in Section 3 of this Registration Document, "Sustainability & Responsibility". It should also be noted that in each year since 2006, on the Carbon Disclosure Project website, Pernod Ricard has published information relating to carbon emissions, water resource management and related issues.

LEGAL AND REGULATORY RISKS

Risks relating to changes in the regulatory environment

The Group's businesses throughout the world are subject to a growing number of bodies of regulations, in particular with respect to the sale of alcoholic beverages. The regulatory environment governing the production and marketing of alcoholic beverages could undergo change in France, in the European Union or in the rest of the world. Similarly, advertising and promotions of alcoholic beverages are subject to increasingly stringent rules aimed at changing consumer behaviour and reducing alcohol consumption.

In particular, in its capacity as a distributor of international beverage brands, the Group is subject, in the various countries in which it trades, to numerous regulatory requirements concerning production, product responsibility, distribution, marketing, advertising, labelling and imports. More broadly speaking, it is also subject to issues relating to competition and consolidation, commercial and pricing policies, pensions, labour law and environmental concerns. In addition, the Group's products are subject to import and indirect taxes in the various countries in which it trades.

Regulatory decisions and changes in legal and regulatory requirements in these markets could have a negative impact on Pernod Ricard's business:

- **product recalls:** regulatory authorities in the countries in which the Group trades could be given coercive powers and subject the Group to measures including product recalls, product seizures and other sanctions, any of which could have an adverse effect on its trading or harm its reputation, with subsequent negative consequences on its operating profit;
- **advertising and promotions:** regulatory authorities in the countries in which the Group trades could impose restrictions on advertising for alcoholic beverages, for instance by banning television advertisements or the sponsoring of sporting events, or by restricting the use of these media. Furthermore, the Group has signed several voluntary self-regulation codes, which impose restrictions on the advertising of and promotions for alcoholic beverages. These limits could have the effect of hindering or restricting the Group's capacity to maintain or reinforce consumer behaviour in relation to its brands and their recognition on major markets and significantly affecting the Group's trading environment;
- **labelling:** regulatory authorities in the countries in which the Group trades could impose new or different requirements in terms of labelling and production. Changes to labelling requirements for alcoholic beverages, including the Group's brand portfolio of Premium Wines & Spirits, could diminish the appeal of these products in the eyes of consumers, thereby leading to a fall in the sales of these beverages. Furthermore, such changes could have the consequence of increasing costs, thereby affecting the Group's results;
- **import taxes and excise duties:** the Group's products are subject to import taxes and excise duties in most markets. An increase in import taxes and excise duties or a change in the legislation relative to duty free sales could lead to an increase in the price of its products as well as a reduction in the consumption of its Premium Wines & Spirits brands or an increase in costs for the Group;
- **access to distribution:** regulatory authorities in the countries in which the Group trades could seek to restrict consumers' access to Group products, for instance by limiting the trading hours of establishments serving alcoholic beverages or increasing the legal age for alcohol consumption.

Aside from the fact that change in local laws and regulations could in some cases restrict the Group's growth capacity by changing consumer behaviour, compliance with new laws and regulations could also require substantial investments. This could potentially have a significant negative impact on the Group's reported results and outlook.

Similar to other businesses, the Wines & Spirits business is highly sensitive to changes in tax regulations. In addition, in the current macroeconomic climate, regulatory authorities may resort to increasing taxes on alcoholic beverages. The effect of any future tax increases on the Group's sales in a given jurisdiction cannot be precisely measured. However, a significant increase in import and excise duties on alcoholic beverages and other taxes could have an adverse effect on the Group's financial position and operating profit. Furthermore, the Group's net profit is calculated on the basis of extensive tax and accounting requirements in each of the jurisdictions in which the Group operates. Changes in tax regulations, specifically led by the OECD, the European Union and national governments (including tax rates), accounting policies and accounting standards could have a material impact on the Group's results.

In addition, as an international group, Pernod Ricard can be subject to tax audits in several jurisdictions. The Group takes tax positions that it believes are correct and reasonable in the course of its business with respect to various tax matters. However, there is no assurance that tax authorities in the jurisdictions in which the Group operates will agree with its tax positions. In the event that the tax authorities successfully challenge the Group on any material positions, the Group may be subject to additional tax liabilities that may have an adverse effect on the Group's financial position if they are not covered by provisions or if they otherwise trigger a cash payment.

Risks relating to Intellectual Property

Recognition of the Group's brands is a fundamental element of its competitiveness. The management of the Group's brands and other owned intellectual property rights requires substantial investments both for their protection and defence.

The Group has taken very strict actions in this area. At the end of 2014, it set up a core team of 16 people (the "Group Intellectual Property Hub" or GIPH) coordinated by the Intellectual Property Department, and located at the Group's Headquarters. This team is responsible for the administrative management of all portfolios of intellectual property rights on behalf of the Brand Companies. This new organisational structure responds to a need to pool the Group's resources while implementing a consistent and uniform protection policy across all portfolios of intellectual property rights.

In particular, the GIPH defends the Group's intellectual property rights against any attempt by others to lodge rights similar to ours (specifically through objections). The Brand Companies remain in charge of proceedings brought against any counterfeit goods and/or imitations that may be present on the markets.

The defence of such property is a mission involving all of the Group's personnel, who are aware of the importance of these crucial assets. For instance, sales forces are called on to identify any third party imitation of the products and brands of the Group and to transmit all information to the Legal Department responsible for intellectual property so that the Group can respond efficiently to those actions.

However, the Group, as any owner of intellectual property rights, is not in a position to guarantee that such measures will be fully sufficient to force third parties to respect its rights. In some non-European Union countries, particularly in Asia (China, Thailand, Vietnam, etc.), even though satisfactory legal options generally exist, it can be difficult to persuade the local authorities to apply dissuasive sanctions on counterfeiters that reproduce in full or in part the Group's most popular brands in these countries. Yet those illicit acts are likely to have unfavourable consequences for the image of the relevant products. The Group therefore takes specific action, with objectives determined on the basis of the market and the brand, bringing together various internal departments so as to take a cross-functional approach to the problem of counterfeiting. These actions include coordinated legal responses and operations aimed at raising awareness among local authorities, field and online surveys, and technical and technological measures aimed at improving the protection of the Group's products.

Third parties can also contest the Group's ownership of certain brands.

Legal decisions could therefore affect the Group's brand portfolio, potentially having negative effects on its financial position, reported results and outlook.

The Group is currently involved in litigation regarding the "Havana Club" brand (see Note 6.5 – *Disputes* of the Notes to the consolidated financial statements). In this case, an unfavourable ruling would not adversely impact the Group's current financial position, as the brand is not currently marketed in the United States, but it could constitute a lost opportunity if the embargo against Cuba is lifted.

Risks relating to litigation

In common with other companies in the Wines & Spirits segment, the Group is occasionally subject to class action or other litigation and complaints from consumers or government authorities. In addition, the Group routinely faces litigation in the normal course of business. If such litigation were to result in fines, monetary damages or reputational damage to the Group or its brands, its business could be materially adversely affected.

The provisions recorded by Pernod Ricard at 30 June 2016, for all litigation and risks in which it is involved, amounted to €526 million, compared with €508 million at 30 June 2015 (see Note 4.7 – *Provisions* of the Notes to the consolidated financial statements). Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the best of the Company's knowledge, there are no other government, legal or arbitration procedures pending or threatened, including any procedure of which the Company is aware, which may have or have had a significant impact on the profitability of the Company and/or the Group over the last 12 months, other than those described in Note 6.5 – *Disputes* of the Notes to the consolidated financial statements.

FINANCIAL RISKS

Risks relating to the Group's indebtedness

The average Net Debt/EBITDA was 3.4 [1] on 30 June 2016, a decline compared to the rate of 3.5 at 30 June 2015 (net debt, converted at the average rate). For more information on the Group's indebtedness, see Note 4.8 – *Financial liabilities* of the Notes to the consolidated financial statements.

The risks related to indebtedness are:

- limiting of the Group's ability to obtain additional financing for working capital, capital expenditure, acquisitions or general corporate purposes, and increasing the cost of such financing;
- a reduction in the cash available to finance working capital requirements, capital expenditure, acquisitions or corporate projects, a significant part of the Group's operating cash flow being put towards the repayment of the principal and interest on its debt;
- increasing the Group's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- the occurrence of a breach of one of the commitments made by the Group pursuant to the contracts bearing on its financing could require it to accelerate the repayment of its debt, thereby potentially sparking a liquidity crisis.

Additional information regarding liquidity risks is provided in Notes 4.8 – *Financial liabilities* and 4.9 – *Financial instruments* of the Notes to the consolidated financial statements, and in the Significant contracts section of this management report.

Market risks (currency and interest rates)

Currency risk

As the Group consolidates its financial statements in euros, it is exposed to fluctuations against the euro by the currencies in which its assets and liabilities are denominated (asset risk) or in which transactions are carried out (transaction risk and translation risk).

While some hedging strategies allow exposure to be limited, there is no absolute protection against exchange rate fluctuations.

For **asset risk**, financing foreign currency denominated assets acquired by the Group with debt in the same currency provides natural hedging. This principle was applied for the acquisition of assets from Seagram, Allied Domecq and Vin&Sprit, with part of the debt being in USD, reflecting the importance of cash flows generated in dollars or linked currencies.

Currency movements against the euro (notably in the USD) may impact the nominal amount of these debts and the financial costs published in euros in the consolidated financial statements, and this could affect the Group's reported results.

For **operational currency risk**, the Group's international operations expose it to currency risks bearing on transactions carried out by affiliates in a currency other than their operating currency (transaction accounting risk).

In all cases, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to currency risk on invoicing between producer and distributor affiliates is managed *via* a monthly payment centralisation procedure involving most countries with freely convertible and transferable currencies and whose internal legislation allows this participation. This system hedges against net exposure using forward exchange contracts.

Residual risk is partially hedged using financial derivatives (forward purchases, forward sales or options) to hedge certain or highly probable non-Group operating receivables and payables.

In addition, the Group may use firm or optional hedges with the aim of reducing the impact of currency fluctuations on its operating activities in some Brand Companies that make significant purchases in currencies other than the euro – especially USD, GBP or SEK – or in order to secure the payment of dividends back to the parent.

Interest rate risk

On 30 June 2016, the Pernod Ricard group's debt comprised floating-rate debt (mainly the syndicated loan and other bank loans) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including swaps in EUR and USD.

The Group cannot guarantee that these hedges will prove sufficient, or that it will be able to maintain them on acceptable terms.

Additional information on currency and interest rate risks is provided in Notes 4.8 – *Financial liabilities*, 4.9 – *Financial instruments* and 4.10 – *Interest rate, foreign exchange and commodity derivatives* of the Notes to the consolidated financial statements.

Liquidity risks

On 30 June 2016, the Group's cash and cash equivalents totalled €569 million (compared with €545 million at 30 June 2015). An additional €2,760 million of medium-term credit facilities with banks was confirmed and remained undrawn at that date. Group funding is provided in the form of long-term debt (syndicated loans, bonds, etc.) and short-term financing (commercial paper, bank overdrafts) as well as factoring and securitisation, which provide adequate financial resources to ensure the continuity of its business. Short-term financial debt after hedging was €2,027 million (compared with €2,159 million at 30 June 2015).

While the Group has not identified any other significant short-term cash requirement, it cannot be fully guaranteed that it will be able to continue to get the funding and refinancing needed for its day-to-day operations and investments on satisfactory terms, given the uncertain economic climate.

(1) Average EUR/US dollar exchange rate of 1.11 over the 2015/16 financial year compared to 1.20 over the 2014/15 financial year.

The credit ratings sought by Pernod Ricard from rating agencies on its long- and short-term debt are Baa2/P2 from Moody's and BBB-/A3 from Standard & Poor's respectively.

The Group's bank and bond debt contracts include covenants. Breaches of these covenants could force the Group to make accelerated payments. At 30 June 2016, the Group was in compliance with the covenants under the terms of its syndicated loan, with a solvency ratio (total net debt converted at the average rate/consolidated EBITDA) of 5.25 or less.

Furthermore, while the vast majority of the Group's cash surplus is placed with branches of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may lose some of their liquidity and/or value.

The currency controls in place in certain countries limit the Group's ability to use cash (prohibition on investment with Pernod Ricard Finance), and in some cases, the possibility of paying dividends (authorisation is required from the relevant authorities in Cuba).

Additional information regarding liquidity risks is provided in Notes 4.8 – *Financial liabilities* and 4.9 – *Financial instruments* of the Notes to the consolidated financial statements, and in the Significant contracts section of this Management Report.

Counterparty risks in financial transactions

The Group could be exposed to counterparty default *via* its cash investments, hedging instruments or the availability of confirmed but undrawn financing lines. In order to limit this exposure, the Group performs a rigorous selection of counterparties according to several criteria, including credit ratings, and depending on the maturity dates of the transactions.

However, no assurance can be given that this rigorous selection will be enough to protect the Group against risks of this type, particularly in the current economic climate.

Risks relating to the Group's pension plans

The Group's unfunded pension obligations amounted to €292 million on 30 June 2016. During the 2015/16 financial year, the Group made total contributions to Group pension plans of €84 million. For more information on the Group's pension and other post-employment liabilities, see Note 4.7 – *Provisions* of the Notes to the consolidated financial statements.

The Group's pension obligations are for the most part covered by balance sheet provisions and partially covered by pension funds or by insurance. The amount of these provisions is based on certain actuarial assumptions, including, for example, discounting factors, demographic trends, pension trends, future salary trends and expected returns on plan assets. If actual developments were to deviate from these assumptions, this could result in an increase in pension obligations on the Group's balance sheet and require a substantially higher allocation to pension provisions, which could have a material adverse effect on the Group's financial results.

It may be possible to fund the increase in the Group's future obligations under its pension plans from its cash flow from operations. If the assets in the Group's funded pension plans perform less well than expected or if other actuarial assumptions are modified, the Group's contributions to these plans could be materially higher than expected, which would reduce the cash available to the Group for its business.

INSURANCE AND RISK COVERAGE

For Pernod Ricard, use of insurance is a solution for the financial transfer of the major risks facing the Group. This transfer is accompanied by a policy of prevention for the purpose of reducing risk as far as possible. The Group evaluates its risks with care in order to fine-tune the level of coverage of the risks it incurs.

The Group has two types of cover: Group insurance programmes and local policies. The programmes at Group level are monitored by an insurance manager, who coordinates the insurance and risk management policy, and also by a person in charge of monitoring industrial risk prevention.

Insurance policies

In order to cover the main risks, Pernod Ricard has set up international insurance programmes for all Group affiliates, barring exceptions due to local regulatory constraints in certain countries or as a result of more attractive conditions offered by the local market. These programmes provide the following cover:

- property damage and business interruption losses;
- operating and product liability;
- environmental liability;
- costs and losses incurred by the Group due to accidental and/or criminal contamination;
- Directors' civil liability;
- damage during transport (and storage);
- fraud.

Moreover, credit insurance programmes are in place, aimed at reducing the risks associated with trade receivables.

Some affiliates have contracted additional insurance to meet *ad hoc* needs (for example, vineyard insurance in Spain, car fleet insurance, etc.).

Coverage

Type of insurance	Coverage and limits on the main insurance policies [1]
Property damage and business interruption losses	◆ Coverage: fully comprehensive (except exclusions) ◆ Basis of compensation: – new value for moveable property and real estate, except for certain affiliates, which have exceptionally chosen, with the contractual agreement of the insurers, to provide for another basis of compensation, – cost of sale for inventories, except for certain maturing stocks that are insured at replacement value or net carrying amount plus a fixed margin (tailored to each company), – business operating losses with a compensation period of between 12 and 36 months depending on the company. ◆ Limits on compensation: – main compensation limit of €900 million, covering all damage and business interruption losses. The programme includes additional limits, for example to cover natural events. ◆ Furthermore, a captive insurance company provides insurance cover for an amount of €3 million per claim with a maximum commitment of €5 million *per annum.*
General civil liability (operating and product liability)	Fully comprehensive coverage (except for exclusions) for damage caused to third parties for up to €220 million per year of insurance.
General environmental liability	Coverage for environmental damage of €35 million.
Product contamination	Coverage in the general civil liability programme for recall outlay, the cost of the relevant products, loss of business and outlay on rebuilding Pernod Ricard's image following accidental or criminal contamination of products delivered that present a threat of harm to persons or property: coverage of up to €45 million per year.
Directors' civil liability	Coverage of up to €150 million per year of insurance.
Transport	Coverage of up to €20 million per claim.
Computer fraud/hacking	Coverage of up to €35 million per year.
Credit	Coverage differs depending on the affiliate and the programme, with total cover rising to a maximum of €180 million. It can also be partially transferred under a programme to sell receivables.

(1) The figures shown are the main limits for the year ended 30 June 2016. Changes may have been negotiated for the 2016/17 financial year. Some contracts provide specific limits for certain aspects of coverage.

Resources provided by the Group to manage the consequences of a claim, especially in the case of an industrial accident

If a claim were to be filed affecting Pernod Ricard or a Group company, especially in the case of an industrial accident, it would rely on its brokers and insurers and all service providers as required to ensure the effective management and resolution of the claim. All these players have the experience and means required for managing exceptional situations.

RISKS AND DISPUTES: PROVISIONING PROCEDURE

As part of its commercial activities, the Pernod Ricard group is involved in legal actions and subject to tax, customs and administrative audits. The Group only records provisions for risks and charges when it is likely that a current obligation stemming from a past event will require the payment of an amount that may have been underestimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability. Provisions accordingly involve an assessment by Group Management.

Significant contracts

SIGNIFICANT CONTRACTS NOT RELATED TO FINANCING

Suntory

In 1988, Allied Domecq entered into a series of agreements with Suntory Ltd, one of Japan's leading producers and distributors of spirits. One of the provisions of these agreements concerned the creation of a joint venture company in Japan called Suntory Allied Ltd, in which 49.99% of the capital and voting rights are owned by Allied Domecq and 50.01% by Suntory Limited. Suntory Allied Ltd was granted the exclusive distribution rights for certain Allied Domecq brands in Japan until 31 March 2029.

The management of Suntory Allied Ltd is jointly controlled by Pernod Ricard, as successor-in-interest to Allied Domecq, and Suntory Ltd.

Sale and repurchase agreements

During the 2015/16 financial year, Pernod Ricard did not conclude any sale and repurchase agreements.

FINANCING CONTRACTS

Credit Agreement of November 2010

Pernod Ricard signed a Credit Agreement for €150 million with a banking institution, with effect from 26 November 2010, the amount of which was allocated in full to the repayment of the 2008 syndicated loan. This was partially repaid on 26 November 2015 (15%), and another partial repayment is scheduled for 26 November 2016 (20%); the remainder is due on 26 November 2017. This Credit Agreement contains the customary representations, warranties and early repayment undertakings, as well as the usual restrictive covenants and commitments contained in such contracts. It also requires compliance with a solvency ratio at each half-year end – *i.e.* total consolidated net debt/consolidated EBITDA, this being a more flexible indicator than the ratio applied to the syndicated loan.

2012 Credit Agreement (syndicated credit)

In relation to the refinancing of the 2008 bank debt, Pernod Ricard and a number of its affiliates signed a new, five-year €2.5 billion revolving credit facility (the "Credit Agreement") on 25 April 2012. The initial term of the Credit Agreement was extended by 18 months by an addendum dated 23 October 2013, with the effect of reducing its interest rate and extending its maturity.

The obligations of each of the borrowers under the Credit Agreement are guaranteed by Pernod Ricard. No security interest *(sûreté réelle)* was granted under the terms of the Credit Agreement.

The Credit Agreement contains the customary representations and warranties, as well as the usual restrictive covenants contained in such contracts, notably restricting the ability of some Group companies (subject to certain exceptions) to pledge their assets as security interest, alter the general nature of the Group's activities or carry out certain acquisition transactions.

The Credit Agreement also sets out obligations, including a commitment to provide lenders with adequate information, compliance with a solvency ratio at each half-year end as mentioned hereunder (the "Solvency Ratio"), and compliance with certain commitments customary in this type of credit agreement (including the maintenance of the credit's *pari passu* ranking).

Solvency ratio (total consolidated net debt/consolidated EBITDA)

The Solvency Ratio must be less than or equal to 5.25. At 30 June 2016, the Group was compliant with this solvency ratio (see "Liquidity risks" in this management report).

The Credit Agreement incorporates the main terms of the 2008 Credit Agreement and, in addition, provides for certain cases of voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice for credit agreements of this kind (including non-compliance with commitments, change of control and cross default). The Credit Agreement also contains a clause under which the taking of control of the Company by any person or group of persons acting in concert (other than Société Paul Ricard or any group of persons acting in concert with Société Paul Ricard) is likely to constitute grounds for compulsory early repayment.

Bond issue of March 2010

In March 2010, Pernod Ricard issued €1.2 billion of fixed-rate bonds. The Bonds had a nominal value of €50,000 and were traded on the Luxembourg stock exchange regulated market.

The Bonds bore interest at an annual fixed rate of 4.875%, payable annually in arrears on 18 March.

The proceeds of this bond issue were allocated to the repayment of the shortest-term facilities of the 2008 syndicated loan.

They were fully repaid on 18 March 2016.

Bond issue of December 2010

At the end of December 2010, Pernod Ricard issued US$201 million of floating-rate bonds. The Bonds had a nominal value of US$1 million and were subscribed in full by a single counterparty.

The Bonds bore floating-rate interest, payable quarterly as from 21 March 2011.

The proceeds of this bond issue were allocated to the repayment of the shortest-term facilities of the 2008 syndicated loan in order to extend the Group's debt maturity.

They were fully repaid on 21 December 2015.

Bond issue of March 2011

In March 2011, Pernod Ricard issued €1 billion of fixed-rate bonds, maturing on 15 March 2017. The Bonds have a nominal value of €100,000 and are traded on the Luxembourg stock exchange regulated market.

The Bonds bear interest at an annual fixed rate of 5%, payable annually in arrears on 15 March.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the 2008 syndicated loan in order to extend the Group's debt maturity.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of April 2011

In April 2011, Pernod Ricard issued US$1 billion of fixed-rate bonds, maturing on 7 April 2021, through a private placement for institutional investors, and subject to New York State (United States) law. The Bonds have a nominal value of US$150,000 (with multiples of US$1,000 in excess of this amount).

The Bonds bear interest at an annual fixed rate of 5.75%, payable semi-annually in arrears on 7 April and 7 October as from 7 October 2011.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of part of the 2008 syndicated loan denominated in US dollars.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of October 2011

In October 2011, Pernod Ricard issued US$1.5 billion of fixed-rate bonds, maturing on 15 January 2022, through a private placement for institutional investors, and subject to New York State (United States) law. The Bonds have a nominal value of US$150,000 (with multiples of US$1,000 in excess of this amount).

The Bonds bear interest at an annual fixed rate of 4.45%, payable semi-annually in arrears on 15 January and 15 July as from 25 October 2011.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of part of the 2008 syndicated loan denominated in US dollars.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of January 2012

In January 2012, Pernod Ricard issued US$2.5 billion of bonds through a private placement for institutional investors, and subject to New York State (United States) law. This issue involves three tranches: a 5-year facility of US$850 million, a 10.5-year facility of US$800 million and a 30-year facility of US$850 million. The Bonds have a nominal value of US$150,000 (with multiples of US$1,000 in excess of this amount).

The Bonds for the first facility bear interest at an annual fixed rate of 2.95%, payable semi-annually in arrears on 15 January and 15 July, as from 12 January 2012.

The Bonds for the second facility bear interest at an annual fixed rate of 4.25%, payable semi-annually in arrears on 15 January and 15 July, as from 12 January 2012.

The Bonds for the third facility bear interest at an annual fixed rate of 5.50%, payable semi-annually in arrears on 15 January and 15 July, as from 12 January 2012.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of part of the 2008 syndicated loan denominated in US dollars.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of March 2014

In March 2014, Pernod Ricard issued €850 million of fixed-rate bonds, maturing on 22 June 2020. The Bonds have a nominal value of €100,000 and are traded on the Euronext Paris regulated market.

The Bonds bear interest at an annual fixed rate of 2%, payable annually in arrears on 20 March.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the bond debt in order to extend the Group's debt maturity.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of September 2014

In September 2014, Pernod Ricard issued €650 million of fixed-rate bonds, maturing on 27 September 2024. The Bonds have a nominal value of €100,000 and are traded on the Euronext Paris regulated market.

The Bonds bear interest at an annual fixed rate of 2.125%, payable annually in arrears on 27 September.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the bond debt in order to extend the Group's debt maturity.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of September 2015

In September 2015, Pernod Ricard issued €500 million of fixed-rate bonds, maturing on 28 September 2023. The Bonds have a nominal value of €100,000 and are traded on the Euronext Paris regulated market.

The Bonds bear interest at an annual fixed rate of 1.875%, payable annually in arrears on 28 September.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the bond debt in order to extend the Group's debt maturity.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of January 2016

In January 2016, Pernod Ricard issued US$201 million of floating-rate bonds, maturing on 26 January 2021. The Bonds have a nominal value of US$1 million and were subscribed in full by a single counterparty.

The Bonds bear floating-rate interest, payable quarterly as from 26 July 2016.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the bond debt in order to extend the Group's debt maturity.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early upon the occurrence of certain customary events of default as well as at the request of the Company or the holder, as appropriate, in particular in certain cases of a change in the Company's situation or a change in taxation.

Bond issue of May 2016

In May 2016, Pernod Ricard issued €600 million of fixed-rate bonds, maturing on 18 May 2026. The Bonds have a nominal value of €100,000 and are traded on the Euronext Paris regulated market.

The Bonds bear interest at an annual fixed rate of 1.50%, payable annually in arrears on 18 May.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security *interest (sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the bond debt in order to extend the Group's debt maturity.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Bond issue of June 2016

In June 2016, Pernod Ricard issued US$600 million of fixed-rate bonds, maturing on 8 June 2026, through a private placement for institutional investors, and subject to New York State (United States) law. The Bonds have a nominal value of US$150,000 (with multiples of US$1,000 in excess of this amount).

The Bonds bear interest at an annual fixed rate of 3.250%, payable semi-annually in arrears on 8 June and 8 December as from 8 December 2016.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest *(sûreté réelle)* with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the short-term debt and the bond debt in order to extend the Group's debt maturity.

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

Factoring agreement Europe

On 15 December 2008, certain affiliates of Pernod Ricard and Pernod Ricard Finance entered into a "Factoring Framework Agreement" with BNP Paribas Factor, for the purpose of setting up a pan-European factoring programme for a gross amount of €350 million, increased to €400 million by an addendum dated 23 June 2009. The factoring programme, which was initially for a three-year period, was extended by an addendum dated 16 December 2011 for a further three-year period and was then renewed by an addendum dated 25 June 2014 for a four-year period from 1 January 2015. This programme was agreed in the amount of €400 million. The receivables are sold under the contractual subrogation regime under French law, except where certain local legal restrictions are in force. As substantially all of the risks and rewards related to the receivables are transferred to the purchaser in accordance with this factoring programme, transferred receivables are deconsolidated.

Securitisation (Master Receivables Assignment Agreement)

On 24 June 2009, certain affiliates of Pernod Ricard entered into an international securitisation programme arranged by Crédit Agricole CIB. The purpose of the programme was the transfer of eligible commercial receivables to Ester, in accordance with the provisions of a framework agreement dated 24 June 2009 and country-specific agreements entered into at the time that each relevant affiliate joined the programme. This programme was renewed on 19 June 2014 under the terms of an addendum to the framework agreement. The initial amount assigned to the programme was €45 million, US$130 million and £120 million.

This five-year programme includes a change of control clause that applies to each affiliate participating in the programme as a seller, which could lead to the early repayment of the programme by the affiliate concerned by such change of control. 'Change of control' is defined as Pernod Ricard ceasing to hold, directly or indirectly, at least 80% of the share capital or voting rights of an affiliate participating in the programme as a seller, unless (i) Pernod Ricard continues to hold, directly or indirectly, 50% of the share capital or voting rights of such affiliate and (ii) issues, at the request of Crédit Agricole CIB, a guarantee in terms that Crédit Agricole CIB deems satisfactory (acting reasonably) for the purpose of securing the obligations of such affiliate under the securitisation transaction documents.

Factoring agreement Pacific

On 18 March 2013, a new agreement for the sale of receivables was signed between Premium Wine Brands Pty [(1)], Pernod Ricard New Zealand Limited and The Royal Bank of Scotland plc. This factoring agreement covers Australia and New Zealand and amounts to AUD128.5 million and NZD45 million. The receivables sale agreement was taken over in full by BNP Paribas on 4 December 2015, replacing The Royal Bank of Scotland plc.

Additional information on the impact of these financing agreements on the Group's financial statements is disclosed in Note 4.8.1 – *Breakdown of net financial debt by nature and maturity* and Note 4.8.7 – *Bonds* of the Notes to the consolidated financial statements.

(1) Renamed Pernod Ricard Winemakers Pty.

5

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT 132

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 133

CONSOLIDATED BALANCE SHEET 134

Assets 134

Liabilities 135

CHANGES IN SHAREHOLDERS' EQUITY 136

CONSOLIDATED CASH FLOW STATEMENT 137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 138

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS 187

Consolidated income statement

€ million	30.06.2015	30.06.2016	Notes
Net sales	8,558	8,682	2
Cost of sales	(3,262)	(3,311)	2
Gross margin after logistics expenses	**5,296**	**5,371**	**2**
Advertising and promotion expenses	(1,625)	(1,646)	2
Contribution after advertising & promotion expenses	**3,671**	**3,725**	**2**
Structure costs	(1,433)	(1,448)	
Profit from recurring operations	**2,238**	**2,277**	
Other operating income	147	124	3.1
Other operating expenses	(796)	(306)	3.1
Operating profit	**1,590**	**2,095**	
Financial expenses	(554)	(495)	3.2
Financial income	65	63	3.2
Financial income/(expense)	**(489)**	**(432)**	
Corporate income tax	(221)	(408)	3.3
Share of net profit/(loss) of associates	0	0	
NET PROFIT	**880**	**1,255**	
o/w:			
◆ **Non-controlling interests**	19	20	
◆ **Group share**	**861**	**1,235**	
Earnings per share – basic *(in euros)*	3.26	4.68	3.4
Earnings per share – diluted *(in euros)*	3.24	4.65	3.4

Consolidated statement of comprehensive income

€ million	30.06.2015	30.06.2016
Net profit for the period	**880**	**1,255**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**23**	**96**
Amount recognised in shareholders' equity	*18*	*116*
Tax impact	*5*	*(20)*
Recyclable items		
Net investment hedges	**(97)**	**0**
Amount recognised in shareholders' equity	*(97)*	*0*
Tax impact	*-*	*-*
Cash flow hedges [(1)]	**(9)**	**(12)**
Amount recognised in shareholders' equity	*(11)*	*(16)*
Tax impact	*2*	*4*
Available-for-sale assets	**(0)**	**(0)**
Unrealised gains and losses recognised in shareholders' equity	*(0)*	*(0)*
Tax impact	*-*	*0*
Translation differences	**1,147**	**(599)**
Other comprehensive income for the period, net of tax	**1,064**	**(514)**
Comprehensive income for the period	**1,944**	**740**
o/w:		
◆ Group share	1,915	723
◆ Non controlling interests	29	17

(1) Including €(22) million recycled to net profit for 2015/16.

Consolidated balance sheet

ASSETS

€ million	30.06.2015	30.06.2016	Notes
Net amounts			
Non-current assets			
Intangible assets	12,212	12,085	4.1
Goodwill	5,494	5,486	4.1
Property, plant and equipment	2,200	2,214	4.2
Biological assets	153	172	
Non-current financial assets	512	721	4.3
Investments in associates	16	17	
Non-current derivative instruments	52	109	4.3/4.10
Deferred tax assets	2,339	2,505	3.3
TOTAL NON-CURRENT ASSETS	**22,978**	**23,310**	
Current assets			
Inventories and work in progress	5,351	5,294	4.4
Trade receivables and other operating receivables	1,152	1,068	4.5
Income taxes receivable	61	92	
Other current assets	260	251	4.6
Current derivative instruments	50	8	4.3/4.10
Cash and cash equivalents	545	569	4.8
TOTAL CURRENT ASSETS	**7,419**	**7,282**	
Assets held for sale	1	6	
TOTAL ASSETS	**30,398**	**30,598**	

LIABILITIES

€ million	30.06.2015	30.06.2016	Notes
Shareholders' equity			
Capital	411	411	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	8,796	8,639	
Group net profit	861	1,235	
Group shareholders' equity	**13,121**	**13,337**	
Non-controlling interests	167	169	
TOTAL SHAREHOLDERS' EQUITY	**13,288**	**13,506**	
Non-current liabilities			
Non-current provisions	400	422	4.7
Provisions for pensions and other long-term employee benefits	654	739	4.7
Deferred tax liabilities	3,373	3,556	3.3
Bonds – non-current	6,958	7,078	4.8
Other non-current financial liabilities	500	257	4.8
Non-current derivative instruments	87	84	4.10
TOTAL NON-CURRENT LIABILITIES	**11,972**	**12,137**	
Current liabilities			
Current provisions	173	167	4.7
Trade payables	1,696	1,688	
Income tax payable	116	101	
Other current liabilities	920	909	4.11
Bonds – current	1,514	1,884	4.8
Other current financial liabilities	538	143	4.8
Current derivative instruments	181	64	4.10
TOTAL CURRENT LIABILITIES	**5,138**	**4,955**	
Liabilities related to assets held for sale	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**30,398**	**30,598**	

Changes in shareholders' equity

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2014	**411**	**3,052**	**8,998**	**(255)**	**(74)**	**(265)**	**(247)**	**11,621**	**157**	**11,778**
Comprehensive income for the period	-	-	861	25	(9)	1,038	-	1,915	29	1,944
Capital increase	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	27	-	-	-	-	27	-	27
(Acquisition)/disposal of treasury shares	-	-	-	-	-	-	(54)	(54)	-	(54)
Sale and repurchase agreements	-	-	-	-	-	-	47	47	-	47
Dividends and interim dividends distributed	-	-	(433)	-	-	-	-	(433)	(25)	(458)
Changes in scope of consolidation	-	-	1	-	-	-	-	1	6	7
Other transactions with interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(4)	-	-	-	-	(4)	-	(4)
CLOSING POSITION ON 30.06.2015	**411**	**3,052**	**9,452**	**(230)**	**(83)**	**773**	**(254)**	**13,121**	**167**	**13,288**

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2015	**411**	**3,052**	**9,452**	**(230)**	**(83)**	**773**	**(254)**	**13,121**	**167**	**13,288**
Comprehensive income for the period	-	-	1,235	96	(12)	(596)	-	723	17	740
Capital increase	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	32	-	-	-	-	32	-	32
(Acquisition)/disposal of treasury shares	-	-	-	-	-	-	(18)	(18)	-	(18)
Sale and repurchase agreements	-	-	-	-	-	-	(1)	(1)	-	(1)
Dividends and interim dividends distributed	-	-	(496)	-	-	-	-	(496)	(15)	(511)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	25	25
Other transactions with interests	-	-	(24)	-	-	-	-	(24)	(26)	(51)
Other movements	-	-	1	-	-	-	-	1	0	1
CLOSING POSITION ON 30.06.2016	**411**	**3,052**	**10,198**	**(133)**	**(95)**	**177**	**(273)**	**13,337**	**169**	**13,506**

Consolidated cash flow statement

€ million	30.06.2015	30.06.2016	Notes
Cash flow from operating activities			
Group net profit	861	1,235	
Non-controlling Interests	19	20	
Share of net profit/(loss) of associates, net of dividends received	(0)	(0)	
Financial (income)/expenses	489	432	
Tax (income)/expenses	221	408	
Net profit from discontinued operations	-	-	
Depreciation of fixed assets	214	219	
Net change in provisions	(156)	(75)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	656	107	
Changes in fair value of commercial derivatives	(1)	11	
Changes in fair value of biological assets	(11)	(15)	
Net (gain)/loss on disposal of assets	(98)	(59)	
Share-based payments	27	32	
Self-financing capacity before financing interest and taxes	**2,220**	**2,315**	
Decrease/(increase) in working capital requirements	(193)	(178)	5
Interest paid	(520)	(471)	
Interest received	65	63	
Tax paid/received	(538)	(393)	
NET CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	**1,035**	**1,336**	
Cash flow from investing activities			
Capital expenditure	(323)	(333)	5
Proceeds from disposals of property, plant and equipment and intangible assets	20	16	5
Change in the scope of consolidation	-	-	
Purchases of financial assets and activities	(79)	(108)	
Disposals of financial assets and activities	117	66	
NET CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	**(264)**	**(359)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(461)	(497)	
Other changes in shareholders' equity	-	-	
Issuance of debt	2,451	3,205	5
Repayment of debt	(2,711)	(3,618)	5
(Acquisitions)/disposals of treasury shares	(13)	(18)	
Other transactions with non-controlling interests	(1)	-	
NET CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	**(735)**	**(928)**	
Cash flow from non-current assets held for sale	-	-	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE IMPACT	**36**	**49**	
Effect of exchange rate changes	32	(25)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS AFTER FOREIGN EXCHANGE IMPACT	**68**	**24**	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**477**	**545**	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**545**	**569**	

Notes to the consolidated financial statements

Note 1	***Accounting principles and significant events***	***139***
Note 1.1	Accounting principles	139
Note 1.2	Significant events during the financial year	141
Note 2	***Segment information***	***142***
Note 3	***Notes to the income statement***	***144***
Note 3.1	Other operating income and expenses	144
Note 3.2	Financial income/(expense)	145
Note 3.3	Corporate income tax	145
Note 3.4	Earnings per share	147
Note 3.5	Expenses by nature	147
Note 4	***Notes to the balance sheet***	***148***
Note 4.1	Intangible assets and goodwill	148
Note 4.2	Property, plant and equipment	150
Note 4.3	Financial assets	152
Note 4.4	Inventories and work in progress	153
Note 4.5	Trade receivables and other operating receivables	154
Note 4.6	Other current assets	155
Note 4.7	Provisions	155
Note 4.8	Financial liabilities	162
Note 4.9	Financial instruments	167
Note 4.10	Interest rate, foreign exchange and commodity derivatives	170
Note 4.11	Other current liabilities	171
Note 5	***Notes to the cash flow statement***	***172***
Note 6	***Additional information***	***172***
Note 6.1	Shareholders' equity	172
Note 6.2	Share-based payments	173
Note 6.3	Off-balance sheet commitments	180
Note 6.4	Contingent liabilities	181
Note 6.5	Disputes	182
Note 6.6	Related parties	183
Note 6.7	Subsequent events	183
Note 7	***Scope of consolidation***	***183***
Note 7.1	Scope of consolidation	183
Note 7.2	List of main consolidated companies	184

Pernod Ricard SA is a French public limited company *(société anonyme)*, subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 12, place des États-Unis, 75783 Paris CEDEX 16, France and is listed on the Euronext stock exchange. The annual consolidated financial statements reflect the accounting position of Pernod Ricard and its affiliates (the "Group"). They are presented in euros and rounded to the nearest million.

The Group's business is the sale of Wines & Spirits.

The annual consolidated financial statements for the financial year ended 30 June 2016 were approved by the Board of Directors on 31 August 2016.

Note 1 Accounting principles and significant events

Note 1.1 Accounting principles

1. Principles and accounting standards governing the preparation of the annual consolidated financial statements

Because of its listing in a country of the European Union and in accordance with EC Regulation 1606/02, the Group's annual consolidated financial statements for the financial year ended 30 June 2016 have been prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union. These standards include the standards approved by the International Accounting Standards Board (IASB), these being IFRS, IAS (International Accounting Standards) and their interpretations issued by the IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The accounting principles used to prepare the consolidated financial statements at 30 June 2016 are consistent with those used for the consolidated financial statements at 30 June 2015, with the exception of the standards and interpretations adopted by the European Union applicable to the Group from 1 July 2015 (see Note 1.1.2. – *Changes in accounting standards*). The Group does not adopt early application of standards or interpretations.

The Group's financial year runs from 1 July to 30 June.

2. Changes in accounting standards

Standards, amendments and interpretations for which application became mandatory for the financial year beginning 1 July 2015

The standards, amendments and interpretations applicable to Pernod Ricard from 1 July 2015 are as follows:

- the IFRS improvements cycle 2010-2012;
- the IFRS improvements cycle 2011-2013;
- the amendment to IAS 19 (Employee benefits), which clarifies the recognition of employee or third-party contributions set out by the provisions of a scheme, in order to help finance the benefits.

The application of these texts has no material impact on the Group's financial statements.

Standards, amendments and interpretations for which application is mandatory from 1 July 2016

The impact of the amendments to IAS 41 (Agriculture) and IAS 16 (Property, plant and equipment) is currently being assessed by the Group. Under these amendments, bearer plants will henceforth be accounted in accordance with IAS 16, allowing such plants to be recognised using the cost model or the revaluation model. Produce from such bearer plants continues to be accounted in accordance with IAS 41. Impact of implementation of these amendments will have no material impact on the Group's operating profit. At 30 June 2016, biological assets amounted to €172 million, including €169 million of vines.

Standards, amendments and interpretations that will apply to Pernod Ricard from 1 July 2016, and which will have no material impact on the Group's financial statements, are as follows:

- the amendments to IAS 1 (Presentation of financial statements), on the information to be provided;
- the amendments to IAS 16 (Property, plant and equipment) and IAS 38 (Intangible assets) which clarify acceptable methods of depreciation and amortisation;
- the amendments to IFRS 11 (Joint arrangements) on the accounting of acquisitions of interests in joint operations;
- the IFRS improvements cycle 2012–2014.

Furthermore, the impacts of applying the following standards are currently being assessed (standards not yet adopted by the European Union):

- IFRS 15 (Revenue from contracts with customers) applicable for financial years beginning on or after 1 January 2018;
- IFRS 9 (Financial instruments) applicable for financial years beginning on or after 1 January 2018;
- IFRS 16 (Leases) applicable for financial years beginning on or after 1 January 2019.

3. Measurement basis

The financial statements are prepared in accordance with the historical cost method, except for certain categories of assets and liabilities, which are measured in accordance with the methods provided by IFRS.

4. Principal uncertainties arising from the use of estimates and judgements by Management

Estimates

The preparation of consolidated financial statements in accordance with IFRS means that Group Management makes a certain number of estimates and assumptions which have an impact on the amount of the Group's assets and liabilities, and items of profit and loss during the financial year. These estimates are made on the assumption that the Company will continue as a going concern, and are based on information available at the time of their preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available. Future results may differ from these estimates.

Goodwill and intangible assets

As indicated in Note 4.1 – *Intangible assets and goodwill*, in addition to annual impairment tests applied to goodwill and intangible assets with indefinite useful lives (such as brands), specific impairment tests are applied where there is an indication that the value of an intangible asset may have been impaired. Any impairment loss recognised is calculated using discounted future cash flows and/or the market values of the assets in question. These calculations require the use of assumptions regarding market conditions and projected cash flows, and any changes in these assumptions may thus lead to results different from those initially estimated.

Provisions for pensions and other post-employment benefits

As indicated in Note 4.7 – *Provisions*, the Group runs defined benefit and defined contribution pension plans. In addition, provisions are also recognised in virtue of certain other post-employment benefits such as life insurance and medical care (mainly in the United States and the United Kingdom). The carrying amount of these provisions at the balance sheet date is set out in Note 4.7 – *Provisions*.

These benefit obligations are based on a number of assumptions such as discount rates, expected returns on plan assets, future salary increases, the rate of employee turnover and life expectancy.

These assumptions are generally updated annually. Assumptions used in the preparation of the financial statements for the year ended 30 June 2016 and their methods of determination are set out in Note 4.7 – *Provisions*. The Group considers that the actuarial assumptions used are appropriate and justified. However, such actuarial assumptions may change in the future and this may have a material impact on the amount of the Group's benefit obligations and on its profits.

Deferred tax

As indicated in Note 3.3 – *Corporate income tax*, the deferred tax assets recognised result mainly from tax loss carryforwards and from temporary differences between the tax base and the carrying amounts of assets and liabilities. Deferred tax assets in respect of tax losses are recognised if it is probable that the Group will have future taxable profits against which such losses will be used. The assessment of whether the Group will be able to use these tax losses is largely a matter of judgement. Analyses are carried out to decide whether or not these tax loss carryforwards are likely to be usable in the future.

Provisions

As explained in Note 4.7 – *Provisions*, the Group is involved in a number of disputes and claims arising in the ordinary course of its business. In some cases, the amounts requested by the claimants are significant and the legal proceedings can take several years. In this context, provisions are calculated on the basis of the Group's best estimate of the amount that will be payable based on the information available (notably that provided by the Group's legal advisers). Any change to assumptions can have a significant effect on the amount of the provision recognised. The carrying amount of these provisions at the closing date is set out in Note 4.7 – *Provisions*.

Judgements

In the absence of standards or interpretations applicable to a specific transaction, Group Management uses its judgement to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

5. Business combinations

Business combinations carried out before 1 July 2009 were recognised using the accounting standards in force at 30 June 2009. Business combinations after 1 July 2009 are measured and accounted in accordance with the revised version of IFRS 3: the consideration transferred (cost of acquisition) is measured at the fair value of the assets given, shareholders' equity issued and liabilities incurred at the transaction date. Identifiable assets and liabilities belonging to the acquired company are measured at their fair value at the acquisition date. Costs directly attributable to the acquisition, such as legal, due diligence and other professional fees are recognised as expenses as incurred.

Any surplus consideration in excess of the Group's share in the fair value of the acquired company's identifiable assets and liabilities is recognised as goodwill. The option is available for each transaction to apply either proportionate or full goodwill methods. Goodwill arising on the acquisition of foreign entities is denominated in the functional currency of the business acquired. Goodwill is not amortised. Instead, it is subject to an impairment test once a year or more often if there is any indication that its value may have been impaired.

Finally, in accordance with IFRS 3 as revised and IAS 27 as amended, the Group recognised in shareholders' equity the difference between the price paid and the proportional part of non-controlling interests acquired in previously controlled companies.

6. Foreign currency translation

6.1. Reporting currency used in the consolidated financial statements

The Group's consolidated financial statements are prepared in euros, which is the functional currency and the reporting currency of the Parent Company.

6.2. Functional currency

The functional currency of an entity is the currency of the economic environment in which it mainly operates. In most cases, the functional currency is the entity's local currency. However, in a very limited number of entities, a functional currency that is different from the local currency may be used if it reflects the entity's economic environment and the currency in which most of the entity's transactions are denominated.

6.3. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are generally translated into the functional currency using the exchange rate applicable at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applying at the closing date. Foreign currency differences are recognised in profit and loss for the period, except for foreign currency differences arising on debts designated as hedges for the net foreign currency assets of consolidated affiliates. The latter are recognised directly in shareholders' equity, under currency translation adjustments, until the disposal of the net investment. Foreign currency differences related to operating activities are recognised within operating profit for the period; foreign currency differences related to financing activities are recognised within financial income (expense) or in shareholders' equity.

6.4. Translation of financial statements of affiliates whose functional currency is different from the euro (the reporting currency)

The balance sheet is translated into euros at year-end exchange rates. The income statement and cash flows are translated on the basis of average exchange rates. Differences resulting from the translation of the financial statements of these affiliates are recognised in currency translation adjustments within shareholders' equity. On disposal of a foreign entity, currency translation adjustments previously recognised in shareholders' equity are recognised in profit and loss.

7. *Assets held for sale and discontinued operations*

In accordance with IFRS 5 (Non-current assets held for sale and discontinued operations), where they are significant, assets and liabilities held for sale are not subject to depreciation or amortisation. They are shown separately in the balance sheet at the lower of the carrying amount or the fair value less costs to sell. An asset is considered as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In order for this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Items in the balance sheet related to discontinued operations and assets held for sale are presented under specific lines in the consolidated financial statements. Income statement items related to discontinued operations and assets held for sale are separately presented in the financial statements for all periods reported upon if they are significant from a Group perspective.

Note 1.2 Significant events during the financial year

1. *Acquisition*

On 31 March 2016, Pernod Ricard announced the completion of acquisition of a majority share in Black Forest Distillers GmbH, owner of the Monkey 47 brand, a dry-gin produced in the Black Forest region in Germany. With this investment, Pernod Ricard expands its portfolio further into the fast growing super-premium gin category. Monkey 47 is already a very successful gin having won over many loyal consumers in the past years.

2. *Disposal*

On 17 May 2016, Pernod Ricard and Irish Distillers announced the signing and completion of the sale, to Sazerac, of the Paddy Irish Whiskey, the 4th largest Irish whiskey brand in the world.

3. *Bonds*

On 28 September 2015, Pernod Ricard issued bonds for a total amount of €500 million, with the following characteristics: an 8-year maturity period (maturity date: 28 September 2023) and a fixed interest rate of 1.875%.

On 18 March 2016, Pernod Ricard repaid a bond loan in the amount of €1,200 million, bearing interest at 4.88%.

On 17 May 2016, Pernod Ricard issued bonds for a total amount of €600 million, with the following characteristics: a 10-year maturity period (maturity date: 18 May 2026) and a fixed interest rate of 1.50%.

On 8 June 2016, Pernod Ricard issued bonds for a total amount of US$600 million, with the following characteristics: a 10-year maturity period (maturity date: 8 June 2026) and a fixed interest rate of 3.25%.

Note 2 Segment information

Net sales

Revenue is measured at the fair value of the consideration received or to be received, after deducting trade discounts, volume rebates, certain costs associated with the rendering of services and sales-related taxes and duties, notably excise duties. Sales are recognised when the significant risks and rewards of ownership have been transferred, generally at the date of transfer of the title of ownership.

Cost of services rendered in connection with sales

Pursuant to IAS 18 (Revenue), certain costs of services rendered in connection with sales, such as advertising programmes in conjunction with distributors, listing costs for new products and promotional activities at point of sale, are deducted directly from sales if there is no distinct service whose fair value can be reliably measured.

Duties and taxes

In accordance with IAS 18, certain import duties, in Asia for instance, are classified as cost of sales, as these duties are not specifically re-billed to customers (as is the case for social security stamps in France, for example).

Discounts

In accordance with IAS 18, early payment discounts are not considered to be financial transactions, but rather are deducted directly from sales.

Gross margin after logistics expenses, contribution after advertising and promotion expenses, profit from recurring operations and other operating income and expenses

The gross margin after logistics costs corresponds to sales (excluding duties and taxes), less costs of sales and logistics expenses. The contribution after advertising and promotion expenses includes the gross margin after deduction of logistics expenses and advertising and promotion expenses. The Group applies recommendation 2013-R03 of the French accounting standards authority (*Autorité des Normes Comptables* – ANC), notably as regards the definition of profit from recurring operations. Profit from recurring operations is the contribution after advertising and promotion expenses less trading costs and overheads. This is the indicator used internally to measure the Group's operational performance. It excludes other operating income and expenses, such as those related to restructuring, capital gains and losses on disposals and other non-recurring operating income or expenses. These other operating income and expenses are excluded from profit from recurring operations because the Group believes they have little predictive value due to their occasional nature. They are described in detail in Note 3.1 – *Other operating income and expenses*.

The Group is focused on a single activity, Wines & Spirits sales, and has three operating segments covering the regions of America, Europe and Asia/Rest of World (ROW).

Group Management assesses the performance of each operating segment on the basis of net sales and profit from recurring operations, defined as the gross margin after logistics costs, advertising and promotion investments and structure costs. The segments presented are identical to those used in reporting to General Management, in particular for the performance analysis.

Items in the income statement and the balance sheet are allocated on the basis of either the destination of sales or profits. Reporting by operating segment follows the same accounting policies as those used for the preparation of the consolidated financial statements. Intra-segment transfers are transacted at market prices.

At 30.06.2015 *€ million*	Europe	America	Asia/Rest of World (ROW)	Elimination of intragroup accounts	Total
Income statement items					
Segment net sales	4,229	3,347	4,831	-	12,407
o/w Intersegment sales	*1,498*	*965*	*1,385*	-	*3,848*
Net sales	**2,731**	**2,382**	**3,446**	**-**	**8,558**
Gross margin after logistics expenses	1,704	1,519	2,073	-	5,296
Contribution after advertising & promotion expenses	1,183	1,041	1,446	-	3,671
Profit from recurring operations	608	632	999	-	2,238
Other information					
Current investments	237	38	46	-	321
Depreciation, amortisation and impairment	137	688	45	-	870
Balance sheet items					
Segment assets	16,391	20,016	9,420	(15,429)	30,398
Segment liabilities	16,325	11,623	4,591	(15,429)	17,110
NET ASSETS	**66**	**8,393**	**4,829**	**-**	**13,288**

At 30.06.2016 *€ million*	Europe	America	Asia/Rest of World (ROW)	Elimination of intragroup accounts	Total
Income statement items					
Segment net sales	4,113	3,565	5,008	-	12,687
o/w Intersegment sales	*1,404*	*1,090*	*1,510*	-	*4,004*
Net sales	**2,709**	**2,476**	**3,498**	**-**	**8,682**
Gross margin after logistics expenses	1,662	1,639	2,071	-	5,371
Contribution after advertising & promotion expenses	1,145	1,130	1,450	-	3,725
Profit from recurring operations	588	706	982	-	2,277
Other information					
Current investments	252	52	41	-	345
Depreciation, amortisation and impairment	245	34	48	-	326
Balance sheet items					
Segment assets	16,352	19,912	9,815	(15,481)	30,598
Segment liabilities	14,084	12,054	6,435	(15,481)	17,092
NET ASSETS	**2,268**	**7,858**	**3,380**	**-**	**13,506**

Breakdown of sales

€ million	Net sales on 30.06.2015	Net sales on 30.06.2016
Top 14 Spirits & Champagne	5,358	5,448
Priority Premium Wines	468	487
18 key local brands	1,577	1,647
Other income	1,154	1,100
TOTAL	**8,558**	**8,682**

Note 3 Notes to the income statement

Note 3.1 Other operating income and expenses

Other operating income and expenses include costs related to restructuring and integrations, capital gains and losses on disposals and other non-recurring operating income or expenses.

These other operating income and expenses are excluded from profit from recurring operations because the Group believes they have little predictive value due to their occasional nature.

Other operating income and expenses breakdown is as follows:

€ million	30.06.2015	30.06.2016
Impairment of property, plant and equipment and intangible assets	(656)	(105)
Gains or losses on asset disposals and acquisition costs	96	51
Net restructuring and reorganisation expenses (1)	(68)	(98)
Disputes and risks (1)	(9)	(24)
Other non-current operating income and expenses (1)	(12)	(7)
OTHER OPERATING INCOME AND EXPENSES	**(649)**	**(182)**

At 30 June 2016, other operating income and expenses included:

- gains or losses on asset disposals relating in particular to the disposal of Paddy Irish whiskey;
- Impairment of tangible and intangible assets, resulting primarily from brand impairment tests, particularly on Brancott Estate in the amount of €47 million, Wyborowa in the amount of €30 million and various individually non-material brands in the amount of €24 million. As a reminder, at 30 June 2015, partial impairment in the amount of €652 million had been recorded for the Absolut brand;
- restructuring costs linked to various reorganisation projects (mainly in Asia and America);
- expenses related to disputes and risks, including tax risks, that are non-current in nature;
- other non-current operating income and expenses.

(1) Translation table of reported data and data after reclassification at 30 June 2015:

€ million	30.06.2015 published	Reallocation			30.06.2015 after reclassification
Net restructuring expenses	(60)	60			-
Other non-current operating expenses	(81)		81		-
Other non-current operating income	52			(52)	-
Net restructuring and reorganisation expenses		(60)	(8)		(68)
Disputes and risks			(20)	10	(9)
Other non-current operating income and expenses			(53)	42	(12)

Note 3.2 Financial income/(expense)

€ million	30.06.2015	30.06.2016
Interest expense on net financial debt	(493)	(463)
Interest income on net financial debt	65	63
Net cost of debt	**(428)**	**(400)**
Structuring and placement fees	(3)	(3)
Net financial impact of pensions and other long-term employee benefits	(19)	(15)
Other net current financial income (expense)	(7)	(3)
Financial income/(expense) from recurring operations	**(457)**	**(422)**
Foreign currency gains (loss)	(25)	(14)
Other non-current financial income (expense)	(7)	3
TOTAL FINANCIAL INCOME/(EXPENSE)	**(489)**	**(432)**

At 30 June 2016, the net cost of debt included financial expenses of €352 million on bond payments, €16 million on interest rate and currency hedges, €10 million on factoring and securitisation agreements, €9 million on the syndicated loan and other expenses of €13 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 4.1% at 30 June 2016 compared to 4.4% at 30 June 2015. Weighted average cost of debt is defined as net financing costs plus structuring and placement fees as a proportion of average net debt outstanding plus the average amount outstanding on factoring and securitisation programmes.

Note 3.3 Corporate income tax

Analysis of income tax expense

€ million	30.06.2015	30.06.2016
Current income tax	(391)	(381)
Deferred income tax	170	(27)
TOTAL	**(221)**	**(408)**

Analysis of effective tax rate – Net profit from continuing operations before tax

€ million	30.06.2015	30.06.2016
Operating profit	1,590	2,095
Financial income/(expense)	(489)	(432)
Taxable profit	**1,101**	**1,663**
Theoretical tax charge at the effective income tax rate in France (38%)	(418)	(632)
Impact of tax rate differences by jurisdiction	243	237
Tax impact of variations in exchange rates	24	23
Re-estimation of deferred tax assets linked to tax rate changes	(9)	54
Impact of tax losses used/not used	2	3
Impact of reduced/increased tax rates on taxable results	10	1
Taxes on distributions	(55)	(58)
Other impacts	(18)	(37)
EFFECTIVE TAX EXPENSE	**(221)**	**(408)**
EFFECTIVE TAX RATE	**20%**	**25%**

Deferred tax is recognised on temporary differences between the tax and book values of assets and liabilities in the consolidated balance sheet and is measured using the balance sheet approach. The effects of changes in tax rates are recognised in shareholders' equity or in profit and loss in the year in which the change of tax rates is decided. Deferred tax assets are recognised in the balance sheet when it is more likely than not that they will be recovered in future years. Deferred tax assets and liabilities are not discounted to present value. In order to evaluate the Group's ability to recover these assets, particular account is taken of forecasts of future taxable profits.

Deferred tax assets relating to tax loss carryforwards are only reported when they are likely to be recovered, based on projections of taxable income calculated by the Group at the end of each financial year. All assumptions used, including, in particular, growth in operating profit and financial income (expenses), taking into account interest rates, are reviewed by the Group at the end of the financial year based on data determined by the relevant senior management.

Deferred taxes are broken down by nature as follows:

€ million	30.06.2015	30.06.2016
Margins in inventories	92	89
Fair value adjustments on assets and liabilities	27	22
Provisions for pension benefits	172	183
Losses carried forward	1,208	1,327
Provisions (other than provisions for pension benefits) and other items	839	885
TOTAL DEFERRED TAX ASSETS	**2,339**	**2,505**
Accelerated tax depreciation	76	66
Fair value adjustments on assets and liabilities	2,621	2,702
Other items	676	788
TOTAL DEFERRED TAX LIABILITIES	**3,373**	**3,556**

Tax losses carryforwards (recognized and not recognized) represented a potential tax saving of €1,450 million at 30 June 2016 and €1,302 million on 30 June 2015. The potential tax savings on 30 June 2016 and 30 June 2015 relate to tax loss carryforwards with the following expiry dates:

Financial Year 2014/15

	Tax effect of loss carryforwards *€ million*	
Years	**Losses recognized**	**Losses not recognized**
2015	2	1
2016	0	-
2017	-	-
2018	1	1
2019 and after	802	50
No expiry date	403	42
TOTAL	**1,208**	**94**

Financial Year 2015/16

	Tax effect of loss carryforwards *€ million*	
Years	**Losses recognized**	**Losses not recognized**
2016	3	0
2017	-	-
2018	-	-
2019	1	0
2020 and after	910	43
No expiry date	413	80
TOTAL	**1,327**	**123**

Note 3.4 Earnings per share

Basic and diluted earnings per share are calculated on the basis of the weighted average number of outstanding shares, less the weighted average number of dilutive instruments.

The calculation of diluted earnings per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options, convertible bonds, etc.) on the theoretical number of shares. When funds are obtained at the date of exercise of the dilutive instruments, the "treasury stock" method is used to determine the theoretical number of shares to be taken into account. When funds are obtained at the issue date of the dilutive instruments, net profit is adjusted for the finance cost, net of tax, relating to these instruments.

Group net profit and net earnings per share from continuing operations

	30.06.2015	30.06.2016
Numerator *(€ million)*		
Group net profit	861	1,235
Denominator *(in number of shares)*		
Average number of outstanding shares	263,980,715	263,994,148
Dilutive effect of bonus share allocations	1,002,589	889,040
Dilutive effect of stock options and subscription options	1,247,108	749,340
Average number of outstanding shares – diluted	**266,230,412**	**265,632,528**
Earnings per share *(in euros)*		
Earnings per share – basic	3.26	4.68
Earnings per share – diluted	3.24	4.65

Note 3.5 Expenses by nature

Operating profit notably includes depreciation, amortisation and impairment expenses as well as personnel expenses as follows:

€ million	30.06.2015	30.06.2016
Total depreciation, amortisation and impairment expenses	**(869)**	**(329)**
Salaries and payroll costs	(1,199)	(1,231)
Pensions, medical expenses and other similar benefits under defined benefit plans	(46)	(49)
Expenses related to stock options and share appreciation rights	(28)	(30)
Total personnel expenses	**(1,273)**	**(1,309)**

Note 4 Notes to the balance sheet

Note 4.1 Intangible assets and goodwill

Intangible assets are measured at cost on initial recognition. With the exception of assets with indefinite useful lives, they are amortised on a straight-line basis over their period of use, which is generally less than five years, and are written down when their recoverable amount is less than their net carrying amount. Amortisation of intangible assets is recognised within operating profit in the income statement.

In the context of the Group's activities, and in accordance with IAS 38 (Intangible assets), research and development costs are recognised as expenses in the financial year during which they are incurred, except for certain development costs which meet the capitalisation criteria described by the standard.

		Movements in the year					
€ million	**30.06.2014**	**Acquisitions**	**Depreciations/ impairment**	**Disposals**	**Translation differences**	**Other movements**	**30.06.2015**
Goodwill	5,047	41	-	(4)	545	3	5,632
Brands	11,865	49	-	(26)	1,389	(3)	13,275
Other intangible assets	298	26	-	(7)	20	6	344
GROSS VALUE	**17,210**	**116**	**-**	**(36)**	**1,955**	**6**	**19,251**
Goodwill	(140)	-	-	-	(0)	3	(138)
Brands	(431)	-	(652)	-	(93)	(0)	(1,176)
Other intangible assets	(189)	-	(34)	5	(10)	(2)	(231)
DEPRECIATION/IMPAIRMENT	**(761)**	**-**	**(686)**	**5**	**(103)**	**1**	**(1,544)**
INTANGIBLE ASSETS, NET	**16,449**	**116**	**(686)**	**(31)**	**1,851**	**7**	**17,706**

		Movements in the year					
€ million	**30.06.2015**	**Acquisitions**	**Depreciations/ impairment**	**Disposals**	**Translation differences**	**Other movements**	**30.06.2016**
Goodwill	5,632	22	-	(7)	(23)	(0)	5,624
Brands	13,275	83	-	(22)	(89)	(0)	13,247
Other intangible assets	344	34	-	(15)	(8)	2	356
GROSS VALUE	**19,251**	**139**	**-**	**(44)**	**(120)**	**2**	**19,227**
Goodwill	(138)	-	-	-	0	0	(137)
Brands	(1,176)	-	(101)	-	5	0	(1,272)
Other intangible assets	(231)	-	(34)	14	6	(1)	(246)
DEPRECIATION/IMPAIRMENT	**(1,544)**	**-**	**(136)**	**14**	**11**	**(1)**	**(1,655)**
INTANGIBLE ASSETS, NET	**17,706**	**139**	**(136)**	**(30)**	**(109)**	**1**	**17,572**

Goodwill

Goodwill is subject to an impairment test at least once a year and whenever there is an indication that its value may have been impaired. To perform these tests, goodwill is allocated by geographical area on the basis of asset groupings at the date of each business combination. These asset groupings correspond to groups of assets which jointly generate identifiable cash flows that are largely independent. If impairment is identified, an impairment loss is recognised in profit and loss for the financial year.

Goodwill mainly stems from the acquisitions of Allied Domecq in July 2005 and Vin&Sprit in July 2008.

Brands

The fair value of identifiable acquired brands is determined using an actuarial calculation of estimated future profits or using the royalty method and corresponds to the fair value of the brands at the date of acquisition. As the Group's brands are intangible assets with indefinite useful lives, they are not amortised but are rather subject to an impairment test at least once a year or whenever there is an indication that their value may have been impaired. Brands acquired as part of acquisitions of foreign entities are denominated in the functional currency of the business acquired.

The main brands recorded on the balance sheet are: Absolut, Ballantine's, Beefeater, Chivas Regal, Kahlúa, Malibu, Martell and Brancott Estate. Most of these were recognised at the time of the acquisitions of Seagram, Allied Domecq and Vin&Sprit.

Impairment of tangible or intangible assets

In accordance with IAS 36, intangible assets and property, plant and equipment are subject to impairment tests whenever there is an indication that the value of the asset has been impaired and at least once a year for non-current assets with indefinite useful lives (goodwill and brands).

Assets subject to impairment tests are included in cash-generating units (CGUs), corresponding to linked groups of assets which generate identifiable cash flows. The CGUs include assets related to the Group's brands and are allocated in accordance with the three geographical areas defined by the Group, on the basis of the sale destination of the products.

When the recoverable amount of a CGU is less than its net carrying amount, an impairment loss is recognised within operating profit. The recoverable amount of the CGU is the higher of its market value and its value in use.

Value in use is measured based on cash flows projected over a 19-year period. This period reflects the typically long lives of the Group's brands and their productive assets. Discounted projected cash flows are established based on annual budgets and multi-year strategies, extrapolated into subsequent years by gradually converging the figure for the last year of the plan for each brand and market towards a perpetual growth rate. The calculation includes a terminal value derived by capitalising the cash flows generated in the last forecast year. Assumptions applied to sales and advertising and promotional expenditure are determined by the Management based on previous results and long-term development trends in the markets concerned. The present values of discounted cash flows are sensitive to these assumptions as well as to consumer fashions and economic factors.

Market value is based either on the sale price, net of selling costs, obtained under normal market conditions or earnings multiples observed in recent transactions concerning comparable assets. The discount rate used for these calculations is an after-tax rate applied to after-tax cash flows and corresponds to the weighted average cost of capital. This rate reflects specific rates for each market or region, depending on the risks that they represent. Assumptions made in terms of future changes in net sales and in terms of terminal values are reasonable and consistent with market data available for each of the CGUs. Additional impairment tests are applied where events or specific circumstances suggest that a potential impairment exists.

In addition to annual impairment tests applied to goodwill and brands, specific impairment tests are applied where there is an indication that the value of an intangible asset may have been impaired. The data and assumptions used for the impairment tests applied to cash-generating units (CGUs) are as follows:

€ million	Method used to determine the recoverable amount	Carrying amount of goodwill on 30.06.2016	Carrying amount of brands on 30.06.2016	Value in use		
				Discount rate 2015	Discount rate 2016	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,810	3,925	6.80%	6.01%	From -1% to +2.5%
America		2,746	6,308	6.96%	6.29%	From -1% to +2.5%
Asia/Rest of World (ROW)		930	1,742	7.71%	7.57%	From -1% to +2.5%

In impairment tests applied to goodwill and brands, the long-term growth assumptions used were determined by taking into account growth rates measured in recent financial years and growth perspectives taken from the budget and the Group's strategic plans.

The amount of any impairment of brand-related intangible assets at 30 June 2016 that would result from:

- a 50 bp decrease in the growth rate of the contribution after advertising and promotion expenses;
- a 50 bp increase in the after-tax discount rate;
- a 100 bp increase the after-tax discount rate; or
- a 50 bp decrease in the perpetual rate growth over the duration of the multi-year plans

are set out below:

€ million	50 bp decrease in the growth rate of the contribution after advertising and promotion expenses	50 bp increase in the after-tax discount rate	100 bp increase in the after-tax discount rate	50 bp decrease in the perpetual growth rate
Europe	(3)	(26)	(130)	(13)
America	(1)	(40)	(465)	(7)
Asia/Rest of World (ROW)	(5)	(43)	(84)	(31)
TOTAL	**(10)**	**(109)**	**(680)**	**(51)**

Moreover, the various levels of sensitivity set out above would not result in any risk of goodwill impairment.

Note 4.2 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and broken down by component. Depreciation is calculated on a straight-line basis or, in certain cases, using the reducing balance method over the estimated useful life of the assets. Useful life is reviewed on a regular basis. Items of property, plant and equipment are written down when their recoverable amount falls below their net carrying amount. The average duration for the major categories of property, plant and equipment are as follows:

Buildings	15 to 50 years
Machinery and equipment	5 to 15 years
Other property, plant and equipment	3 to 5 years

In accordance with IAS 17, assets acquired under finance lease contracts are capitalised, and a corresponding lease debt is recognised, when the lease contract transfers substantially all the risks and rewards related to the asset to the Group. Buildings which have been subject to sale and lease back contracts are treated in a similar manner.

Depreciation of property, plant and equipment is recognised within operating profit in the income statement.

IAS 41 (Agriculture) sets out the accounting treatment of operations involving biological assets (for example, vines) or for agricultural produce (for example, grapes). IAS 41 was specifically adapted to the accounting treatment of vines and grapes, which make up the principal agricultural activities of the Group. A similar accounting treatment also applies to other biological assets (for example, agave fields). IAS 41 requires that biological assets (vines) and their production (harvests) be recognised at fair value on the balance sheet, after deducting estimated selling costs, as from the date at which it is possible to obtain a reliable assessment of price, for example by referring to an active market. Changes in fair value are recognised in profit and loss. Land on which biological assets are planted is measured in accordance with IAS 16.

€ million	30.06.2014	Acquisitions	Depreciations/ impairment	Disposals	Translation differences	Other movements	30.06.2015
		Movements in the year					
Land	325	6	-	(2)	1	5	336
Buildings	1,074	19	-	(20)	46	41	1,159
Machinery & equipment	1,704	38	-	(64)	79	96	1,852
Other property, plant and equipment	517	65	-	(12)	34	5	608
Assets in progress	115	159	-	(0)	7	(146)	134
Advance on property, plant and equipment	4	4	-	(0)	0	(2)	6
GROSS VALUE	**3,739**	**291**	**-**	**(99)**	**167**	**(1)**	**4,096**
Land	(26)	-	(2)	0	(0)	(0)	(28)
Buildings	(451)	-	(36)	20	(16)	0	(484)
Machinery & equipment	(981)	-	(112)	59	(44)	(1)	(1,079)
Other property, plant and equipment	(262)	-	(33)	10	(17)	(2)	(304)
Assets in progress	(2)	-	-	-	(0)	0	(2)
DEPRECIATION/IMPAIRMENT	**(1,722)**	**-**	**(183)**	**89**	**(77)**	**(3)**	**(1,896)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,016**	**291**	**(183)**	**(9)**	**89**	**(4)**	**2,200**

€ million	30.06.2015	Acquisitions	Depreciations/ impairment	Disposals	Translation differences	Other movements	30.06.2016
		Movements in the year					
Land	336	5	-	(7)	(0)	8	342
Buildings	1,159	28	-	(15)	(61)	56	1,168
Machinery & equipment	1,852	44	-	(50)	(76)	76	1,847
Other property, plant and equipment	608	62	-	(28)	(48)	4	599
Assets in progress	134	156	-	(0)	(7)	(158)	125
Advance on property, plant and equipment	6	23	-	(0)	(0)	(2)	26
GROSS VALUE	**4,096**	**317**	**-**	**(99)**	**(192)**	**(16)**	**4,106**
Land	(28)	-	(3)	0	1	(4)	(34)
Buildings	(484)	-	(39)	9	24	2	(488)
Machinery & equipment	(1,079)	-	(116)	46	53	12	(1,084)
Other property, plant and equipment	(304)	-	(35)	26	23	3	(286)
Assets in progress	(2)	-	-	-	0	2	(0)
DEPRECIATION/IMPAIRMENT	**(1,896)**	**-**	**(193)**	**83**	**101**	**14**	**(1,893)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,200**	**317**	**(193)**	**(17)**	**(91)**	**(2)**	**2,214**

Note 4.3 Financial assets

Available-for-sale financial assets include the Group's investments in non-consolidated companies and in securities which do not satisfy the criteria for classification as short-term investments included in cash equivalents. On initial recognition, these assets are measured at their acquisition cost. At subsequent balance sheet dates, available-for-sale financial assets are measured at fair value where this can be measured reliably. Changes in fair value are recognised directly in shareholders' equity except where a reduction in value compared with the historical acquisition cost constitutes a material or sustained impairment in the asset's value. On disposal of available-for-sale financial assets, changes in fair value previously recognised in equity are recognised in profit and loss. Fair value is determined on the basis of the financial criteria most appropriate to the specific situation of each company. The fair value of financial assets listed on a financial market is their stock market value. The measurement criteria normally applied to unlisted available-for-sale financial assets are the proportion of shareholders' equity and future profitability.

Investment-related loans and receivables mainly include receivables related to investments, current account advances granted to non-consolidated entities or equity associates and guarantee deposits. They are measured at amortised cost.

	30.06.2015		30.06.2016	
€ million	Current	Non-current	Current	Non-current
Net financial assets				
Available-for-sale financial assets	-	19	-	16
Other financial assets	-	438	-	630
Net loans and receivables				
Guarantees and deposits	-	56	-	76
Investment-related receivables	-	-	-	-
Total net non-current financial assets	**-**	**512**	**-**	**721**
Derivative instruments	**50**	**52**	**8**	**109**
FINANCIAL ASSETS	**50**	**563**	**8**	**830**

The table below shows details of the Group's financial assets, excluding derivative instruments:

		Movements in the year					
€ million	30.06.2014	Acquisitions	Impairment	Disposals	Translation differences	Other movements	30.06.2015
Other financial assets	268	0	-	(0)	42	129	439
Available-for-sale financial assets	26	0	-	(1)	2	(1)	26
Guarantees and deposits	63	25	-	(31)	(1)	-	56
Investment-related receivables	0	-	-	-	(0)	-	-
GROSS VALUE	**358**	**25**	**-**	**(33)**	**43**	**128**	**522**
Provisions for other financial assets	(1)	-	-	-	(0)	(0)	(2)
Impairment losses recognised on available-for-sale financial assets	(7)	-	-	-	0	(1)	(8)
Provisions for guarantees and deposits	(0)	-	-	-	(0)	-	(0)
Impairment losses recognised on investment-related receivables	(0)	-	-	-	0	-	(0)
IMPAIRMENT	**(9)**	**-**	**-**	**-**	**(0)**	**(1)**	**(10)**
NON-CURRENT FINANCIAL ASSETS, NET	**349**	**25**	**-**	**(33)**	**43**	**127**	**512**

€ million	30.06.2015	Movements in the year: Acquisitions	Impairment	Disposals	Translation differences	Other movements	30.06.2016
Other financial assets	439	0	-	(0)	(86)	279	632
Available-for-sale financial assets	26	0	-	(5)	0	(0)	21
Guarantees and deposits	56	3	-	(6)	(0)	24	76
Investment-related receivables	0	-	-	-	(0)	-	0
GROSS VALUE	**522**	**4**	**-**	**(12)**	**(87)**	**303**	**730**
Provisions for other financial assets	(2)	-	(1)	-	0	(0)	(3)
Impairment losses recognised on available-for-sale financial assets	(8)	-	-	3	(0)	(1)	(6)
Provisions for guarantees and deposits	(0)	-	-	-	0	(0)	(0)
Impairment losses recognised on investment-related receivables	(0)	-	-	-	0	-	(0)
IMPAIRMENT	**(10)**	**-**	**(1)**	**3**	**0**	**(1)**	**(9)**
NON-CURRENT FINANCIAL ASSETS, NET	**512**	**4**	**(1)**	**(9)**	**(87)**	**302**	**721**

Other financial assets at 30 June 2016 included €626 million of plan surplus related to employee benefits, compared to €433 million at the end of June 2015 (see Note 4.7 – *Provisions*).

Note 4.4 Inventories and work in progress

Inventories are measured at the lowest of either their cost (acquisition cost and cost of production, including indirect production overheads) or net realisable value. Net realisable value is the selling price less the estimated costs of completion and sale of inventories. Most inventories are valued using the weighted average cost method. The cost of long-cycle inventories is computed using a single method which includes distilling and ageing costs. These inventories are classified in current assets, although a substantial part remains in inventory for more than one year before being sold in order to undergo the ageing process used for certain wines and spirits.

The breakdown of inventories and work in progress at the balance sheet date is as follows:

€ million	30.06.2014	Movements in the year: Change in gross value	Change in impairment	Translation differences	Other movements	30.06.2015
Raw materials	132	(3)	-	8	(0)	137
Work in progress	4,039	234	-	210	31	4,515
Goods in inventory	471	(7)	-	34	(23)	475
Finished products	272	(1)	-	12	(3)	281
GROSS VALUE	**4,915**	**223**	**-**	**265**	**5**	**5,408**
Raw materials	(12)	-	1	(1)	(0)	(12)
Work in progress	(12)	-	0	(0)	(0)	(11)
Goods in inventory	(21)	-	(1)	(3)	0	(24)
Finished products	(9)	-	(2)	(0)	1	(10)
IMPAIRMENT	**(54)**	**-**	**(2)**	**(3)**	**1**	**(57)**
NET INVENTORIES	**4,861**	**223**	**(2)**	**262**	**6**	**5,351**

€ million	30.06.2015	Movements in the year				30.06.2016
		Change in gross value	Change in impairment	Translation differences	Other movements	
Raw materials	137	3	-	(8)	0	132
Work in progress	4,515	200	-	(260)	(0)	4,454
Goods in inventory	475	18	-	(21)	4	476
Finished products	281	17	-	(11)	(1)	286
GROSS VALUE	**5,408**	**238**	**-**	**(300)**	**3**	**5,349**
Raw materials	(12)	-	1	1	-	(10)
Work in progress	(11)	-	(6)	(0)	0	(17)
Goods in inventory	(24)	-	7	1	(0)	(16)
Finished products	(10)	-	(3)	0	1	(11)
IMPAIRMENT	**(57)**	**-**	**(1)**	**2**	**1**	**(55)**
NET INVENTORIES	**5,351**	**238**	**(1)**	**(298)**	**4**	**5,294**

At 30 June 2016, maturing inventories intended mainly for use in whisky and cognac production accounted for 79% of work in progress. Pernod Ricard is not significantly dependent on its suppliers.

Note 4.5 Trade receivables and other operating receivables

Trade receivables and other current receivables are recognised initially at their fair value, which usually corresponds to their nominal value. Impairment losses are recognised where there is a risk of non-recovery.

The following tables break down trade receivables and other current receivables on 30 June 2015 and 30 June 2016 by due date:

€ million	Net carrying amount	Not impaired and not due	Not impaired and due on the following dates				
			Less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days
Net carrying amounts							
Trade receivables and other operating receivables	1,152	921	142	43	30	4	11
TOTAL ON 30.06.2015	**1,152**	**921**	**142**	**43**	**30**	**4**	**11**
o/w depreciation	*77*						
Trade receivables and other operating receivables	1,068	868	114	47	18	9	12
TOTAL ON 30.06.2016	**1,068**	**868**	**114**	**47**	**18**	**9**	**12**
o/w depreciation	*72*						

Changes in the impairment of trade receivables and other operating receivables were as follows:

€ million	2014/15	2015/16
On 1 July	**81**	**77**
Allowances during the year	7	8
Reversals during the year	(8)	(3)
Used during the year	(6)	(6)
Translation differences	3	(4)
ON 30 JUNE	**77**	**72**

At 30 June 2016, there was no reason to question the creditworthiness of non-depreciated past due receivables. More specifically, non-depreciated receivables with due dates of over 12 months show no additional credit-related risk. There is no significant concentration of risks.

In financial years 2014/15 and 2015/16, the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €591 million at 30 June 2015 and €520 million at 30 June 2016. As substantially all risks and rewards associated with the receivables were transferred, they were deconsolidated.

Derecognised assets where there is continuing involvement

€ million	Carrying amount of continuing involvement				Fair value of continuing involvement	Maximum exposure
Continuing involvement	Amortised costs	Held to maturity	Available for sale	Financial liabilities at fair value		
Guarantee deposit – factoring and securitisation	14	-	-	-	14	14

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	30.06.2015	30.06.2016
Advances and down payments	23	20
Tax accounts receivable, excluding income taxes	129	134
Prepaid expenses	74	67
Other receivables	34	30
TOTAL	**260**	**251**

Note 4.7 Provisions

In accordance with IAS 37 (Provisions, contingent liabilities and contingent assets), provisions for risks and charges are recognised to cover probable outflows of resources that can be estimated and that result from present obligations relating to past events. In the case where a potential obligation resulting from past events exists, but where the occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Group's commitments. The amounts provided are measured by taking account of the most probable assumptions or using statistical methods, depending on the nature of the obligations. Provisions notably include:

- provisions for restructuring;
- provisions for pensions and other long-term employee benefits;
- provisions for litigation (tax, legal, employee-related).

Litigation is kept under regular review, on a case-by-case basis, by the Legal Department of each affiliate or region or by the Group's Legal Department, drawing on the help of external legal consultants in the most significant or complex cases. A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources whose amount can be reliably estimated. The amount of the provision provided is the best estimate of the outflow of resources required to settle this obligation.

The cost of restructuring measures is fully provisioned in the financial year, and is recognised in profit and loss under "Other operating income and expenses" when it is material and results from a Group obligation to third parties arising from a decision made by the competent corporate body that has been announced to the third parties concerned before the closing date. This cost mainly involves redundancy payments, early retirement payments, costs of notice periods not served, training costs of departing individuals and costs of site closure. Scrapping of property, plant and equipment, impairment of inventories and other assets, as well as other costs (moving costs, training of transferred individuals, etc.) directly related to the restructuring measures are also recognised in restructuring costs. The amounts provided for correspond to forecast future payments to be made in connection with restructuring plans, discounted to present value when the timetable for payment is such that the effect of the time value of money is significant.

1. *Breakdown of balance sheet amounts*

The breakdown of provisions for risks and charges at the balance sheet date is as follows:

€ million	30.06.2015	30.06.2016
Non-current provisions		
Provisions for pensions and other long-term employee benefits	654	739
Other non-current provisions for risks and charges	400	422
Current provisions		
Provisions for restructuring	65	63
Other current provisions for risks and charges	108	104
TOTAL	**1,226**	**1,328**

2. *Changes in provisions (other than provisions for pensions and other long-term employee benefits)*

		Movements in the year						
€ million	30.06.2014	Allowances	Amounts used	Amounts released	Translation differences	Perimeter changes	Other movements	30.06.2015
Provisions for restructuring	101	28	(65)	(4)	4	-	(0)	65
Other current provisions	150	22	(30)	(30)	5	-	(8)	108
Other non-current provisions	564	45	(195)	(54)	26	-	14	400
TOTAL PROVISIONS	**815**	**96**	**(290)**	**(88)**	**35**	**-**	**5**	**573**

		Movements in the year						
€ million	30.06.2015	Allowances	Amounts used	Amounts released	Translation differences	Perimeter changes	Other movements	30.06.2016
Provisions for restructuring	65	46	(45)	(2)	(1)	-	0	63
Other current provisions	108	20	(22)	(16)	4	10	1	104
Other non-current provisions	400	117	(2)	(81)	(12)	-	0	422
TOTAL PROVISIONS	**573**	**183**	**(69)**	**(99)**	**(9)**	**10**	**1**	**589**

Some Group companies are involved in disputes as part of their normal business activities. They are also subject to tax audits, some of which may lead to tax reassessment. The main disputes are described in Note 6.5 – *Disputes*.

On 30 June 2016, the amount of provisions booked by the Group in respect of all disputes or risks in which it is involved amounted to €526 million. The Group does not provide details (with exceptions), as it believes the disclosure of the amount of any provision booked in consideration of each pending dispute would be likely to cause serious harm to the Group.

The change in "Other current and non-current provisions" during the period is explained as follows:

- allowances stem mainly from proceedings brought against the Company and its affiliates, as part of the normal course of business and the emergence of new risks, including tax risks;
- reversals are made at the time of corresponding payments or where the risk is considered to be nil. Unused reversals primarily concern the re-evaluation or the statute of limitation of certain risks, including tax risks;
- other movements primarily reflect reclassifications and changes in the consolidation perimeter.

3. Provisions for pension benefits

In accordance with applicable national legislation, the Group's employee benefit obligations are composed of:

- long-term post-employment benefits (retirement bonuses, pensions, medical and healthcare expenses, etc.);
- long-term benefits payable during the period of employment.

Defined contribution plans

Contributions are recognised as expenses as they are incurred. As the Group is not committed beyond the amount of such contributions, no provision is recognised in respect of defined contribution plans.

Defined benefit plans

For defined benefit plans, the projected unit credit method is used to measure the present value of defined benefit obligations, current service cost and, if applicable, past service cost. The measurement is made at each closing date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate, discount rate, expected return on plan assets) and assumptions regarding employees (mainly average salary increase, rate of employee turnover and life expectancy). Assumptions used in 2014/15 and 2015/16 and methods used for their determination are described below.

A provision is recorded in the balance sheet for the difference between the actuarial debt of related obligations (actuarial liabilities) and any assets dedicated to funding the plans, measured at their fair value, and includes past service costs and actuarial gains and losses.

The cost of defined benefit plans has three components, which are accounted for as follows:

- the cost of services is recognised in operating profit. It includes:
  - the cost of services rendered during the period,
  - the cost of past services resulting from the modification or reduction of a plan, fully recognised in profit and loss for the period in which the services were performed,
  - gains and losses resulting from liquidations;
- the financial component, recorded in financial income (expenses), comprises the impact of discounting the liabilities, net of the expected return on plan assets, measured using the same discount rate as that used to measure the liabilities.

Revaluations of liabilities (assets) are recognised as non-recyclable items of comprehensive income, and consist mainly of actuarial differences, namely the change in plan obligations and assets due to changes in assumptions and to experience gains or losses, the latter representing the difference between the expected impact of some actuarial assumptions applied to previous valuations and the actual impact. If the plan assets exceed recognised obligations, a financial asset is generated equal to the present value of future refunds and expected reductions in future contributions.

The Group provides employee benefits such as pensions and retirement bonuses and other post-employment benefits, such as medical care and life insurance:

- in France, benefit obligations mainly comprise arrangements for retirement indemnities (unfunded) and supplementary pension benefits (partly funded);
- in the United States and Canada, benefit obligations include funded pension plans guaranteed to employees as well as unfunded post-employment medical plans;
- in Ireland, the United Kingdom and the Netherlands, benefit obligations mainly consist of pension plans granted to employees.

Defined benefit plans in the Group relate mainly to affiliates in the United Kingdom, in North America and in the rest of Europe. Defined benefit plans are subject to an annual actuarial valuation on the basis of assumptions depending on the country. Under these pension and other benefit plan agreements, employees receive at the date of retirement either a capital lump sum payment or an annuity. These amounts depend on the number of years of employment, final salary and the position held by the employee. At 30 June 2016, fully or partly funded benefit obligations totalled €5,502 million, equivalent to 95% of total benefit obligations.

Certain affiliates, mainly those located in North America, also provide their employees with post-employment medical cover. These benefit obligations are unfunded. They are measured using the same assumptions as those used for the pension obligations in the countries in question.

Several affiliates, mainly in Europe, also provide their employees with other long-term benefits. Benefit obligations of this type are mainly in respect of long-service awards and jubilee awards.

The table below presents a reconciliation of the provision between 30 June 2015 and 30 June 2016:

€ million	30.06.2015			30.06.2016		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Net liability at beginning of period	156	150	306	40	180	220
Expenses for the period	53	11	64	36	9	44
Actuarial (gains) and losses [1]	(31)	13	(18)	(119)	3	(116)
Employer contributions	(115)	-	(115)	(84)	-	(84)
Benefits paid directly by the employer	(11)	(11)	(22)	(11)	(9)	(20)
Changes in the consolidation perimeter	1	1	2	-	0	0
Foreign currency gains and losses	(13)	16	3	73	(4)	68
Net liability at end of period	**40**	**180**	**220**	**(66)**	**179**	**113**
Amount recognised in assets [2]	(433)	-	(433)	(626)	-	(626)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	**473**	**180**	**654**	**560**	**179**	**739**

(1) Recognised as items of other comprehensive income.
(2) See Note 4.3 – Financial assets.

The net expense recognised in the income statement in respect of pensions and other long-term employee benefits is broken down as follows:

Expense for the period € million	30.06.2015			30.06.2016		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Service cost	43	3	46	45	3	49
Interest on provision	1	6	8	(4)	6	2
Fees/levies/premiums	9	-	9	11	-	11
Impact of plan amendments/Reduction of future rights	(1)	(3)	(4)	(18)	(2)	(20)
Impact of liquidation of benefits	1	-	1	0	-	0
Actuarial (gains)/losses	-	4	4	-	1	1
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-	-	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**53**	**11**	**64**	**36**	**9**	**44**

Changes in provisions for pensions and other long-term employee benefits are shown below:

Net liabilities recognised in the balance sheet *€ million*	30.06.2015 Pension benefits	30.06.2015 Healthcare expenses and other employee benefits	30.06.2015 Total	30.06.2016 Pension benefits	30.06.2016 Healthcare expenses and other employee benefits	30.06.2016 Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	4,892	150	5,042	5,952	180	6,132
Service cost	43	3	46	45	3	49
Interest cost (effect of unwinding of discount)	208	6	214	201	6	207
Employee contributions	2	1	3	2	1	3
Benefits paid	(260)	(11)	(271)	(324)	(10)	(333)
Administrative fees/premiums/levies	(1)	-	(1)	(1)	-	(1)
Plan amendments/reduction of future rights	(2)	(3)	(4)	(18)	(2)	(20)
Liquidation of benefits	1	-	1	0	-	0
Actuarial (gains)/losses	464	17	482	467	4	471
Currency translation adjustments	599	16	616	(710)	(4)	(714)
Changes in the consolidation perimeter	4	1	5	(0)	0	0
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	**5,952**	**180**	**6,132**	**5,615**	**179**	**5,794**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	4,736	-	4,736	5,912	-	5,912
Interest income on plan assets	207	-	207	204	-	204
Experience gains/(losses) on plan assets	495	-	495	586	-	586
Employee contributions	2	-	2	2	-	2
Employer contributions	115	-	115	84	-	84
Benefits paid	(249)	-	(249)	(314)	-	(314)
Administrative fees/premiums/levies	(9)	-	(9)	(11)	-	(11)
Plan amendments/reduction of future rights	(0)	-	(0)	(0)	-	(0)
Liquidation of benefits	-	-	-	-	-	-
Currency translation adjustments	612	-	612	(782)	-	(782)
Changes in the consolidation perimeter	3	-	3	(0)	-	(0)
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**5,912**	**-**	**5,912**	**5,681**	**-**	**5,681**
Present value of funded benefits	5,833	-	5,833	5,502	-	5,502
Fair value of plan assets	5,912	-	5,912	5,681	-	5,681
Deficit/(surplus) on funded benefits	**(78)**	**-**	**(78)**	**(179)**	**-**	**(179)**
Present value of unfunded benefits	118	180	298	113	179	292
Effect of ceiling on plan assets (including the impact of IFRIC 14)	-	-	-	-	-	-
NET LIABILITY RECOGNISED	**40**	**180**	**220**	**(66)**	**179**	**113**

On 30.06.2016	Actuarial value of cumulative benefit obligations		Fair value of plan assets		Gross provisions under balance sheet assets		Balance sheet assets	
	€ million	%	€ million	%	€ million	%	€ million	%
United Kingdom	4,444	77%	4,959	87%	109	15%	(625)	100%
United States	444	8%	242	4%	202	27%	-	0%
Canada	323	6%	245	4%	78	11%	-	0%
Ireland	257	4%	151	3%	106	14%	-	0%
France	205	4%	24	0%	181	25%	-	0%
Other countries	121	2%	60	1%	63	8%	(1)	0%
TOTAL	**5,794**	**100%**	**5,681**	**100%**	**739**	**100%**	**(626)**	**100%**

The breakdown of pension assets between the different asset classes (bonds, shares, etc.) is as follows:

	30.06.2015		30.06.2016	
Breakdown of plan assets	Pension benefits	Medical expenses & other employee benefits	Pension benefits	Medical expenses & other employee benefits
Shares	21%	Not applicable	22%	Not applicable
Bonds	42%	Not applicable	41%	Not applicable
Other money-market funds	0%	Not applicable	1%	Not applicable
Property assets	6%	Not applicable	8%	Not applicable
Other	30%	Not applicable	29%	Not applicable
TOTAL	**100%**	**NOT APPLICABLE**	**100%**	**NOT APPLICABLE**

Contributions payable by the Group in financial year 2016/17 in respect of funded benefits are estimated at €61 million.

Benefits payable in respect of defined benefit plans over the next 10 years are broken down as follows:

Benefits payable in the next 10 years *€ million*	Pension benefits	Medical expenses and other employee benefits
2017	342	10
2018	357	10
2019	357	10
2020	364	10
2021	374	10
2022-2026	2,044	51

At 30 June 2015 and 30 June 2016, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

	30.06.2015		30.06.2016	
Actuarial assumptions in respect of commitments	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Discount rate	3.63%	3.69%	2.84%	3.58%
Average rate of increase in annuities	3.33%	Not applicable	3.11%	Not applicable
Average salary increase	2.91%	3.16%	2.69%	3.33%
Expected increase in medical expenses				
◆ Initial rate	Not applicable	6.58%	Not applicable	7.05%
◆ Final rate	Not applicable	5.01%	Not applicable	4.73%

Actuarial assumptions in respect of benefit obligations for the year	30.06.2015 Pension benefits	30.06.2015 Medical expenses and other employee benefits	30.06.2016 Pension benefits	30.06.2016 Medical expenses and other employee benefits
Discount rate	4.13%	4.00%	3.63%	3.69%
Average rate of increase in annuities	3.36%	Not applicable	3.33%	Not applicable
Average salary increase	3.36%	3.10%	2.91%	3.16%
Expected increase in medical expenses				
◆ Initial rate	Not applicable	6.84%	Not applicable	6.58%
◆ Final rate	Not applicable	5.03%	Not applicable	5.01%

Actuarial assumptions on 30.06.2016 *(pensions and other commitments)* By region	United Kingdom	United States	Canada	Eurozone countries	Other non-Eurozone countries
Discount rate	2.84%	3.94%	3.48%	1.46%	3.74%
Average rate of increase in annuities	3.30%	Not applicable	1.25%	1.42%	1.75%
Average salary increase	1.73%	3.75%	3.03%	2.84%	4.05%
Expected increase in medical expenses					
◆ Initial rate	5.50%	8.13%	5.75%	3.73%	Not applicable
◆ Final rate	5.50%	4.50%	4.60%	3.73%	Not applicable

The obligation period-related discount rates used within the Eurozone are as follows:

- short-term rate (3-5 years): 0.50%;
- medium-term rate (5-10 years): 0.75%;
- long-term rates (>10 years): 1.25% to 2%.

Discount rates are determined by reference to the yield at the balance sheet date on premium category corporate bonds (if available), or on government bonds, with maturities similar to the estimated duration of the benefit obligations.

The expected rate of return on assets corresponds to the discount rate, in accordance with the IAS 19 standard.

The sensitivity of the debt to changes in the discount rate is shown in the table below:

€ million	Pension benefits	Medical expenses and other employee benefits	Total
Commitments at 30.06.2016	5,615	179	5,794
Commitments at 30.06.2016 with a 0.5% drop in the discount rate	6,062	191	6,252
Commitments at 30.06.2016 with a 0.5% rise in the discount rate	5,218	169	5,387

The impact of a change in the rate of increase in medical expenses would be as follows:

In respect of post-employment medical coverage *€ million*	With current rate	Effect of a change 1% increase	 1% decrease
On the present value of the benefit obligations on 30.06.2016	145	18	(15)
Expense for the 2015/16 financial year	7	1	(1)

The experience gains or losses on the benefit obligations and plan assets are set out below:

€ million	30.06.2016 Pension benefits	 Medical expenses and other employee benefits
Amount of experience losses or (gains) on benefit obligations	(128)	2
Percentage compared with amount of benefit obligations	-2.27%	1.06%
Amount of financial assumption losses or (gains) on benefit obligations	595	4
Percentage compared with amount of benefit obligations	10.60%	2.45%
Amount of demographic assumption losses or (gains) on benefit obligations	(0)	(2)
Percentage compared with amount of benefit obligations	0.00%	-1.19%
Amount of experience losses or (gains) on plan assets	(586)	-
Percentage compared with amount of plan assets	-10.32%	0.00%
Average duration	15.03	12.92

Note 4.8 Financial liabilities

IAS 32 and IAS 39 relating to financial instruments have been applied with effect from 1 July 2004. IFRS 7 has been applied with effect from 1 July 2007. The amendment to IFRS 7 approved by the European Union on 22 November 2011 has been applied with effect from 1 July 2011.

Borrowings and other financial liabilities are recognised, on the basis of their effective interest rates, in accordance with the amortised cost method. The effective interest rate includes all costs, commissions and fees payable under the contract between the parties. Under this method, costs that are directly attributable to the acquisition or issue of the financial liability are recognised in profit and loss on the basis of the effective interest rate.

In accordance with IAS 7 (Statement of cash flows), cash and cash equivalents presented in assets and liabilities in the balance sheet and shown in the consolidated cash flow statements include items that are immediately available as cash or are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in their value. Cash is composed of cash at bank and on hand, short-term deposits with an initial maturity of less than three months and money-market mutual funds that are subject to an insignificant risk of change in their value. Cash equivalents are short-term investments with a maturity of less than three months. Bank overdrafts, which are considered to be equivalent to financing, are excluded from cash and cash equivalents.

Net financial debt, as defined and used by the Group, corresponds to total gross debt (translated at the closing rate), including fair value and net foreign currency assets hedge derivatives (hedging of net investments and similar), less cash and cash equivalents.

1. Breakdown of net financial debt by nature and maturity

€ million	30.06.2015			30.06.2016		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	**1,514**	**6,958**	**8,473**	**1,884**	**7,078**	**8,962**
Syndicated loan	-	-	-	-	-	-
Commercial paper	459	-	459	45	-	45
Other loans and financial debts	79	500	580	98	257	355
Other financial liabilities	**538**	**500**	**1,039**	**143**	**257**	**400**
GROSS FINANCIAL DEBT	**2,052**	**7,459**	**9,511**	**2,027**	**7,335**	**9,362**
Fair value hedging derivative instruments – assets	(15)	(51)	(66)	-	(77)	(77)
Fair value hedging derivative instruments – liabilities	-	-	-	-	-	-
Fair value hedge derivatives	**(15)**	**(51)**	**(66)**	**-**	**(77)**	**(77)**
Net investment hedging derivative instruments – assets	-	-	-	-	-	-
Net investment hedging derivative instruments – liabilities	-	-	-	-	-	-
Net investment hedge derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Net asset hedging derivative instruments – assets	-	-	-	-	-	-
Net asset hedging derivative instruments – liabilities	121	-	121	-	-	-
Net asset hedging derivative instruments	**121**	**-**	**121**	**-**	**-**	**-**
FINANCIAL DEBT AFTER HEDGING	**2,159**	**7,408**	**9,566**	**2,027**	**7,258**	**9,285**
Cash and cash equivalents	**(545)**	**-**	**(545)**	**(569)**	**-**	**(569)**
NET FINANCIAL DEBT	**1,614**	**7,408**	**9,021**	**1,458**	**7,258**	**8,716**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments at 30 June 2015 and 30 June 2016

On 30.06.2015 € million	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	4,656	(394)	4,263	(69)	4,194	45%	46%
USD	4,790	944	5,734	(51)	5,683	60%	63%
GBP	2	(275)	(274)	(26)	(299)	-3%	-3%
SEK	9	(227)	(218)	(31)	(249)	-2%	-3%
Other currencies	54	6	60	(368)	(307)	1%	-3%
FINANCIAL DEBT BY CURRENCY	**9,511**	**55**	**9,566**	**(545)**	**9,021**	**100%**	**100%**

On 30.06.2016 (€ million)	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	3,880	195	4,075	(85)	3,990	44%	46%
USD	5,419	199	5,618	(28)	5,590	61%	64%
GBP	2	(91)	(89)	(17)	(107)	-1%	-1%
SEK	8	(351)	(343)	(9)	(352)	-4%	-4%
Other currencies	52	(29)	24	(429)	(405)	0%	-5%
FINANCIAL DEBT BY CURRENCY	**9,362**	**(77)**	**9,285**	**(569)**	**8,716**	**100%**	**100%**

3. Breakdown of debt by currency and type of rate hedging on 30 June 2015 and 30 June 2016

On 30.06.2015 € million	Debt after hedging by currency	Fixed-rate debt (1)	Capped floating-rate debt	Floating-rate debt	% (fixed-rate + floating-rate debt)/Debt after hedging	Cash	% (fixed-rate + capped floating-rate debt)/net debt
EUR	4,263	3,584	-	678	84%	(69)	85%
USD	5,734	5,015	-	719	87%	(51)	88%
GBP	(274)	-	-	(274)	N.M.	(26)	N.M.
SEK	(218)	-	-	(218)	N.M.	(31)	N.M.
Other	60	-	-	60	N.M.	(368)	N.M.
TOTAL	**9,566**	**8,599**	**-**	**967**	**90%**	**(545)**	**95%**

(1) Hedges for accounting purposes and other derivatives.

On 30.06.2016 € million	Debt after hedging by currency	Fixed-rate debt (1)	Capped floating-rate debt	Floating-rate debt	% (fixed-rate + floating-rate debt)/Debt after hedging	Cash	% (fixed-rate + capped floating-rate debt)/net debt
EUR	4,075	3,644	-	431	89%	(85)	91%
USD	5,618	5,098	-	520	91%	(28)	91%
GBP	(89)	-	-	(89)	N.M.	(17)	N.M.
SEK	(343)	-	-	(343)	N.M.	(9)	N.M.
Other	24	-	-	24	N.M.	(429)	N.M.
TOTAL	**9,285**	**8,743**	**-**	**542**	**94%**	**(569)**	**100%**

(1) Hedges for accounting purposes and other derivatives.

4. Breakdown of fixed-rate/floating-rate debt before and after interest rate hedging instruments at 30 June 2015 and 30 June 2016

€ million	30.06.2015				30.06.2016			
	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	8,118	85%	8,599	90%	8,698	94%	8,743	94%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	1,448	15%	967	10%	587	6%	542	6%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**9,566**	**100%**	**9,566**	**100%**	**9,285**	**100%**	**9,285**	**100%**

On 30 June 2016, before taking account of any hedges, the Group's gross debt was 94% fixed-rate and 6% floating-rate. After hedging, the floating-rate portion remained unchanged at 6%.

5. Schedule of financial liabilities on 30 June 2015 and 30 June 2016

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Variable interest flows have been estimated on the basis of rates on 30 June 2015 and 30 June 2016.

On 30.06.2015 € million	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value		(9,398)	(683)	(1,239)	(1,803)	(371)	(14)	(864)	(4,425)
Interest		(2,526)	(119)	(229)	(299)	(215)	(214)	(214)	(1,235)
GROSS FINANCIAL DEBT	**(9,511)**	**(11,924)**	**(803)**	**(1,468)**	**(2,103)**	**(586)**	**(228)**	**(1,078)**	**(5,660)**
Cross currency swaps	(121)								
◆ Flows payable		(717)	(1)	(716)	-	-	-	-	-
◆ Flows receivable		594	-	594	-	-	-	-	-
Derivative instruments – liabilities	(147)	(154)	(57)	(24)	(21)	(20)	(20)	(20)	7
DERIVATIVE INSTRUMENTS LIABILITIES	**(267)**	**(277)**	**(58)**	**(145)**	**(21)**	**(20)**	**(20)**	**(20)**	**7**
TOTAL FINANCIAL LIABILITIES	**(9,779)**	**(12,201)**	**(860)**	**(1,613)**	**(2,124)**	**(606)**	**(247)**	**(1,097)**	**(5,653)**

On 30.06.2016 € million	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value		(9,233)	(98)	(1,815)	(124)	(27)	(877)	(1,109)	(5,184)
Interest		(2,555)	(138)	(202)	(256)	(256)	(256)	(239)	(1,207)
GROSS FINANCIAL DEBT	**(9,362)**	**(11,788)**	**(236)**	**(2,017)**	**(381)**	**(283)**	**(1,133)**	**(1,348)**	**(6,391)**
Cross currency swaps	-								
◆ Flows payable		-	-	-	-	-	-	-	-
◆ Flows receivable		-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(148)	(160)	(59)	(24)	(22)	(21)	(21)	(12)	-
DERIVATIVE INSTRUMENTS LIABILITIES	**(148)**	**(160)**	**(59)**	**(24)**	**(22)**	**(21)**	**(21)**	**(12)**	**-**
TOTAL FINANCIAL LIABILITIES	**(9,510)**	**(11,947)**	**(295)**	**(2,041)**	**(402)**	**(304)**	**(1,154)**	**(1,360)**	**(6,391)**

6. Syndicated loan

At 30 June 2016, the multi-currency syndicated loan of €2,500 million had not been drawn down.

7. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2016 *€ million*
USD 850 million	2.95%	12.01.2012	15.01.2017	776
EUR 1,000 million	5.00%	15.03.2011	15.03.2017	1,013
EUR 850 million	2.00%	20.03.2014	22.06.2020	845
USD 1,000 million	5.75%	07.04.2011	07.04.2021	920
USD 201 million	Spread + 6-month LIBOR	26.01.2016	26.01.2021	183
USD 1,500 million	4.45%	25.10.2011	15.01.2022	1,419
USD 800 million	4.25%	12.01.2012	15.07.2022	768
EUR 500 million	1.88%	28.09.2015	28.09.2023	480
EUR 650 million	2.13%	29.09.2014	27.09.2024	656
EUR 600 million	1.50%	17.05.2016	18.05.2026	598
USD 600 million	3.25%	08.06.2016	08.06.2026	535
USD 850 million	5.50%	12.01.2012	15.01.2042	771
TOTAL BONDS				**8,962**

8. Offsetting financial assets and financial liabilities

The table below shows the amounts of financial assets and financial liabilities before and after offsetting. These disclosures are required by an amendment to IFRS 7 (Financial instruments: Disclosures – Offsetting financial assets and financial liabilities) that has been applicable since 1 January 2013.

The amounts offset in the balance sheet were established in accordance with IAS 32. Accordingly, financial assets and financial liabilities are offset and the net amount is presented in the balance sheet if and only if the Group has a legally enforceable right to offset the recognised amounts, and if it intends to settle the net amount. The assets and liabilities offset stem from the multi-currency cash pooling implemented within the Group.

On 30.06.2015 *€ million*	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	710	(165)	545	-	-	-
Liabilities and shareholders' equity						
Other financial liabilities	1,203	(165)	1,039	-	-	-

On 30.06.2016 *€ million*	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	704	(135)	569	-	-	-
Liabilities and shareholders' equity						
Other financial liabilities	535	(135)	400	-	-	-

Note 4.9 Financial instruments

1. *Fair value of financial instruments*

		Breakdown by accounting classification				30.06.2015	
€ million	Measurement level	Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	19	-	-	19	19
Guarantees, deposits, investment-related receivables		-	-	56	-	56	56
Trade receivables		-	-	1,152	-	1,152	1,152
Other current assets		-	-	260	-	260	260
Derivative instruments – assets	Level 2	102	-	-	-	102	102
Cash and cash equivalents	Level 1	545	-	-	-	545	545
Liabilities and shareholders' equity							
Bonds		-	-	-	8,473	8,473	8,900
Other financial liabilities (excluding finance lease debt)		-	-	-	999	999	999
Finance lease debt		-	-	-	40	40	40
Derivative instruments – liabilities	Level 2	267	-	-	-	267	267

		Breakdown by accounting classification				30.06.2016	
€ million	Measurement level	Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	16	-	-	16	16
Guarantees, deposits, investment-related receivables		-	-	76	-	76	76
Trade receivables		-	-	1,068	-	1,068	1,068
Other current assets		-	-	251	-	251	251
Derivative instruments – assets	Level 2	116	-	-	-	116	116
Cash and cash equivalents	Level 1	569	-	-	-	569	569
Liabilities and shareholders' equity							
Bonds		-	-	-	8,962	8,962	9,582
Other financial liabilities (excluding finance lease debt)		-	-	-	362	362	362
Finance lease debt		-	-	-	38	38	38
Derivative instruments – liabilities	Level 2	148	-	-	-	148	148

The methods used are as follows:

- debt: the fair value of the debt is determined for each loan by discounting future cash flows on the basis of market rates at the closing date, adjusted for the Group's credit risk. For floating-rate bank debt, the fair value is approximately equal to the net carrying amount;
- bonds: market liquidity enabled the bonds to be valued at their fair value using the quoted prices;
- other long-term financial liabilities: the fair value of other long-term financial liabilities was calculated for each loan by discounting future cash flows using an interest rate reflecting the Group's credit risk at the balance sheet date;
- derivative instruments: the market value of instruments recognised in the financial statements at the balance sheet date was calculated on the basis of available market data, using current valuation models.

The hierarchical levels for fair value disclosures below accord with the definitions in the amended version of IFRS 7 (Financial instruments: disclosures):

- level 1: fair value based on prices quoted in an active market;
- level 2: fair value measured on the basis of observable market data (other than quoted prices included in level 1);
- level 3: fair value determined using valuation techniques based on unobservable market data.

In accordance with IFRS 13, derivatives were measured taking into account the credit valuation adjustment (CVA) and the debt valuation adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 30 June 2016, the impact was not significant.

2. *Risk management*

Management and monitoring of financial risks is performed by the Financing and Treasury Department, which has eight staff members. Reporting to the Group Finance Department, it oversees all financial exposures and processes or validates all financing, investment and hedging transactions, as part of a programme approved by the General Management.

All financial instruments used hedge existing or forecast hedge transactions or investments. They are contracted with a limited number of counterparties that have a first-class rating.

Management of liquidity risk

At 30 June 2016, the Group's cash and cash equivalents totalled €569 million (compared with €545 million at 30 June 2015). An additional €2,760 million of medium-term credit facilities with banks was confirmed and remained undrawn at this date. Group funding is provided in the form of long-term debt (syndicated loans, bonds, etc.) and short-term financing (commercial paper, bank overdrafts) as well as factoring and securitisation, which provide adequate financial resources to ensure the continuity of its business. Short-term financial debt after hedging was €2,027 million (compared with €2,159 million at 30 June 2015).

While the Group has not identified any other significant cash requirement, it cannot be fully guaranteed that it will be able to continue to access the funding and refinancing needed for its day-to-day operations and investments on satisfactory terms, given the uncertain economic context.

The credit ratings sought by Pernod Ricard from rating agencies on its long- and short-term debt are Baa2/P2 from Moody's and BBB-/A3 from Standard & Poor's respectively.

The Group's bank and bond debt contracts include covenants. Breaches of these covenants could force the Group to make accelerated payments. At 30 June 2016, the Group was in compliance with the covenants under the terms of its syndicated loan, with a solvency ratio (total net debt converted at the average rate/consolidated EBITDA) of 5.25 or less.

Furthermore, while the vast majority of the Group's cash surplus is placed with branches of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may lose some of their liquidity and/or value.

The currency controls in place in certain countries limit the Group's ability to use cash (prohibition on investment with Pernod Ricard Finance) and, in some cases, the possibility of paying dividends (authorisation is required from the relevant authorities, particularly in Cuba).

Specific terms of financing agreements and schedule of financial liabilities are respectively disclosed in the "Significant contracts" section of the management report and in Note 4.8 – *Financial liabilities* of the Notes to the consolidated financial statements.

Management of currency risk

As the Group consolidates its financial statements in euros, it is exposed to fluctuations against the euro by the currencies in which its assets and liabilities are denominated (asset risk) or in which transactions are carried out (transaction risk and translation of results).

While some hedging strategies allow exposure to be limited, there is no absolute protection against exchange rate fluctuations.

For asset risk, financing foreign currency-denominated assets acquired by the Group with debt in the same currency provides natural hedging. This principle was applied for the acquisition of Seagram, Allied Domecq and Vin&Sprit, with part of the debt being denominated in USD, reflecting the importance of cash flows generated in dollars or linked currencies.

Movements in currencies against the euro (notably the USD) may impact the nominal amount of these debts and the financial costs published in euro in the consolidated financial statements, and this could affect the Group's reported results.

For operational currency risk, the Group's international operations expose it to currency risks bearing on transactions carried out by affiliates in a currency other than their operating currency (transaction accounting risk).

In all cases, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to currency risk on invoicing between producer and distributor affiliates is managed *via* a monthly payment centralisation procedure involving most countries with freely convertible and transferable currencies and whose internal legislation allows this participation. This system hedges against net exposure using forward exchange contracts.

Residual risk is partially hedged using financial derivatives (forward purchases, forward sales or options) to hedge certain or highly probable non-Group operating receivables and payables.

In addition, the Group may use firm or optional hedges with the aim of reducing the impact of currency fluctuations on its operating activities in some Brand Companies that make significant purchases in currencies other than the euro – especially USD, GBP or SEK – or in order to secure the payment of dividends back to the parent.

Management of interest rate risk

At 30 June 2016, the Pernod Ricard group's debt comprised floating-rate debt (mainly commercial paper and other bank loans) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including swaps in EUR and USD.

The Group cannot guarantee that these hedges will prove sufficient, or that it will be able to maintain them on acceptable terms.

Schedule of floating-rate debt and hedging in EUR *(notional value in euro million)*

On 30.06.2016 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	85	-	-	85
Total floating-rate liabilities	(115)	(122)	-	(236)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(29)**	**(122)**	**-**	**(151)**
Derivative instruments	(195)	-	-	(195)
NET FLOATING-RATE DEBT AFTER HEDGING	**(224)**	**(122)**	**-**	**(345)**

Schedule of floating-rate debt and hedging in USD *(notional value in euro million)*

On 30.06.2016 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	28	-	-	28
Total floating-rate liabilities	(89)	(277)	-	(366)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(61)**	**(277)**	**-**	**(338)**
Derivative instruments	624	(279)	(499)	(154)
NET FLOATING-RATE DEBT AFTER HEDGING	**563**	**(556)**	**(499)**	**(492)**

Analysis of the sensitivity of financial instruments to interest rate risk (impact on the income statement)

A 50 bp increase or decrease in (USD and EUR) interest rates would increase or reduce the cost of net financial debt by €4 million.

Analysis of the sensitivity of financial instruments to interest rate risk (impact on shareholders' equity)

A relative fluctuation of +/-50 bp in interest rates (USD and EUR) would generate an equity gain or loss of approximately €8 million as a result of changes in the fair value of the derivatives documented as cash flow hedges (swaps).

Analysis of the sensitivity of financial instruments used to hedge risks related to agricultural raw materials (impact on shareholders' equity)

At 30 June 2016, the sensitivity of the portfolio was not significant.

Counterparty risk in financial transactions

The Group could be exposed to counterparty default *via* its cash investments, hedging instruments or the availability of confirmed but undrawn financing lines. In order to limit this exposure, the Group performs a rigorous selection of counterparties according to several criteria, including credit ratings, and depending on the maturity dates of the transactions.

However, no assurance can be given that this rigorous selection will be enough to protect the Group against risks of this type, particularly in the current economic context.

Note 4.10 Interest rate, foreign exchange and commodity derivatives

In application of the amended version of IAS 39 (Financial instruments: recognition and measurement), all derivative instruments must be recognised in the balance sheet at fair value, determined on the basis of valuation models recognised on the market or of external listings issued by financial institutions.

Where the derivative has been designated as a fair value hedge, changes in the value of the derivative and of the hedged item are recognised in profit and loss for the same period. If the derivative has been designated as a cash flow hedge, the change in value of the "effective" portion of the hedge is recognised in shareholders' equity. It is recognised in profit and loss when the hedged item is itself recognised in profit and loss. The change in value of the "ineffective" component of the derivative is, however, recognised directly in profit and loss. If the derivative is designated as a hedge of a net foreign currency investment, the change in value of the effective component of the derivative is recognised in shareholders' equity and the change in value of the "ineffective" component is recognised in profit and loss.

Type of hedge on 30.06.2015 *€ million*	Description of the financial instrument	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities
Fair value hedge						**66**	**-**
Interest rate risk hedges	Swaps	600	313	1,430	2,343	66	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net investment hedge						**-**	**-**
Currency risk hedges	Currency swaps	-	-	-	-	-	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net asset hedging						**-**	**121**
Interest rate and currency risk hedges	Cross currency swaps	580	-	-	-	-	121
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**66**	**121**
Cash flow hedge						**20**	**109**
Interest rate risk hedges	Swaps	268	894	1,394	2,556	-	92
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps	364	5	-	369	20	17
Commodity risk hedges	Forward	2	-	-	2	0	-
Non-hedge accounting						**16**	**38**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and fx forwards	1,912	-	-	-	16	24
Interest rate risk hedges	Swaps	1,162	-	-	1,162	-	14
TOTAL DERIVATIVE INSTRUMENTS						**101**	**267**
TOTAL NON-CURRENT						**52**	**87**
TOTAL CURRENT (LESS THAN ONE YEAR)						**50**	**181**

Type of hedge on 30.06.2016 *€ million*	Description of the financial instrument	Notional amount of contracts				Fair value	
		< 1 year	> 1 year and < 5 years	> 5 years	Total	Assets	Liabilities
Fair value hedge						**77**	**-**
Interest rate risk hedges	Swaps	-	676	540	1,216	77	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net investment hedge						**-**	**-**
Currency risk hedges	NDF & FX options	-	-	-	-	-	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net asset hedging						**-**	**-**
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**77**	**-**
Cash flow hedge						**1**	**63**
Interest rate risk hedges	Swaps	-	360	-	360	-	35
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps	454	72	-	526	1	26
Commodity risk hedges	Forward	15	5	-	20	-	2
Non-hedge accounting						**38**	**85**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and forwards	2,047	-	-	2,047	7	35
Interest rate risk hedges	Swaps	901	1,081	-	1,982	31	50
TOTAL DERIVATIVE INSTRUMENTS						**116**	**148**
TOTAL NON-CURRENT						**109**	**84**
TOTAL CURRENT (LESS THAN ONE YEAR)						**8**	**64**

The notional amount of these contracts is the nominal value of the contracts. Foreign currency-denominated notional amounts in cross currency swaps are shown in euros at the exchange rate agreed. For other instruments, notional amounts denominated in foreign currencies are translated into euros at year-end rates. Estimated values are based on information available on the financial markets and valuation methods appropriate to the type of financial instrument concerned. These valuation methods yielded results consistent with the valuations provided by bank counterparties.

Note 4.11 Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2015	30.06.2016
Taxes and social payables	604	583
Other operating payables	311	323
Other payables	5	3
TOTAL	**920**	**909**

Most other operating payables are due within one year.

Note 5 Notes to the cash flow statement

1. Working capital requirements

Working capital requirements increased by €178 million. The change breaks down as follows:

- increase in inventory: +€237 million;
- decrease in trade receivables: €(39) million;
- increase in operating and other payables: €(20) million.

The increase in inventory relates to the build-up of ageing inventories to meet growing demand.

2. Capital expenditure

Capital expenditure related mainly to the construction of new warehouses or the renewal of machinery and equipment in the production affiliates.

3. Bond issues/repayment of long-term debt

The Group repaid a bond of €1,200 million in March 2016.

It also issued three bonds over the financial year:

- €500 million in September 2015;
- €600 million in May 2016;
- US$600 million in June 2016.

Note 6 Additional information

Note 6.1 Shareholders' equity

1. Share capital

The Group's share capital did not change between 1 July 2015 and 30 June 2016:

	Number of shares	Amount *€ million*
Share capital on 30 June 2015	265,421,592	411
Share capital on 30 June 2016	265,421,592	411

All Pernod Ricard shares are issued and fully paid and have a nominal amount of €1.55. Only one category of ordinary Pernod Ricard shares exists. These shares obtain double voting rights if they have been nominally registered for an uninterrupted period of 10 years.

2. Treasury shares

Treasury shares are recognised on acquisition as a deduction from shareholders' equity. Subsequent changes in the value of treasury shares are not recognised. When treasury shares are sold, any difference between the acquisition cost and the fair value of the shares at the date of sale is recognised as a change in shareholders' equity and has no impact on profit and loss for the year.

On 30 June 2016, Pernod Ricard and its controlled affiliates held 995,594 Pernod Ricard shares worth €82 million. These treasury shares are shown at cost as a deduction from shareholders' equity.

As part of its stock option and bonus share allocation plans, Pernod Ricard SA holds shares either directly (treasury shares) or indirectly (calls or repurchase options) that may be granted if options are exercised under stock option plans or, in the case of bonus shares, if performance targets are met.

3. Interim dividend

The Board of Directors' meeting of 22 June 2016 decided to pay an interim dividend of €0.90 per share in respect of the 2015/16 financial year, *i.e.* a total of €239 million. This interim dividend was paid on 8 July 2016 and recognised under Other operating payables in the balance sheet at 30 June 2016.

4. Capital management

The Group manages its capital in such a way as to optimise its cost of capital and profitability for its shareholders, provide security for all its counterparties and maintain a high rating. In this context, the Group may adjust its payment of dividends to shareholders, repay part of its capital, buy back its own shares and authorise share-based payment plans.

5. Liquidity agreement

On 24 May 2012, Pernod Ricard SA put in place a 12-month liquidity agreement, effective from 1 June 2012, through Rothschild & Cie Banque. The agreement is tacitly renewable for successive periods of 12 months. It complies with the AMAFI Code of Conduct, which was approved by the AMF in its decision of 21 March 2011.

The sum of €5 million was allocated for the implementation of the liquidity agreement.

Note 6.2 Share-based payments

The Group applies the IFRS 2 standard to transactions whose award and settlement are share-based and to transactions whose award is share-based but which are settled in cash.

Pursuant to this standard, stock options and performance-based shares granted to employees are measured at fair value. The amount of such fair value is recognised in the income statement over the vesting period of the rights and a corresponding double entry is recognised as an increase in shareholders' equity. Share appreciation rights, which will be settled in cash, are measured at fair value and recognised in profit and loss with a corresponding entry to the liability incurred. This liability is remeasured at each closing date until settlement.

The fair value of options and rights is calculated using valuation models taking into account the characteristics of the plan and market data at the date of grant and on the basis of Group Management assumptions.

Description of share-based payment plans

All of the plans are equity-settled, except for the plans granted on 14 June 2006 and 18 January 2007, which also included awards of share appreciation rights (SARs) to Group employees. The SARs are cash-settled options. Moreover, with respect to plans granted since 2007, performance-based share plans with performance and continuous service conditions were also granted.

On the exercise of their rights, beneficiaries of SARs will receive a cash payment based on the Pernod Ricard share price that is equal to the difference between the Pernod Ricard share price on the date of exercise and the exercise price set on the grant date. At 30 June 2016 there were no more SARs outstanding, the 14 June 2006 plan having matured during the 2015/16 financial year.

The plans granted on 11 August 2005, 14 June 2006 and 18 June 2008 reached maturity during the 2015/16 financial year.

Information relating to stock option and performance-based share plans

Stock option and performance-based share plans are granted to managers with high levels of responsibility, key management personnel for the Group and high-potential managers.

Two allocation plans were launched during the 2015/16 financial year, on 6 November 2015:

- a stock option plan including a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR [(1)]) compared to the overall performance of a panel of 12 peers over the period from 6 November 2015 to 6 November 2018 inclusive (three years) and a condition of four years' continuous service;
- a performance-based share plan, including a performance criterion based on the average level of profit from recurring operations achieved compared to the budget, measured over three consecutive years including the year in which the shares were granted and a continuous service condition upon vesting;
- a performance-based share plan, including several levels of performance conditions, with the first based on the average level of profit from recurring operations achieved compared to the budget, measured over three years including the year in which the shares were granted, and the second based on the positioning of the overall performance of the Pernod Ricard share (TSR [(1)]) compared to the overall performance of a panel of 12 peers over the period from 6 November 2015 to 6 November 2018 inclusive (three years) and a continuous service condition upon vesting.

	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	Purchase	Purchase	SARs	SARs	Purchase	Purchase	Free
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Conditional	Conditional
Number of beneficiaries	485	555	49	1	598	13	804
Acquisition of options/vesting date of shares	11.08.2009	14.06.2010	14.06.2009	18.01.2010	18.06.2012	18.06.2012	18.06.2010 (FRA) 18.06.2012 (ROW)
Exercisable from	12.08.2009	15.06.2010	15.06.2009	19.01.2010	19.06.2012	19.06.2012	19.06.2012 (FRA and ROW)
Expiry date	11.08.2015	14.06.2016	14.06.2016	18.01.2017	18.06.2016	18.06.2016	N/A
Subscription or purchase price (in euro)	€52.59	€58.41	€58.41	N/A	€66.16	€66.16	N/A
Outstanding options and shares on 30.06.2016	-	-	-	-	-	-	-
Stock option/share expense for 2015/16 *(€ thousand)*	-	-	(183)	-	-	-	-

(1) *Total Shareholder Return.*

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010
Type of options/shares	Purchase	Purchase	Purchase	Free
Performance conditions	Unconditional	Conditional	Conditional	Conditional
Number of beneficiaries	705	133	133	980
Acquisition of options/vesting date of shares	24.06.2014	24.06.2014	24.06.2014	24.06.2013 (FRA) 24.06.2014 (ROW)
Exercisable from	25.06.2014	25.06.2014	25.06.2014	25.06.2015 (FRA) 25.06.2014 (ROW)
Expiry date	24.06.2018	24.06.2018	24.06.2018	N/A
Subscription or purchase price (in euro)	€64.00	€64.00	€64.00	N/A
Outstanding options and shares on 30.06.2016	260,277	93,668	93,669	-
Stock option/share expense for 2015/16 *(€ thousand)*	-	-	-	-

	Plan dated 15.09.2010	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011
Type of options/shares	Purchase	Purchase	Purchase	Purchase	Free
Performance conditions	Conditional	Unconditional	Conditional	Conditional	Conditional
Number of beneficiaries	1	713	144	144	1,029
Acquisition of options/vesting date of shares	15.09.2014	15.06.2015	15.06.2015	15.06.2015	15.06.2014 (FRA) 15.06.2015 (ROW)
Exercisable from	16.09.2014	16.06.2015	16.06.2015	16.06.2015	16.06.2016 (FRA) 16.06.2015 (ROW)
Expiry date	15.09.2018	15.06.2019	15.06.2019	15.06.2019	N/A
Subscription or purchase price (in euro)	€64.00	€68.54	€68.54	€68.54	N/A
Outstanding options and shares on 30.06.2016	67,500	343,665	140,702	140,702	-
Stock option/share expense for 2015/16 *(€ thousand)*	-	-	-	-	-

	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Purchase	Purchase	Purchase	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Number of beneficiaries	158	158	1	1	1,059
Acquisition of options/vesting date of shares	27.06.2016	27.06.2016	27.06.2016	27.06.2016	27.06.2015 (FRA) 27.06.2016 (ROW)
Exercisable from	28.06.2016	28.06.2016	28.06.2016	28.06.2016	28.06.2017 (FRA) 28.06.2016 (ROW)
Expiry date	27.06.2020	27.06.2020	27.06.2020	27.06.2020	N/A
Subscription or purchase price (in euro)	€78.93	€78.93	€78.93	€78.93	N/A
Outstanding options and shares on 30.06.2016	-	-	-	-	-
Stock option/share expense for 2015/16 *(€ thousand)*	716	747	43	44	4,759

	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2014
Type of options/shares	Purchase	Free	Free	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Number of beneficiaries	168	2	1,087	1,005	15
Acquisition of options/vesting date of shares	06.11.2017	06.11.2016	06.11.2016 (FRA) 06.11.2017 (ROW)	06.11.2018	06.11.2018
Exercisable from	07.11.2017	07.11.2018	07.11.2018 (FRA) 07.11.2017 (ROW)	07.11.2018	07.11.2018
Expiry date	06.11.2021	N/A	N/A	N/A	N/A
Subscription or purchase price (in euro)	€88.11	N/A	N/A	N/A	N/A
Outstanding options and shares on 30.06.2016	348,640	10,920	328,353	386,405	41,808
Stock option/share expense for 2015/16 *(€ thousand)*	1,331	141	5,238	9,679	561

	Plan dated 06.11.2015	Plan dated 06.11.2015	Plan dated 06.11.2015
Type of options/shares	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional
Number of beneficiaries	161	1	1,006
Acquisition of options/vesting date of shares	06.11.2019	06.11.2019	06.11.2019
Exercisable from	07.11.2019	07.11.2019	07.11.2019
Expiry date	06.11.2023	N/A	N/A
Subscription or purchase price (in euro)	€102.80	N/A	N/A
Outstanding options and shares on 30.06.2016	278,575	5,500	406,223
Stock option/share expense for 2015/16 *(€ thousand)*	701	48	6,018

N/A: Not applicable.
FRA: French tax residents; ROW: non-French tax residents.

History of stock option plans that have not yet expired is detailed in the "Management report" section of the Registration Document.

Regarding stock options already vested, the total number of options outstanding is 1,140,183, for which the average remaining life is two years and six months.

The Group recognised an expense of €3.6 million in operating profit in respect of the six stock option plans in operation at 30 June 2016, an expense of €26.4 million in respect of the seven performance-based share plans, and income of €0.2 million in respect of the final SAR programme in existence during the 2015/16 financial year.

Annual expenses

€ million	30.06.2015	30.06.2016
Stock options (equity settled) – impact on shareholders' equity	6	4
SARs (cash settled) – impact on other current liabilities	2	(0)
Performance-based shares (equity settled) – impact on shareholders' equity	20	26
TOTAL ANNUAL EXPENSES	**28**	**30**

Outstanding stock options/shares changes during the year are described below:

	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	Purchase	Purchase	SARs	SARs	Purchase	Purchase	Free
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**32,081**	**423,456**	**59,552**	**-**	**435,698**	**80,363**	**-**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-	-	-
Cancelled between 01.07.2015 and 30.06.2016	-	-	-	-	902	-	-
Exercised between 01.07.2015 and 30.06.2016	31,877	423,456	59,552	-	432,873	80,363	-
Expired between 01.07.2015 and 30.06.2016	204	-	-	-	1,923	-	-
OUTSTANDING OPTIONS/ SHARES ON 30.06.2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 15.09.2010	Plan dated 15.06.2011
Type of options/shares	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Unconditional
Outstanding options/shares on 30.06.2015	**298,378**	**207,691**	**0**	**67,500**	**518,097**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-
Cancelled between 01.07.2015 and 30.06.2016	500	-	-	-	500
Exercised between 01.07.2015 and 30.06.2016	37,601	20,354	-	-	168,182
Expired between 01.07.2015 and 30.06.2016	-	-	-	-	5,750
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**260,277**	**187,337**	**-**	**67,500**	**343,665**

	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Free	Purchase	Purchase	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**322,678**	**-**	**191,650**	**11,400**	**310,650**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-
Cancelled between 01.07. 2015 and 30.06.2016	-	-	191,650	11,400	17,761
Exercised between 01.07.2015 and 30.06.2016	41,274	-	-	-	292,889
Expired between 01.07.2015 and 30.06.2016	-	-	-	-	-
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**281,404**	**-**	**-**	**-**	**-**

	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2014
Type of options/shares	Purchase	Free	Free	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**348,640**	**10,920**	**350,958**	**53,600**	**518,070**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-
Cancelled between 01.07.2015 and 30.06.2016	-	-	22,342	11,792	131,665
Exercised between 01.07.2015 and 30.06.2016	-	-	263	-	-
Expired between 01.07.2015 and 30.06.2016	-	-	-	-	-
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**348,640**	**10,920**	**328,353**	**41,808**	**386,405**

	Plan dated 06.11.2015	Plan dated 06.11.2015	Plan dated 06.11.2015
Type of options/shares	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**N/A**	**N/A**	**N/A**
Granted between 01.07.2015 and 30.06.2016	278,575	5,500	413,423
Cancelled between 01.07.2015 and 30.06.2016	-	-	7,200
Exercised between 01.07.2015 and 30.06.2016	-	-	-
Expired between 01.07.2015 and 30.06.2016	-	-	-
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**278,575**	**5,500**	**406,223**

The average exercise price of options exercised during the 2015/16 financial year was €63.46.

The assumptions used in calculating the fair values of the options, using the binomial or Monte Carlo models and the terms under which the options/shares were granted, are as follows:

	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	Purchase	Purchase	SARs	SARs	Purchase	Purchase	Free
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	55.22	56.83	100.1 (1)	100.1 (1)	63.29	63.29	63.29
Exercise price *(in euros after adjustments)*	52.59	58.41	58.41	N/A	66.16	66.16	N/A
Expected volatility (2)	30%	30%	22%	22%	21%	21%	N/A
Expected dividend yield (2)	2%	2%	2%	2%	2%	2%	2%
Risk-free interest rate (2)	3.25%	4.00%	4.50%	4.50%	4.83%	4.83%	4.83%
IFRS 2 FAIR VALUE ON 30.06.2016	**18.4**	**18.47**	**N/A**	**N/A**	**15.76**	**12.07**	**54.23 (FRA) 57.39 (ROW)**

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 15.09.2010	Plan dated 15.09.2010
Type of options/shares	Purchase	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* [3]	65.16	65.16	65.16	65.16	59.91	59.91
Exercise price *(in euros after adjustments)*	64	64	64	N/A	64	64
Expected volatility [2]	28%	28%	28%	N/A	23%	23%
Expected dividend yield [2]	2%	2%	2%	2%	2%	2%
Risk-free interest rate [2]	3.41%	3.41%	3.41%	2.28%	2.93%	2.93%
IFRS 2 FAIR VALUE ON 30.06.2016	**18.39**	**12.45**	**13.04**	**60.15 (ROW) 59.27 (FRA)**	**8.02**	**8.23**

	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* [3]	66.74	66.74	66.74	66.74	79.51	79.51
Exercise price *(in euros after adjustments)*	68.54	68.54	68.54	N/A	78.93	78.93
Expected volatility [2]	23%	23%	23%	N/A	27%	27%
Expected dividend yield [2]	2%	2%	2%	2%	2%	2%
Risk-free interest rate [2]	3.37%	3.37%	3.37%	3.12%	3.28%	3.28%
IFRS 2 FAIR VALUE ON 30.06.2016	**15.12**	**10.09**	**10.33**	**61.61 (ROW) 60.02 (FRA)**	**14.62**	**15.27**

	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2014
Type of options/shares	Free	Purchase	Free	Free	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* [3]	79.51	86.75	86.75	86.75	90.62	90.62
Exercise price *(in euros after adjustments)*	N/A	88.11	N/A	N/A	N/A	N/A
Expected volatility [2]	N/A	24%	24%	N/A	21%	N/A
Expected dividend yield [2]	2%	2%	2%	2%	2%	2%
Risk-free interest rate [2]	2.31%	2.25%	1.3%	1.3%	0.45%	0.45%
IFRS 2 FAIR VALUE ON 30.06.2016	**73.40 (ROW) 74.88 (FRA)**	**15.19**	**47.04**	**80.08 (ROW) 79.06 (FRA)**	**43.58**	**83.65**

	Plan dated 06.11.2015	Plan dated 06.11.2015	Plan dated 06.11.2015
Type of options/shares	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	107.5	107.5	107.5
Exercise price *(in euros after adjustments)*	102.8	N/A	N/A
Expected volatility (2)	26%	21%	N/A
Expected dividend yield (2)	2%	2%	2%
Risk-free interest rate (2)	1%	0.25%	N/A
IFRS 2 FAIR VALUE ON 30.06.2016	**16.04**	**53.74**	**99.24**

N/A: not applicable.
FRA: French tax residents; ROW: non-French tax residents.
(1) Share price on 30.06.2016.
(2) Assumptions used for initial measurement.
(3) Share price at grant date after value adjustment.

The volatility assumption used for the 2010 and 2011 plans is based on the implied volatility of the Pernod Ricard share at the date the plans were granted.

With a view to smoothing this assumption over time for the 2012, 2013, 2014 and 2015 plans, the Group again opted for a multi-criteria approach taking into consideration:

- historic volatility over a period equal to the duration of the options;
- implied volatility calculated on the basis of options available in financial markets.

The possibility of exercising options before maturity was included in the measurement model for stock option plans (with or without a market performance-related element). It was assumed that 1% of options are exercised each year as a result of employees leaving the Company. Furthermore, assumptions reflecting the behaviour of beneficiaries are taken into account in estimating early exercise (before maturity). For the 2007 and 2008 plans it was assumed that 67% and 33% of options would be exercised once the share price reached 150% and 250% of the exercise price, respectively. For the 2010, 2011, 2012, 2013 and 2015 plans, it was assumed that 60%, 30% and 10% of options would be exercised once the share price reached 125%, 175% and 200% of the exercise price, respectively. This new assumption is based on an analysis of behaviour observed on plans awarded before 2010.

Options allocated on 6 November 2015 are all conditional on the positioning of the overall performance of the Pernod Ricard share (TSR [1]) compared to the overall performance of a panel of 12 peers: the stock options will be pre-vested on 6 November 2018, provided that the Pernod Ricard share (TSR [1]) is positioned 7th out of 13 or better for overall performance (the number will be determined by sub-group depending on the level of performance achieved). Vesting will be final if the continuous service condition is met at 6 November 2019.

Two performance-based share plans were granted on 6 November 2015. In both cases, their fair value corresponds, amongst other things, to the market price of the shares at the grant date, less the loss of expected dividends during the vesting period (*i.e.* four years for all beneficiaries).

Lastly, the number of performance-based shares granted will depend on the average level of Group profit from recurring operations for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 compared with budgeted profit from recurring operations for each of these years, at constant exchange rates and scope of consolidation. The accounting expense for the plan under IFRS 2 will be adjusted for this condition at the end of the vesting period at the latest.

The fair value of one of the two plans also takes account of the same market performance condition as applied to the stock options allocated on 6 November, in addition to the internal condition described above: positioning of the overall performance of the Pernod Ricard share (TSR [1]) compared to the overall performance of a panel of 12 peers over the period from 6 November 2015 to 6 November 2018 inclusive (three years). The performance-based shares, the number of which will be determined by applying the internal condition, will be vested from 7 November 2019, provided that the Pernod Ricard share (TSR [1]) is positioned 7th out of 13 or better for overall performance (the number will be determined by sub-group based on the level of performance achieved). Vesting will be final if the continuous service condition is met at 6 November 2019.

(1) Total Shareholder Return.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given on 30.06.2015	**2,187**	**797**	**1,175**	**215**
Commitments given in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments to acquire equity interests	-	-	-	-
Commitments given in the context of specific operations	-	-	-	-
Other	-	-	-	-
Commitments given in relation to the financing of the Company	**38**	**31**	**0**	**6**
Financial guarantees given	37	31	0	6
Other	0	0	-	-
Commitments relating to the operating activities of the issuer	**2,150**	**766**	**1,175**	**208**
Firm and irrevocable commitments to purchase raw materials	1,564	522	971	71
Tax commitments (customs guarantees and others)	219	139	6	74
Operating lease agreements	332	79	189	64
Other	35	26	9	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received on 30.06.2015	**2,955**	**371**	**2,538**	**45**
Commitments received in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments received in specific operations connected with competitors and markets	-	-	-	-
Other	-	-	-	-
Commitments received in relation to the financing of the Company	**2,911**	**363**	**2,526**	**21**
Lines of credit received and not used	2,882	335	2,526	21
Financial guarantees received	29	28	-	1
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	**44**	**8**	**12**	**24**
Contractual commitments related to business activity and business development	41	5	12	24
Other	3	2	1	-

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given on 30.06.2016	**2,236**	**746**	**1,302**	**188**
Commitments given in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments to acquire equity interests	-	-	-	-
Commitments given in the context of specific operations	-	-	-	-
Other	-	-	-	-
Commitments given in relation to the financing of the Company	**8**	**4**	**-**	**4**
Financial guarantees given	8	4	-	4
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,228**	**742**	**1,302**	**184**
Firm and irrevocable commitments to purchase raw materials	1,636	511	1,082	43
Tax commitments (customs guarantees and others)	200	113	11	76
Operating lease agreements	342	91	186	64
Other	50	27	23	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received on 30.06.2016	**2,844**	**38**	**2,769**	**36**
Commitments received in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments received in specific operations connected with competitors and markets	-	-	-	-
Other	-	-	-	-
Commitments received in relation to the financing of the Company	**2,791**	**30**	**2,760**	**1**
Lines of credit received and not used	2,760	-	2,760	-
Financial guarantees received	31	30	-	1
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	**53**	**8**	**9**	**36**
Contractual commitments related to business activity and business development	47	6	8	33
Other	6	2	1	2

1. *Lines of credit received and not used*

The lines of credit received and not used correspond primarily to the amount of the syndicated loan not drawn at 30 June 2016 (see Note 4.8 – *Financial liabilities*).

From 30 June 2016, lines of credit received and not used include only confirmed lines of credit. At 30 June 2015, confirmed lines of credit were worth €2,500 million.

2. *Firm and irrevocable commitments to purchase raw materials*

In the context of their cognac, wine, champagne and whiskies production operations, the Group's main affiliates have committed €1,539 million, under *eaux-de-vie*, grape, base wine and grain supply agreements.

Note 6.4 Contingent liabilities

In February 2015 and March 2016, Pernod Ricard received two notices of tax adjustment for the financial years 2006/07 to 2011/12 amounting to INR 6,732 million and INR 878 million respectively, inclusive of interest, *i.e.* €90 million and €12 million. These notices relate primarily to the tax deductibility of advertising and promotional expenses. After consulting with its tax advisers, Pernod Ricard India disputes the merits of the reassessment proposal and believes it has a probable chance of success in litigation. Accordingly, no provision has been booked for this matter.

Note 6.5 Disputes

In the normal course of business, Pernod Ricard is involved in a number of legal, governmental, arbitration and administrative proceedings.

A provision for such procedures is constituted under "Other provisions for risks and charges" (see Note 4.7 – *Provisions*) only when it is likely that a current liability stemming from a past event will require the payment of an amount that can be reliably estimated. In the latter case, the provisioned amount corresponds to the best estimation of the risk. The provisioned amount recorded is based on the assessment of the level of risk on a case-by-case basis, it being understood that any events arising during the proceedings may at any time require that risk to be reassessed.

The provisions recorded by Pernod Ricard at 30 June 2016, for all litigation and risks in which it is involved, amounted to €526 million, compared to €508 million at 30 June 2015 (see Note 4.7 – *Provisions*). Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the Company's best knowledge, there are no other governmental, legal or arbitration proceedings pending or threatened, including any proceeding of which the Company is aware, which may have or have had over the last 12 months a significant impact on the profitability of the Company and/or the Group, other than those described below.

Disputes relating to brands

Havana Club

The Havana Club brand is owned in most countries by a joint venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 120 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

In 1998, the United States passed a law relating to the conditions for the protection of brands previously used by companies nationalised by the Castro regime. This law was condemned by the World Trade Organization (WTO) in 2002. However, to date, the United States has not amended its legislation to comply with the WTO's decision.

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club registration, following OFAC'S refusal to grant a specific licence. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC, challenging both OFAC's decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport's licence application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A further renewal application for a period of 10 years from 27 January 2016 to 2026 was also granted.
2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademark, which is registered in the name of Cubaexport. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now before the Federal District Court for the District of Columbia. These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed and the plaintiff amended their complain. In response, Cubaexport and HCH filed two motions: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues.

These risks constitute a potential obstacle to the Group's business development but there are no foreseeable obligations resulting from these events at the present time. The resolution of these disputes would represent a business development opportunity for the Group.

Stolichnaya

Allied Domecq International Holdings BV and Allied Domecq Spirits & Wine USA, Inc., were together with SPI Spirits and other parties, defendants in an action brought in the United States District Court for the Southern District of New York by entities that claim to represent the interests of the Russian Federation on matters relating to ownership of the trademarks for vodka products in the United States. In the action, the applicants challenged Allied Domecq International Holdings BV's then ownership of the Stolichnaya trademark in the United States and sought damages.

After long and complex legal proceedings, on 26 January 2015, the applicants and Allied Domecq signed a settlement agreement to end the dispute as between those parties. On 2 February 2015, the New York Court of Appeals ordered that Allied Domecq should withdraw from the proceedings. Proceedings are continuing between the remaining parties.

Tax disputes

The Group's companies are regularly audited by the tax authorities in the countries in which they are registered.

The estimation of the risk concerning each dispute is regularly reviewed by the affiliate or region concerned and by the Group's Tax Department, with the assistance of external counsel for the most significant or complex cases. Provisions are recognised if necessary. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing tax litigation could cause the Group serious harm.

India

Pernod Ricard India (P) Ltd has an ongoing dispute with the Indian customs authorities over the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court which issued an order in July 2010, setting out the principles applicable for the determination of values which should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. Regarding the subsequent period up to December 2010, Pernod Ricard India (P) Ltd has deposited almost the entire differential duty as determined by customs, although the values adopted by them are being disputed as being on the high side. The Company continues to actively work with the authorities to resolve pending issues.

Moreover, in February 2015 and March 2016, Pernod Ricard India received the notices of tax adjustment for the financial years 2006/07 to 2011/12 mainly relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – *Contingent liabilities*).

The above-mentioned disputes are only the subject of provisions, which, where appropriate, are recorded in Other provisions for risks and charges (see Note 4.7 – *Provisions*), when it is likely that a current liability stemming from a past event will require the payment of an amount which can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability.

Note 6.6 Related parties

Transactions with associates and joint ventures were immaterial in the year ended 30 June 2016.

The remuneration paid to corporate officers and Executive Committee (COMEX) members in return for their services to the Group is detailed below:

€ million	30.06.2015	30.06.2016
Board of Directors [(1)]	1	1
Group Executive Committee		
◆ Short-term benefits	13	13
◆ Post-employment benefits	4	4
◆ Share-based payments [(2)]	3	2
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**21**	**20**

(1) Directors' fees.

(2) The cost of stock option plans is the fair value of the options granted to Group Executive Committee members and recognised in the income statement over the vesting period of the options for plans from 27 June 2012 to 6 November 2015. To recap, no stock options were granted during the 2014/15 financial year.

Note 6.7 Subsequent events

There is no subsequent event likely to have a material impact on the Group's financial statements.

Note 7 Scope of consolidation

The annual consolidated financial statements include the financial statements of the Parent Company, Pernod Ricard SA, and those of entities controlled by the Parent Company ("the affiliates"). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, irrespective of the percentage held in the entity. Non-controlling interests in the net assets of consolidated affiliates are presented separately from Parent Company shareholders' equity. Non-controlling interests include both the interests of minority shareholders at the date of the original business combination and minority interests in any subsequent changes to shareholders' equity.

Intragroup transactions and internal profits and losses relating to consolidated companies are eliminated.

Companies over which the Group exercises significant influence are accounted for under the equity method.

Note 7.1 Scope of consolidation

The main changes to the Group's scope of consolidation at 30 June 2016 are presented above in Note 1.2 – *Significant events during the financial year.*

Note 7.2 List of main consolidated companies

Companies	Country	% Interest at 30.06.2015	% Interest at 30.06.2016	Consolidation method***
Pernod Ricard SA	France	Parent Company	Parent Company	
Pernod Ricard Andorra, SL	Andorra	100	100	F.C.
Pernod Ricard Angola, LDA.	Angola	100	100	F.C.
Pernod Ricard Argentina SRL	Argentina	100	100	F.C.
Yerevan Brandy Company	Armenia	100	100	F.C.
Pernod Ricard Pacific Holdings Pty Ltd	Australia	100	100	F.C.
Pernod Ricard Winemakers Pty Ltd	Australia	100	100	F.C.
Pernod Ricard Austria GmbH	Austria	100	100	F.C.
Pernod Ricard Belgium SA	Belgium	100	100	F.C.
Pernod Ricard Brasil Indústria e Comércio ltda.	Brazil	100	100	F.C.
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	F.C.
Corby Spirit and Wine Limited*	Canada	45.76	45.76	F.C.
Hiram Walker & Sons Limited	Canada	100	100	F.C.
Pernod Ricard Canada Ltée	Canada	100	100	F.C.
Pernod Ricard Chile SA	Chile	100	100	F.C.
Pernod Ricard (China) Trading Co., Ltd	China	100	100	F.C.
Pernod Ricard Colombia SA	Colombia	100	100	F.C.
Havana Club International SA	Cuba	50	50	F.C.
Jan Becher – Karlovarska Becherovka, a.s.	Czech Republic	100	100	F.C.
Pernod Ricard Denmark A/S	Denmark	100	100	F.C.
Pernod Ricard Dominicana, SA	Dominican Republic	100	100	F.C.
Pernod Ricard Estonia OÜ	Estonia	100	100	F.C.
Pernod Ricard Finland OY	Finland	100	100	F.C.
Augier Robin Briand & Cie	France	100	100	F.C.
Champagne Perrier-Jouët	France	100	100	F.C.
Domaines Jean Martell	France	100	100	F.C.
Financière Moulins de Champagne	France	100	100	F.C.
GH Mumm & Cie SVCS	France	100	100	F.C.
Le Maine au Bois	France	100	100	F.C.
Lina 16	France	100	100	F.C.
Lina 3	France	100	100	F.C.
Lina 5	France	100	100	F.C.
Martell & Co SA	France	100	100	F.C.
Martell Mumm Perrier-Jouët	France	100	100	F.C.
Mumm Perrier-Jouët Vignobles et Recherches	France	100	100	F.C.
Pernod Ricard Finance SA	France	100	100	F.C.
Pernod Ricard Middle East and North Africa	France	100	100	F.C.
Pernod Ricard North America SAS	France	100	100	F.C.
Pernod SA	France	100	100	F.C.
Ricard SA	France	100	100	F.C.
Société des Produits d'Armagnac SA	France	100	100	F.C.
Société Lillet Frères	France	100	100	F.C.
Spirits Partners SAS	France	100	100	F.C.
Théodore Legras	France	99.6	99.6	F.C.

Companies	Country	% Interest at 30.06.2015	% Interest at 30.06.2016	Consolidation method***
Black Forest Distillers GmbH	Germany	0	60	F.C.
Pernod Ricard Deutschland GmbH	Germany	100	100	F.C.
Pernod Ricard Ghana Limited	Ghana	100	100	F.C.
Pernod Ricard Hellas ABEE	Greece	100	100	F.C.
Allied Domecq Spirits & Wine (China) Ltd	Hong Kong	100	100	F.C.
Pernod Ricard Asia Duty Free Ltd	Hong Kong	100	100	F.C.
Pernod Ricard Hong Kong Ltd	Hong Kong	100	100	F.C.
Pernod Ricard India Private Limited	India	100	100	F.C.
Comrie Limited	Ireland	100	100	F.C.
Irish Distillers Group	Ireland	100	100	F.C.
Irish Distillers Ltd	Ireland	100	100	F.C.
Samuelson International Ltd	Ireland	100	100	F.C.
Watercourse Distillery Ltd	Ireland	100	100	F.C.
Pernod Ricard Italia SPA	Italy	100	100	F.C.
Pernod Ricard Japan KK	Japan	100	100	F.C.
Pernod Ricard Kazakhstan	Kazakhstan	100	100	F.C.
Pernod Ricard Kenya Limited	Kenya	100	100	F.C.
Pernod Ricard Lietuva	Lithuania	100	100	F.C.
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	F.C.
Peri Mauritius	Mauritius	100	100	F.C.
Pernod Ricard Mexico SA de CV	Mexico	100	100	F.C.
Pernod Ricard Morocco	Morocco	100	100	F.C.
Allied Domecq International Holdings BV	Netherlands	100	100	F.C.
Pernod Ricard Nederland BV	Netherlands	100	100	F.C.
PR Goal Nederland BV	Netherlands	100	100	F.C.
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	F.C.
Pernod Ricard Norway AS	Norway	100	100	F.C.
Pernod Ricard Peru SA	Peru	100	100	F.C.
Pernod Ricard Philippines, Inc.	Philippines	100	100	F.C.
Agros Holding SA	Poland	100	100	F.C.
Wyborowa SA	Poland	100	100	F.C.
Pernod Ricard Portugal – Distribuição, SA	Portugal	100	100	F.C.
Pernod Ricard Romania SRL	Romania	100	100	F.C.
Pernod Ricard Rouss CJSC	Russia	100	100	F.C.
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	F.C.
Pernod Ricard Slovakia s.r.o	Slovakia	100	100	F.C.
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	F.C.
Pernod Ricard Korea Imperial Company Ltd	South Korea	100	100	F.C.
Pernod Ricard Korea Ltd	South Korea	100	100	F.C.
Pernod Ricard España	Spain	100	100	F.C.
Pernod Ricard Winemakers Spain, SA	Spain	100	100	F.C.
Distilled Innovation AB	Sweden	100	100	F.C.
Pernod Ricard Sweden AB	Sweden	100	100	F.C.
The Absolut Company AB	Sweden	100	100	F.C.
Pernod Ricard Swiss SA	Switzerland	100	100	F.C.
Pernod Ricard Taiwan Ltd	Taiwan	100	100	F.C.

Companies	Country	% Interest at 30.06.2015	% Interest at 30.06.2016	Consolidation method***
Pernod Ricard Thailand Ltd	Thailand	100	100	F.C.
Allied Domecq Istanbul Ic ve Dis Ticaret Ltd. Sti.	Turkey	100	100	F.C.
Pernod Ricard Ukraine	Ukraine	100	100	F.C.
Allied Domecq (Holdings) Limited	United Kingdom	100	100	F.C.
Allied Domecq Limited	United Kingdom	100	100	F.C.
Allied Domecq Overseas (Europe) Limited	United Kingdom	100	100	F.C.
Allied Domecq Spirits & Wine Holdings Limited	United Kingdom	100	100	F.C.
Allied Domecq Spirits & Wine Limited	United Kingdom	100	100	F.C.
Allied Domecq Westport Limited	United Kingdom	100	100	F.C.
Chivas Brothers (Holdings) Ltd	United Kingdom	100	100	F.C.
Chivas Brothers Ltd**	United Kingdom	100	100	F.C.
Chivas Brothers Pernod Ricard	United Kingdom	100	100	F.C.
Chivas Holdings (IP) Limited	United Kingdom	100	100	F.C.
Chivas Investments Limited	United Kingdom	100	100	F.C.
Coates & Co (Plymouth) Limited	United Kingdom	100	100	F.C.
Dillon Bass Ltd	United Kingdom	74	74	F.C.
Edward Dillon (Bonders) Ltd	United Kingdom	100	100	F.C.
Goal Acquisitions (Holdings) Ltd	United Kingdom	100	100	F.C.
Goal Acquisitions Ltd	United Kingdom	100	100	F.C.
Pernod Ricard UK Holdings Limited	United Kingdom	100	100	F.C.
Pernod Ricard UK Ltd	United Kingdom	100	100	F.C.
PR Goal 3 Ltd	United Kingdom	100	100	F.C.
World Brands Duty Free Ltd	United Kingdom	100	100	F.C.
Austin, Nichols & Co., Inc.	United States	100	100	F.C.
Avión Spirits, LLC	United States	84.3	84.3	F.C.
Pernod Ricard Americas Travel Retail LLC	United States	100	100	F.C.
Pernod Ricard Kenwood Holding LLC	United States	100	100	F.C.
Pernod Ricard USA Bottling, LLC	United States	100	100	F.C.
Pernod Ricard USA, LLC	United States	100	100	F.C.
Pernod Ricard Uruguay SA	Uruguay	100	100	F.C.
Pernod Ricard Vietnam Company Limited	Vietnam	100	100	F.C.

* *Corby Spirit and Wine Limited is consolidated using the full consolidation method because of the Group's majority controlling interest in this listed company.*

** *Public limited companies that are members or with affiliates that are members of UK partnerships.*
In accordance with regulation 7 of The Partnership (Accounts) Regulations 2008, annual partnership accounts have not been prepared as the UK partnerships are consolidated within the Pernod Ricard group annual consolidated financial statements.

*** *"F.C." for fully consolidated companies.*

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the financial year ended 30 June 2016, on:

- the audit of the accompanying consolidated financial statements of Pernod Ricard;
- the basis for our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and information disclosed in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities as well as of the financial position of the Group as at 30 June 2016 and of the results of its operations for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

II - BASIS OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- goodwill and brands with indefinite useful lives are subject to an impairment test at least once a year and whenever there is an indication that their value may have been impaired, in accordance with the principles and methods detailed in Notes 1.1.4 and 4.1 to the consolidated financial statements. We assessed the data and assumptions on which the estimates are based, particularly the cash flow forecasts used, reviewed the calculations performed by the Company, evaluated the principles and methods used to determine fair values, compared the accounting estimates made in prior years with corresponding outcomes and verified that Note 4.1 to the consolidated financial statements gives appropriate information;
- the Company has recorded provisions for pensions and other post-employment benefits, deferred tax assets and liabilities and others provisions, as described in Notes 1.1.4, 3.3 and 4.7 to the consolidated financial statements. We have assessed the basis on which these items were recognized and reviewed the disclosures in Notes 3.3 and 4.7 to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to our opinion expressed in the first part of this report.

III - SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, 19 September 2016

The Statutory Auditors,

French original signed by

MAZARS — DELOITTE & ASSOCIES

Isabelle Sapet — Erwan Candau — David Dupont-Noel

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions, or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

6

Pernod Ricard SA financial statements

PERNOD RICARD SA INCOME STATEMENT 190

For the financial years ended 30 June 2015 and 30 June 2016 190

PERNOD RICARD SA BALANCE SHEET 191

For the financial years ended 30 June 2015 and 30 June 2016 191

PERNOD RICARD SA CASH FLOW STATEMENT 193

For the financial years ended 30 June 2015 and 30 June 2016 193

ANALYSIS OF PERNOD RICARD SA RESULTS 194

Relations between the parent company and its affiliates 194

Highlights of the financial year 194

Income statement and balance sheet at 30 June 2016 194

NOTES TO THE PERNOD RICARD SA FINANCIAL STATEMENTS 196

FINANCIAL RESULTS OVER THE LAST FIVE FINANCIAL YEARS 209

DIVIDENDS DISTRIBUTED OVER THE LAST FIVE FINANCIAL YEARS 210

INVENTORY OF MARKETABLE SECURITIES 210

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS 211

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS 212

Pernod Ricard SA income statement

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015 AND 30 JUNE 2016

€ thousand	30.06.2015	30.06.2016
Royalties	33,959	29,101
Other income	72,399	137,684
Reversals of financial provisions and expense transfers	5,855	5,832
OPERATING INCOME	**112,213**	**172,617**
Purchases of goods and supplies not for stock and external services	(114,373)	(140,684)
Duties and taxes	(5,223)	(2,998)
Payroll expenses	(80,669)	(74,371)
Depreciation, amortisation and provision charges	(15,203)	(20,828)
Other expenses	(10,077)	(4,523)
OPERATING EXPENSES	**(225,544)**	**(243,404)**
Operating profit (loss)	**(113,331)**	**(70,787)**
Income from investments	1,949,504	899,472
Interest and related income	386,555	316,113
Reversals of financial provisions and expense transfers	210,839	288,871
Foreign exchange gains	37,489	15,480
FINANCIAL INCOME	**2,584,387**	**1,519,936**
Provision charges	(285,852)	(232,623)
Interest and related expenses	(678,878)	(546,509)
Foreign exchange losses	(18,833)	(44,472)
FINANCIAL EXPENSES	**(983,563)**	**(823,604)**
Financial income/(expense)	**1,600,825**	**696,332**
Profit (loss) from continuing operations	**1,487,493**	**625,545**
Exceptional items	**(16,144)**	**(21,882)**
Net profit (loss) before tax	**1,471,350**	**603,663**
Corporate income tax	143,419	160,415
PROFIT FOR THE FINANCIAL YEAR	**1,614,769**	**764,078**

Pernod Ricard SA balance sheet

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015 AND 30 JUNE 2016

Assets

€ thousand	Net value 30.06.2015	Gross value 30.06.2016	Depreciation, amortisation & provisions	Net value 30.06.2016	Notes
Concessions, patents and licences	33,106	33,286	(3,786)	29,500	
Other intangible assets	6,506	31,211	(26,959)	4,252	
Advances and down payments	3,738	6,469	-	6,469	
Intangible assets	**43,350**	**70,966**	**(30,745)**	**40,221**	**2**
Land	587	587	-	587	
Buildings	307	504	(207)	297	
Machinery & equipment	121	364	(247)	117	
Other property, plant and equipment	5,175	15,359	(9,258)	6,101	
Advances and down payments	4,381	23,794	-	23,794	
Property, plant and equipment	**10,571**	**40,608**	**(9,712)**	**30,896**	
Investments	12,782,758	12,828,530	(16,377)	12,812,153	3
Loans and advances to affiliates and associates	60,746	51,356	-	51,356	3 and 4
Other financial assets	18,495	7,772	-	7,772	3 and 4
Financial assets	**12,861,999**	**12,887,658**	**(16,377)**	**12,871,281**	**3**
TOTAL FIXED ASSETS	**12,915,918**	**12,999,232**	**(56,834)**	**12,942,398**	
Advances and supplier prepayments	**130**	**194**	**-**	**194**	**4**
Trade receivables	43,007	139,704	(2,135)	137,569	
Other receivables	1,733,478	2,332,870	(3,193)	2,329,677	
Receivables	**1,776,485**	**2,472,574**	**(5,328)**	**2,467,246**	**4**
Marketable securities	**81,066**	**81,650**	**-**	**81,650**	**5**
Cash	**599,226**	**626,913**	**-**	**626,913**	
Prepaid expenses	**29,653**	**17,292**	**-**	**17,292**	**4 and 6**
TOTAL CURRENT ASSETS	**2,486,559**	**3,198,623**	**(5,328)**	**3,193,295**	
Bond redemption premiums	**21,775**	**23,595**	**-**	**23,595**	**6**
Currency translation adjustment – Assets	**755,849**	**780,617**	**-**	**780,617**	**6**
TOTAL ASSETS	**16,180,101**	**17,002,067**	**(62,162)**	**16,939,905**	

Liabilities and shareholders' equity

€ thousand	30.06.2015	30.06.2016	Notes
Capital	**411,403**	**411,403**	**7**
Share premiums	**3,039,030**	**3,039,030**	
Legal reserves	41,140	41,140	
Regulated reserves	179,559	179,559	
Other reserves	195,013	195,013	
Reserves	**415,712**	**415,712**	
Retained earnings	**484,264**	**1,624,034**	
Profit for the financial year	**1,614,769**	**764,078**	
Interim dividends pending allocation	**(217,646)**	**(238,880)**	
TOTAL SHAREHOLDERS' EQUITY	**5,747,532**	**6,015,377**	**8**
Provisions for risks and charges	**528,944**	**490,251**	**9**
Bonds	8,473,864	8,945,558	4 and 13
Bank debt	152,552	127,503	4 and 14
Other debt	-	-	4
Debt	**8,626,416**	**9,073,061**	
Trade payables	60,143	78,416	
Taxes and social charges	29,747	30,493	
Amounts due on non-current assets and related accounts	-	-	
Other payables	239,157	259,134	
Trade and other accounts payable	**329,047**	**368,043**	**4**
Deferred income	**8,642**	**232**	**4 and 11**
TOTAL LIABILITIES	**8,964,106**	**9,441,336**	
Currency translation adjustment – Liabilities	**939,520**	**992,941**	**11**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**16,180,101**	**16,939,905**	

Pernod Ricard SA cash flow statement

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015 AND 30 JUNE 2016

€ thousand	30.06.2015	30.06.2016
Operating activities		
Net profit	1,614,769	764,078
Net depreciation, amortisation and provision charges	42,160	(21,296)
Changes in provisions	53,160	(38,365)
Net (gain)/loss on disposal of assets and other items	-	3,751
Cash flow	**1,710,089**	**708,169**
Decrease/(increase) in working capital requirements	(257,113)	(75,173)
Change in net debt from operating activities	**1,452,976**	**632,996**
Investing activities		
Capital expenditure	(7,661)	(7,191)
Purchases of financial assets (net of disposals)	(21,057)	(1,744)
Change in net debt from investing activities	**(28,718)**	**(8,935)**
Financing activities		
Long-term and medium-term bond issue	692,083	(1,288,758)
Loans and medium-term and long-term debt	(590,860)	(54,322)
Other changes in shareholders' equity	-	-
Dividends paid	(432,824)	(496,233)
Change in net debt from financing activities	**(331,601)**	**(1,839,313)**
Change in short-term net debt	**1,092,657**	**(1,215,252)**
Short-term net debt at the beginning of the year	(69,414)	1,023,243
Short-term net debt at the end of the year	1,023,243	(192,009)

Note: Presentation of cash flow statement

Changes in net debt comprise changes in both debt and “cash and cash equivalents”.

Net debt break down as follows:

€ thousand	30.06.2015	30.06.2016
Loans and long-term debts	(2,552)	(30,003)
Bonds	(125,549)	(1,886,001)
Net balance on current account with Pernod Ricard Finance	471,052	1,015,432
Marketable securities	81,066	81,650
Cash	599,226	626,913
SHORT-TERM NET DEBT AT THE END OF THE YEAR	**1,023,243**	**(192,009)**
Bonds	(8,348,315)	(7,059,557)
Loans and long-term debts	(128,225)	(73,905)
Pernod Ricard Finance loan	-	-
MEDIUM-TERM AND LONG-TERM NET DEBT AT THE END OF THE YEAR	**(8,476,540)**	**(7,133,462)**
TOTAL NET DEBT AT THE END OF THE YEAR	**(7,453,297)**	**(7,325,471)**

Analysis of Pernod Ricard SA results

RELATIONS BETWEEN THE PARENT COMPANY AND ITS AFFILIATES

The main role of Pernod Ricard SA, the Group's Parent Company, is to carry out general interest and coordination activities in strategy, financial control of affiliates, external growth, marketing, development, research, Human Resources and communication. Pernod Ricard SA's financial relations with its affiliates mainly involve the billing of royalties for the operation of brands owned by Pernod Ricard SA, various billings and the receipt of dividends.

HIGHLIGHTS OF THE FINANCIAL YEAR

Bond redemption and new issues

On 18 March 2010, Pernod Ricard SA issued €1,200 million in bonds with a fixed interest rate of 4.875%. The issue was redeemed on 18 March 2016.

On 21 December 2010, Pernod Ricard SA issued US$201 million in bonds with a variable interest rate of 3-month Libor plus spread. The issue was redeemed on 21 December 2015.

On 26 January 2016, Pernod Ricard SA issued US$201 million in bonds with a variable interest rate of 6-month Libor plus spread and a maturity date of 26 January 2021.

On 28 September 2015, Pernod Ricard SA issued €500 million in bonds with a fixed interest rate of 1.875% and a maturity date of 28 September 2023.

On 17 May 2016, Pernod Ricard SA issued €600 million in bonds with a fixed interest rate of 1.50% and a maturity date of 18 May 2026.

On 8 June 2016, Pernod Ricard SA issued US$600 million in bonds with a fixed interest rate of 3.25% and a maturity date of 8 June 2026.

INCOME STATEMENT AND BALANCE SHEET AT 30 JUNE 2016

Analysis of the 2015/16 income statement

Operating income of €173 million was up €60 million compared with 30 June 2015. This rise was mainly due to rebillings to affiliates.

Operating expenses rose year on year to €(243) million at 30 June 2016, compared with €(226) million for the previous financial year. The main changes were generated by:

- an increase in purchasing and personnel expenses of €(20) million;
- a €2 million decrease in duties and taxes;
- a €1 million decrease in other operating expenses.

An operating loss of €(71) million was recorded at 30 June 2016, an increase of €43 million compared to 30 June 2015, due to the increase in Group rebillings.

Interest income was €696 million at 30 June 2016, compared to €1,601 million at 30 June 2015. This decline of €905 million was mainly attributable to:

- the €(1,050) million fall in dividends received from affiliates, given the exceptionally high dividends in 2014/15;
- the €(8) million increase in expenses related to transactions involving stock options and performance-based shares, particularly due to the new performance-based shares allocation plan in November 2015;
- positive income from currency transactions of €33 million in 2015/16. This positive currency effect breaks down into a negative change of €(48) million for the real exchange rate and a positive change of €81 million for the latent exchange rate, stemming from the US dollar effect;
- a reduction of €43 million in financial interest;
- a rise of €77 million in other financial income, primarily due to the reversal of the provision for AGROS securities.

The operating result before tax amounted to a profit of €626 million.

At 30 June 2016, exceptional items included a €(22) million expense related to a €38 million reversal of provisions for risks in respect of loss-making affiliates in the French tax group, a €20 million decrease in the provision for retirement benefits, a supplemental provision of €(39) million for risks and €(41) million for other non-current expenses.

Finally, the income tax item is made up of:

- a tax gain of €175 million related to the impact of tax consolidation;
- a charge of €(15) million related to the additional 3% tax on dividends.

As a result, net profit for the 2015/16 financial year was €764 million.

Analysis of the 2015/16 balance sheet

Assets

Total net fixed assets stood at €12,942 million, compared with €12,916 million the previous financial year. This increase of €26 million was mainly attributable to:

- an increase of €20 million in property, plant and equipment;

- an increase of €9 million in financial assets as a result of:
  - reversals of €29 million on provisions for equity investments and, specifically, €37 million on AGROS securities,
  - €(11) million in cancellations of treasury shares,
  - €(8) million in dividend repayments,
  - disposals of equity investments for €(1) million;
- a decrease of €(3) million in intangible assets.

Current assets increased by €707 million during the year. The main movements include:

- an increase of €596 million in other receivables, due in particular to the increase of:
  - €543 million in the euro-denominated Pernod Ricard Finance loan,
  - €25 million in current income tax liability,
  - €10 million in the Austin Nichols receivable,
  - €6 million in stock option purchases,
  - €4 million in tax owed to the government, and
  - €8 million in other receivables;
- an increase of €95 million in trade receivables;
- a positive change of €28 million in the Cash item resulting from the rise in financial instruments;
- a €(12) million decrease in prepaid expenses.

Prepaid expenses and deferred charges, amounting to €804 million, mainly make-up the currency translation adjustment. This increase is due to the effects of the revaluations of the exchange rates for receivables and payables denominated mainly in US dollars.

Liabilities and shareholders' equity

Shareholders' equity stood at €6,015 million, compared with €5,748 million at 30 June 2015. The main movements for the period were:

- profit for the financial year of €764 million;
- the payment of the balance of the dividend for 2014/15 of €259 million;
- the payment of an interim dividend of €0.90 per share in respect of 2015/16, amounting to €239 million. The interim dividend was paid on 8 July 2016.

Provisions for risks and charges fell by €(39) million. This change was attributable to:

- a reduction of €(21) million in the provision for currency losses (US dollar impact);
- the negative change of €(16) million in the provision for retirement benefits;
- a €(2) million reduction in Other provisions for risks.

During the year, financial debt increased by €447 million following:

- an increase of €472 million in bonds, due in particular to:
  - the redemption of the bond issue for €(1,200) million,
  - three new bond issues of €500 million, €600 million and US$600 million (€541 million recorded in the accounts),
  - the €36 million revaluation of US dollar-denominated bonds and
  - the €(5) million decrease in accrued interest;
- the €(23) million decrease generated by the repayment of the Mediobanca loan;
- the negative change in other debts of €(2) million.

The increase of €39 million in operating payables is explained by:

- the €21 million increase in dividends payable;
- an €18 million increase in trade payables;

Deferred income was €9 million at the end of the previous year and fell by €(8) million over the financial year. This change was due to the redemptions of shares under a repurchase agreement.

Prepaid expenses and deferred charges amounting to €993 million mainly make-up currency translation adjustments. This increase is due to the effects of the revaluations of the exchange rates for our receivables and payables denominated primarily in US dollars.

Notes to the Pernod Ricard SA financial statements

Note 1	Accounting policies	196
Note 2	Intangible assets	198
Note 3	Financial assets	198
Note 4	Maturity of receivables and payables	199
Note 5	Marketable securities	200
Note 6	Prepaid expenses and deferred charge	200
Note 7	Composition of share capital	200
Note 8	Shareholders' equity	200
Note 9	Provisions	201
Note 10	Transactions and balances with subsidiaries, associates and other invested entities	202
Note 11	Deferred income and adjustment accounts	203
Note 12	Accrued income and expenses	203
Note 13	Bonds	203
Note 14	Bank debt	204
Note 15	Breakdown of income tax	204
Note 16	Increases and decreases in future tax liabilities	205
Note 17	Remuneration	205
Note 18	Income	205
Note 19	Financial income and expenses	205
Note 20	Exceptional items	206
Note 21	Off-balance sheet commitments	206
Note 22	Average headcount at 30 June 2016	207
Note 23	Affiliates and associates at 30 June 2016	208

Pernod Ricard SA is a French public limited company *(société anonyme)*, subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 12, place des États-Unis, 75783 Paris CEDEX 16, France and is listed on the Paris stock exchange.

The balance sheet total for the financial year which ended 30 June 2016 was €16,939,904,877.41. The income statement records a profit for the year of €764,078,429.13. The financial year covered the 12-month period from 1 July 2015 to 30 June 2016.

Note 1 Accounting policies

The annual financial statements for the financial year were prepared in accordance with the provisions of ANC regulation 2014-03 of 5 June 2014 relating to the new French general accounting standards. General accounting principles were applied, in accordance with the prudence principle, whose objective is to provide a true and fair view of the Company. These principles are:

- going concern;
- consistency of accounting policies from one financial year to the next;
- accruals basis of accounting.

Balance sheet assets and liabilities are measured, depending on the specific items, at their historical cost, contribution cost or market value.

1. Intangible assets

The brands acquired from the merger of Pernod and Ricard in 1975 and from subsequent mergers are the Company's main intangible assets.

Intangible assets are valued at acquisition cost.

2. Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost (purchase price plus ancillary costs but not including acquisition fees). Depreciation is calculated using the straight-line or reducing balance methods, on the basis of the estimated useful lives of the assets:

- buildings: between 20 and 50 years (straight line);
- fixtures and fittings: 10 years (straight line);
- machinery and equipment: 5 years (straight line);
- office furniture and equipment: 10 years (straight line) or 4 years (reducing balance).

3. Financial assets

The gross value of investments is composed of their acquisition cost, excluding ancillary costs, increased by the impact of legal revaluations where applicable.

If the value in use of the investments is lower than their net carrying amount, a provision for impairment is recognised for the difference.

Value in use is determined based on a multi-criteria analysis, taking into account the share of the affiliate shareholders' equity that the investment represents, the value based on dividend yield and the financial and economic potential of the affiliate, with particular reference also being made to the market value of its net assets.

The Treasury shares item includes the treasury shares held by Pernod Ricard SA, which can be awarded to employees.

4. Receivables

Receivables are recognised at their nominal value. A provision is recognised in the event that their value falls below the net carrying amount at the balance sheet date.

5. Marketable securities

This item includes treasury shares acquired for the allocation of stock option plans from the time of acquisition.

A liability is recognised when it becomes probable that the rights to receive the marketable securities concerned under the plans will be exercised. For other marketable securities, an impairment provision is recognised when the cost price is higher than the market price.

6. Bonds

Redemption premiums are amortised over the life of the loans.

7. Provisions for risks and charges

Provisions for risks and charges are recognised in accordance with French accounting regulation 2000-06 on liabilities, issued on 7 December 2000 by the French Accounting Regulatory Committee *(Comité de Réglementation Comptable – CRC)*.

This accounting regulation provides that a liability is recognised when an entity has an obligation towards a third party and that it is probable or certain that this obligation will cause an outflow of resources to the third party without equivalent consideration being received. A present obligation must exist at the balance sheet date for a provision to be recognised.

8. Pensions and other long-term employee benefits

Since the year that ended on 30 June 2014, the Company has opted to recognise the full liability for pensions and other long-term employee benefits in the balance sheet, as provided by recommendation 2013-02. At 30 June 2016, the provision for pensions and other long-term employee benefits was €109 million.

9. Translation of foreign currency-denominated items

Payables, receivables and cash balances denominated in foreign currencies are converted into euros as follows:

- translation of all payables, receivables and cash balances denominated in foreign currencies at year-end rates;
- recognition of differences compared to the amounts at which these items were initially recognised as currency translation adjustment assets or liabilities in the balance sheet;
- recognition of a provision for currency risk for any unrealised currency losses, after taking into account the effect of any offsetting foreign exchange hedging transactions.

10. Derivative financial instruments

Differences arising from changes in the value of financial instruments used as hedges are recognised in profit and loss in a manner symmetrical to that in which income and expenses relating to the hedged item are recognised.

11. Corporate income tax

Pernod Ricard SA is subject to the French tax consolidation system defined by the law of 31 December 1987. Under certain conditions, this system allows income taxes payable by profitable companies to be offset against tax losses of other companies. The scheme is governed by articles 223 A *et seq.* of the French Tax Code.

Each company in the tax group calculates and accounts for its tax expenses as if it were taxed as a stand-alone entity.

The effects of tax consolidation are recognised in the Pernod Ricard SA financial statements.

Note 2 Intangible assets

1. Gross value

€ thousand	At 01.07.2015	Acquisitions	Disposals	At 30.06.2016
Brands	32,560	-	-	32,560
Brand costs	633	93	-	726
Software	27,580	3,631	-	31,211
Advances and down payments on intangible assets	3,738	6,616	(3,885)	6,469
TOTAL	**64,511**	**10,339**	**(3,885)**	**70,966**

2. Depreciation, amortisation & provisions

€ thousand	At 01.07.2015	Allowances	Reversals	At 30.06.2016
Brands (1)	-	(3,670)	-	(3,670)
Brand costs	(88)	(28)	-	(116)
Software	(21,074)	(5,885)	-	(26,959)
TOTAL	**(21,161)**	**(9,583)**	**-**	**(30,745)**

(1) Including a provision of €3,670 thousand for impairment.

Note 3 Financial assets

1. Gross value

€ thousand	At 01.07.2015	Acquisitions/ New consolidations	Capital transaction	Disposals	At 30.06.2016
Investments in consolidated entities	12,816,536	1,178	45	-	12,817,759
Investments in non-consolidated entities	10,131	-	-	-	10,131
Other investments	4,391	-	-	(3,751)	640
Advance on investment	-	-	-	-	-
Investments	**12,831,057**	**1,178**	**45**	**(3,751)**	**12,828,530**
Loans and advances to affiliates and associates	60,746	8	-	(9,397)	51,356
Loans	-	-	-	-	-
Guarantee deposits	2,757	-	-	(83)	2,674
Liquidity agreement	4,586	513	-	-	5,099
Treasury shares	11,152	-	-	(11,152)	-
TOTAL	**12,910,298**	**1,699**	**45**	**(24,383)**	**12,887,658**

The change in the Investments in consolidated entities item was mainly due to the purchase of Lina 19 securities for €1,143 thousand and the €45 thousand capital increase in Lina 17.

The change in the Other investments item is explained by the disposal of SECSL shares.

In accordance with Article L. 225-210 of the French Commercial Code, Pernod Ricard SA holds reserves under liabilities on its balance sheet, in addition to the legal reserve, of an amount at least equal to the value of all the shares it owns.

2. Provisions

€ thousand	At 01.07.2015	Allowances	Reversals	At 30.06.2016
Investments in consolidated entities [1]	(40,470)	(7,564)	37,124	(10,910)
Investments in non-consolidated entities [2]	(4,218)	(609)	-	(4,827)
Other investments [3]	(3,612)	-	2,972	(640)
Advance on investment	-	-	-	-
Investments	**(48,300)**	**(8,173)**	**40,096**	**(16,377)**
Treasury shares	-	-	-	-
TOTAL	**(48,300)**	**(8,173)**	**40,096**	**(16,377)**

(1) Change due to the reversal of €37 million in provisions on AGROS securities and the €7 million provision for Pernod Ricard CESAM.
(2) Change in the provision for Geo Sandeman and Lina 7 shares.
(3) Change due to the disposal of SECSL shares.

Note 4 Maturity of receivables and payables

1. Receivables

€ thousand	Gross amount	Due in one year or less	Due in more than one year
Loans and advances to affiliates and associates	51,356	4,253	47,104
Loans	-	-	-
Other financial assets	7,772	5,099	2,673
Receivables and other financial assets	**59,129**	**9,352**	**49,777**
Current assets other than marketable securities and cash	2,472,768	204,239	2,268,529
Prepaid expenses	17,292	17,292	-
TOTAL	**2,549,190**	**230,884**	**2,318,306**

2. Liabilities

€ thousand	Gross amount	Due in one year or less	Due in one to five years	Due in more than five years
Bonds	8,945,558	1,886,001	1,931,787	5,127,770
Bank debt	127,503	30,003	97,500	-
Other debt	-	-	-	-
Trade payables	78,416	78,416	-	-
Taxes and social charges	30,493	30,493	-	-
Amounts due on non-current assets and related accounts	-	-	-	-
Other payables	259,134	19,899	239,235	-
Deferred income	232	232	-	-
TOTAL	**9,441,336**	**2,045,045**	**2,268,522**	**5,127,770**

Note 5 Marketable securities

€ thousand or in quantities	At 01.07.2015		Acquisitions (1)		Capital transaction		Reclassification		Exercises/ Disposals (2)		At 30.06.2016	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pernod Ricard shares												
◆ Gross value	996,861	81,066	582,418	31,708	-	-	205,849	14,980	(789,534)	(46,104)	995,594	81,650
◆ Impairment	-	-	-	-	-	-	-	-	-	-	-	-
NET VALUE	**996,861**	**81,066**	**582,418**	**31,708**	**-**	**-**	**205,849**	**14,980**	**(789,534)**	**(46,104)**	**995,594**	**81,650**

(1) Including €28 million related to the June 2010 and June 2006 stock option plans.
(2) Including €(23) million for exercised stock options (2006 and 2008 plans) and €(23) million for fully vested performance-based shares (2012 plans).

Note 6 Prepaid expenses and deferred charge

€ thousand	At 01.07.2015	Increases	Decreases	At 30.06.2016
Prepaid expenses (1)	29,653	4,263	(16,624)	17,292
Bond redemption premiums	21,775	5,516	(3,696)	23,595
Currency translation adjustment – Assets (2)	755,849	780,617	(755,849)	780,617
TOTAL	**807,277**	**790,396**	**(776,169)**	**821,504**

(1) The reduction in the Prepaid expenses item is mainly due to the completion of repurchases for the plans for 2005 to 2011.
(2) The €780 million asset arising from currency translation adjustments at 30 June 2016 is mainly due to the restatement of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2016.

Note 7 Composition of share capital

At 30 June 2016, the share capital comprised 265,421,592 shares with a par value of €1.55 per share. The total share capital thus amounted to €411,403,467.60.

Note 8 Shareholders' equity

€ thousand	At 01.07.2015	Allocation of income	Changes in accounting policies	Distribution of dividends	Profit 2016	At 30.06.2016
Capital	411,403	-	-	-	-	411,403
Share premiums	3,039,030	-	-	-	-	3,039,030
Legal reserves	41,140	-	-	-	-	41,140
Regulated reserves	179,559	-	-	-	-	179,559
Other reserves	195,013	-	-	-	-	195,013
Retained earnings	484,264	1,614,769	-	(474,999)	-	1,624,034
Profit for the financial year	1,614,769	(1,614,769)	-	-	764,078	764,078
Interim dividends to be paid (1)	(217,646)	-	-	(21,235)	-	(238,880)
TOTAL	**5,747,532**	**-**	**-**	**(496,234)**	**764,078**	**6,015,377**

(1) The Board of Directors' meeting of 22 June 2016 resolved to pay an interim dividend of €0.90 per share in respect of the 2015/16 financial year, i.e. a total of €239 million. This interim dividend was paid on 8 July 2016.

Note 9 Provisions

€ thousand	At 01.07.2015	Increases in the year	Changes in accounting policies	Reversals (used)	Reversals (not used)	At 30.06.2016
Provisions for risks and charges						
Provision for currency losses	120,453	99,826	-	(120,453)	-	99,826
Other provisions for risks (1)	283,582	185,614	-	(45,702)	(142,056)	281,438
Provision for pensions and other long-term employee benefits	124,908	8,496	-	(24,417)	-	108,987
TOTAL 1	**528,944**	**293,936**	**-**	**(190,572)**	**(142,056)**	**490,251**
Provisions for depreciation and amortisation						
On financial assets (2)	48,300	8,173	-	(2,972)	(37,124)	16,377
On trade receivables	1,830	305	-	-	-	2,135
On other receivables	3,171	22	-	-	-	3,193
On marketable securities	-	-	-	-	-	-
TOTAL 2	**53,301**	**8,500**	**-**	**(2,972)**	**(37,124)**	**21,705**
OVERALL TOTAL	**582,245**	**302,436**	**-**	**(193,544)**	**(179,180)**	**511,956**

(1) Changes reflect €(3) million in provisions for stock options and the performance-based share plan, €39 million in allocations to provisions for risks and a €38 million reversal of provisions for losses by affiliates in the tax consolidation group.

(2) Changes due to reversals on AGROS and SECSL shares and the allocation to the Pernod Ricard CESAM affiliate.

Provisions for risks and charges

Provision for currency losses

The €100 million provision for currency losses at 30 June 2016 mainly consists of the unrealised currency loss for unhedged US dollar receivables and payables.

Other provisions for risks

Other provisions for risks correspond to:

- provisions for risks attached to:
  - stock options relating to the plans of November 2013, November 2014 and November 2015, maturing at the end of 2017, 2018 and 2019, respectively, for €15 million,
  - performance-based shares relating to the plans of November 2013, November 2014 and November 2015, maturing in November 2016, 2017, 2018 and 2019, respectively, for €91 million,
  - losses on repurchase agreements relating to the 2010 and 2011 plans, maturing in 2017, 2018 and 2019 respectively, for €15 million;
- provisions for risks and charges relating to tax consolidation for €106 million;
- various provisions amounting to €55 million.

Provisions for pensions and other long-term employee benefits

Description and recognition of employee benefit obligations

Pernod Ricard SA's employee benefit obligations are composed of:

- long-term post-employment benefits (retirement bonuses, medical expenses, etc.);
- long-term benefits payable during the period of employment.

The liability arising as a result of the Company's net employee benefit obligation is recognised in provisions for risks and charges on the balance sheet.

Calculation of the provision with respect to the net benefit obligation

The provision recognised by Pernod Ricard SA is equal to the difference, for each benefit plan, between the present value of the employee benefit obligation and the value of plan assets paid to specialised entities in order to fund the obligation.

The present value of employee benefit obligations is calculated using the prospective method involving calculating a projected salary at the retirement date (projected unit credit method). The measurement is made at each balance sheet date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate and discount rate) and assumptions concerning employees (mainly average salary increase, rate of employee turnover and life expectancy).

At 30 June 2016, the total amount of benefit obligations was €109 million. These obligations are fully provisioned.

For information, the inflation rate used for the valuation at 30 June 2016 was 1.75% and the discount rate was 1.50%.

Plan assets are measured at their market value at each balance sheet date.

Accounting for actuarial gains and losses

Actuarial gains and losses arise primarily when estimates differ from actual outcomes, or when there are changes in long-term actuarial assumptions (*e.g.* discount rate, rate of increase of salaries, etc.).

After applying the corridor method up to 30 June 2013, the Company has chosen to apply, from the year ending 30 June 2014, the option set out in recommendation 2013-02 and to recognise the full pension liability.

Components of the expense recognised for the financial year

The expense recognised in respect of the benefit obligations described above incorporates:

- expenses corresponding to the acquisition of an additional year's rights;
- interest expense arising on the unwinding of the discount applied to vested rights at the start of the year (as a result of the passage of time);
- income corresponding to the expected return on plan assets measured using the discount rate which is used to measure plan liabilities;
- the income or expense corresponding to actuarial gains or losses;
- the income or expense related to changes in existing plans or the creation of new plans;
- the income or expense related to any plan curtailments or settlements.

Note 10 Transactions and balances with subsidiaries, associates and other invested entities

€ thousand	Amount concerning			
Item	Affiliates and associates 30.06.2015	Other invested entities 30.06.2015	Affiliates and associates 30.06.2016	Other invested entities 30.06.2016
Investments	**12,817,252**	**13,805**	**12,818,475**	**10,054**
Loans and advances to affiliates and associates	**60,746**	**-**	**51,356**	**-**
Due in one year or less	11,787	-	4,253	-
Due in more than one year	48,958	-	47,103	-
Trade receivables	**44,837**	**-**	**139,704**	**-**
Due in one year or less	44,837	-	139,704	-
Due in more than one year	-	-	-	-
Other receivables	**1,714,612**	**-**	**2,299,309**	-
Due in one year or less	474,344	-	47,437	-
Due in more than one year	1,240,268	-	2,251,872	-
Other debt	**-**	**-**	**-**	**-**
Due in one year or less	-	-	-	-
Due in more than one year and less than five years	-	-	-	-
Trade payables	**9,209**	**-**	**15,134**	**-**
Due in one year or less	9,209	-	15,134	-
Due in more than one year and less than five years	-	-	-	-
Other payables	**15,574**	**-**	**257,202**	-
Due in one year or less	14,137	-	18,323	-
Due in more than one year and less than five years	1,437	-	238,879	-
Expenses from recurring operations	**26,383**	**-**	**37,397**	-
Group seconded personnel	13,408	-	22,315	-
Other Group management expenses	12,975	-	15,082	-
Operating income	**105,560**	**-**	**166,424**	-
Group royalties	33,959	-	29,101	-
Group management income	49	-	-	-
Transfer of Group expenses	71,552	-	137,323	-
Financial expenses	**20,793**	**-**	**5,315**	-
Financial income	**2,058,850**	**179**	**1,015,397**	**65**
Exceptional items	**234**	**-**	**1,968**	-

No significant transactions took place with related parties that were not carried out under normal market conditions.

Note 11 Deferred income and adjustment accounts

€ thousand	At 01.07.2015	Increases	Decreases	At 30.06.2016
Deferred income [1]	8,642	-	(8,410)	232
Currency translation adjustment – Liabilities [2]	939,520	992,941	(939,520)	992,941
TOTAL	**948,162**	**992,941**	**(947,930)**	**993,173**

(1) Decrease related to the end of exercises of stock options on the 2006, 2008, 2010 and 2011 stock option plans.
(2) The €993 million liability arising from currency translation adjustments at 30 June 2016 is mainly due to the restatement of assets and liabilities at the closing EUR/US dollar exchange rate on 30 June 2016.

Note 12 Accrued income and expenses

Accrued income

€ thousand	Amount
Amount of accrued income in the following balance sheet items	
Loans and advances to affiliates and associates	8,026
Trade receivables	1,087
Other receivables	3,497
Cash	625,169
TOTAL	**637,779**

Accrued expenses

€ thousand	Amount
Amount of accrued expenses in the following balance sheet items	
Bank debt	1,916,003
Trade payables	39,459
Taxes and social charges	25,242
Other payables	238,879
TOTAL	**2,219,583**

Note 13 Bonds

	Amount *(in USD thousand)*	Amount *(in euro thousand)*	Maturity date	Accrued interest *(in euro thousand)*	Rate	Total *(in euro thousand)*
Bond of 29.09.2014		650,000	27.09.2024	10,491	Fixed	660,491
Bond of 20.03.2014		850,000	22.06.2020	419	Fixed	850,419
Bond of 15.03.2011		1,000,000	15.03.2017	14,795	Fixed	1,014,795
USD bond of 07.04.2011	1,000,000	900,739	07.04.2021	12,028	Fixed	912,767
USD bond of 25.10.2011	1,500,000	1,351,108	15.01.2022	27,750	Fixed	1,378,858
USD bond of 12.01.2012	850,000	765,628	15.01.2017	10,424	Fixed	776,052
USD bond of 12.01.2012	850,000	765,628	15.01.2042	19,435	Fixed	785,063
USD bond of 12.01.2012	800,000	720,591	15.07.2022	14,135	Fixed	734,726
Bond of 28.09.2015		500,000	29.09.2023	7,095	Fixed	507,095
USD PANDIOS bond of 26.01.2016	201,000	181,048	26.01.2021	1,927	Variable	182,975
Bond of 17.05.2016		600,000	18.05.2026	764	Fixed	600,764
USD bond of 08.06.2016	600,000	540,443	08.06.2026	1,110	Fixed	541,553
TOTAL		**8,825,185**		**120,373**		**8,945,558**

On 18 March 2010, Pernod Ricard SA issued a total of €1,200 million in bonds with a fixed interest rate of 4.875%. This issue was redeemed on 18 March 2016.

On 21 December 2010, Pernod Ricard SA issued US$201 million in bonds with a variable interest rate of 3-month Libor plus spread. This issue was redeemed on 21 December 2015.

On 15 March 2011, Pernod Ricard SA issued a total of €1 billion in bonds, with the following characteristics: a residual maturity at 30 June 2016 of 9 months (maturity date: 15 March 2017) and a fixed interest rate of 5%.

On 7 April 2011, Pernod Ricard SA issued US$1 billion in bonds. The characteristics of this issue are as follows: a residual maturity at 30 June 2016 of 4 years and 9 months (maturity date: 7 April 2021) and a fixed interest rate of 5.75%.

On 25 October 2011, Pernod Ricard SA issued US$1.5 billion in bonds. The characteristics of this issue are as follows: a residual maturity at 30 June 2016 of 5 years and 6 months (maturity date: 15 January 2022) and a fixed interest rate of 4.45%.

On 12 January 2012, Pernod Ricard SA issued US$2.5 billion in bonds. This bond issue has three tranches with the following characteristics:

- US$850 million with a residual maturity at 30 June 2016 of 6 months (maturity date: 15 January 2017) and a fixed interest rate of 2.95%;
- US$800 million with a residual maturity at 30 June 2016 of 6 years (maturity date: 15 July 2022) and a fixed interest rate of 4.25%;
- US$850 million with a residual maturity at 30 June 2015 of 25 years and 6 months (maturity date: 15 January 2042) and a fixed interest rate of 5.5%.

On 20 March 2014, Pernod Ricard SA issued €850 million in bonds, with the following characteristics: a residual maturity at 30 June 2016 of 4 years (maturity date: 22 June 2020) and a fixed interest rate of 2%.

On 29 September 2014, Pernod Ricard SA issued €650 million in bonds, with the following characteristics: a residual maturity at 30 June 2016 of 8 years and 3 months (maturity date: 27 September 2024) and a fixed interest rate of 2.125%.

On 28 September 2015, Pernod Ricard SA issued €500 million in bonds, with the following characteristics: a residual maturity at 30 June 2016 of 7 years and 3 months (maturity date: 28 September 2023) and a fixed interest rate of 1.875%.

On 26 January 2016, Pernod Ricard SA issued US$201 million in bonds. The characteristics of this issue are as follows: a residual maturity at 30 June 2016 of 4 years and 7 months (maturity date: 26 January 2021) and a variable interest rate of 6-month Libor plus spread.

On 17 May 2016, Pernod Ricard SA issued €600 million in bonds, with the following characteristics: a residual maturity at 30 June 2016 of 9 years and 11 months (maturity date: 18 May 2026) and a fixed interest rate of 1.50%.

On 8 June 2016, Pernod Ricard SA issued US$600 million in bonds, with the following characteristics: a residual maturity at 30 June 2016 of 10 years (maturity date: 8 June 2026) and a fixed interest rate of 3.250%.

Note 14 Bank debt

Syndicated loan

On 25 April 2012, Pernod Ricard SA finalised a new, revolving 5-year multi-currency Credit Agreement for €2.5 billion. The new agreement enabled Vin&Sprit's syndicated loan to be refinanced in full.

On 23 October 2013, an amendment to the syndicated loan was signed, impacting its duration. Therefore, the maturity date (originally 2 April 2017) was extended by 18 months to 23 October 2018.

At 30 June 2016, no drawdowns had been made by Pernod Ricard SA.

Note 15 Breakdown of income tax

€ thousand	Total	Profit (loss) from continuing operations	Exceptional items
Net profit/loss before tax	603,663	625,545	(21,882)
Additional contribution	(14,847)		
Income tax prior to consolidation	-		
Net impact of tax consolidation	175,262		
PROFIT AFTER TAX	**764,078**	**625,545**	**(21,882)**

The French second amending finance law of 2012 instigated a contribution of 3% on dividends paid to shareholders, applicable to amounts distributed that were paid after 17 August 2012. The contribution relating to the dividends approved at the Shareholders' Meeting of 6 November 2015 was thus €8 million and the contribution relating to the interim dividend approved at the Board of Directors' meeting on 22 June 2016 was €7 million.

Within the framework of the tax consolidation, the tax loss carryforwards (tax basis) of the Pernod Ricard tax group amount to €(824) million, up €74 million over the financial year.

Note 16 Increases and decreases in future tax liabilities

Type of temporary differences

€ thousand	Amount of tax
INCREASES	**NONE**
"Organic" local tax and other	158
Other provisions for risk	-
Provision for pensions and other long-term employee benefits	37,524
DECREASES IN FUTURE TAX LIABILITIES	**37,682**

The tax rate used is the rate in force in 2016, *i.e.* 34.43%.

Note 17 Remuneration

Remuneration paid to Executive Directors and members of the Board of Directors amounted to €2,717,827.

Note 18 Income

Operating income reached €173 million for the 2015/16 financial year, compared to €112 million for 2014/15. It principally comprises €29 million in royalties and €138 million in rebilling of overheads to Group affiliates.

Note 19 Financial income and expenses

€ thousand	Amount at 30.06.2016
Income from investments	899,472
Income from other fixed asset securities and receivables	-
Interest and related income	316,113
Reversals of financial provisions and expense transfers	288,871
Foreign exchange gains	15,480
Net gains on disposals of marketable securities	-
TOTAL FINANCIAL INCOME	**1,519,936**

€ thousand	Amount at 30.06.2016
Depreciation, amortisation and provision charges	(232,623)
Interest and related expenses	(546,509)
Foreign exchange losses	(44,472)
Net expenses on disposals of marketable securities	-
TOTAL FINANCIAL EXPENSES	**(823,604)**

Note 20 Exceptional items

€ thousand	Amount at 30.06.2016
Net profit on management operations	(43,273)
Net profit on capital operations	(2,970)
Charges and reversals of financial provisions and expense transfers	24,361
EXCEPTIONAL ITEMS	**(21,882)**

At 30 June 2016, exceptional items amounted to a €(22) million expense mainly related to a €24 million reversal of provisions for risks and charges and €(46) million for other non-current expenses.

Note 21 Off-balance sheet commitments

Guarantees granted

Commitments made

€ thousand	Amount
Guarantees on behalf of affiliates	45,054
Other leases	661
Rent	15,859
TOTAL	**61,574**

Commitments made include guarantees granted, in particular those related to:

- bonds and commercial paper;
- the syndicated loan, for which borrowings drawn by affiliates of the Pernod Ricard group that had not been repaid at 30 June 2016 amounted to 0.

Derivative instruments

Hedging for Pernod Ricard SA	Nominal value (in USD thousand)	Fair value at 30 June 2016 (in euro thousand)	Nominal value (in euro thousand)	Fair value at 30 June 2016 (in euro thousand)
Interest rate swaps	950,000	58,313	-	-
Currency swaps	3,700,000	636,552	-	-
TOTAL	**4,650,000**	**694,865**	**-**	**-**

Interest rate swaps provide hedging for Pernod Ricard SA's external or internal debts that bear fixed-rate interest. At 30 June 2016 these broke down as follows:

USD interest rate hedge	Maturity	Net base (in USD thousand)
Interest rate swap	April 2018	350,000
Interest rate swap	July 2022	600,000

The fair value of financial instruments hedging US dollar-denominated fixed-rate debt at 30 June 2016 was €58 million.

EUR interest rate hedge	Maturity	Net base (in euro thousand)
Interest rate swap	-	-

The value of financial instruments hedging euro-denominated fixed-rate debt at 30 June 2016 was zero.

Currency hedge	Maturity	Base (in USD thousand)
Currency swap	April 2021	1,000,000
Currency swap	January 2022	1,500,000
Currency swap	December 2022	800,000
Currency swap	January 2017	400,000
Currency swaps		**3,700,000**
Financial assets		2,129,507
Financial liabilities		(5,896,991)
TOTAL		**(67,484)**

Payables and receivables denominated in foreign currencies are hedged by currency swaps. The Company had a residual US dollar position of US$(67) million at 30 June 2016.

The fair value of currency swaps at the end of the year was €637 million.

Other

Pernod Ricard SA guaranteed the contributions owed by Allied Domecq Holdings Ltd and its affiliates to the Allied Domecq pension funds.

Pernod Ricard SA, pursuant to Section 17 of the Companies (Amendment) Act, 1986 (Republic of Ireland), irrevocably guaranteed the liabilities of the following affiliates for the 2015/16 financial year: Irish Distillers Group Ltd, Irish Distillers Ltd, Watercourse Distillery Ltd, Smithfield Holdings Ltd, Ermine Ltd, Proudlen Liqueurs Ltd, Ind Coope Holding Ltd, and The West Coast Cooler Co. Ltd.

Pernod Ricard SA guaranteed to Corby Distilleries Ltd the payment of liabilities which are due by the Group's affiliates involved in the representation agreement for Group brands in Canada, signed on 29 September 2006.

Pernod Ricard SA gave the Directors of Goal Acquisitions (Holding) Limited a comfort letter in which the Group undertook to provide financial support to enable Goal Acquisitions (Holding) Limited to honour its short-term intra-Group liabilities.

Note 22 Average headcount at 30 June 2016

	Employees	Temporary employees (for all reasons)
Managers [1]	319	-
Supervisors and technicians	49	8
Employees	5	-
AVERAGE HEADCOUNT	**373**	**8**
Work-study contracts	17	-

(1) Including 117 expatriate employees.

Note 23 Affiliates and associates at 30 June 2016

€ thousand	Capital	Shareholders' equity before appropriation of results	Interest in entity's share capital *(in %)*	Carrying amount of investment		Loans	Guarantees and sureties	Net sales excluding taxes and duties	Net profit	Dividends received
				Gross	Net					
Investments whose carrying amount exceeds 1% of Pernod Ricard SA's share capital										
AGROS (1) Ul. Chalubinskiego 8 00-613 Warsaw (Poland)	5,425	110,686	100	122,008	122,008	-	-	6	(371)	-
House of Campbell Limited (2) 111/113 Renfrew Road Paisley, PA3 4DY (Scotland)	10,496	78,784	100	40,538	40,538	-	-	-	1,794	-
Geo G Sandeman Sons & Co Ltd (3) 400 Capability Green Luton, Bedfordshire, LU1 3AE (England)	2	391	30	9,180	5,025	-	-	1,271	239	36
Pernod SA 120, avenue du Maréchal-Foch 94015 Créteil (France)	40,000	140,055	100	94,941	94,941	-	-	416,929	1,387	19,324
Pernod Ricard Asia SAS 12, place des États-Unis 75116 Paris (France)	4,512	91,385	100	42,457	42,457	-	-	-	600,370	550,000
Pernod Ricard Central and South America SAS 12, place des États-Unis 75116 Paris (France)	52,198	14,538	100	131,040	123,860	-	-	-	(30,063)	-
Pernod Ricard Europe Middle East Africa SAS 12, place des États-Unis 75116 Paris (France)	40,000	182,458	100	36,407	36,407	-	-	-	28,211	-
Pernod Ricard North America SAS 12, place des États-Unis 75116 Paris (France)	39,398	147,559	100	126,735	126,735	-	-	-	(90)	-
Pernod Ricard Finance SA 12, place des États-Unis 75116 Paris (France)	232,000	328,456	100	238,681	238,681	-	45,000	-	(26,516)	-
Pernod Ricard Pacific Holdings (4) 167 Fullarton Road Dulwich SA 5065 (Australia)	148,027	110,041	100	151,789	151,789	-	-	-	-	-
Ricard SA 4 and 6, rue Berthelot 13014 Marseille (France)	54,000	155,943	100	67,227	67,227	-	-	470,985	61,560	47,827
Lina 3 12, place des États-Unis 75116 Paris (France)	819,730	14,349,293	100	11,690,953	11,690,953	-	-	-	459,693	200,000
Lina 5 12, place des États-Unis 75116 Paris (France)	30,640	691,136	100	30,631	30,631	-	-	-	500,082	-
Yerevan Brandy Company (5) 2, Admiral Isakov Avenue, Yerevan 375092 (Republic of Armenia)	20	143	100	27,856	27,856	-	-	37	(1)	-
TOTAL 1				**12,810,443**	**12,799,108**	**-**	**45,000**			**817,187**
Affiliates:										
French				5,814	3,046	-	-	-	-	-
Foreign				10,684	9,722	-	-	-	-	82,256
Associates:										
French				931	278	-	-	-	-	29
Foreign				660	-	-	-	-	-	-
TOTAL 2				**18,088**	**13,046**	**-**	**-**	**-**	**-**	**82,285**
TOTAL 1 + 2				**12,828,530**	**12,812,154**	**-**	**45,000**			**899,472**

(1) Information from the AGROS financial statements at 30.06.2016.
(2) Information from the House of Campbell Limited financial statements at 30.06.2015.
(3) Information from the Geo G Sandeman Sons & Co Ltd financial statements at 31.12.2015.
(4) Information from the Pernod Ricard Pacific Holdings financial statements at 30.06.2015.
(5) Information from the Yerevan Brandy Company financial statements at 30.06.2015.

Financial results over the last five financial years

In euro	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016
Financial position at year-end					
Share capital	411,231,438	411,403,468	411,403,468	411,403,468	411,403,468
Number of shares outstanding	265,310,605	265,421,592	265,421,592	265,421,592	265,421,592
Number of convertible bonds in issue	-	-	-	-	-
Number of bonus shares granted on 16 January 2007 (dividend rights from 1 July 2006)	-	-	-	-	-
Number of shares created by the capital increase of 14 May 2009	-	-	-	-	-
Number of bonus shares granted on 18 November 2009 (dividend rights from 1 July 2009)	-	-	-	-	-
Operating results					
Sales (excluding taxes and duties)	994,247	1,457,195	699,007	72,349,685	137,322,737
Profit before taxes, amortisation, depreciation and allowances to provisions	(29,548,724)	(6,575,949)	343,291,521	1,564,703,879	547,695,859
Corporate income tax	152,497,031	299,024,699	167,807,564	143,419,324	160,415,191
Profit after taxes, amortisation, depreciation and allowances to provisions	51,414,891	380,968,585	462,677,928	1,614,768,789	764,078,429
Dividends distributed (1)	415,866,359	431,763,486	432,824,096	474,999,305	-
Earnings per share					
Profit after taxes, but before amortisation, depreciation and allowances to provisions	0.46	1.1	1.93	6.44	2.67
Profit after taxes, amortisation, depreciation and allowances to provisions	0.19	1.44	1.74	6.08	2.88
Dividend paid per share (1)	1.58	1.64	1.63	1.80	-
Personnel					
Number of employees	198	327	349	362	373
Total payroll	30,118,294	50,668,738	53,399,561	51,445,974	49,175,332
Employee-related benefits paid during the year	20,388,936	28,795,172	27,819,911	29,223,152	25,196,150

(1) The amount of dividends for 2016 will be known with certainty after the Shareholders' Meeting of 17 November 2016 – Dividends relating to the financial year from 1 July 2015 to 30 June 2016.

Dividends distributed over the last five financial years

In euros Year	Payment date	Net amount	Total dividend for the year
2011/12	04.07.2012	0.72	-
	19.11.2012	0.86	1.58
2012/13	04.07.2013	0.79	-
	06.11.2013	0.85	1.64
2013/14	08.07.2014	0.82	-
	17.11.2014	0.82	1.64
2014/15	08.07.2015	0.82	-
	18.11.2015	0.98	1.80
2015/16	08.07.2016 [1]	0.90	-

(1) An interim dividend in respect of 2015/16 was paid on 8 July 2016. The balance will be decided by the Shareholders' Meeting of 17 November 2016 called to approve the financial statements for the year ended 30 June 2016.

Inventory of marketable securities

In euros French investments with a net carrying amount in excess of €100,000	Number of shares held	Net carrying amount
Lina 3	61,209,716	11,690,953,301
Lina 5	306,400	30,630,500
Pernod SA	2,580,000	94,940,750
Pernod Ricard Asia SAS	2,785,000	42,457,051
Pernod Ricard Central and South America SAS	386,650	123,860,000
Pernod Ricard Europe Middle Africa SAS	1,000,000	36,407,284
Pernod Ricard Finance SA	29,000,000	238,680,987
Pernod Ricard North America SAS	4,377,500	126,734,557
Ricard SA	1,750,000	67,227,093
Sopebsa	232,000	769,769
Résidence de Cavalière	205,950	1,050,350
Lina 19	10,100	1,143,338
SUBTOTAL	**103,843,316**	**12,454,854,980**
Other shareholdings in French companies	16,816	360,105
Investments in unlisted foreign companies	25,705,455	356,937,573
TOTAL MARKETABLE SECURITIES AT 30.06.2016	**129,565,587**	**12,812,152,658**

Statutory Auditors' report on the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 30 June 2016, on:

- the audit of the accompanying annual financial statements of Pernod Ricard;
- the basis of our assessments;
- the specific verifications and disclosures required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 30 June 2016, and of the results of its operations for the year then ended in accordance with French accounting principles.

II. BASIS OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the basis of our assessments, we hereby inform you that our assessments covered the appropriateness of the accounting principles adopted and the reasonableness of the significant estimates made, particularly:

- Investments which were measured in accordance with the accounting policies described in Note 1.3 to the financial statements "Accounting policies – Financial assets". As part of our work, we reviewed the appropriateness of these accounting policies and assessed the methods adopted by the Company as well as the resulting measurements.

These assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND DISCLOSURES

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102 1 of the French Commercial Code relating to the compensation and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the annual financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Neuilly-sur-Seine, 19 September 2016

The Statutory Auditors

MAZARS

Isabelle Sapet

Erwan Candau

DELOITTE & ASSOCIES

David Dupont-Noel

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Statutory Auditors' special report on regulated agreements and commitments

SHAREHOLDERS' MEETING HELD TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

To the Shareholders,

As Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in cross-checking the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Shareholders' Meeting

Agreements and commitments authorised during the year

We hereby inform you that we have not been advised of any agreement or commitment authorised during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements and commitments authorised since the year-end

We have been advised of the following agreements and commitments, authorised since the year-end, that were previously authorised by your Board of Directors.

1. Renewal of commitments authorised for Mr. Alexandre Ricard, Chairman and Chief Executive Officer

On 31 August 2016, the Board of Directors authorised the renewal of the commitments undertaken for Mr. Alexandre Ricard as Chairman and Chief Executive Officer of Pernod Ricard, subject to renewal of his term of office as Executive Corporate Officer, such commitments having been already approved by the Shareholders' Meeting of 6 November 2015:

1. ***A 1-year non-compete clause, together with compensation corresponding to 12 months of remuneration*** (most recent annual fixed and variable remuneration decided by the Board of Directors).

   In accordance with the Afep-Medef Code, a provision authorises the Board of Directors to waive the implementation of this clause upon departure of the Executive Corporate Officer.

2. ***A forced departure clause subject to performance conditions, together with a maximum compensation corresponding to 12 months of remuneration*** (most recent annual fixed and variable remuneration decided by the Board of Directors):

   a. The compensation relating to the forced departure clause would be paid, subject to the satisfaction of performance conditions, in the event of forced departure relating to a change of Group control or strategy. In accordance with the Afep-Medef code, no compensation shall be paid in the event of a departure i) for the non-renewal of a term of office, ii) at the initiative of the executive officer, iii) if he changes functions within the Group or iv) if he can claim his pension in the near future.

   b. The compensation relating to the forced departure clause is subject to the following three performance criteria:

   - Criteria 1: Annual bonus rates achieved over the term of the mandate(s): shall be considered as satisfied if the average amount of bonuses collected over the entire term of the mandate(s) is greater than or equal to 90% of the target variable remuneration;
   - Criteria 2: Growth rate of current operating income over the term of the mandate(s): shall be considered as satisfied if the average growth of annual current operating income compared to the budget of each year over the term of the mandate(s) is greater than 95% (adjusted for foreign exchange and scope impacts);
   - Criteria 3: Average growth rate of revenue over the term of the mandate(s): shall be considered as satisfied if the average growth rate of revenue over the term of the mandate(s) is greater than or equal to 3% (adjusted for foreign exchange and scope impacts).

   c. The amount of compensation likely to be collected under the forced departure clause shall be calculated according to the following scale:

   1) if 3 criteria are satisfied: 12 months of remuneration(1);
   2) if 2 out of 3 criteria are satisfied: 8 months of remuneration(1);
   3) if 1 out of 3 criteria is satisfied: 4 months of remuneration(1);
   4) if no criteria is satisfied: no compensation will be paid.

In accordance with the Afep-Medef Code, the maximum overall compensation under the non-compete clause (compensation of 12 months of remuneration(1)) and under the forced departure clause (maximum compensation of 12 months of remuneration(1)) (the total of the 2 compensations) may not exceed 24 months of remuneration(1).

The Board of Directors considered that these commitments, which were not implemented during the year ended 30 June 2016 and on the date of this report, safeguard the Company in the event of the departure of the Executive Corporate Officer by restricting his freedom to exercise functions for a competitor (non-compete clause) and protect the Executive Corporate Officer by providing for the payment of compensation, subject to performance conditions, in the event of an involuntary departure (forced departure clause).

(1) Most recent annual fixed and variable remuneration decided by the Board of Directors.

3. ***The supplementary defined-benefit collective pension scheme and the collective healthcare and welfare schemes prevailing within the Company,*** under the same terms and conditions as those applicable to the category of employees to which he is assimilated for the setting of benefits and other additional items of compensation.

The Board of Directors considered that the membership of these schemes represents benefits granted in connection with the overall compensation and benefits policy of the Executive Corporate Officer, the latter no longer having an employment contract with the Company in accordance with the Afep-Medef Code.

2. Cancellation of membership of the supplementary defined-benefit pension scheme for Mr. Alexandre Ricard, Chairman and Chief Executive Officer

On 31 August 2016, the Board of Directors decided to cancel, on the recommendation of the Compensation Committee, Mr. Alexandre Ricard's membership of the supplementary defined-benefit pension scheme as from the renewal of his term of office as Executive Corporate Officer, to be submitted to the Board of Directors at the end of the Shareholders' Meeting held to approve the financial statements for the year ended 30 June 2016.

This commitment had been approved by the Shareholders' Meeting of 6 November 2015.

The Board of Directors considered that it was in the interest of the Company to terminate this commitment, given the high cost of the supplementary defined-benefit pension scheme (Article L. 137-11 of the French Social Security Code) and its reduced efficiency.

Agreements and commitments previously approved by the shareholders' meeting

Agreements and commitments approved in prior years that remained in force during the financial year

Pursuant to Article 225 30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

1. €2,500,000,000 Multicurrency Revolving Facility Agreement

The Board of Directors, meeting on 25 April 2012, authorised the signature of a loan agreement in English entitled "€2,500,000,000 Multicurrency Revolving Facility Agreement" with, amongst others, BNP Paribas and J.P. Morgan Ltd as Mandated Lead Arrangers and Bookrunners and BNP Paribas and J.P. Morgan Chase Bank N.A. as Original Lenders, under which the lenders would make available to the Company, to Pernod Ricard Finance and to the other companies of the Group party to the agreement, a revolving line of credit of a maximum principal amount of €2,500,000,000.

Pernod Ricard undertook to guarantee under certain conditions, as joint and several guarantor, compliance with the payment obligations of the other borrowing companies of the group.

The loan agreement was signed on 25 April 2012.

The Board of Directors, meeting on 23 October 2013, authorised the signature of an amendment to the loan agreement, primarily reducing the agreement margin and extending its maturity.

For the year ended 30 June 2016, Pernod Ricard did not draw any amounts under this loan agreement. The commission for the non-utilisation of the syndicated loan amounted to €6,247,041 for the year ended 30 June 2016.

Pernod Ricard invoices a guarantee commission at market rates to Group companies exercising their drawing rights in respect of the guarantee granted by Pernod Ricard to certain of its subsidiaries; the amount of this commission is likely to vary in line with market conditions. Accordingly, Pernod Ricard invoiced €358,127 to Pernod Ricard Finance in the financial statements for the year ended 30 June 2016.

This agreement provides Pernod Ricard, Pernod Ricard Finance and the Group with a multicurrency revolving credit facility for their financing needs.

Corporate officer involved: Mr. Wolfgang Colberg, member of the Deutsche Bank AG Regional Board (party to the loan agreement).

2. Loan from Pernod Ricard to Havana Club Holding (HCH) in connection with the restructuring of HCH

In connection with the financial restructuring of HCH, the Board of Directors, meeting on 20 October 2010, authorised Pernod Ricard to grant HCH a loan for a maximum amount of between USD 50 million and USD 60 million. A loan of the same amount would also be granted to HCH by the Cuban partners.

The final loan amount was USD 53,839,374.

Financial income invoiced by Pernod Ricard to HCH in respect of this loan for the year ended 30 June 2016 totalled USD 7,047,947 (euro equivalent of €6,373,934).

This loan agreement provides HCH with the necessary resources for its financing needs.

Corporate officer involved: Mr. Alexandre Ricard, also a Director of HCH.

Courbevoie and Neuilly-sur-Seine, 19 September 2016

The Statutory Auditors

MAZARS		DELOITTE & ASSOCIES
Isabelle SAPET	Erwan CANDAU	David DUPONT-NOEL

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

7

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016

ITEMS OF THE AGENDA PRESENTED TO THE COMBINED SHAREHOLDERS' MEETING OF 17 NOVEMBER 2016 216

Items on the agenda presented to the Ordinary Shareholders' Meeting 216

Items on the agenda presented to the Extraordinary Shareholders' Meeting 216

PRESENTATION OF THE RESOLUTIONS OF THE COMBINED SHAREHOLDERS' MEETING OF 17 NOVEMBER 2016 217

Resolutions presented to the Ordinary Shareholders' Meeting 217

Resolutions presented to the Extraordinary Shareholders' Meeting 222

DRAFT RESOLUTIONS 224

Resolutions presented to the Ordinary Shareholders' Meeting 224

Resolutions presented to the Extraordinary Shareholders' Meeting 228

STATUTORY AUDITORS' REPORT ON THE AUTHORISATION TO GRANT FREE SHARES (EXISTING OR TO BE ISSUED) TO CERTAIN EXECUTIVE COMMITTEE MEMBERS AND THE EXECUTIVE CORPORATE OFFICER 231

Combined (ordinary and extraordinary) Shareholders' meeting of 17 november 2016 231

STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES OR SECURITIES GRANTING ACCESS TO THE SHARE CAPITAL, RESERVED FOR MEMBERS OF COMPANY SAVINGS PLANS 232

Combined (ordinary and extraordinary) Shareholders' meeting of 17 november 2016 232

Items of the agenda presented to the Combined Shareholders' Meeting of 17 November 2016

ITEMS ON THE AGENDA PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

1. Approval of the Parent Company financial statements for the financial year ended 30 June 2016;
2. Approval of the consolidated financial statements for the financial year ended 30 June 2016;
3. Allocation of the net result for the financial year ended 30 June 2016 and setting of the dividend;
4. Approval of regulated agreements and commitments referred to in article L. 225-38 et *seq.* of the French Commercial Code;
5. Approval of regulated commitments referred to in article L. 225-42-1 of the French Commercial Code relating to Mr Alexandre Ricard;
6. Renewal of the directorship of Mr Alexandre Ricard;
7. Renewal of the directorship of Mr Pierre Pringuet;
8. Renewal of the directorship of Mr César Giron;
9. Renewal of the directorship of Mr Wolfgang Colberg;
10. Ratification of the co-option of Ms Anne Lange as a Director;
11. Appointment of KPMG SA as principal Statutory Auditor;
12. Appointment of SALUSTRO REYDEL as alternate Statutory Auditor;
13. Setting of the annual amount of Directors' fees allocated to the members of the Board of Directors;
14. Advisory vote on the elements of compensation due or granted for the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO;
15. Authorisation to be granted to the Board of Directors to repurchase the shares of the Company.

ITEMS ON THE AGENDA PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

16. Authorisation to be granted to the Board of Directors to allocate free shares, whether existing or to be issued, with cancellation of the preferential subscription right for existing shareholders, within the limit of 0.035% of the Company's share capital, subject to a presence condition, to partially compensate the loss of the benefit of the defined-benefit supplementary pension scheme by some of the members of the Executive Committee and the Executive Director of the Company;
17. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase subject to the limit of 2% of the share capital through the issue of shares or securities granting access to the Company's share capital, reserved for members of company savings plans with cancellation of the preferential subscription right in favour of the members of such savings plans;
18. Powers to carry out the necessary legal formalities.

Presentation of the resolutions of the Combined Shareholders' Meeting of 17 November 2016

RESOLUTIONS PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

Approval of the annual financial statements and allocation of the results (1st to 3rd resolutions)

The purpose of the **1st resolution** is to approve the Parent Company financial statements for the 2015/16 financial year, which show a net profit of €764,078,429.13.

The purpose of the **2nd resolution** is to approve the consolidated financial statements for the 2015/16 financial year.

The purpose of the **3rd resolution** is to allocate the net result. It is proposed that the dividend for the 2015/16 financial year be set at €1.88 per share. An interim dividend payment of €0.90 per share having been paid on 8 July 2016, the balance, amounting to €0.98 per share, would be detached on 28 November 2016 and paid on 30 November 2016.

Approval of regulated agreements and commitments (4th and 5th resolutions)

It is proposed that, by voting on the **4th resolution**, you approve the regulated agreements and commitments still in force during the 2015/16 financial year, as described in the Statutory Auditors' special report (see Section 6, "Pernod Ricard SA Financial Statements" of this Registration Document). These relate mainly to agreements concluded in the context of financing transactions between the Company and companies or affiliates with which it has Directors or Executives in common.

By voting on the **5th resolution**, it is proposed that you approve the renewal of the regulated commitments benefiting Mr Alexandre Ricard, Chairman & CEO, subject to the renewal of his term of office as Executive Director by the Board of Directors' meeting to be held at the close of the Shareholders' Meeting held on 17 November 2016, in respect of a non-compete clause accompanied by an indemnity, an imposed departure clause subject to performance conditions, as well as membership of the healthcare and welfare schemes offered by the Company (a detailed description of these commitments can be found in the "Say on Pay" tables below). Moreover, the Board of Directors, on the recommendation of the Compensation Committee, decided to remove the benefit of the defined-benefit supplementary pension scheme as from the renewal of Mr Alexandre Ricard's term of office as Executive Director.

Composition of the Board: Renewal of Directors/Ratification of the co-option of a Director (6th to 10th resolutions)

Information regarding the Directors whose ratification or renewal is proposed appears in Section 2 "Corporate Governance and Internal Control" of this Registration Document.

The directorship of Mr Alexandre Ricard expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **6th resolution**, you renew his directorship 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.

The directorship of Mr Pierre Pringuet expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **7th resolution**, you renew his directorship 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.

The directorship of Mr César Giron expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **8th resolution**, you renew his directorship 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.

The directorship of Mr Wolfgang Colberg expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **9th resolution**, you renew his directorship 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.

Finally, it is proposed that, by voting on the **10th resolution**, you ratify the co-option of Ms Anne Lange as a Director, as decided by the Board of Directors' meeting held on 20 July 2016, following the recommendation of the Nominations, Governance and CSR Committee, to replace Mr Laurent Burelle who had to resign as Director and Member of the Company's Strategic Committee to comply with the new provisions of the "Macron" law regarding the limited number of directorships that may be held by Executive Directors. The term of office of Ms Anne Lange would be granted for the remainder of Mr Laurent Burelle's directorship, namely until the close of the Shareholders' Meeting to be held in 2017 to approve the financial statements for the previous financial year.

The Nominations, Governance and CSR Committee and the Board of Directors reviewed this candidacy and determined that the Board of Directors and the Strategic Committee could benefit from Ms Anne Lange's skills and expertise in the fields of innovation and digital technology, representing two main challenges for the Group. They also acknowledged that Ms Anne Lange meets all of the independence criteria set by the AFEP-MEDEF Code to which the Company refers.

Thus, at the close of the Shareholders' Meeting, the Board of Directors would comprise 14 members (two of whom are Directors representing the employees), including six Independent Directors (50%) and five women (42% [(1)]), in accordance with the AFEP-MEDEF Code.

Appointment of KPMG SA and SALUSTRO REYDEL respectively as new principal and alternate Statutory Auditors to replace Mazars and CBA company, whose terms of office will expire at the close of this Shareholders' Meeting and will not be renewed (11th and 12th resolutions)

It is proposed that, by voting on the **11th resolution**, you appoint, following the recommendation of the Audit Committee, KPMG SA, whose head office is located at Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense cedex, as principal Statutory Auditor to replace Mazars whose term of office will expire at the close of this Shareholders' Meeting and will not be renewed. KPMG SA's term of office would be granted for a period of six financial years, namely until the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

Furthermore, it is proposed that, by voting on the **12th resolution**, you appoint, following the recommendation of the Audit Committee, SALUSTRO REYDEL, whose head office is located at Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense cedex, as alternate Statutory Auditor to replace CBA company whose term of office as alternate Statutory Auditor will expire at the close of this Shareholders' Meeting and will not be renewed. SALUSTRO REYDEL's term of office would be granted for a period of six financial years, namely until the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

Directors' fees (13th resolution)

The purpose of the **13th resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors. It is proposed that the Board of Directors' total compensation for the 2016/17 financial year be set at €970,000, representing an increase of approximately 2% in comparison to the previous financial year, notably to take account of the appointment of an additional member of the Compensation Committee and the arrival of non-resident Directors in France benefiting of an additional premium in order to take account of distance constraints.

Advisory vote on the elements of compensation due or granted to Mr Alexandre Ricard, Chairman & CEO of the Company, for the 2015/16 financial year (14th resolution)

In accordance with the recommendations of the AFEP-MEDEF Code, revised in November 2015 (article 24.3), to which the Company refers pursuant to article L. 225-37 of the French Commercial Code, the following elements of compensation due or granted to each Executive Director of the Company for the financial year ended are submitted to the shareholders' advisory vote:

- the fixed portion;
- the annual variable portion and, if applicable, any multi-year variable portion with objectives contributing to the determination of this variable portion;
- special bonuses;
- stock options, performance-based shares and any other element of long-term compensation;
- welcome bonus or compensation for termination of service;
- supplementary pension schemes;
- Directors' fees;
- any other benefits.

It is proposed that, by voting on the **14th resolution**, you give **a favourable opinion on the following elements of compensation due or granted in respect of the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO** of the Company.

(1) In accordance with the AFEP-MEDEF Code, Directors representing the employees are not taken into account when determining the independence percentage of the Board of Directors or the representation of women.

Elements of compensation due or granted in respect of the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO, submitted to the shareholders' advisory vote

Elements of compensation	Amounts	Remarks
Fixed compensation	€950,000	◆ At its meeting held on 26 August 2015, the Board of Directors, on the recommendation of the Compensation Committee, decided to maintain the amount of Mr Alexandre Ricard's gross annual fixed compensation at €950,000 for the 2015/16 financial year.
Variable compensation	€913,900	◆ At its meeting held on 31 August 2016, the Board of Directors, on the recommendation of the Compensation Committee and after approval of the financial elements by the Audit Committee, assessed the amount of the variable portion of Mr Alexandre Ricard's compensation for the 2015/16 financial year. ◆ Considering the quantitative and qualitative criteria set by the Board on 26 August 2015 and the accomplishments recognised as of 30 June 2016, the amount of the variable portion was evaluated as follows: – as per the quantitative criteria, the variable portion amounted to 68.60% of Mr Alexandre Ricard's annual fixed compensation, versus a target of 80%, evaluated as follows: - achievement of the budgeted Profit from Recurring Operations (target 30%): 25.80%, - achievement of the budgeted Group share of Net Profit from Recurring Operations (target 20%): 18.80%, - deleveraging (net debt/EBITDA) (target 30%): 24%, – as per the qualitative criteria, the amount decided by the Board of Directors was 27.60% of Mr Alexandre Ricard's annual fixed compensation, versus a target of 30%, consisting of: - Restore "top-line" growth (target 6%): 5.1%, - USA: revitalise the market and successfully implement the new organisation (target 6%): 6%, - China: continue adaptation to a "normalised" market (target 6%): 4.5%, - Contain the increase in structure costs below the budget amount (target 6%): 6%, - Develop the Group's Talents (target 6%): 6%. ◆ Consequently, the total amount of Mr Alexandre Ricard's variable compensation for the 2015/16 financial year as Chairman & CEO was set at €913,000, *i.e.* 96.20% of his annual fixed compensation for 2015/16 (versus a target of 110%). The variable compensation in respect of the 2014/15 and 2013/14 financial years respectively represented 105.55% and 55.40% of his annual fixed compensation.
Multi-year variable compensation	N/A	◆ Mr Alexandre Ricard does not qualify for any multi-year variable compensation.
Directors' fees	N/A	◆ As an Executive Director of the Company, Mr Alexandre Ricard does not receive any Directors' fees.
Special bonus	N/A	◆ Mr Alexandre Ricard does not qualify for any special bonus.

N/A: not applicable

Elements of compensation	Amounts	Remarks
Allocation of stock options and/or performance-based shares		◆ During the 2015/16 financial year, the Board of Directors' held on 6 November 2015 decided, on the recommendation of the Compensation Committee, to grant Mr Alexandre Ricard:
	€332,028 (total IFRS value of stock options with external performance condition)	– **20,700 stock options** (*i.e.* approximately 0.0078% of the Company's share capital) all subject to the following external performance condition. The number of shares that will be ultimately granted to Mr Alexandre Ricard will be determined by comparing the performance of the Pernod Ricard share and the overall performance of a Panel from 6 November 2015 to 6 November 2018 inclusive (three years). Therefore, if the overall performance of the Pernod Ricard share (TSR) is: - below the median (8th to 13th position): no options will be exercisable, - at the median (7th position): 66% of the options will be exercisable, - in 6th, 5th or 4th position: 83% of the options will be exercisable, - in 3rd, 2nd or 1st position: 100% of options will be exercisable. – At the grant date, the Board of Directors decided that the Panel shall comprise, in addition to Pernod Ricard, the following twelve companies: Diageo, Brown Forman, Rémy Cointreau, Campari, Constellation Brands, AB InBev, SAB Miller plc, Heineken, Carlsberg, Coca-Cola, PepsiCo and Danone. – The Panel's composition is subject to change, based on the above-mentioned companies' evolution. The Board of Directors shall, with a duly reasoned decision and following the recommendation of the Compensation Committee, exclude a company from or add a new company to the Panel, especially in the case of an acquisition, absorption, dissolution, spin-off, merger or change of business of one or more of the Panel's members, subject to maintaining the overall consistency of the Panel and enabling the application of the external performance condition in line with the performance objective set upon allocation. – The vesting period of the options is of four years followed by an exercise period of four years.
	€297,720 (total IFRS value of performance-based shares with internal performance condition)	– **3,000 performance-based shares** (*i.e.* approximately 0.0011% of the Company's share capital) all subject to the internal performance condition specified below. The number of performance-based shares that will be ultimately granted will be determined depending on the ratios of achievement of the Group Net Profit from Recurring Operations realised, adjusted from foreign exchange and scope impacts, compared to the Group Net Profit from Recurring Operations budgeted for three consecutive financial years (2015/16, 2016/17 and 2017/18). – The number of performance-based shares is determined according as follows: - if the average level of achievement is below or equal to 0.95: no performance-based shares will be acquired, - if the average level of achievement is between 0.95 and 1: the number of performance-based shares is determined by applying the percentage of linear progression between 0 and 100%, and - if the average level of achievement is greater than or equal to 1: 100% of performance-based shares may be acquired. – The vesting period of the performance-based shares is four years, and there is no lock-in period.
	€295,570 (IFRS value of performance-based shares with internal and external performance conditions)	– **5,500 performance-based shares** (*i.e.* approximately 0.0019% of the Company's share capital) all subject to the internal and external performance conditions specified below. The number of shares that will be ultimately granted to Mr Alexandre Ricard will be determined by applying the two above-mentioned internal and external conditions: - firstly: application of the internal performance condition based on the ratios of achievement of the annual target for Group Net Profit from Recurring Operations realised compared to the Group Net Profit from Recurring Operations budgeted for three consecutive financial years. The number of shares confirmed by applying the internal performance condition shall then be subject to the external performance condition. - secondly: application of the external performance condition determined by comparing the overall performance of the Pernod Ricard share and the overall performance of the Panel over a period of three years, from 6 November 2015 to 6 November 2018 inclusive (see the performance condition applicable to stock options). – The vesting period of the performance-based shares is four years, and there is no lock-in period. ◆ The same presence condition applies to Mr Alexandre Ricard and the other beneficiaries of the allocation plan. ◆ It is noted that the Executive Directors are required to retain shares resulting from the exercise of stock options and the effective transfer of performance-based shares (see paragraph 4 "Stock option and performance-based share allocation policy for the Executive Director" of Section 4 "Management Report").

Elements of compensation	Amounts	Remarks
Welcome bonus or compensation for termination of office	No payment	◆ Mr Alexandre Ricard, as Chairman & CEO, benefits from: – a one-year non-compete clause (corresponding to 12 months of compensation: last fixed + variable annual compensation decided by the Board of Directors). The purpose of this non-compete clause is to prevent the Executive Director from performing duties for a competitor. It is a protection mechanism for the Company. 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; – an imposed departure clause (corresponding to a maximum of 12 months of compensation: last fixed + variable annual compensation decided by the Board of Directors) subject to performance conditions. In accordance with the AFEP-MEDEF Code, this amount will be due in case of a change of control or strategy of the Group, but there would be no payment in case of a departure related to i) non-renewal of his term of office, ii) if the departure was decided by the Executive Director himself, iii) in case of a change of position within the Group or iv) if he is able to benefit in the near future from pension rights. ◆ The imposed departure clause is subject to the following three performance criteria: – 1st criterion: bonus rates achieved over the term(s) of office: criterion number 1 will be considered as met if the average bonus paid over the entire length of the term(s) of office is no less than 90% of the target variable compensation; – 2nd criterion: growth rate of Profit from Recurring Operations over the term(s) of office: criterion number 2 will be considered as met if the average growth rate of Profit from Recurring Operations vs budget of each year over the entire length of the term(s) of office is more than 95% (adjusted from foreign exchange and scope impacts); – 3rd criterion: average sales growth over the term(s) of office: criterion number 3 will be considered as met if the average sales growth over the entire length of the term(s) of office is greater than or equal to 3% (adjusted from foreign exchange and scope impacts). ◆ The amount of the compensation paid under the imposed departure clause is calculated as follows: – if all three criteria are met: payment of 12 months' compensation*; – if two of the three criteria are met: payment of 8 months' compensation*; – if one of the three criteria is met: payment of 4 months' compensation*; – if no criterion is met: no compensation paid. * *Last annual fixed and variable compensation decided by the Board of Directors.* ◆ In accordance with the AFEP-MEDEF Code, the overall amount of the non-compete clause and the imposed departure clause will be capped at (sum of both clauses) 24 months' compensation (fixed + variable). ◆ Pursuant to the regulated agreements and commitments procedure, these commitments were approved by the Shareholders' Meeting of 6 November 2015 (5th resolution). ◆ The Shareholders' Meeting of 17 November 2016 (5th resolution) will be asked to approve the renewal of these regulated commitments benefiting Mr Alexandre Ricard, subject to the renewal of his term of office as Executive Director by the Board of Directors to be held at the close of the Shareholders' Meeting.
Supplementary pension scheme	No payment	◆ Mr Alexandre Ricard benefits from the defined-benefit supplementary pension scheme offered by the Company under the same terms as those applicable for the category of employees to which he belongs for the determination of his welfare benefits and other additional elements of his compensation. ◆ In accordance with the regulated agreements and commitments procedure, this commitment was approved by the Shareholders' Meeting of 6 November 2015 (5th resolution). ◆ For example, if the calculation were to be made on the basis of Mr Alexandre Ricard's fixed and variable compensation due or granted for the last three financial years, the annuity paid to Mr Alexandre Ricard under this scheme would be approximately 12% of this compensation. ◆ Moreover, the Board of Directors, on 31 August 2016, following the recommendation of the Compensation Committee, decided to remove the benefit of the defined-benefit supplementary pension scheme, as from the renewal of Mr Alexandre Ricard's term of office as Executive Director that will be submitted to the Board of Directors' meeting to be held at the close of the Shareholders' Meeting of 17 November 2016.

Elements of compensation	Amounts	Remarks
Collective healthcare and welfare schemes		◆ Mr Alexandre Ricard qualifies for the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable to the category of employees to which he belongs for the determination of his welfare benefits and other additional elements of his compensation. ◆ In accordance with the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting of 6 November 2015 (5th resolution). ◆ The Shareholders' Meeting of 17 November 2016 (5th resolution) will be asked to renew these regulated commitments benefiting Mr Alexandre Ricard, subject to the renewal of his term of office as Executive Director by the Board of Directors to be held at the close of the Shareholders' Meeting.
Other benefits	€3,260	◆ Mr Alexandre Ricard benefits from a company car.

The general policy for the compensation of the Company's Executive Director is described in Section 4 "Management Report", under "Compensation policy for the Executive Director" of this Registration Document.

Repurchase of shares (15th resolution)

The Shareholders' Meeting of 6 November 2015 allowed the Board of Directors to trade in the Company's shares. The transactions carried out in accordance with this authorisation are described in Section 8 "About the Company and its Share Capital" of this Registration Document. This authorisation is due to expire on 5 May 2017. It is proposed, in the **15th resolution**, that you renew the authorisation for the Board of Directors to trade in the Company's shares for a period of 18 months at **a maximum purchase price of €150 per share**, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase Company shares representing **a maximum of 10% of the Company's share capital**, primarily with a view to:

- allocating or transferring them to employees and Executive Directors of the Company and/or Group companies (including the allocation of stock options and free and/or performance-based shares) or in connection with covering the Company's commitments under financial contracts or options with cash settlement granted to the employees and Executive Directors of the Company and/or Group companies;
- using them within the scope of external growth transactions (up to a maximum of 5% of the number of shares comprising the Company's share capital);
- delivering shares upon the exercise of rights attached to securities granting access to the share capital;
- cancelling them;
- stabilising the share price through liquidity agreements.

These transactions would be carried out during periods considered appropriate by the Board of Directors. However, during a public offer period, the repurchases would only be carried out provided that they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offer;
- are undertaken within the scope of the pursuit of a share buyback programme that was already in progress;
- cannot cause the offer to fail; and
- fall within the scope of one of the following objectives:
  - allocation to the beneficiaries of stock options and free and/or performance-based shares,
  - cover the Company's commitments under financial contracts or options with cash settlement,
  - allocation within the scope of external growth transactions (up to a limit of 5% of the Company's share capital), or
  - allocation to holders of securities granting access to share capital.

RESOLUTIONS PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Authorisation to be granted to the Board of Directors to allocate free shares to partially compensate the loss of the benefit of the defined-benefit supplementary pension scheme by some members of the Executive Committee and the Executive Director of the Company (16th resolution)

The **16th resolution** relates to the free allocation of shares, whether existing or to be issued, with cancellation of the preferential subscription right for existing shareholders, within the limit of 0.035% of the Company's share capital, subject to a presence condition, to partially compensate the loss of the benefit of the defined-benefit supplementary pension scheme by some of the members of the Executive Committee and the Executive Director of the Company.

Given the increase of the costs incurred by the defined-benefit supplementary pension scheme (Article L. 137-11 of the French Social Security Code) and its loss of efficiency, the Board of Directors' meeting held on 31 August 2016 decided, on the recommendation of the Compensation Committee, to remove the benefit of this scheme for some members of the Executive Committee and the Executive Director of the Company, as from the renewal of his term of office as Executive Director, which will be submitted to the Board of Directors' meeting to be held at the close of the Combined Shareholders' Meeting of 17 November 2016.

In return, and in order to take into account that these beneficiaries shall now build up their own supplementary pension plan, the Board of Directors decided to compensate the loss of the benefit of the defined-benefit supplementary pension scheme.

To ensure the alignment of the beneficiaries' interest with that of the shareholders, it is suggested that a portion of this compensation be provided through an exceptional and free allocation of shares.

Given the compensatory nature of this exceptional allocation, the definitive allocation of the shares will not be subject to a performance condition. However, it will be subject to a presence condition assessed at the end of a one-year period for one third of the shares, a two-year period for one third of the shares and a three-year period for one third of the shares. At the end of the vesting period, the shares will be subject to a lock-in period that shall be no less than two years.

As a consequence, the purpose of the 16th resolution is to authorise the Board of Directors to proceed to the exceptional and free allocation of shares of the Company, subject to a presence condition, to certain members of the Executive Committee and the Executive Director of the Company.

This authorisation would be valid for **24 months** from the date of the Shareholders' Meeting. **The shares to be allocated shall not exceed 0.035% of the Company's share capital** on the date of the Board of Directors' decision to allocate the shares, it being specified that this number **shall be deducted from the overall limit** for the allocation of performance shares of **1.5%** of the Company's share capital, as decided by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution.

In addition, the number of **shares that may be allocated to the Executive Director** of the Company **shall not exceed 0.02% of the Company's share capital** on the date of the Board of Directors' decision to allocate the shares, it being specified that this amount **shall be deducted from the overall limit of 0.035%** of the Company's share capital mentioned above **and from the sub-limit** for the free allocation of performance-based shares to Executive Directors of the Company of **0.06% of the share capital**, as decided by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution.

Delegation of authority to increase the share capital through the issue of shares or securities granting access to the share capital, reserved for employees who are members of a company savings plans (17th resolution)

As the Shareholders' Meeting is requested to vote on delegations of authority to the Board of Directors that might entail future share capital increases 16th resolution, it is proposed that, pursuant to the provisions of the French Commercial Code, by voting on the **17th resolution**, you delegate authority to the Board of Directors to decide on a share capital increase of a **maximum nominal amount corresponding to 2% of the share capital** at the close of this Shareholders' Meeting, by way of an issue of shares or securities granting access to the share capital, reserved for members of one or more company savings plans in place within the Company or its Group, with cancellation of the preferential subscription right in favour of the members of such savings plans. This limit **would be deducted from the share capital increase limit with cancellation of the preferential subscription right** set in the 17th resolution of the Shareholders' Meeting of 6 November 2015, as well as from the **maximum overall limit** set in the 16th resolution of this same Shareholders' Meeting.

The issue price for the new shares or securities granting access to the share capital may not be more than 20% below the average of the listed prices of the Pernod Ricard share on the regulated NYSE Euronext Paris market during the twenty trading sessions prior to the date of the decision setting the opening date for the subscription period, nor may the issue price exceed this average.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting and would cancel, from this same date, the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 24th resolution.

Powers to carry out the required legal formalities (18th resolution)

By voting on the **18th resolution**, the Shareholders' Meeting is asked to authorise the Board of Directors to carry out the required legal formalities, where applicable.

Draft resolutions

RESOLUTIONS PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

The purpose of the **first three resolutions** is to approve Pernod Ricard's Parent Company and consolidated financial statements for the 2015/16 financial year and to allocate the net result for said year. It is proposed to set the **dividend at €1.88 per share**, following the allocation of an interim dividend of €0.90 per share on 8 July 2016.

First resolution

(Approval of the Parent Company financial statements for the financial year ended 30 June 2016)

Having reviewed the Parent Company financial statements for the financial year ended 30 June 2016, the Management Report of the Board of Directors and the report of the Statutory Auditors on the Parent Company financial statements, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the financial statements for the financial year ended 30 June 2016 as well as all transactions recorded in the financial statements or summarised in these reports, which show a net profit of €764,078,429.13 for the aforementioned financial year.

The Shareholders' Meeting takes note of 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 within the Board, the conditions governing the preparation and organisation of the work performed by the Board of Directors as well as the internal control and risk management procedures implemented by the Company, and the report of the Statutory Auditors on such report.

Pursuant to article 223 *quater* of the French General Tax Code, the Shareholders' Meeting also takes note of the fact that the total amount of the costs and expenses referred to in paragraph 4 of article 39 of the French General Tax Code amounted to €244,516 for the past financial year, and that the future tax payable with regard to these costs and expenses amounts to €84,187.

Second resolution

(Approval of the consolidated financial statements for the financial year ended 30 June 2016)

Having reviewed the report of the Board of Directors on the management of the Group included in the Management Report in accordance with article L. 233-26 of the French Commercial Code and the report of the Statutory Auditors on the consolidated financial statements, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the consolidated financial statements for the financial year ended 30 June 2016 as presented to it as well as the transactions recorded in the financial statements or summarised in the report on the management of the Group.

Third resolution

(Allocation of the net result for the financial year ended 30 June 2016 and setting of the dividend)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that the balance sheet for the financial year ended 30 June 2016 shows a net profit of €764,078,429.13.

It decides, on the proposal of the Board of Directors, to allocate and divide this profit as follows:

Profit	€764,078,429.13
Allocation to the legal reserve	- (1)
Balance	€764,078,429.13
Previous retained earnings	€1,624,033,675.00
Distributable profit	€2,388,112,104.13
Dividend distributed	€498,992,592.96
Balance allocated to retained earnings	€1,889,119,511.17

(1) As the amount of the legal reserve has reached the threshold of 10% of the share capital.

It should be noted that in the event of a change between the number of shares entitled to a dividend and the 265,421,592 shares making up the share capital as of 30 June 2016, the total amount of the dividend shall be adjusted accordingly and the amount allocated to the retained earnings account shall be determined on the basis of dividends actually paid.

A dividend of €1.88 will be distributed for each of the Company's shares.

An interim dividend payment of €0.90 per share having been paid on 8 July 2016, the balance amounting to €0.98 per share would be detached on 28 November 2016 and paid on 30 November 2016.

The Shareholders' Meeting decides that the amount of the dividend accruing to treasury shares or shares that have been cancelled on the ex-dividend date, will be allocated to "Retained earnings".

The amount distributed of €1.88 per share will be eligible for the 40% tax deduction applicable to individual shareholders who are French tax residents, as provided for in article 158,3-2° of the French General Tax Code.

Shareholders' equity totals €5,755,264,415.18 after allocation of the net result for the financial year.

Dividends distributed over the past three financial years are as follows:

	2012/13	2013/14	2014/15
Number of shares	265,421,592	265,421,592	265,421,592
Dividend per share *(in euros)*	1.64(1)	1.64(1)	1.80(1)

(1) Amounts eligible to the 40% tax deduction for individual shareholders who are French tax residents, as provided for in article 158,3-2° of the French General Tax Code.

The purpose of the **4th resolution** is to approve the regulated agreements and commitments previously approved by the Board of Directors of Pernod Ricard. No new regulated agreements or commitments were entered into during the 2015/16 financial year.

The purpose of the **5th resolution** is to approve the renewal of the regulated agreements and commitments relating to Mr Alexandre Ricard, Chairman & CEO. Subject to the Board of Directors' decision to renew his term of office as Executive Director, Mr Alexandre Ricard will continue to benefit from a non-compete clause accompanied by an indemnity, an imposed departure clause subject to performance conditions as well as membership of the collective healthcare and welfare schemes offered by the Company. Moreover, the Board of Directors, having considered the recommendation of the Compensation Committee, decided to remove the benefit of the defined-benefit supplementary pension scheme, as from the renewal of his term of office as Executive Director.

Fourth resolution

(Approval of the regulated agreements and commitments referred to in article L. 225-38 et seq. of the French Commercial Code)

Having reviewed the special report of the Statutory Auditors on the regulated agreements and commitments referred to in article L. 225-38 *et seq.* of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, takes note of the conclusions of said report and approves the agreements and commitments referred to therein.

Fifth resolution

(Approval of the commitments referred to in article L. 225-42-1 of the French Commercial Code relating to Mr Alexandre Ricard)

Having reviewed the special report of the Statutory Auditors relating to the regulated agreements and commitments referred to in articles L. 225-38 and L. 225-42-1 of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, takes note of the conclusions of said report and approves the commitments set out therein that benefit Mr Alexandre Ricard, subject to the renewal of his term of office as Executive Director by the Board of Directors, relating to a non-compete clause accompanied by an indemnity, an imposed departure clause subject to performance conditions, as well as membership of the collective healthcare and welfare schemes offered by the Company, under the same terms as those applicable to the category of employees to which he is assimilated as far as welfare and other additional items of his compensation are concerned. The Board of Directors, having considered the recommendation of the Compensation Committee, decided to remove the benefit of the defined-benefit supplementary pension scheme of Mr Alexandre Ricard, as from the renewal of his term of office as Executive Director.

The **6th** to **10th** resolutions relate to the composition of the Board of Directors. It is therefore proposed to renew the directorships of Mr Alexandre Ricard, Mr Pierre Pringuet, Mr César Giron and Mr Wolfgang Colberg and to ratify the co-option of Ms Anne Lange as a Director, as decided by the Board of Directors' meeting of 20 July 2016, to replace Mr Laurent Burelle who had to resign from his directorship and membership of the Company's Strategic Committee to comply with the new provisions of the "Macron" law regarding the limited number of directorships that may be held by Executive Directors.

Sixth resolution

(Renewal of the directorship of Mr Alexandre Ricard)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Mr Alexandre Ricard.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2020 to approve the financial statements for the previous financial year.

Seventh resolution

(Renewal of the directorship of Mr Pierre Pringuet)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Mr Pierre Pringuet.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2020 to approve the financial statements for the previous financial year.

Eighth resolution

(Renewal of the directorship of Mr César Giron)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Mr César Giron.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2020 to approve the financial statements for the previous financial year.

Ninth resolution

(Renewal of the directorship of Mr Wolfgang Colberg)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Mr Wolfgang Colberg.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2020 to approve the financial statements for the previous financial year.

Tenth resolution

(Ratification of the co-option of Ms Anne Lange as a Director)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to ratify the co-option of Ms Anne Lange as a Director as decided by the Board of Directors held on 20 July 2016, to replace Mr Laurent Burelle, who resigned as Director.

This term of office is granted for the remainder of Mr Laurent Burelle's directorship, namely until the close of the Shareholders' Meeting to be held in 2017 to approve the financial statements for the previous financial year.

The purpose of the **11th** and **12th resolutions** is to appoint KPMG SA and SALUSTRO REYDEL respectively as new principal and alternate Statutory Auditors to replace Mazars and CBA company, whose terms of office shall expire at the close of this Shareholders' Meeting.

Eleventh resolution

(Appointment of KPMG SA as principal Statutory Auditor)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having duly recorded the expiry at this Shareholders' Meeting of Mazars' term of office as principal Statutory Auditor, decides not to renew this mandate and to appoint KPMG SA, whose head office is located at Tour Eqho, 2 avenue Gambetta, 92066 Paris La Défense cedex, as principal Statutory Auditor to replace Mazars.

KPMG SA's term of office is granted for a period of six financial years, namely until the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

Twelfth resolution

(Appointment of SALUSTRO REYDEL as alternate Statutory Auditor)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having duly recorded the expiry at this Shareholders' Meeting of CBA company's term of office as alternate Statutory Auditor, decides not to renew this mandate and to appoint SALUSTRO REYDEL, whose head office is located at Tour Eqho, 2 avenue Gambetta, 92066 Paris La Défense cedex, as alternate Statutory Auditor to replace CBA company.

SALUSTRO REYDEL's term of office is granted for a period of six financial years, namely until the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

The purpose of the **13th resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors for 2016/17 financial year.

Thirteenth resolution

(Setting of the annual amount of Directors' fees allocated to the members of the Board of Directors)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, upon proposal of the Board of Directors, decides to set the aggregate annual amount of Directors' fees in respect of the 2016/17 financial year at €970,000.

The **14th resolution** concerns the shareholders' advisory vote on the elements of compensation due or granted for the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO.

Fourteenth resolution

(Advisory vote on the elements of compensation due or granted for the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, upon proposal of the Board of Directors, gives a favourable opinion on the elements of compensation due or granted for the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO. These elements are described in Section 7, "Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016" of the 2015/16 Registration Document, in the presentation of the resolutions, and more specifically in the table entitled "Elements of compensation due or granted in respect of the 2015/16 financial year to Mr Alexandre Ricard, Chairman & CEO, submitted to the shareholders' advisory vote".

The purpose of the **15th resolution** is to renew the authorisation granted to the Board of Directors to trade in the Company's shares. The Board will be able to use the authorization, subject to conditions.

Fifteenth resolution

(Authorisation to be granted to the Board of Directors to repurchase the shares of the Company)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, authorises the Board of Directors, with the option for it to delegate these powers in turn, in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code and of Regulation No. 596/2014 of the European Parliament and of the Council of 16 April 2014, to purchase shares of the Company in order to:

(i) allocate shares or transfer them to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law, in particular by granting stock options or as part of employee profit-sharing plans; or

(ii) cover its commitments pursuant to financial contracts or options with cash payments concerning rises in the stock market price of the Company's share, granted to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law; or

(iii) make free allocations of shares to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions of articles L. 225-197-1 *et seq.* of the French Commercial Code, it being specified that the shares may be allocated, in particular, to an employee savings plans in accordance with the provisions of article L. 3332-14 of the French Employment Code; or

(iv) retain them and subsequently tender them (in exchange, as payment or otherwise) within the scope of external growth transactions, subject to the limit of 5% of the number of shares comprising the share capital; or

(v) deliver shares upon the exercise of rights attached to securities granting access to the share capital through reimbursement, conversion, exchange, presentation of a warrant or in any other manner; or

(vi) cancel all or some of the shares repurchased in this manner, under the conditions provided for in article L. 225-209 paragraph 2 of the French Commercial Code, and pursuant to the authorisation to reduce the share capital granted by the Combined Shareholders' Meeting of 6 November 2015 in its 15th resolution; or

(vii) allow an investment services provider to act on the secondary market or to ensure liquidity of the Company's share by means of liquidity agreements in compliance with the terms of a Code of Conduct approved by the French Financial Markets Authority (AMF).

This programme is also intended to enable the Board of Directors to trade in the Company's shares for any other authorised purpose or any purpose that might come to be authorised by law or regulations in force. In such a case, the Company would notify its shareholders *via* a press release.

The Company may purchase a number of shares such that:

- the Company does not purchase more than 10% of the shares comprising the Company's share capital at any time during the term of the share buyback programme; this percentage applies to the share capital adjusted based on capital transactions carried out after this Shareholders' Meeting; in accordance with the provisions of article L. 225-209 of the French Commercial Code, the number of shares taken into account for calculating the 10% limit equates to the number of shares purchased, less the number of shares sold during the authorisation period, in particular when shares are repurchased to favour liquidity of the share under the conditions set out by the applicable regulations; and that
- the number of shares held by the Company at any time does not exceed 10% of the number of shares comprising its share capital.

These shares may be purchased, sold, transferred, delivered or exchanged, on one or more occasions, by any authorised means pursuant to the regulations in force. These means include, in particular, over-the-counter transactions, sales of blocks of shares, sale and repurchase agreements and the use of any financial derivatives, traded on a regulated or over-the-counter market, or setting up option strategies (purchases and sales of puts and calls and any combinations thereof in compliance with the applicable regulations). Transactions involving blocks of shares may account for the entire share buyback programme.

These transactions may be carried out during periods considered appropriate by the Board of Directors. However, during a public offer period, the repurchases would only be carried out subject that they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offer;
- are undertaken within the scope of the pursuit of a share buyback programme that was already in progress;
- fall within the scope of the objectives referred to in points (i) to (v); and
- cannot cause the offer to fail.

The Shareholders' Meeting decides that the maximum purchase price per share shall be €150, excluding acquisition costs.

Under article R. 225-151 of the French Commercial Code, the Shareholders' Meeting sets the total maximum amount allocated to the share buyback programme authorised above at €3,981,323,850, corresponding to a maximum number of 26,542,159 shares purchased at the maximum unit price of €150 as authorised above.

The Shareholders' Meeting delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions provided for by law, in the event of transactions on the Company's share capital, and in particular a change in the par value of the share, a share capital increase *via* the capitalisation of reserves, a granting of free shares, stock split or reverse stock split, to adjust the above-mentioned maximum purchase price in order to take account of the impact of such transactions on the share value.

The Shareholders' Meeting grants the Board of Directors full powers, with the option for it to delegate these powers in turn under the conditions provided for by law, to decide and implement this authorisation, to specify, if necessary, its terms and decide on its conditions with the option to delegate implementation of the share buyback programme, under the conditions provided for by law, and in particular to place all stock exchange orders, enter into any agreements, with a view to keeping registers of share purchases and sales, make all declarations to the AMF and to any other official body which may take its place, complete all formalities and, in general, do whatever may be necessary.

This authorisation will be valid for a period of 18 months from the date of this Shareholders' Meeting and cancels as from this same date, for any unused portion, the authorisation granted to the Board of Directors to trade in the Company's shares by the Combined Shareholders' Meeting of 6 November 2015 in its 14th resolution.

RESOLUTIONS PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

The **16th resolution** will authorise the Board of Directors to allocate free existing shares or shares to be issued, with cancellation of the preferential subscription right, within the limit of 0.035% of the share capital, that will be subject to a presence condition, to partially compensate the loss of the benefit of the defined-benefit supplementary pension scheme by some of the members of the Executive Committee and the Executive Director of the Company.

Sixteenth resolution

(Authorisation to be granted to the Board of Directors to allocate free existing shares or shares to be issued, with cancellation of the preferential subscription right, within the limit of 0.035% of the share capital, that will be subject to a presence condition, to partially compensate the loss of the benefit of the defined-benefit supplementary pension scheme by some of the members of the Executive Committee and the Executive Director of the Company)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings and in accordance with the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code:

1. acknowledging that some members of the Executive Committee and the Executive Director of the Company no longer benefit from the Company's defined-benefit supplementary pension scheme and, in order to allow them to build up their own supplementary pension plan while aligning their interest with the shareholders' interest, authorises the Board of Directors to allocate free existing shares of the Company, or shares to be issued, to some of the members of the Executive Committee and the eligible Executive Director (as defined in article L. 225-197-1 II paragraph 1 of the French Commercial Code) of the Company, who no longer benefit from the Company's defined-benefit supplementary pension scheme;
2. decides that the maximum number of existing shares or shares to be issued that may be allocated under this authorisation shall not represent more than 0.035% of the Company's share capital on the date the Board of Directors decided the grant, it being specified that this number (i) shall not include any adjustments that may be made to maintain the rights of the beneficiaries in the event of financial transactions involving the Company's share capital or shareholders' equity and (ii) shall be deducted from the overall limit for the allocation of performance-based shares of 1.5% of the Company's share capital, as decided by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution;
3. decides that the number of existing shares or shares to be issued that may be allocated to the Executive Director of the Company pursuant to this authorisation shall not exceed 0.02% of the share capital on the date the Board of Directors decided the grant (subject to the possible adjustments mentioned in the previous paragraph), it being specified that this sub-limit shall be deducted from the overall limit of 0.035% of the Company's share capital mentioned above and from the sub-limit for performance shares granted to Executive Directors of the Company of 0.06% of the share capital, as decided by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution;
4. decides that (i) one third of the shares will be definitively allocated at the end of a vesting period of one year, one third of the shares will be definitively allocated at the end of a vesting period of two years and that one third of the shares will be definitively allocated at the end of a vesting period of three years, as from the Board of Directors' decision to allocate; and (ii) that the lock-in period during which the beneficiaries are required to keep the shares will be set by the Board of Directors and shall be no less than two years;
5. decides that, exceptionally, in view of the compensatory nature of the allocation, the definitive allocation of the shares will not be subject to a performance condition but will be subject to a presence condition assessed at the end of the vesting period (*i.e.* for one third at the end of a one-year period, for one third at the end of a two-year period and for one third at the end of a three-year period) and fixed by the Board of Directors in its decision to grant the shares;
6. decides that if the beneficiary should suffer second or third degree disability as defined in article L. 341-4 of the French Social Security Code, the shares shall vest and become transferable immediately;
7. acknowledges that, under this authorisation, the shareholders expressly waive their preferential subscription rights over ordinary shares that may be issued to beneficiaries of the free allocation of shares under the terms of this authorisation;
8. grants the Board of Directors full powers, within the limits set above, with the possibility for it to delegate these powers in turn under the conditions provided for by law, in order to implement this authorisation and, notably, to:
   - determine whether the shares to be freely allocated shall be existing shares or shares to be issued,
   - set, within the legal limits, the dates on which the shares will be allocated,

- determine the identity of the beneficiaries belonging to the category mentioned above under paragraph 1 and the number of shares allocated to each of them,
- determine the allocation criteria, the conditions and the terms for allocating the said shares, especially their vesting period, lock-in period and presence condition, as set forth in this authorisation,
- determine the vesting date (even retroactive) for the new shares to be issued,
- allow for the option of temporarily suspending allocation rights in accordance with applicable law and regulations,
- register the allocated shares in registered form under their owner's name at the end of the vesting period, specifying, where applicable, that they are locked-in and the period for which this restriction will remain in force, as well as waiving this lock-in restriction in any of the circumstances envisaged by this resolution or by the regulations in force,
- decide, with regard to the Company's Executive Director, that the shares may not be sold by the latter before the end of his term of office, or set the quantity of shares to be retained in registered form until the end of his term of office,
- provide for the option, if it deems it necessary, to adjust the number of shares freely allocated in order to preserve the rights of beneficiaries in the event of any transactions affecting the Company's share capital or shareholders' equity during the vesting period as set out in article L. 225-181 paragraph 2 of the French Commercial Code, under terms that it shall determine,
- deduct, if applicable, from reserves, earnings or issue premiums, the sums necessary for payment of the shares, record the definitive completion of share capital increases carried out under this authorisation, make any subsequent amendments to the bylaws and, generally, carry out all necessary acts and formalities,
- and, generally, to enter into all agreements, draw up all documents, carry out all formalities and make all declarations to any official bodies and to do whatever else may be necessary; and

9. sets the validity of this authorisation for a 24-month period from the date of this Shareholders' Meeting, it being specified that, given the specific aim of this resolution, it does not cancel the authorisation granted by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution.

The Board of Directors shall report annually to the Ordinary Shareholders' Meeting on the allocations made within the framework of this authorisation, in accordance with article L. 225-197-4 of the French Commercial Code.

As the Shareholders' Meeting is required to vote on delegations of authority to the Board of Directors that might entail future share capital increases (see 16th resolution), the purpose of the **17th resolution** is, pursuant to the provisions of the French Commercial Code, to delegate the authority to the Board of Directors to carry out share capital increases reserved for employees who are members of company savings plans.

Seventeenth resolution

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase subject to the limit of 2% of the share capital through the issue of shares or securities granting access to the share capital, reserved for members of company savings plans with cancellation of the preferential subscription right in favour of the members of such savings plans)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-138 and L. 225-138-1 of the French Commercial Code and articles L. 3332-1 *et seq.* of the French Employment Code:

1. delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions set by law, to decide on a share capital increase, on one or more occasions, through the issue of shares or securities granting access to the share capital reserved for members of one or more company savings plans (or any other members' plan for which article L. 3332-18 of the French Employment Code would authorise a reserved share capital increase under equivalent terms) which would be put in place within the Group consisting of the Company and the French or foreign entities falling within the scope of consolidation of the Company's consolidated financial statements pursuant to article L. 3344-1 of the French Employment Code;

2. decides to set the maximum nominal amount of share capital increases that may be carried out in this respect at 2% of the Company's share capital at the close of this Shareholders' Meeting, it being specified that:

- this maximum limit does not take into account the par value of the Company's ordinary shares that may be issued with respect to adjustments made to protect, in accordance with law and regulations and, where applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as of recipients of stock options or of the free allocation of shares,
- the nominal amount of the share capital increase made pursuant to this authorisation will be deducted from the maximum amount of share capital increases with cancellation of the preferential subscription right fixed in the 17th resolution of the Shareholders' Meeting of 6 November 2015 as well as from the overall limit of share capital increase set in the 16th resolution of this same Shareholders' Meeting;

3. decides that the issue price of new shares or securities granting access to the share capital will be determined under the conditions provided for in article L. 3332-19 of the French Employment Code and may not be more than 20% lower than the average of the listed prices of the Pernod Ricard share recorded over the twenty trading sessions preceding the date of the decision setting the opening date of the subscription period for the share capital increase reserved for the members of an employee savings plan (the "Reference Price"), nor exceed such average; however, the Shareholders' Meeting expressly authorises the Board of Directors, if it deems appropriate, to reduce or cancel the aforementioned discount, within legal and regulatory limits, in order to take into account, in particular, the legal, accounting, tax and social security treatments that apply locally;
4. authorises the Board of Directors to grant, free of charge, to the aforementioned beneficiaries, in addition to the shares or securities granting access to the capital to be subscribed for in cash, shares or securities granting access to the capital to be issued or already issued, in substitution for all or part of the discount on the Reference Price and/or special contribution, it being specified that the benefit resulting from this allocation may not exceed the limits provided for by law or regulations pursuant to Articles L. 3332-1 to L. 3332-19 of the French Employment Code;
5. decides to cancel, in favour of the aforementioned beneficiaries, shareholders' preferential subscription rights to the shares that are the subject of this authorisation; the aforementioned shareholders furthermore waive all rights to the free allocation of shares or securities granting access to the share capital which would be issued pursuant to this resolution;
6. sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that this delegation cancels, as from such date, the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 24th resolution;
7. decides that the Board of Directors shall have full powers to implement this delegation with the possibility for it to delegate these powers in turn under the conditions provided for by law, within the limits and under the conditions specified above in order, in particular:
   - to decide, under the conditions provided for by law, the list of companies for which members of a company savings plan may subscribe to shares or securities granting access to the capital issued in this way, and benefit, where applicable, from the free allocation of shares or securities granting access to the capital,
   - to decide whether subscriptions may be carried out directly or *via* the intermediary of company mutual funds or other structures or entities permitted by the provisions of the applicable law or regulations,
   - to determine the conditions, in particular in respect of length of service, to be met by the beneficiaries of the share capital increases,
   - to set the start and end dates of the subscription periods,
   - to set the amounts of the issues of shares or securities which will be made pursuant to this authorisation and, in particular, to decide on the issue prices, dates, time periods, terms and conditions of subscription, payment, delivery and vesting (which may be retroactive) in respect of the shares or securities as well as the other terms and conditions of the issues of shares or securities, within the limits set by law and the regulations in force,
   - in the event of a free allocation of shares or securities granting access to the share capital, to set the number of shares or securities granting access to the capital to be issued, the number to be granted to each beneficiary, and to decide on the dates, time periods, terms and conditions of allocation of such shares or securities granting access to the share capital within the limits provided for by applicable law and regulations and, in particular, choose either to substitute, in full or in part, the allocation of such shares or securities granting access to the capital for the discounts on the Reference Price provided for above, or to deduct the equivalent value of these shares from the total amount of the special contribution, or to use a combination of these two possibilities,
   - to record the completion of capital increases for the amount corresponding to the shares subscribed (after any reduction in the event of over-subscription),
   - to offset, where applicable, the costs of the share capital increases against the amount of the related share premiums and to deduct from the amount of such share premiums the sums required to raise the legal reserve to one-tenth of the new share capital following these capital increases, and
   - to enter into all agreements, carry out directly or indirectly, *via* a duly authorised agent, all transactions including completing the formalities following the share capital increases and the corresponding amendments to the bylaws and in general, enter into any agreement, in particular, to successfully complete the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate to the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, and all formalities resulting from the share capital increases carried out.

The purpose of the **18th resolution** is to authorise the Board of Directors to carry out the required legal formalities, where applicable.

Eighteenth resolution

(Powers to carry out the necessary legal formalities)

The Shareholders' Meeting grants full powers to the bearer of a copy or an extract of the minutes of this meeting to carry out, wherever they may be required, all filing and legal publication or other formalities, as necessary.

Statutory Auditors' report on the authorisation to grant free shares (existing or to be issued) to certain Executive Committee members and the Executive Corporate Officer

COMBINED (ORDINARY AND EXTRAORDINARY) SHAREHOLDERS' MEETING OF 17 NOVEMBER 2016

16th resolution

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Article L. 225-197-1 of the French Commercial Code *(Code de commerce)*, we hereby present our report on the proposed authorisation to grant free shares, existing or to be issued, as partial compensation for the loss of membership of the supplementary defined benefit pension plan, to certain Executive Committee members and the Company's Executive Corporate Officer, a transaction that you are being asked to approve.

The free share grants performed pursuant to this authorisation may not involve a total number of shares existing or to be issued representing more than 0.035% of the Company's share capital on the date of the grant decision by the Board of Directors, bearing in mind that:

- the number of shares granted will be deducted from the overall limit for free performance share grants set at 1.5% of the Company's share capital, as adopted by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution;
- the number of shares granted to the Company's Executive Corporate Officer may not represent more than 0.02% of the Company's share capital, as noted on the date of the grant decision by the Board of Directors, this sub-limit being deducted from the aforementioned overall limit of 0.035% of the Company's share capital and from the sub-limit for free performance share grants to Company Executive Corporate Officers set at 0.06% of the Company's share capital, as adopted by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution.

In addition, the definitive grant of shares under this authorisation shall be contingent on the fulfilment of a service requirement, assessed at the end of a one-year period for one third of the shares, a two-year period for another third of the shares and a three-year period for the remaining third of the shares, as from the date of the grant decision by the Board of Directors. The lock-up period during which the beneficiaries must hold their shares shall be set by the Board of Directors at a minimum of two years.

Based on its report, the Board of Directors asks for authorisation, for a period of 24 months commencing the date of this Shareholders' Meeting, to grant free shares, existing or to be issued, bearing in mind that given its specific objective, this authorisation does not supersede that granted by the Combined Shareholders' Meeting of 6 November 2015 in its 22nd resolution.

The Board of Directors is responsible for preparing a report on the transaction it wishes to perform. Our role is to express our comments, if any, on the information that is given to you on the planned transaction.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this assignment. These procedures primarily consisted in verifying that the proposed terms and conditions presented in the Board of Directors' report comply with applicable legal provisions.

We have no comments to make on the information presented in the Board of Directors' report on the proposed authorisation to grant free shares to certain Executive Committee members and the Executive Corporate Officer.

Courbevoie and Neuilly-sur-Seine, 19 September 2016

The Statutory Auditors

MAZARS		DELOITTE & ASSOCIES
Isabelle SAPET	Erwan CANDAU	David DUPONT-NOEL

Statutory Auditors' report on the issue of shares or securities granting access to the share capital, reserved for members of company savings plans

COMBINED (ORDINARY AND EXTRAORDINARY) SHAREHOLDERS' MEETING OF 17 NOVEMBER 2016

17th resolution

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Articles L. 228-92 and L. 225-135 *et seq*. of the French Commercial Code *(Code de commerce)*, we hereby present our report on the proposed delegation of authority to your Board of Directors to decide one or more issues of shares or securities granting access to the share capital, with cancellation of preferential subscription rights, reserved for members of one or more company savings plans implemented within the Group, comprising the Company and the French and foreign companies falling within the consolidation scope of the Company's financial statements pursuant to Article L. 3344-1 of the French Labour Code *(Code du travail)*, a transaction that you are being asked to approve.

This issue is subject to your approval in accordance with the provisions of Article L. 225-129-6 of the French Commercial Code and Articles L. 3332-18 *et seq*. of the French Labour Code.

This transaction may lead to share capital increases for up to a maximum nominal amount of 2% of the share capital at the close of this Shareholders' Meeting, it being specified that this amount will be deducted from the overall limit set by the Shareholders' Meeting of 6 November 2015 in the 16th resolution and the share capital increase limit set by this same Shareholders' Meeting in the 17th resolution.

Based on its report, the Board of Directors asks that you delegate to it, with the option of sub-delegation, for a period of 26 months commencing the date of this Shareholders' Meeting, the authority to decide one or more issues, with cancellation of your preferential subscription rights to the shares to be issued. When appropriate, it will set the final terms and conditions of these issues.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq*. of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantified financial information extracted from the accounts, on the proposal to cancel preferential subscription rights and on certain other information concerning these issues, as set out in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this assignment. These procedures consisted in verifying the content of the Board of Directors' report on this transaction and the process for determining the issue price of the future securities.

Subject to reviewing at a future date the terms and conditions of any issues that may be decided upon, we have no comments to make on the process for determining the issue price of the future securities, as set out in the Board of Directors' report.

As the definitive terms and conditions of the issue(s) have not been set, we do not express an opinion thereon and, as such, on the proposed cancellation of preferential subscription rights on which you are asked to decide.

Pursuant to Article R. 225-116 of the French Commercial Code, we will prepare an additional report, as required, when the Board of Directors makes use of this authorisation, in the event of the issue of ordinary shares, the issue of securities granting access to other securities, and the issue of securities granting access to future securities.

Courbevoie and Neuilly-sur-Seine, 19 September 2016

The Statutory Auditors

MAZARS — Isabelle SAPET, Erwan CANDAU

DELOITTE & ASSOCIES — David DUPONT-NOEL

8

About the Company and its share capital

INFORMATION ABOUT PERNOD RICARD 234

Company name and trading name 234
Registered office 234
Legal form 234
Applicable law 234
Date of formation and duration 234
Corporate purpose 234
RCS registration number and NAF business activity code 234
Financial year 234
Entitlement to dividends – Entitlement to share in the issuer's profits 235
Changes in the share capital and the rights attached to shares 235
Shareholders' Meetings 235
Modification of shareholders' rights 236
Items likely to have an impact in the event of a public offer 236
Rules applicable to the appointment and replacement of members of the Company's Board of Directors 238
The Statutory Auditors 238
Statutory Auditors' fees and members of their network for the 12-month financial year 239

INFORMATION ABOUT ITS SHARE CAPITAL 240

Amount of paid-up capital on 30 June 2016 240
Shares not representing capital 240
Financial authorisations and delegations 240
Contingent share capital 245
Changes in the share capital over the last five years 245
Changes in voting rights over the past five years 245
Allocation of share capital and voting rights on 30 June 2016 246
Stock market information on Pernod Ricard shares 248
Share buyback programme 249
Other legal information 251

Information about Pernod Ricard

COMPANY NAME AND TRADING NAME

Pernod Ricard

REGISTERED OFFICE

12, place des États-Unis, 75116 Paris (France)

Tel.: +33 (1) 41 00 41 00

LEGAL FORM

Pernod Ricard is a French public limited company (*Société Anonyme* – SA) governed by a Board of Directors.

APPLICABLE LAW

Pernod Ricard is a company subject to French law, governed by the French Commercial Code.

DATE OF FORMATION AND DURATION

The Company was formed on 13 July 1939 for a period of 99 years.

The Shareholders' Meeting of 9 November 2012 extended the term of the Company by 99 years to 2111.

CORPORATE PURPOSE

The corporate purpose, as provided for in Article 2 of the Company's bylaws, is set forth below in its entirety:

"The Company's purpose is, directly or indirectly:

- the manufacture, purchase and sale of all wines, spirits and liqueurs, of alcohol and food products, the use, conversion and trading in all forms of finished or semi-finished products, by-products and substitutes generated by the main operations carried out in the distilleries or other industrial establishments of the same type. The above operations may be carried out on a wholesale, semi-wholesale or retail basis and in all locations, in France or outside France. Storage, purchases and sales fall within the above list;
- the representation of any French or foreign entities, producing, manufacturing or selling products of the same type;
- investments in any businesses or operations whatsoever, which may be related to the production and the trading of similar products in any form whatsoever, and the creation of new companies, contributions, subscriptions, purchases of securities or ownership rights under any form, etc.;
- any operations connected with the hotel industry and the leisure industry in general, particularly investment by the Company in any companies, existing or to be created, businesses or operations whatsoever, that may be related to the hotel or leisure industries in general, it being specified that the Company may conduct all these transactions on its own account or on behalf of third parties, either acting alone or through equity investment, partnerships or through companies with any third parties or other companies, and carry them out in any form whatsoever: contributions, mergers, subscriptions or purchases of securities or ownership rights, etc.;
- investments in any French or foreign industrial, commercial, agricultural, property, financial or other companies, whether existing or to be formed;
- the acquisition, disposal and exchange of, and any transactions involving, shares, equity interests or partnership holdings, investment certificates, convertible or exchangeable bonds, equity warrants, bonds with equity warrants and generally, any securities or property rights whatsoever;
- any agricultural, farming, arboriculture, livestock, wine-growing operations, etc., as well as any associated or derivative agricultural or industrial operations relating thereto;
- and generally, all industrial, commercial, financial, movable or real property or securities operations related directly or indirectly to the above purposes or being capable of favouring their development."

RCS REGISTRATION NUMBER AND NAF BUSINESS ACTIVITY CODE

The Company is registered in the Paris Trade and Companies Register under number 582 041 943.

Pernod Ricard's business activity (NAF) code is 7010Z. It corresponds to: Head Office Operations.

FINANCIAL YEAR

From 1 July to 30 June of each year.

ENTITLEMENT TO DIVIDENDS – ENTITLEMENT TO SHARE IN THE ISSUER'S PROFITS

Net profits are made up of the Company's income as derived from the income statement after deduction of overheads and any other social contributions, depreciation of assets, and all provisions for commercial or industrial risks, if any.

From these net profits (reduced when necessary by prior losses), at least 5% is withheld for transfer to the legal reserve. The deduction is no longer mandatory when the legal reserve reaches an amount equal to one-tenth of the share capital. It once again becomes mandatory in the event that, for whatever reason, this reserve falls below one-tenth of the share capital.

From the distributable profit, as determined in accordance with the law, the amount required to pay an initial dividend of 6% of the fully paid-up, unredeemed value of the shares is deducted, subject to the possibility that the Board of Directors authorises shareholders who request to do so to pay up their shares in advance, where the payments made cannot give rise to entitlement to the aforementioned initial dividend.

This initial dividend is not cumulative, *i.e.* if profits for the financial year are not sufficient to make this payment or are only sufficient to make the payment in part, the shareholders cannot claim this on profits generated in the following financial year.

From the available surplus, the Ordinary Shareholders' Meeting may decide to deduct all amounts it considers appropriate, either to be carried forward to the following financial year or to be transferred to extraordinary or special reserves, with or without special allocations.

The balance is distributed among shareholders as an additional dividend.

The Ordinary Shareholders' Meeting is authorised to deduct from non-statutory reserves set up in previous years any amounts that it considers should be either:

- distributed to the shareholders or allocated to total or partial depreciation of the shares; or
- accumulated or used for the repurchase and cancellation of shares.

Wholly depreciated shares are replaced by dividend right certificates granting the same rights as the existing shares, with the exception of entitlement to the initial statutory dividend and capital repayment.

Dividend payment terms and conditions are fixed by the Ordinary Shareholders' Meeting or, failing that, by the Board of Directors within the maximum period set by law.

In deliberating on the financial statements for the financial year, the Ordinary Shareholders' Meeting has the option to grant each shareholder the choice between a cash or stock dividend, for all or part of a dividend or interim dividend payment.

Dividends must be paid within a maximum of nine months following the year end. This period may be extended by court ruling. Dividends will be transferred to the French State after the statutory period, i.e. five years.

CHANGES IN THE SHARE CAPITAL AND THE RIGHTS ATTACHED TO SHARES

Any changes in the share capital or the voting rights attached to the shares making up the share capital shall be governed by the standard legal provisions as the bylaws do not contain any specific provisions in this respect.

SHAREHOLDERS' MEETINGS

The shareholders meet every year at a Shareholders' Meeting.

Notice to attend meetings

Both Ordinary and Extraordinary Shareholders' Meetings are called, held and vote in accordance with the conditions provided for by law. They are held at the Company's registered office or at any other place stated in the notice of meeting.

Decisions by the shareholders are taken at Ordinary, Extraordinary or Combined (Ordinary and Extraordinary) Shareholders' Meetings depending on the nature of the resolutions they are being asked to adopt.

Participation in Shareholders' Meetings

All shareholders have the right to attend the Company's Shareholders' Meetings and to participate in the deliberations, either in person or by proxy, regardless of the number of shares they hold. In order for a shareholder to have the right to participate in Ordinary or Extraordinary Shareholders' Meetings, the shares must be registered in the name of the shareholder or in the name of the financial intermediary acting on the shareholder's behalf at 00:00 (Paris time) two business days prior to the Shareholders' Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorised financial intermediary.

The entry or recording of the shares in bearer bond accounts kept by the authorised financial intermediary is acknowledged *via* a share certificate issued by the financial intermediary and attached as an appendix to the postal voting form, proxy form or application for an admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered financial intermediary. Any shareholder wishing to attend the Shareholders' Meeting in person who has not received their admission card by 00:00 (Paris time) two business days before the Shareholders' Meeting may also ask for such a certificate to be issued.

If a shareholder does not attend the Shareholders' Meeting in person, he or she may choose one of the following options:

- give a proxy to the Chairman of the Shareholders' Meeting;
- give a proxy to a spouse or partner with whom he or she has entered into a civil union agreement, or to any other person;
- vote by post or through the Internet.

Any shareholder who has already cast a postal or Internet vote, sent in a proxy form or applied for an admission card or a share certificate may not thereafter choose another method of participating in the Shareholders' Meeting.

A shareholder who has already cast a postal or Internet vote, sent in a proxy form or applied for an admission card or a share certificate may sell all or some of his or her shares at any time. However, if the sale takes place before 00:00 (Paris time) on the second business day prior to the Shareholders' Meeting, the Company will invalidate or modify accordingly, as appropriate, the postal or Internet vote cast, proxy form, admission card or share certificate. For this purpose, the authorised financial intermediary in charge of the shareholder's account will inform the Company or its duly authorised agent of the sale and will provide it with the necessary information.

No sale or other form of transaction carried out after 00:00 (Paris time) on the second business day prior to the Shareholders' Meeting, regardless of the means used, will be notified by the authorised financial intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

Voting conditions

The voting right attached to the shares is proportional to the share capital they represent. Each share grants the right to at least one vote (Article L. 225-122 of the French Commercial Code).

Restrictions on voting rights

However, each member of the Shareholders' Meeting has as many votes as shares he or she possesses and represents, up to 30% of the total voting rights.

Multiple voting rights

A double voting right is granted to other shares (in light of the fraction of the authorised share capital they represent) to all fully paid-up shares that can be shown to have been registered for at least 10 years in the name of the same shareholder from 12 May 1986 inclusive (Article L. 225-123 of the French Commercial Code).

In the event of a share capital increase through the capitalisation of reserves, profits or share premiums, registered shares allocated as bonus shares to a shareholder, on the basis of existing shares for which he or she benefits from this right, will also have double voting rights as from their issuance (Article L. 225-123 of the French Commercial Code).

Any share loses the double voting right if converted into bearer bond or if its ownership is transferred. Nevertheless, transfer following the division of an estate or the liquidation of assets between spouses and *inter vivos* donation to a spouse or relation close enough to inherit will not result in the loss of the acquired right and will not interrupt the aforementioned 10-year period.

Declaration of statutory thresholds

Any individual or corporate body acquiring a shareholding greater than 0.5% of the share capital must inform the Company of the total number of shares held by registered letter, with return receipt requested, within a period of 15 days from the date on which this threshold is exceeded. This notification must be repeated, under the same conditions, each time the threshold is exceeded by an additional 0.5%, up to and including 4.5%.

In the event of non-compliance with the obligation mentioned in the previous paragraph, shares in excess of the undeclared amount shall be stripped of their voting rights, at the request, as set forth in the minutes of the Shareholders' Meeting, of one or more shareholders holding at least 5% of the share capital, for any Shareholders' Meeting held until the expiry of the period stipulated in Article L. 233-14 of the French Commercial Code following the date when the notification is made.

MODIFICATION OF SHAREHOLDERS' RIGHTS

The Extraordinary Shareholders' Meeting has the power to modify shareholders' rights, under the conditions defined by law.

ITEMS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

In accordance with Article L. 225-100-3 of the French Commercial Code, the items that may have an impact on the Company's securities in the event of a public offer are set out below.

The Company's share capital structure

The Company's share capital structure is shown in the table hereafter, "Allocation of share capital and voting rights on 30 June 2016", within "Information about its share capital".

Shareholdings that exceed the share capital or voting rights thresholds set during the 2015/16 financial year are also indicated in the table hereafter entitled "Allocation of share capital and voting rights on 30 June 2016", within "Information about its share capital".

Statutory restrictions on the exercise of voting rights and double voting rights

The Company's bylaws provide for a limit on voting rights. This system is described under "Voting conditions" opposite.

Furthermore, certain Company shares have a double voting right as described under "Voting conditions" opposite.

Agreements between shareholders of which the Company is aware

The Shareholders' agreement between shareholders of the Company (agreement between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard, the Ricard family Holding Company) is described under "Shareholders' agreements" in the subsection "Information about the share capital" and also appears on the AMF website (www.amf-france.org).

Agreements entered into by the Company which were modified or become void as a result of a change of control of the Company

Note that the clauses (described below) relating to a change in control of the Company's main financing contracts, set out under "Significant contracts" in Section 4 "Management Report" of this Registration Document, provide for the possibility of early repayment of these loans and borrowings under certain conditions.

Credit Agreement of November 2010

The Credit Agreement also provides for voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice in this kind of credit agreement (*e.g.* compliance with commitments, change of control, cross default). The Credit Agreement contains a clause under which the taking of control of the Company by any person or group of persons acting in concert (other than Société Paul Ricard or any group of persons acting in concert with Société Paul Ricard) is likely to constitute grounds for compulsory early repayment.

Credit Agreement of April 2012

The Credit Agreement also provides for voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice in this kind of credit agreement (*e.g.* compliance with commitments, change of control, cross default). The Credit Agreement contains a clause under which the taking of control of the Company by any person or group of persons acting in concert (other than Société Paul Ricard or any group of persons acting in concert with Société Paul Ricard) is likely to constitute grounds for compulsory early repayment.

Bond issue of March 2010

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating. The bonds were fully repaid on 18 March 2016.

Bond issue of December 2010

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating. The bonds were fully repaid on 21 December 2015.

Bond issue of March 2011

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of April 2011

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of October 2011

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of January 2012

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of March 2014

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of September 2014

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of September 2015

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of January 2016

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of May 2016

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Bond issue of June 2016

This bond issue includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

Securitisation (Master Receivables Assignment Agreement)

This programme includes a change of control clause that applies to every affiliate participating in the programme as a seller. The change of control of a seller may constitute an early amortisation event in respect of such a seller. For the purposes of the agreement, a "change of control" occurs when the Company ceases to hold, directly or indirectly, at least 80% of the share capital or voting rights of an affiliate participating in the programme as a seller, unless the Company (i) continues to hold, directly or indirectly, 50% of the share capital or voting rights of such an affiliate and (ii) at the request of Crédit Agricole CIB, issues a guarantee in terms reasonably satisfactory to Crédit Agricole CIB for the purpose of securing the obligations of said affiliate under the securitisation transaction documents.

Other items

The Company's bylaws are amended in accordance with the applicable legal and regulatory provisions in France.

There is no specific agreement providing for indemnities in the event of the termination of the position of a member of the Board of Directors.

RULES APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS

The legal and statutory rules set out in articles 16 *et seq.* of the Company's bylaws govern the appointment and dismissal of members of the Board of Directors. These are described in the "General rules concerning the composition of the Board and the appointment of Directors" paragraph in Section 2 "Corporate governance and internal control" of this Registration Document. Furthermore, the Company's bylaws are available on the Company's website (www.pernod-ricard.com).

THE STATUTORY AUDITORS

Principal Statutory Auditors

Deloitte & Associés, member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles regional auditors' association), represented by Mr David Dupont-Noel, whose registered office is at 185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine (France), and whose term of office was renewed by the Shareholders' Meeting of 15 November 2011 for a period of six financial years ending after the Ordinary Shareholders' Meeting convened in 2017 to approve the financial statements for the previous financial year.

Mazars, member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles regional auditors' association), represented by Ms Isabelle Sapet and Mr Erwan Candau, whose registered office is at Exaltis, 61, rue Henri Regnault, 92075 Paris La Défense (France), and whose term of office was renewed by the Shareholders' Meeting of 10 November 2010, will end after the Shareholders' Meeting convened on 17 November 2016.

On the recommendation of the Audit Committee, the Board of Directors will propose at the Shareholders' Meeting of 17 November 2016 that the term of office of Mazars should not be renewed, and that KPMG SA, whose registered office is at Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense Cedex (France), should be appointed as principal Statutory Auditor. KPMG SA's term of office will be granted for six years, namely until the close of the Shareholders' Meeting convened in 2022 to approve the financial statements for the previous financial year.

Alternate Statutory Auditors

BEAS, whose registered office is at 7-9, Villa Houssay, 92524 Neuilly-sur-Seine (France), substitute for Deloitte & Associés, and whose term of office was renewed by the Shareholders' Meeting of 15 November 2011 for a period of six financial years ending after the Ordinary Shareholders' Meeting convened in 2017 to approve the financial statements for the previous financial year.

CBA, whose registered office is at 61, rue Henri Regnault, 92400 Courbevoie (France), the alternate Statutory Auditor for Mazars and whose term of office will end after the Shareholders' Meeting of 17 November 2016.

On the recommendation of the Audit Committee, the Board of Directors will propose to the Shareholders' Meeting of 17 November 2016 that the term of office of CBA should not be renewed, and that SALUSTRO REYDEL, whose registered office is at Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense Cedex (France), should be appointed as alternate Statutory Auditor. SALUSTRO REYDEL's term of office will be granted for six years, namely until the close of the Shareholders' Meeting convened in 2022 to approve the financial statements for the previous financial year.

STATUTORY AUDITORS' FEES AND MEMBERS OF THEIR NETWORK FOR THE 12-MONTH FINANCIAL YEAR (1)

	Mazars			Deloitte & Associés			Other			Total		
	Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)		
€ thousand	2014/15	2015/16	%	2014/15	2015/16	%	2014/15	2015/16	%	2014/15	2015/16	%
Audit												
Statutory Auditors, certification, review of separate and consolidated financial statements (3)												
Issuer (1)	531	531	15%	572	567	13%	-	-	-	1,103	1,098	13%
Fully consolidated affiliates	2,787	2,817	77%	3,242	3,407	76%	333	299	100%	6,362	6,523	78%
Other procedures and services directly linked to the duties of the Statutory Auditors (4)												
Issuer (1)	49	75	2%	184	220	5%	-	-	-	233	295	4%
Fully consolidated affiliates	25	62	2%	131	147	3%	-	-	-	155	209	2%
AUDIT SUBTOTAL	**3,392**	**3,484**	**96%**	**4,129**	**4,341**	**97%**	**333**	**299**	**100%**	**7,854**	**8,124**	**97%**
Other services provided by the networks to the fully consolidated affiliates (5)												
Legal, tax, corporate	41	111	3%	92	120	3%	-	-	-	133	231	3%
Other (to be specified if > 10% of audit fees)	136	53	1%	34	0	0%	-	-	-	170	53	1%
SUBTOTAL OF OTHER SERVICES	**177**	**164**	**4%**	**126**	**120**	**3%**	**-**	**-**	**-**	**303**	**284**	**3%**
TOTAL	**3,569**	**3,648**	**100%**	**4,255**	**4,461**	**100%**	**333**	**299**	**100%**	**8,157**	**8,408**	**100%**

(1) With regard to the period in review, this refers to services provided and recognised in the income statement during a financial year.

(2) The issuer is understood to be the Parent Company.

(3) Including the services of independent experts or members of the Statutory Auditors' network employed to certify the financial statements.

(4) This section includes the procedures and services provided directly in relation to the audit of the Company's financial statements or those of its affiliates:
- *by the Statutory Auditor in accordance with Article 10 of the Code of Conduct;*
- *by a member of the network in accordance with Articles 23 and 24 of the Code of Conduct.*

(5) Includes non-audit services provided in accordance with Article 24 of the Code of Conduct, by a member of the Statutory Auditors' network, to the Company's affiliates whose financial statements are certified.

Information about its share capital

The conditions under which the bylaws submit changes to the share capital and the rights attached thereto are compliant in every aspect with legal stipulations in France. The bylaws do not provide for any overriding provisions and do not impose any special contingencies.

AMOUNT OF PAID-UP CAPITAL ON 30 JUNE 2016

On 20 July 2011, the Board of Directors recorded that, on 30 June 2011, the share capital had increased by an amount of €758,709.50 following the exercise, since 1 July 2010, of 489,490 stock options granting entitlement to the same number of Pernod Ricard shares.

On 18 July 2012, the Board of Directors recorded that, on 30 June 2012, the share capital had increased by an amount of €912,643.10 following the exercise, since 1 July 2011, of 588,802 stock options granting entitlement to the same number of Pernod Ricard shares.

On 24 July 2013, the Board of Directors recorded that, on 30 June 2013, the share capital had increased by an amount of €172,029.85 following the exercise, since 1 July 2012, of 110,987 stock options granting entitlement to the same number of Pernod Ricard shares. Pernod Ricard's subscribed and fully paid-up share capital thus amounted to €411,403,467.60 on 30 June 2013, divided into 265,421,592 shares with a nominal value of €1.55.

Pernod Ricard's subscribed and fully paid-up share capital has amounted to €411,403,467.60 since 30 June 2014, divided into 265,421,592 shares with a nominal value of €1.55.

SHARES NOT REPRESENTING CAPITAL

There are no shares that do not represent the Company's share capital.

The 3,793,487 Pernod Ricard shares held by Société Paul Ricard are pledged for third parties.

Pernod Ricard shares held by Le Delos Invest I (a company controlled by Société Paul Ricard, within the meaning of Article L. 233-3 of the French Commercial Code) are pledged for third parties.

Pernod Ricard shares held by Le Delos Invest III (a company controlled by Société Paul Ricard, within the meaning of Article L. 233-3 of the French Commercial Code) were transferred as collateral for the full performance of its obligations under the terms of a financial futures contract entered into on 10 April 2009.

FINANCIAL AUTHORISATIONS AND DELEGATIONS

All current delegations and financial authorisations granted to the Board of Directors by the Shareholders' Meeting of 6 November 2015 and the uses thereof during the 2015/16 financial year are summarised in the following tables.

General delegations

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 granted the Board of Directors a number of financial authorisations, the main terms of which are outlined below.

Securities representing capital

(i) Issues of shares or securities with preferential subscription rights

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 authorised the Board of Directors to perform one or more capital increases through the issue of ordinary shares and/or securities granting access to the share capital, with preferential subscription rights, for a period of 26 months.

The share capital increase likely to be conducted under this authorisation was set at €135 million. This is the maximum overall limit from which would also be deducted the amount of any share issues performed (with cancellation of preferential subscription rights) either by a public offer, in remuneration of contributions in kind, under a public exchange offer initiated by the Company, by incorporation of additional paid-in capital, reserves, profits or other, or by share capital increases reserved for employees who are members of a Company savings plan.

If necessary, a supplementary amount will be added to this limit for shares to be issued, in accordance with the law, to preserve the rights of holders of securities or rights granting access to the share capital.

The maximum nominal amount of debt instruments granting access to the share capital of the Company that may be issued under this delegation was set at €5 billion (from this amount will be deducted the nominal amount of debt securities representing receivables granting access to the share capital of the Company that will be issued by a public offer by virtue of the delegation with cancellation of preferential subscription rights).

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 authorised the Board of Directors to increase the number of shares or securities issued in the event of a share capital increase, with or without preferential subscription rights, by a public offer at the same price as the initial issue, within the regulatory periods and limits applicable at the issue date (*i.e.* currently within 30 days of the close of the subscription period and limited to 15% of the initial issue) and subject to the overall limit described above.

(ii) Issue of shares or securities without preferential subscription rights

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 authorised the Board of Directors to:

- carry out one or more capital increases by issuing ordinary shares and/or securities granting access to the share capital with cancellation of preferential subscription rights, *via* a public offer, up to a maximum nominal amount of €41 million (the Board of Directors is bound by legal and regulatory constraints in terms

of the issue price). This amount will be deducted from the limit of €135 million set for issues carried out with preferential subscription rights. Furthermore, this amount is shared with other issues without preferential subscription rights, namely: remuneration of contributions in kind, public exchange offers initiated by the Company and capital increases reserved for employees who are members of a company savings plan.

The Board of Directors may establish a priority subscription period in favour of shareholders that may or may not be reduced under the conditions outlined by the regulations.

The maximum nominal amount of debt instruments granting access to the share capital of the Company that may be issued within this framework was set at €4 billion (this amount is deducted from the maximum nominal amount of €5 billion that may be issued by virtue of delegations with preferential subscription rights);

- carry out one or more capital increases, up to the limit of 10% of the share capital, in consideration, except in a public exchange offer, of contributions in kind granted to the Company and comprising shares or securities granting access to the share capital of other companies;
- carry out one or more capital increases, for remuneration of securities contributed to a public offer initiated by the Company relating to the securities of another company, within the limit of 10% of the Company's share capital at the time of the issue.

(iii) Capital increase *via* the incorporation of additional paid-in capital, reserves, profits or other items

The Board of Directors was authorised by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 to decide to increase the share capital by incorporating additional paid-in capital, reserves, profits or other items, which it will be possible to capitalise under the law and the bylaws, or by allocating bonus shares or raising the nominal value of the existing shares or combining these two possibilities. The maximum nominal amount of capital increases likely to be conducted in this way is €135 million, it being specified that this limit will be deducted from the overall limit of €135 million set for capital increases with preferential subscription rights.

Specific authorisations and delegations in favour of employees and Executive Directors

Allocation of performance-based shares

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 also authorised the Board of Directors, for a period of 38 months, to allocate performance-based shares free of charge to employees and Executive Directors of the Company and/or the Group's companies, within the limits of 1.5% of the Company's share capital on the day the decision to allocate them is taken by the Board of Directors and 0.06% of the Company's share capital for Executive Directors.

Allocation of stock options

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 also authorised the Board of Directors, for a period of 38 months, to grant on one or more occasions and at its own discretion, to employees and Executive Directors of the Company and/or the Group's companies, options granting entitlement to the subscription of new Company shares to be issued or to purchase existing shares, within the limits of 1.5% of the Company's share capital on the day of the decision and 0.21% of the Company's share capital for Executive Directors.

Share capital increase reserved for employees of the Group

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015, having had to vote on the delegation of authority to the Board of Directors that might entail future increases in share capital, in accordance with Article L. 225-129-6 of the French Commercial Code, also voted on the renewal of the delegation relating to share capital increases reserved for members of company savings plans and delegated authority to the Board of Directors to issue ordinary shares and/or securities granting access to the share capital, reserved for members of company savings plans, subject to a limit of 2% of the Company's share capital. This delegation was granted for a period of 26 months.

Authorisation to repurchase shares

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 renewed, in favour of the Board of Directors, the authorisation allowing the Company to repurchase its own shares, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, up to the limit of 10% of the total number of shares comprising the share capital. The same meeting also set the maximum purchase price at €150 per share. The details of transactions carried out under the share buyback programme in force during the previous financial year are set out under "Share buyback programme" below.

This authorisation was granted for a period of 18 months from the date of the Shareholders' Meeting.

Cancellation of Company shares

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 granted the Board of Directors authorisation to cancel shares of the Company held under share buyback programmes authorised by the shareholders, up to the limit of 10% of the share capital per period of 24 months, and to reduce the share capital accordingly. This authorisation is granted for a period of 26 months from the date of the Shareholders' Meeting.

General financial authorisations and delegations

Nature of the delegation or authorisation	Date of the delegation or authorisation (resolution)	Term	Expiry of the delegation or authorisation	Maximum nominal amount of the issue of debt securities [(1)]	Maximum nominal amount of the capital increase resulting immediately or on completion of the issue (excluding adjustments)	Use of existing authorisations during the financial year ended 30 June 2016 and up to 31 August 2016	Features/Terms
SECURITIES REPRESENTING CAPITAL: ISSUES OF SHARES OR SECURITIES WITH PREFERENTIAL SUBSCRIPTION RIGHTS							
Ordinary shares and/or securities granting access to the share capital with preferential subscription rights	Shareholders' Meeting of 06.11.2015 (16th)	26 months	5 January 2018	€5 billion [(1)]	€135 million	-	The amount of capital increases carried out under the 17th, 18th, 19th, 20th, 21st and 24th resolutions of the Shareholders' Meeting of 06.11.2015 will be deducted from the overall limit of €135 million set in the 16th resolution. The nominal amount of debt securities issued under the 17th resolution of the Shareholders' Meeting of 06.11.2015 will be deducted from the limit of €5 billion set in the 16th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests on the occasion of a capital increase (18th resolution).
Additional paid-in capital, reserves, earnings and other items	Shareholders' Meeting of 06.11.2015 (21st)	26 months	5 January 2018	N/A	€135 million	-	Will be deducted from the overall limit set for capital increases in the 16th resolution of the Shareholders' Meeting of 06.11.2015

N/A: not applicable.

(1) Maximum nominal amount of Company debt instruments granting access to ordinary shares.

Nature of the delegation or authorisation	Date of the delegation or authorisation (resolution)	Term	Expiry of the delegation or authorisation	Maximum nominal amount of the issue of debt securities [(1)]	Maximum nominal amount of the capital increase resulting immediately or on completion of the issue (excluding adjustments)	Use of existing authorisations during the financial year ended 30 June 2016 and up to 31 August 2016	Features/Terms
SECURITIES REPRESENTING CAPITAL: ISSUE OF SHARES OR SECURITIES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS							
Ordinary shares and/or securities granting access to the share capital by public offer without preferential subscription rights	Shareholders' Meeting of 06.11.2015 (17th)	26 months	5 January 2018	€4 billion [(1)]	€41 million	-	Shares and debt securities granting access to the share capital will be deducted from the limits provided for in the 16th resolution of the Shareholders' Meeting of 06.11.2015. All of the capital increases carried out under the 18th, 19th, 20th and 24th resolutions will be deducted from the overall limit of €41 million set in the 17th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests (18th resolution)
Shares and/or securities granting access to the share capital in consideration for contributions in kind granted to the Company	Shareholders' Meeting of 06.11.2015 (19th)	26 months	5 January 2018	N/A	10% of the share capital at the time of issue	-	Will be deducted from the limits set for capital increases in the 16th and 17th resolutions of the Shareholders' Meeting of 06.11.2015
Shares and/or securities granting access to the Company's share capital, immediately or in the future, in the event of a public offer initiated by the Company	Shareholders' Meeting of 06.11.2015 (20th)	26 months	5 January 2018	N/A	10% of the share capital at the time of issue	-	Will be deducted from the limits set for capital increases in the 16th and 17th resolutions of the Shareholders' Meeting of 06.11.2015

N/A: not applicable.

(1) Maximum nominal amount of Company debt instruments granting access to ordinary shares.

Specific authorisations and delegations in favour of employees and/or Executive Directors

Nature of the delegation or authorisation	Date of the delegation or authorisation (resolution)	Term	Expiry of the delegation or authorisation	Maximum amount authorised	Use of existing authorisations during the financial year ended 30 June 2016 and up to 31 August 2016	Features/Terms
Performance-based shares	Shareholders' Meeting of 06.11.2015 (22nd)	38 months	5 January 2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	-	Independent limit (sub-limit for Executive Directors of 0.06% of the capital which is deducted from the limit of 1.5%)
Stock options	Shareholders' Meeting of 06.11.2015 (23rd)	38 months	5 January 2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	-	Independent limit (sub-limit for Executive Directors of 0.21% of the capital which is deducted from the limit of 1.5%)
Shares or securities granting access to share capital, reserved for members of company savings plans	Shareholders' Meeting of 06.11.2015 (24th)	26 months	5 January 2018	2% of share capital at the date of the Shareholders' Meeting	-	Will be deducted from the limits set for capital increases in the 16th and 17th resolutions of the Shareholders' Meeting of 06.11.2015

Authorisations relating to the share buyback programme

Type of securities	Date of authorisation (resolution)	Term	Expiry of authorisation	Maximum amount authorised	Use of existing authorisations during the financial year ended 30 June 2016 and up to 31 August 2016	Features/Terms
Repurchase of shares	Shareholders' Meeting of 06.11.2015 (14th)	18 months	5 May 2017	10% of the share capital	-	Maximum purchase price: €150
Repurchase of shares	Shareholders' Meeting of 06.11.2014 (12th)	18 months	5 May 2016	10% of the share capital	-	Maximum purchase price: €120
Cancellation of treasury shares	Shareholders' Meeting of 06.11.2015 (15th)	26 months	5 January 2018	10% of the share capital	-	-

CONTINGENT SHARE CAPITAL

Stock options

On 30 June 2016, there was no option to subscribe to the Company's outstanding shares.

CHANGES IN THE SHARE CAPITAL OVER THE LAST FIVE YEARS

Table of changes in the share capital over the last five years

Amount of share capital prior to transaction	Number of shares prior to transaction	Year	Type of transaction	Number	Effective date	Securities issued/ cancelled	Issue/conversion premium	Number of shares after transaction	Amount of share capital after transaction
€410,318,794.65	264,721,803	2012	Exercise of options (1)	N/A	18.07.2012	588,802	€22.20/€23.59/€26.87	265,310,605	€411,231,437.75
€411,231,437.75	265,310,605	2013	Exercise of options (1)	N/A	24.07.2013	110,987	€26.87	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2014	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2015	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2016	-	-	-	-	-	265,421,592	€411,403,467.60

N/A: not applicable.

(1) The shares resulting from the exercise of stock options were created as and when the stock options were exercised. The dates shown are the dates on which the Board of Directors placed on record the corresponding increases in the share capital.

CHANGES IN VOTING RIGHTS OVER THE PAST FIVE YEARS

Years (1)	Number of voting rights (2)
Position on 30.06.2012	290,024,295
Position on 30.06.2013	289,777,168
Position on 30.06.2014	289,793,913
Position on 30.06.2015	289,870,113
Position on 30.06.2016	291,851,991

(1) The data provided is from the date of the allocation of share capital and voting rights.

(2) The information concerns the total number of voting rights of the Company, including suspended voting rights.

ALLOCATION OF SHARE CAPITAL AND VOTING RIGHTS ON 30 JUNE 2016

	Position on 30.06.2016			Position on 30.06.2015			Position on 27.08.2014		
Shareholders	**Number of shares**	**% of share capital**	**% of voting rights***	**Number of shares**	**% of share capital**	**% of voting rights***	**Number of shares**	**% of share capital**	**% of voting rights***
Société Paul Ricard [1]	35,031,887	13.20	19.16	34,866,200	13.14	19.19	34,866,200	13.14	19.17
Mr Rafaël Gonzalez-Gallarza [2]	1,477,603	0.56	0.98	1,477,603	0.56	0.51	1,477,603	0.56	0.51
Directors and Management of Pernod Ricard	632,441	0.24	0.29	561,691	0.21	0.26	771,080	0.29	0.39
Shares held by Pernod Ricard employees	2,973,715	1.12	1.55	2,903,185	1.10	1.53	3,099,054	1.17	1.65
Capital Group Companies (USA) [3]	26,414,463	9.95	9.05	26,414,463	9.95	9.11	26,414,463	9.95	9.11
MFS Investment Management (USA) [4]	25,824,096	9.73	8.85	25,193,343	9.49	8.69	25,746,516	9.70	8.88
Groupe Bruxelles Lambert	19,891,870	7.49	6.82	19,891,870	7.49	6.86	19,890,820	7.49	6.86
Norges Bank Investment Management [5]	3,974,109	1.50	1.36	6,608,787	2.49	2.28	6,629,742	2.50	2.29
La Caisse des Dépôts et Consignation (CDC Ixis) [6]	3,958,979	1.49	1.36	3,958,979	1.49	1.38	3,981,979	1.50	1.38
Amundi Asset Management [7]	3,016,340	1.14	1.03	3,951,478	1.49	1.38	3,983,026	1.50	1.38
CNP Assurances [8]	2,664,355	1.00	0.91	2,539,116	0.96	0.88	2,539,116	0.96	0.88
Threadneedle Asset Management Holdings Ltd [9]	2,644,251	1.00	0.91	-	-	-	-	-	-
Harris Associates LP [10]	2,562,115	0.97	0.88	3,457,400	1.30	1.19	7,944,094	2.99	2.74
OppenheimerFunds Inc. [11]	2,480,072	0.93	0.85	6,425,578	2.42	2.22	8,105,783	3.05	2.80
Citigroup Global Markets Limited [12]	2,114,208	0.79	0.72	2,532,940	0.95	0.87	1,562,115	0.59	0.54
Credit Suisse Group [13]	1,707,236	0.64	0.57	1,380,387	0.52	0.48	-	-	-
Banque Nationale Suisse [14]	1,357,635	0.51	0.47	-	-	-	1,325,271	0.50	0.46
Alecta [15]	1,354,000	0.51	0.46	-	-	-	-	-	-
Oppenheimer International Growth Fund [16]	1,328,812	0.50	0.46	-	-	-	-	-	-
Natixis Asset Management [17]	1,325,172	0.50	0.45	1,340,795	0.51	0.46	2,639,654	0.99	0.91
BNP Paribas Investment Partners [18]	1,314,526	0.50	0.45	1,458,285	0.55	0.50	1,404,467	0.53	0.48
Oppenheimer Developing Markets Fund [19]	1,309,730	0.49	0.45	3,649,020	1.38	1.26	-	-	-
UBS AG (United Kingdom) [20]	-	-	-	2,660,547	1.00	0.92	2,458,464	0.92	0.85
BNP Paribas Asset Management [21]	-	-	-	1,438,194	0.54	0.50	-	-	-
Artisan Partners [22]	-	-	-	1,354,698	0.51	0.47	-	-	-
State Street [23]	-	-	-	-	-	-	4,147,419	1.56	1.43
Allianz Vie [24]	-	-	-	-	-	-	1,883,310	0.71	0.65
Aviva plc [25]	-	-	-	-	-	-	1,537,131	0.58	0.53
Covéa Finance [26]	-	-	-	-	-	-	1,429,340	0.54	0.49
Farallon Capital Management, LLC [27]	-	-	-	-	-	-	1,319,000	0.50	0.46
Treasury shares:									
◆ Shares held by affiliates	-	-	-	-	-	-	-	-	-
◆ Own shares	995,594	0.38	0	1,144,487	0.43	0	1,585,218	0.60	0
Others and public	119,068,383	44.86	41.97	110,212,546	41.52	39.06	98,680,727	37.18	35.16
TOTAL	**265,421,592**	**100.00**	**100.00**	**265,421,592**	**100.00**	**100.00**	**265,421,592**	**100.00**	**100.00**

On the basis of declarations regarding shareholdings exceeding the legal and statutory threshold of 0.5% of the share capital.

* *Although there is only one class of shares, shares held for 10 years in registered form are entitled to double voting rights. Calculated on the basis of a total of 291,851,991 "theoretical" voting rights (including suspended voting rights).*

(1) *Société Paul Ricard is wholly owned by the Ricard family. The declaration also covers a total of 169,868 shares held by Le Garlaban; 1,352,650 shares held by Le Delos Invest I; 537,711 shares held by Le Delos Invest II and 8,392,096 shares held by Le Delos Invest III. These four companies are controlled by Paul Ricard, within the meaning of Article L. 233-3 of the French Commercial Code. Full ownership of Pernod Ricard shares held by Le Delos Invest III was transferred by way of a performance guarantee for its bonds in respect of a futures contract agreed on 10 April 2009.*

(2) *Mr Rafaël Gonzalez-Gallarza signed a shareholders' agreement with Société Paul Ricard, as detailed below.*

(3) *Declaration of 13 May 2014.*

(4) *Declaration of 22 April 2016.*

(5) *Declaration of 12 February 2016.*

(6) *Declaration of 25 September 2014.*

(7) *Declaration of 29 December 2015.*

(8) *Declaration of 15 July 2015.*

(9) *Declaration of 6 June 2016.*

(10) *Declaration of 2 February 2016.*

(11) *Declaration of 29 September 2015.*

(12) *Declaration of 24 November 2015.*

(13) *Declaration of 20 November 2015.*

(14) *Declaration of 28 August 2015.*

(15) *Declaration of 18 February 2016.*

(16) *Declaration of 5 February 2016.*

(17) *Declaration of 1 July 2015.*

(18) *Declaration of 5 April 2016.*

(19) *Declaration of 3 September 2015.*

(20) *Declaration of 15 April 2015.*

(21) *Declaration of 23 October 2014.*

(22) *Declaration of 10 March 2015.*

(23) *Declaration of 8 January 2014.*

(24) *Declaration of 29 November 2013.*

(25) *Declaration of 23 June 2014.*

(26) *Declaration of 15 November 2013.*

(27) *Declaration of 19 May 2014.*

Certain Company shares have a double voting right as described in the paragraph entitled “Voting conditions” of the subsection “Information about Pernod Ricard” above. Of the 265,421,592 shares comprising the Company’s capital as on 30 June 2016, 26,430,399 shares had a double voting right.

On the same date, employees held 2,973,715 shares representing 1.12% of the share capital and 1.55% of the voting rights of the Company.

The Paul Ricard concert party (comprising: Société Paul Ricard, Le Delos Invest I, Le Delos Invest II, Le Delos Invest III, Le Garlaban and Rigivar, as well as Mses Danièle Ricard and Veronica Vargas and Messrs Rafaël Gonzalez-Gallarza, César Giron, François-Xavier Diaz, Alexandre Ricard and Paul-Charles Ricard) holds 37,047,015 Company shares representing 59,662,531 voting rights, *i.e.* 13.96% of the share capital and 20.44% of the voting rights of the Company as of 30 June 2016.

The shareholders’ agreement between shareholders of the Company (agreement between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard SA, the Ricard family Holding Company), is described below and is also available on the AMF website (www.amf-france.org).

Shareholdings exceeding the legal thresholds for share capital or voting rights

In a letter received on 5 October 2015, supplemented by a letter received on 6 October 2015, the Paul Ricard concert party declared that, on 1 October 2015, it had exceeded the threshold of 20% of the voting rights of Pernod Ricard and held 37,045,569 Pernod Ricard shares representing 58,130,839 voting rights, *i.e.* 13.96% of the Company’s share capital and 20.02% of its voting rights.

In a letter received on 10 November 2015, Société Paul Ricard declared that on 10 November 2015, it had individually exceeded the threshold of 15% of the voting rights of Pernod Ricard and individually held 24,579,562 Pernod Ricard shares representing 45,336,712 voting rights, *i.e.* 9.26% of the Company’s share capital and 15.62% of its voting rights. This crossing of this threshold results from the absorption, by Société Paul Ricard, of Lirix, which previously held 2,281,093 Pernod Ricard shares. At this time, the Paul Ricard party has not exceeded any thresholds and has stated that it holds 37,045,269 Pernod Ricard shares representing 58,130,539 voting rights, *i.e.* 13.96% of the Company’s share capital and 20.03% of its voting rights.

Shareholders’ agreements

On 8 February 2006, Pernod Ricard was notified that a shareholders’ agreement had been signed between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard. Pursuant to this agreement, Mr Rafaël Gonzalez-Gallarza undertakes to consult Société Paul Ricard prior to any Pernod Ricard Shareholders’ Meeting in order for them to vote the same way. Furthermore, Mr Rafaël Gonzalez-Gallarza undertook to notify Société Paul Ricard of any additional purchase of Pernod Ricard shares and/or voting rights, and also undertook not to purchase any Pernod Ricard shares if such a transaction would force Société Paul Ricard and the parties acting in concert to launch a public offer for Pernod Ricard. Finally, Société Paul Ricard has a pre-emption right with regard to any Pernod Ricard shares of which Mr Rafaël Gonzalez-Gallarza may wish to dispose.

Additional information on the shareholders

The number of Pernod Ricard shareholders who have registered securities is estimated at approximately 12,200.

Allocation of share capital (nominative data from the Company’s survey on identifiable bearer shares carried out on 30.06.2016)	(in %)
Paul Ricard concert party	14
Board + Management + Employees + Treasury shares	1.8
Groupe Bruxelles Lambert	7.5
US institutional investors	35.4
French institutional investors	13.6
British institutional investors	10.8
Other foreign institutional investors	12.2
Individual shareholders	4.7
TOTAL	**100**

To Pernod Ricard’s knowledge, all the shareholders who directly or indirectly, alone or in concert, hold more than 5% of the share capital or voting rights are included in the above table entitled “Allocation of share capital and voting rights on 30 June 2016”.

There is no individual or corporate body that exercises direct or indirect control over Pernod Ricard’s share capital, whether individually, jointly or in concert.

To the Company’s knowledge, there have not been any significant changes in the allocation of the Company’s share capital during the last three financial years, other than those shown in the above table entitled “Allocation of share capital and voting rights on 30 June 2016”.

Pernod Ricard is the only company of the Group listed on a stock exchange (Euronext Paris).

However, the Pernod Ricard group now controls Corby Spirit and Wine Limited, holding 45.76% of its share capital and 51.61% of the voting rights. Corby Spirit and Wine Limited is listed on the Toronto Stock Exchange (Canada).

Equity investments and stock options

Directors’ equity investments in the Company’s share capital

Detailed information is provided under the subsection “Compensation policy” in Section 4 “Management Report” of this Registration Document.

Transactions involving Pernod Ricard shares made by Directors during the financial year

Detailed information is provided under the subsection "Compensation policy" in Section 4 "Management Report" of this Registration Document.

Stock options exercised by Executive Directors during the 2015/16 financial year

Detailed information is provided in the summary table of stock options exercised by the Executive Directors in 2015/16 under the subsection "Compensation policy" in Section 4 "Management report" of this Registration Document.

Stock options granted to the Group's top 10 employees other than corporate officers and options exercised by the Group's top 10 employees other than corporate officers during the 2015/16 financial year

Detailed information is provided in the table "Stock options granted to the Group's top 10 employees other than corporate officers and options exercised by the Group's top 10 employees other than corporate officers during the 2015/16 financial year" is under the subsection "Compensation policy" in Section 4 "Management Report" of this Registration Document.

STOCK MARKET INFORMATION ON PERNOD RICARD SHARES

Pernod Ricard shares (ISIN: FR 0000 120693) are traded on the Euronext regulated market in Paris (Compartment A) (Deferred Settlement Service).

Stock market information on Pernod Ricard shares over 18 months (source: Euronext Paris)

Date	Volume *(in thousands)*	Capital *(€ million)*	Average price *(in euros)*	Highest *(in euros)*	Lowest *(in euros)*	Price at end of month *(in euros)*
January 2015	15,637	1,560	99.79	108.75	87.95	106.60
February 2015	10,735	1,129	105.17	108.35	101.55	105.95
March 2015	11,335	1,221	107.73	111.85	104.65	110.15
April 2015	10,368	1,176	113.47	117.75	108.50	111.00
May 2015	8,995	999	111.00	114.95	107.15	112.55
June 2015	15,801	1,682	106.42	114.90	103.25	103.60
July 2015	10,739	1,149	107.51	111.70	101.10	109.05
August 2015	16,512	1,623	102.39	111.45	88.54	93.52
September 2015	16,028	1,460	90.82	94.05	88.00	90.18
October 2015	14,075	1,390	99.61	107.80	90.33	107.20
November 2015	7,448	793	107.21	109.10	104.20	107.70
December 2015	8,543	892	104.33	110.25	100.35	105.20
January 2016	11,210	1,127	100.90	107.95	95.94	107.95
February 2016	14,212	1,400	99.04	108.85	92.20	98.11
March 2016	10,630	1,068	100.45	104.40	97.13	98.00
April 2016	13,557	1,325	97.78	103.95	94.05	94.28
May 2016	9,734	934	95.88	99.43	93.18	97.91
June 2016	14,279	1,364	95.79	100.30	90.00	100.10

SHARE BUYBACK PROGRAMME

The following paragraphs include the information that must be included in the Board of Directors' report pursuant to Article L. 225-211 of the French Commercial Code and that relates to the description of the share buyback programme in accordance with Article 241-2 of the French Financial Markets Authority (AMF) General Regulations.

Transactions performed by the Company on its own shares during the 2015/16 financial year (1 July 2015 – 30 June 2016)

Authorisations granted to the Board of Directors

During the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014, the Company's shareholders authorised the Board of Directors to buy or sell the Company's shares for a period of 18 months as part of the implementation of a share buyback programme. The maximum purchase price was set at €120 per share and the Company was not authorised to purchase any more than 10% of the shares making up the Company's capital; additionally, the number of shares held by the Company could not, at any time, exceed 10% of the shares comprising the Company's capital.

Furthermore, the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 authorised the Board of Directors to trade in the Company's shares under the same conditions and at a maximum purchase price set at €150 per share, for a period of 18 months. This authorisation cancelled the authorisation granted by the Shareholders' Meeting of 6 November 2014 with effect from 6 November 2015, up to the portion which remained unused.

Pursuant to these authorisations, the liquidity agreement compliant with the AMAFI Code of Conduct and entered into with Rothschild & Cie Banque with effect from 1 June 2012 was renewed on 1 June 2016 for a period of one year. The funds initially allocated to the liquidity account amount to €5,000,000.

The authorisation granted by the Shareholders' Meeting of 6 November 2015, which remains in force at the date this document was filed, will expire on 5 May 2017. The Shareholders' Meeting of 17 November 2016 will be called upon to authorise the Board of Directors to trade in the Company's shares under a new share buyback programme described below, under "Details of the new programme to be submitted for authorisation to the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016".

Summary of transactions performed by the Company on its own shares during the 2015/16 financial year

	American call options	Sale and repurchase agreements	Exercise of calls	Purchases of securities (1)	Exercise of the cancellation clause	Exercise of the cancellation clause	Exercise of the cancellation clause	Exercise of the cancellation clause	Exercise of the cancellation clause	Exercise of the cancellation clause
Number of shares	400,000	N/A	N/A	N/A	32,531	424,369	458,481	176,004	253,351	40,000
Maximum term	15.11.2018	N/A	N/A	N/A	11.08.2015	14.06.2016	28.06.2016	25.06.2018	21.06.2019	27.06.2016
Average transaction price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average strike price	€102.80	N/A	N/A	N/A	€52.59	€58.41	€66.16	€64.00	€68.54	€78.93
Amounts	€41,120,000	N/A	N/A	N/A	€1,710,805	€24,787,393	€30,333,103	€11,264,256	€17,364,678	€3,157,200

N/A: not applicable.

(1) Purchases of securities excluding liquidity agreements.

The total amount of trading fees incurred during the 2015/16 financial year for authorised programmes was €0.

The shares held by the Company have not been reallocated for other purposes since the last authorisation granted by the Shareholders' Meeting.

Summary table at the close of the 2015/16 financial year

Position on 30 June 2016	
Percentage of direct and indirect treasury shares	0.38%
Number of shares cancelled in the last 24 months	None
Number of shares held in the portfolio	995,594
Portfolio gross carrying amount	€81,649,716
Portfolio market value*	€99,658,959

* Based on the closing price on 30.06.2016, i.e. €100.10.

Description of the current share buyback programme (7 November 2015 to 31 July 2016)

Results of the current programme

The following table details the transactions performed by the Company on treasury shares under the share buyback programme authorised by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015 and implemented by the Board of Directors on 6 November 2015 (period from 7 November 2015 to 31 July 2016).

	Total gross flows from 07.11.2015 to 31.07.2016			Open positions at 31.07.2016			
				Long positions		Short positions	
	Purchases	Sales	Transfers	Call options purchased*	Forward purchases	Call options sold	Forward sales
Number of shares	165,564	165,564	1,330,162 (1)	1,920,850	None	None	None
Maximum term	N/A	N/A	N/A	21.06.2019	-	-	-
Average transaction price	€98.95	€99.04	€70.85	N/A	-	-	-
Average strike price	N/A	N/A	N/A	€82.06	-	-	-
Amounts	€16,382,391	€16,397,421	€94,242,228	-	-	-	-

N/A: not applicable.

* And cancellation clauses attached to sale and repurchase agreements.

(1) See summary of transactions hereafter.

Summary of transactions performed in accordance with the purposes and aims of the current share buyback programme (from 7 November 2015 to 31 July 2016)

Under the share buyback programme approved by the Shareholders' Meeting of 6 November 2015, implemented by the Board of Directors on 6 November 2015, optional hedges corresponding to 400,000 shares were established through the acquisition of the same number of three-year call options (American calls).

Pursuant to authorisations granted by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015, the Board of Directors implemented a stock option allocation plan and a performance-based share allocation plan on 6 November 2015. The 400,000 American calls, which enabled the same number of Pernod Ricard shares to be acquired, were allocated to hedge part of these stock option and performance-based share allocation plans.

Treasury shares constitute reserves covering the various stock options and performance-based share allocation plans still in force. During the period, transfers were made within these reserves of treasury shares:

- 292,547 shares allocated to non-tax residents of France benefiting from the performance-based share plan of 27 June 2012 (at the end of the four-year vesting period) and for 605 shares within the frame of early release provided for by the law;
- 59,001 shares transferred. In order to ensure the entitlement of beneficiaries who exercised stock options.

Option hedges linked to the cancellation clauses attached to shares sold under sale and repurchase agreements were transferred as and when rights were exercised. During the period, 978,009 shares were concerned by exercising the cancellation clauses attached to shares sold under sale and repurchase agreements, at an average price of €68.78.

Under the liquidity agreement signed with Rothschild & Cie Banque, during the period from 7 November 2015 to 31 July 2016, the Company:

- purchased 165,564 shares for a total amount of €16,382,391; and
- sold 165,564 shares for a total amount of €16,397,421.

Distribution of treasury shares on 31 July 2016

Treasury shares are all allocated as reserves for different stock option and performance-based share allocation plans.

Details of the new share buyback programme submitted for authorisation to the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016

The description of this programme (see below), which was established in accordance with Article 241-3 of the AMF's General Regulations, will not be published separately.

As the authorisation granted by the Shareholders' Meeting of 6 November 2015 allowing the Board of Directors to trade in the Company's shares is due to expire on 5 May 2017, a resolution will be proposed at the Shareholders' Meeting of 17 November 2016 (15th resolution – see Section 7 of this Registration Document "Combined (Ordinary and Extraordinary) Shareholders' Meeting") to grant a further authorisation to the Board to trade in the Company's shares at a maximum purchase price of €150 per share, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase Company shares representing a maximum of 10% of the Company's share capital. In accordance with the law, the Company may not, at any time, hold a number of shares representing more than 10% of its share capital.

As the Company may not hold more than 10% of its share capital, and given that it held 1,155,594 shares (i.e. 0.44% of the share capital) at the time of the declaration relating to the number of shares and voting rights on 31 July 2016, the maximum number of shares that can be bought will be 25,386,565 (i.e. 9.456% of the share capital), unless it sells or cancels shares it already holds.

The purpose of the share buybacks and the uses that may be made of the shares repurchased in this manner are described in detail in the 15th resolution to be put to the vote of the shareholders on 17 November 2016. The share buyback programme would enable the Company to purchase the Company's shares or have them purchased for the purpose of:

- allocating or transferring them to employees and Executive Directors of the Company and/or of Group companies (including the allocation of stock options and free and/or performance-based shares) or in connection with covering the Company's commitments under financial contracts or options with cash settlement granted to the employees and Executive Directors of the Company and/or Group companies;
- using them within the scope of external growth transactions (up to a maximum of 5% of the number of shares comprising the Company's share capital);
- delivering shares upon the exercise of rights attached to securities granting access to the share capital;
- cancelling them;
- stabilising the share price through liquidity agreements.

These shares may be purchased, sold, transferred, delivered or exchanged, on one or more occasions, by any authorised means pursuant to the regulations in force. These means include, in particular, over-the-counter transactions, sales of blocks of shares, sale and repurchase agreements, the use of any financial derivative instruments traded on a regulated or over-the-counter market, and the setting up of option strategies (purchases and sales of puts and calls and any combinations thereof in compliance with the applicable regulations). Transactions involving blocks of shares may account for the entire share buyback programme.

These transactions would be carried out during periods considered appropriate by the Board of Directors. However, during a public offer period, these repurchases would only be carried out provided that they:

- enable the Company to comply with its commitments subscribed prior to the offer period;
- are undertaken within the scope of the pursuit of a share buyback programme that was already in progress;
- cannot cause the offer to fail; and
- fall within the scope of one of the following objectives:
  - allocation to the beneficiaries of stock options and free and/or performance-based shares,
  - cover of the Company's commitments under financial contracts or options with cash settlement,
  - allocation within the scope of external growth operations (up to the limit of 5% of the capital), or
  - allocation to holders of securities granting access to the share capital.

Transactions involving blocks of shares could account for the entire share buyback programme.

If approved by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016, this authorisation would cancel, from that date and for the unused part, any authorisation granted to the Board of Directors by the Shareholders' Meeting of 6 November 2014 for the purpose of dealing in the Company's shares. It would be granted for a period of 18 months, *i.e.* until 16 May 2018.

OTHER LEGAL INFORMATION

Regulated related-party transactions

Transactions with related parties are described in Note 6.6 – *Related parties* of the Notes to the consolidated financial statements (Section 5 of this Registration Document) as well as in Note 10 – *Transactions and balances with subsidiaries and associates and other invested entities* in the Notes to the Parent Company financial statements (Section 6 of this Registration Document).

9

Additional information to the Registration Document

PERSONS RESPONSIBLE 254

Names and positions 254

Declaration by the person responsible for the Registration Document and the annual financial report 254

DOCUMENTS AVAILABLE TO THE PUBLIC 254

CONCORDANCE TABLES 255

Registration Document 255

Management report 258

Management report – environmental, social and societal information 259

Annual financial report 261

Management reports, Parent Company and consolidated Group financial statements and Statutory Auditors' reports for the financial years ended 30 June 2015 and 30 June 2014 262

Persons responsible

NAMES AND POSITIONS

Person responsible for the Registration Document

Mr Alexandre Ricard

Chairman & CEO of Pernod Ricard

Person responsible for the information

Ms Julia Massies

Vice-President, Financial Communication & Investor Relations

Tel.: + 33 (0)1 41 00 41 07

DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify that, having taken all reasonable measures to ensure that this is the case, the information contained in this Registration Document is, to the best of my knowledge, in conformity with Pernod Ricard's actual situation and that there is no omission which could adversely affect the fairness of the presentation.

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair presentation of the assets and liabilities, financial position and financial results of the Company and all the other companies included in the scope of consolidation, and that the enclosed management report gives an accurate picture of the developments in the business, financial results and financial position of the Company and all the other companies included within the scope of consolidation, together with a description of the main risks and uncertainties that they face.

I have obtained an audit completion letter from the Statutory Auditors in which they state that they have verified the information relating to the financial position and the financial statements set out in this document and have read the document in its entirety.

The historical financial information relating to the consolidated and Parent Company financial statements for the year ended 30 June 2016 presented in this document is discussed in the Statutory Auditors' reports found on pages 187 and 211, respectively, neither of which contain any comments.

The historical financial information relating to the consolidated and Parent Company financial statements for the years ended 30 June 2015 and 30 June 2014, which are included for reference in this document, were also the subject of Statutory Auditors' reports. The first of these contains no comments, while the second includes an observation on changes to the accounting policy.

Mr Alexandre Ricard

Chairman & CEO of Pernod Ricard

Documents available to the public

Corporate documents (financial statements, minutes of Shareholders' Meetings, attendance registers for Shareholders' Meetings, list of Directors, Statutory Auditors' reports, bylaws, etc.) for the last three financial years may be consulted at Pernod Ricard's headquarters at 12, place des États-Unis, 75116 Paris, France.

The "Regulatory information" section of the Company's website is available at the following URL:

http://www.pernod-ricard.com/200/investors/regulatory-information

This area of the website contains all the regulatory information provided by Pernod Ricard pursuant to the provisions of articles 221-1 *et seq.* of the French Financial Markets Authority (AMF) General Regulation.

Concordance tables

REGISTRATION DOCUMENT

In accordance with Annex I to EC Regulation No. 809/2004.

Information	Pages
1. Persons responsible	254
2. Statutory Auditors	238 - 239
3. Selected financial information	
3.1 Historical financial information	94 - 95; 209 - 210; 262
3.2 Interim financial information	N/A
4. Risk factors	115 - 124; 168 - 169; 181 - 183
5. Information about Pernod Ricard	
5.1 History and development of the Issuer	
5.1.1 Legal and commercial names of the issuer	234
5.1.2 Place of registration of the issuer and its registration number	234
5.1.3 Date of incorporation and the length of life of the issuer	234
5.1.4 Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	234
5.1.5 Important events in the development of the issuer's business	6 - 8; 141; 194
5.2 Investments	11; 148 - 151
6. Business overview	9 - 16
7. Organisational structure	
7.1 Brief description of the Group	6 - 16
7.2 List of significant subsidiaries	184 - 186; 208
8. Property, plant and equipment	
8.1 Material existing or planned tangible fixed assets	10 - 11; 150 - 151
8.2 Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	73 - 90; 118 - 120
9. Operating and financial review	
9.1 Financial condition	2 - 3; 94 - 101; 132 - 137; 190 - 195
9.2 Operating results	2 - 3; 94 - 101; 142 - 147; 194
10. Capital resources	
10.1 Information on capital resources	94; 135 - 136; 172 - 179; 191 - 192; 240 - 251
10.2 Cash flow	95; 100; 137; 172; 193
10.3 Information on borrowing requirements and funding structure	95; 122 - 129; 162 - 171; 203 - 204
10.4 Restriction on the use of capital resources	122 - 129; 162 - 171; 203 - 204
10.5 Anticipated sources of funding	122 - 129; 165 - 171; 203 - 204; 237 - 238
11. Research and development, patents and licences	11; 16
12. Trend information	101

N/A: Not applicable.

Information	Pages
13. Profit forecasts or estimates	N/A
14. Administrative, management and supervisory bodies and senior management	
14.1 Members of the administrative, management and supervisory bodies and senior management	19 - 38; 43
14.2 Conflicts of interest affecting administrative, management and supervisory bodies and senior management	33 - 34
15. Remuneration and benefits	
15.1 Remuneration and benefits in kind	102 - 112; 218 - 222; 226
15.2 Amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or other benefits	105 - 106; 112; 157 - 162; 201 - 202
16. Board practices	
16.1 Expiry date of current terms of office	20 - 33
16.2 Service contracts	33
16.3 Committees	39 - 42
16.4 Corporate governance	34 - 38; 43
17. Employees	
17.1 Number of employees and breakdown of persons employed	3; 53 - 56
17.2 Shareholdings and stock options held by Directors	109 - 113; 173 - 179
17.3 Employee involvement in the capital of the issuer	240 - 251
18. Major shareholders	
18.1 Notifiable interests in share capital or voting rights	247
18.2 Existence of specific voting rights	236
18.3 Control of the issuer	245 - 251
18.4 Agreement known to Pernod Ricard which could lead to a change in control, if implemented	245 - 247
18.5 Allocation of share capital and voting rights	245 - 251
19. Related-party transactions	183
20. Financial information concerning Pernod Ricard's assets and liabilities, financial position and profits and losses	
20.1 Historical financial information	131 - 186; 189 - 210; 262
20.2 *Pro forma* financial information	N/A
20.3 Financial statements	132 - 137; 190 - 193
20.4 Auditing of annual historical financial information	187; 211; 254
20.5 Date of latest financial information	30 june 2016
20.6 Interim and other financial information	N/A
20.7 Dividend policy	96; 172; 210; 217; 224; 235
20.8 Legal and arbitration proceedings	121; 181 - 183
20.9 Significant change in the issuer's financial or trading position	N/A

N/A: Not applicable.

Information	Pages
21. Additional information	
21.1 Share capital	
21.1.1 Amount of issued capital	240
21.1.2 Shares not representing capital	240 - 241
21.1.3 Treasury shares	249 - 251
21.1.4 Convertible securities, exchangeable securities or securities with warrants	210
21.1.5 Information about and terms of any acquisition rights and/or obligations	240 - 244
21.1.6 Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	109 - 111; 173 - 179; 240 - 247
21.1.7 History of share capital	245
21.2 Memorandum and articles of association	
21.2.1 Description of the issuer's objects and purposes	234
21.2.2 Summary of any provisions of the issuer's articles of association and statutes, with respect to the members of the administrative, management and supervisory bodies	36 - 43
21.2.3 Description of the rights, preferences and restrictions attaching to each class of the existing shares	236
21.2.4 Description of what action is necessary to change the rights of holders of the shares	236
21.2.5 Description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called	235 - 236
21.2.6 Description of any provision that would have the effect of delaying, deferring or preventing a change in control	236 - 238
21.2.7 Indication of any provision governing the threshold above which shareholder ownership must be disclosed	236
21.2.8 Description of the conditions imposed by the memorandum and articles of association, statutes, charter or bylaws governing changes in the capital	236
22. Material contracts	125 -129
23. Third-party information, statements by experts and declarations of interest	N/A
24. Documents on display	254
25. Information on holdings	184 - 186; 208

N/A: Not applicable.

MANAGEMENT REPORT

This Registration Document contains all elements of the management report as required by articles L. 225-100 *et seq.*, L. 232-1, II and R. 225-102 *et seq.* of the French Commercial Code.

Information	Pages
Position and activity of the Company during the past financial year	94 - 101
Advances made or difficulties encountered	94 - 101
Results	94 - 101
Research and Development activities	16
Forecast developments in the Company's position and outlook	101
Landmark events that occurred between the balance sheet date and the writing of this document	183
Body chosen to serve as the Company's General Management (if the Management structure has changed)	34 - 43
Objective and exhaustive review of the development of the business, financial position and financial results of the Company (particularly its financial debt) and non-financial performance indicators (particularly concerning the environment and personnel)	53 - 89; 94 - 101
Description of the main risks and uncertainties faced by the Company, and notes concerning the Company's use of financial instruments, when the use of such instruments is pertinent to the evaluation of its assets, liabilities, financial position and gains or losses	115 - 124
List of offices or positions held by each of the Executive Directors in all companies	20 - 33
Report on employee profit-sharing plans (as well as those for Directors), transactions that took place as part of stock options plans reserved for salaried employees and Directors, transactions that took place as part of bonus share plans reserved for salaried employees and Directors	104; 107 - 114; 173 - 179; 219 - 222
Activity of the Company's affiliates	9; 43
Significant shareholdings in companies based in France	N/A
Disposal of shares in order to ensure that cross-holdings are compliant with the rules	N/A
Information related to the allocation of share capital	245 - 251
Dividends distributed during the last three years	210
Compensation and benefits of any kind for each of the Executive Directors	102 - 114
Changes made to the format of the financial statements	N/A
Injunctions or financial penalties for antitrust practices	N/A
Information relating to the Company's approach to managing the environmental and social impact of its activities	49 - 90; 118 - 120
Information relating to interest and exchange rate risks, as well as risks linked to changes in Stock Market prices	122; 168 - 169
Information required by article L. 225-211 of the French Commercial Code in cases of transactions carried out by the Company on its treasury shares	249 - 251
Transactions relating to shares held by Managers	113
Statement of Company results for the last five years	209
Statement and report on the delegations for a share capital increase	242 - 244
Information required by article L. 225-100-3 of the French Commercial Code that may have an impact on a public offer	236 - 238

N/A: Not applicable.

MANAGEMENT REPORT – ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION

Articles L. 225-102-1, R. 225-104 and R. 225-105-1 of the French Commercial Code *(Code de commerce)* amended by decree no. 2012-557 of 24 April 2012 – art. 1.

Social information	Pages
Employment	
Total workforce (breakdown of employees by gender and geographical region)	53 - 56
New hires (fixed-term and permanent contracts, recruitment difficulties)	56
Redundancies (reasons, retraining, rehiring and support)	56
Compensation (change, social charges, profit-sharing, shareholding and employee savings schemes)	60; 151
Work organisation	
Working time organisation (working hours for full-time and part-time employees, additional hours, external manpower)	61
Absenteeism (reasons)	61
Labour relations	
Organisation of social dialogue (rules and procedures for informing, consulting and negotiating with personnel)	61 - 62
Outcome of collective agreements	62
Health and safety	
Health and safety conditions	61
Agreements signed with trade union organisations or employee representatives regarding occupational health and safety	62
Frequency and severity rates of workplace accidents and occupational illnesses	61
Training	
Total number of training hours	59 - 60
Specific employee training programmes	58 - 60
Diversity and equal opportunities (policy implemented and measures taken)	
Gender equality	55; 57 - 58
Employment and integration of disabled people	57
Combating discrimination and promoting diversity	54; 57 - 58
Prevention and compliance with the provisions of the ILO's fundamental conventions	50 - 89

Environmental information	Pages
General policy on environmental matters	
Organisation of the Company and assessment or certification	73 - 77
Training and information for employees on environmental protection	8; 73 - 77
Means devoted to the prevention of environmental risks and pollution	88; 118 - 120
Amount of provisions and guarantees for environment-related risks	77
Pollution and waste management	
Prevention, reduction or compensation of emissions into the air, water and ground which seriously affect the environment	73 - 85; 119
Waste prevention, recycling and waste reduction measures	85 - 87
Recognition of noise pollution and of any other pollution related to a specific activity	77
Sustainable usage of resources	
Water consumption and water procurement on the basis of local constraints	80 - 82
Consumption of raw materials and measures undertaken to improve efficiency of usage	77 - 87
Energy consumption, measures undertaken to improve energy efficiency and use of renewable energies	82 - 85
Land use	77 - 80
Measures taken to adapt to and combat global warming	
Greenhouse gas emissions	82 - 85
Assessing the impact of global warming	82 - 85; 119 - 120
Biodiversity protection	
Measures taken to limit damage to the biological balance, natural habitats and protected species of flora and fauna	77 - 80

Societal information	Pages
Territorial, economic and social impact of the Company's activity	
In terms of employment and regional development	68 - 69
On local and neighbouring communities	68 - 69
Relations with stakeholders	
Dialogue with stakeholders	51 - 52
Philanthropic or sponsorship activities	68 - 69
Subcontracting and suppliers	
Incorporating of social and environmental concerns in the purchasing policy	71 - 72
Importance of subcontracting	71 - 72
Social and environmental responsibility in relationships with suppliers and sub-contractors	79; 85 - 86; 71 - 72
Fair operating practices	
Action undertaken to prevent any kind of corruption	69 - 71
Measures implemented to promote consumer health and safety	64 - 67; 118
Human rights initiatives	57

ANNUAL FINANCIAL REPORT

This Registration Document includes all elements of the financial report as set forth in articles L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulations.

Information	Pages
Group consolidated financial statements	131 - 186
Statutory Auditors' report on the consolidated financial statements	187
Company annual financial statements	189 - 210
Statutory Auditors' report on the annual financial statements	211
Management report	48 - 129
Declaration by the person responsible for the annual financial report	254
Statutory Auditors' fees	239
Report of the Chairman of the Board of Directors on internal control and risk management	44 - 45
Statutory Auditors' report on the report of the Chairman of the Board of Directors on internal control and risk management	47

MANAGEMENT REPORTS, PARENT COMPANY AND CONSOLIDATED GROUP FINANCIAL STATEMENTS AND STATUTORY AUDITORS' REPORTS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015 AND 30 JUNE 2014

The following information is included in this Registration Document for reference purposes:

- the Group's management report, the Parent Company and consolidated Group financial statements and the Statutory Auditors' reports on the Company's annual financial statements and the consolidated financial statements for the financial year ended 30 June 2015, as set out on pages 47-236 and filed on 23 September 2015 under no. D.15-0907;
- the Group's management report, the Parent Company and consolidated Group financial statements and the Statutory Auditors' reports on the Company's annual financial statements and the consolidated financial statements for the financial year ended 30 June 2014, as set out on pages 47-239 and filed on 24 September 2014 under no. D.14-0930.

The information included in these three Registration Documents, other than that mentioned above, has been replaced and/or updated, as applicable, with the information contained in this Registration Document.

Financial Communication & Investor Relations

Pernod Ricard – 12, place des États-Unis – 75783 Paris Cedex 16 – France

Pernod Ricard

A French public limited company (*Société Anonyme* – SA) with share capital of €411,403,467.60

Registered office: 12 place des États-Unis – 75783 Paris Cedex 16 – Tel.: 33 (0)1 41 00 41 00 – Fax: 33 (0)1 41 00 41 41

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Registration office:
12, place des États-Unis
75783 Paris Cedex 16 - France
Tel: 33 (0)1 41 00 41 00
Fax: 33 (0)1 41 00 41 41
RCS Paris Registration No. 582 041 943