

# Second-Party Opinion

## Pernod Ricard Sustainability-Linked Financing Framework

Second-Party  
Opinion



Reviewed by:

MORNINGSTAR

SUSTAINALYTICS

## Evaluation Summary

Sustainalytics is of the opinion that the Pernod Ricard Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** The Pernod Ricard Sustainability-Linked Financing Framework defines three KPIs: i) Absolute scope 1 and 2 GHG emissions; ii) Water consumption per unit produced at distilleries; and iii) Scope 3 GHG emissions intensity per unit of value added (see Table 1). Sustainalytics considers KPI 1 to be very strong, and KPIs 2 and 3 to be strong.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Pernod Ricard's sustainability strategy. Sustainalytics further considers SPTs 1.1 and 1.2 to be highly ambitious, SPTs 2.1 and 2.2 to be ambitious and SPT 3 to be moderately ambitious based on past performance, peer performance and alignment with science-based trajectories.
- Instrument Characteristics** Pernod Ricard will link the financial characteristics of its sustainability-linked debt instruments to the achievement of the SPTs. The change in financial characteristics may trigger a coupon step-up or margin adjustment, as applicable, and are to be detailed in the individual transaction documents.
- Reporting** Pernod Ricard commits to report on an annual basis on its progress against the KPIs towards the relevant SPTs on an annual basis in its Sustainability Report. The report will be made available on its website. These reporting commitments are aligned with the SLBP and SLLP.
- Verification** Pernod Ricard commits to obtain limited assurance on its annual progress on the KPI at the communicated SPT deadlines, which is aligned with market expectation.

**Evaluation Date** September 15, 2023

**Issuer Location** Paris, France

The SPTs contribute to the following SDGs:



## Overview of KPIs and SPTs

KPI	Strength of KPI	SPTs	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	Very strong	SPT 1.1: Reduce scope 1 and 2 GHG emissions below 220 ktCO <sub>2</sub> e by 2025, representing a 26% reduction from the baseline year (FY2018) <sup>1</sup>	Highly ambitious
		SPT 1.2: Reduce scope 1 and 2 GHG emissions below 138 ktCO <sub>2</sub> e by 2030, representing a 54% reduction from the baseline year. (FY2018)	Highly ambitious

<sup>1</sup> FY 2018 comprises the period from July 2017 to June 2018.

KPI 2: Water consumption per unit produced at distilleries (m <sup>3</sup> /klAA)	Strong	SPT 2.1: Reduce water consumption per unit produced at distilleries below 16.7 (m <sup>3</sup> /klAA) by 2025, representing a 12.5% reduction from the baseline year. (FY2018)	Ambitious
		SPT 2.2: Reduce water consumption per unit produced at distilleries below 15.1 m <sup>3</sup> /klAA by 2030, representing a 20.9% reduction from the baseline year. (FY2018)	Ambitious
KPI 3: Scope 3 GHG emissions intensity per unit of value added (tCO <sub>2</sub> e/million EUR gross profit from recurring operations)	Strong	SPT 3: Reduce scope 3 GHG emissions intensity per unit of value added to below 721.5 tCO <sub>2</sub> e/million EUR gross profit by 2030, representing a 50% reduction from the baseline year. (FY2018)	Moderately Ambitious

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## Scope of Work and Limitations

Pernod Ricard has engaged Sustainalytics to review the Pernod Ricard Sustainability-Linked Financing Framework dated September 2023 (the “Framework”) and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP)<sup>2</sup> and Sustainability-Linked Loan Principles 2023 (SLLP).<sup>3</sup>

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the Framework with the SLBP and SLLP.

As part of this engagement, Sustainalytics exchanged information with various members of Pernod Ricard’s management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Pernod Ricard’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Pernod Ricard Sustainability-Linked Financing Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Pernod Ricard. Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Pernod Ricard Sustainability-Linked Financing Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.<sup>5</sup> The measurement and reporting of the KPIs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Pernod Ricard has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks<sup>6</sup> against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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<sup>2</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

<sup>3</sup> The Sustainability-Linked Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>5</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>6</sup> Benchmarks refers to science based benchmarks

## Introduction

The Pernod Ricard Group (“Pernod Ricard” or the “Group”) is a producer of wines and spirits, with a diversified portfolio of 240 brands available in more than 160 countries headquartered in Paris, France. As of June 2022, Pernod Ricard had 96 production sites in 25 countries, employing more than 19,000 people.<sup>7</sup>

Pernod Ricard intends to issue sustainability-linked bonds and sustainability-linked loans whose coupon rate or margin are tied to the achievement of the SPTs for three KPIs to: i) Reduction in scope 1 and 2 absolute GHG emissions; ii) Reduction of water consumption per unit produced at distilleries; and iii) Reduction of scope 3 GHG emissions in intensity per unit of value added.

Pernod Ricard has engaged Sustainalytics to review the sustainability-linked instruments and provide an opinion on the alignment of the Framework with the SLBP and the SLLP.

The KPIs and SPTs used by Pernod Ricard are defined in Tables 1 and 2 below:

**Table 1: KPI Definitions**

KPI	Definition
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	KPI 1 measures absolute scope 1 and 2 GHG emissions, in ktCO <sub>2</sub> e, from production sites <sup>8</sup> over which the Group has full operational control. <sup>9</sup>  For calculating scope 1 and 2 GHG emissions, Pernod Ricard follows the GHG Protocol. <sup>10</sup> The KPI covers 7% of the Group’s total GHG emissions.
KPI 2: Water consumption per unit produced at distilleries (m <sup>3</sup> /kIAA)	KPI 2 measures the water consumption of the Group’s distilleries, based on the volume of water consumed by the distilleries in cubic metres divided by the volume of pure alcohol distilled in kilolitres of absolute alcohol (m <sup>3</sup> /kIAA).  Water consumption is based exclusively on an operational control basis of production sites. Production sites are defined as distilleries where distillation is the main activity. Water use is defined as abstraction <sup>11</sup> and consumption is not included in the metric.
KPI 3: Scope 3 GHG emissions intensity per unit of value added (tCO <sub>2</sub> e/million EUR gross profit from recurring operations)	KPI 3 covers the intensity of scope 3 GHG emissions associated with the Group’s activities.  The scope of activities considered for calculation is aligned with the Group’s SBTi commitment.  The KPI’s numerator, is calculated based on the GHG Protocol, <sup>12</sup> expressed in tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e): the numerator comprises scope 3 GHG emissions from purchased goods and services (dry goods and wet goods, and promotional items), upstream transportation and distribution activities, and downstream transportation and distribution. The denominator, value added, is the gross profit in euros from recurring operations.

<sup>7</sup> Pernod Ricard, “Universal Registration Document 2021-22”, at: [https://www.pernod-ricard.com/sites/default/files/inline-files/PER\\_URD2021\\_EN\\_2022\\_09\\_27\\_MEL\\_4%20%282%29\\_0.pdf](https://www.pernod-ricard.com/sites/default/files/inline-files/PER_URD2021_EN_2022_09_27_MEL_4%20%282%29_0.pdf)

<sup>8</sup> Production sites include distilleries, bottling sites, winemaking and aging.

<sup>9</sup> Calculations and scope for this KPI does not include the following activities: ageing sites with no production or no staff, production facilities shut down for an indefinite period, external co-packing sites not belonging to Pernod Ricard and not located on production sites, distribution sites and other buildings not located on production sites, owned vineyards, commercial fleet. Sustainalytics notes that these activities represent less than 5% of the Group’s total emissions.

<sup>10</sup> Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard revised edition”, (2015) at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>11</sup> Any withdrawal from sea, river, lake, dam returning directly and without any significant pollution in the chemical (pollutants, pH) or physical parameters (temperature), to the initial place it was pumped from, with no effect on the water source or in the external network system.

<sup>12</sup> Greenhouse Gas Protocol, “Corporate Value Chain (Scope 3) Standard”, at: [https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)

Table 2: SPTs and Past Performance

KPI	FY2018 (baseline)	FY2021	FY2022	FY2023	SPT FY2025	SPT FY2030
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	298	295	302	263	220	138
KPI 2: Water consumption per unit produced at distilleries (m <sup>3</sup> /kIAA)	19.0	N/A	17.8	18.3	16.7	15.1
KPI 3: Scope 3 GHG emissions intensity per unit of value added (tCO <sub>2</sub> e/million EUR gross profit from recurring operations)	1443.0	N/A	1333	1177.0	-	721.5

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the Pernod Ricard Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Pernod Ricard Sustainability-Linked Financing Framework aligns with the five core components of the SLP and SLB



#### Selection of Key Performance Indicators

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues, and ii) to what portion of impact the KPI is applicable.

##### KPI 1: Absolute scope 1 and 2 GHG emissions

Sustainalytics considers KPI 1 to be material and relevant given the following:

- Sustainalytics' ESG Risk Rating identifies Carbon – Own Operations as a Material ESG Issue due to the inherently energy-intensive business operations of manufacturing alcoholic beverages. Furthermore, the Sustainable Accounting Standards Board (SASB) identifies Energy Management as a material topic for Pernod Ricard and the Alcoholic Beverages industry overall.<sup>13</sup>
- Sustainalytics notes that KPI 1 addresses approximately 7% of the Group's total GHG footprint through its coverage of scope 1 and 2 GHG emissions while approximately 93% of Pernod Ricard's total GHG emissions are scope 3. Sustainalytics also notes that KPI 3 addresses 88% of the Group's total scope 3 GHG emissions (purchased goods and services dry and wet goods, and upstream transportation and distribution activities). On this note, as KPIs 1 and 3 collectively address a large majority of Pernod Ricard's total GHG emissions (scope 1, 2 and 3), Sustainalytics considers that the KPIs have high applicability.

<sup>13</sup> SASB Materiality Finder, "Pernod Ricard – SA", at: [https://www.sasb.org/standards/materiality-finder/find/?company\[\]=FR0000120693](https://www.sasb.org/standards/materiality-finder/find/?company[]=FR0000120693)

### KPI 2: Water consumption per unit produced at distilleries

Sustainalytics considers the KPI 2 to be material and relevant given the following:

- Sustainalytics' ESG Risk Rating identifies "Resource Use" as a Material ESG issue for Pernod Ricard due primarily to the Group's heavy reliance on freshwater supplies.<sup>14</sup> Further, the SASB identifies "Water and Wastewater" as a material topic for Pernod Ricard and the "Alcoholic Beverages" industry overall.<sup>15</sup>
- Sustainalytics notes that KPI 2 addresses a significant majority of the Group's water use, covering 5 million kilolitres of water used at its distillation sites each year. In 2022, distillation sites accounted for nearly 77% of the water consumption across all Pernod Ricard production sites.

### KPI 3: Scope 3 GHG emissions intensity per unit of value added

Sustainalytics considers the KPI 3, to be material and relevant given the following.

- Indirect scope 3 emissions from supply and distribution chains normally account for a bigger share of the food and beverage industry's total emissions than scope 1 and scope 2 emissions. Overall, scope 3 emissions represents 87.43% of the industry's emissions, with scope 1 and scope 2 contributing 7.47% and 5.10%, respectively.<sup>16</sup> Scope 3 represented approximately 90% of Pernod Ricard's total emissions in 2022 (scope 1, 2 and 3).<sup>17</sup> Furthermore, the SASB identifies Supply Chain Management – Environmental & Social Impacts of Ingredient Supply Chain as a material issue for the Alcoholic Beverages industry.<sup>18</sup> Pernod Ricard depends heavily on agriculturally based ingredients, however, the effects of climate change significantly impact agricultural production and consequently all the supply chain and products in the alcoholic beverages industry. In this context, reporting and mitigating the GHG emissions associated with the purchased goods and services (dry and wet goods) are relevant to the Group as it reduces the climate footprint of its ingredient supply chain.

### **KPI Characteristics**

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used; ii) whether the issuer follows an externally recognized definition; iii) whether the KPIs are a direct measure of the performance of the issuer on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.<sup>19</sup>

Sustainalytics considers Pernod Ricard's definition and methodology for calculating KPI 1 to be clear and consistent based on the guidelines from the GHG Protocol's Corporate Reporting Standard, and notes that the Group's methodology excludes carbon offsets and avoided emissions from the calculation.<sup>20</sup> The metric also lends itself to benchmarking against external emissions reduction trajectories, such as those developed by the Science Based Targets initiative (SBTi). Sustainalytics considers KPI 1 to be a direct measure of Pernod Ricard's performance on material environmental issues.

Sustainalytics considers the Group's definition and methodology for calculating KPI 2 to be clear and consistent with historical disclosure.<sup>21,22</sup> Although no globally agreed upon methodology exists for setting water conservation-based science-based targets, the Group established its internal methodology and contextual targets

<sup>14</sup> Sustainalytics' Resource Use Material ESG Issue focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

<sup>15</sup> SASB Materiality Finder, "Pernod Ricard – SA", at: [https://www.sasb.org/standards/materiality-finder/find/?company\[\]=FR0000120693](https://www.sasb.org/standards/materiality-finder/find/?company[]=FR0000120693)

<sup>16</sup> CDP, "CDP Technical Note: Relevance of Scope 3 Categories by Sector", (2023), at: [https://cdn.cdp.net/cdp-production/cms/guidance\\_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf](https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf)

<sup>17</sup> Schulman, D. Bateman, A. and Greene, S. (2021), "Supply chains (Scope 3) towards sustainable food systems: An analysis of the food & beverage processing corporate greenhouse gas emissions disclosure", Cleaner Production Letters, at: <https://www.sciencedirect.com/science/article/pii/S2666791621000026>

<sup>18</sup> Ibid.

<sup>19</sup> External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

<sup>20</sup> GRI, "The global standards for sustainability reporting", at: <https://www.globalreporting.org/standards/>

<sup>21</sup> Pernod Ricard, "Universal Registration Document" (2022), at: [https://www.pernod-ricard.com/sites/default/files/inline-files/PER\\_URD2021\\_EN\\_2022\\_09\\_27\\_MEL\\_4%20%282%29\\_0.pdf](https://www.pernod-ricard.com/sites/default/files/inline-files/PER_URD2021_EN_2022_09_27_MEL_4%20%282%29_0.pdf)

<sup>22</sup> Pernod Ricard's KPI calculation methodology was established in 2021. Baseline year data was recalculated based on this.

to minimize the water impact of its operations.<sup>23</sup> Sustainalytics considers KPI 2 to be a direct measure of Pernod Ricard’s performance on material environmental issues.

Sustainalytics considers Pernod Ricard’s definition and methodology for calculating KPI 3 to be clear and consistent based on guidelines from the GHG Protocol’s Corporate Reporting Standard, and notes that the Group’s methodology excludes carbon offsets and avoided emissions from the calculation.<sup>24</sup> The metric also lends itself to benchmarking against external emission reduction trajectories, such as those developed by the SBTi. Sustainalytics considers KPI 3 to be an indirect measure of performance on material environmental issues given that it is an intensity metric that weighs scope 3 GHG emissions against the Group’s financial output.

**Overall Assessment**

Sustainalytics considers KPI 1 to be very strong given that it is a direct measure of the Group’s emissions with a high scope of applicability when measured jointly with KPI 3, and lends itself to external contextual benchmarking.

Sustainalytics considers KPI 2 to be strong given that it follows a clear and consistent methodology and covers the majority of the Group’s water consumption, despite not being able to be benchmarked.

Sustainalytics considers KPI 3 to be strong given that it lends itself to external contextual benchmarking and covers the majority of the Group’s total GHG footprint, but is an indirect measure of the Group’s GHG emissions output.

<b>KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO<sub>2</sub>e)</b>	Not Aligned	Adequate	Strong	Very strong
<b>KPI 2: Water consumption per unit produced at distilleries (m<sup>3</sup>/kIAA)</b>	Not Aligned	Adequate	Strong	Very strong
<b>KPI 3: Scope 3 GHG emissions intensity per unit of value added (tCO<sub>2</sub>e)</b>	Not Aligned	Adequate	Strong	Very strong



**Calibration of Sustainability Performance Targets**

**Alignment with Pernod Ricard’s Sustainability Strategy**

Pernod Ricard has set the following SPTs for its KPIs:

- SPT 1.:1 Reduce scope 1 and 2 GHG emissions below 220 ktCO<sub>2</sub>e by 2025, representing a 26% reduction from the baseline year (FY2018)
- SPT 1.2: Reduce scope 1 and 2 GHG emissions below 138 ktCO<sub>2</sub>e by 2030, representing a 54% reduction from the baseline year (FY2018)
- SPT 2.1: Reduce water consumption per unit produced at distilleries below 16.7 m<sup>3</sup>/kIAA by 2025, representing a 12.5% reduction from the baseline year (FY2018)
- SPT 2.2: Reduce water consumption per unit produced at distilleries below 15.1 m<sup>3</sup>/kIAA by 2030, representing a 20.9% reduction from the baseline year (FY2018)
- SPT 3: Reduce scope 3 GHG emissions intensity per unit of value added to below 721.5 tCO<sub>2</sub>e/million EUR gross profit by 2030, representing a (50% reduction from the baseline year) (FY2018)

Sustainalytics considers the SPTs to be aligned with Pernod Ricard’s sustainability strategy (please refer to Section 2 for an analysis of the credibility of Pernod Ricard’s sustainability strategy).

<sup>23</sup> World Wildlife Fund, “Contextual & Science-Based Targets For Water”, at: [https://wwf.panda.org/discover/our\\_focus/freshwater\\_practice/water\\_management/science\\_targets\\_water/](https://wwf.panda.org/discover/our_focus/freshwater_practice/water_management/science_targets_water/)  
<sup>24</sup> GRI, “The global standards for sustainability reporting”, at: <https://www.globalreporting.org/standards/>



Regarding SPTs 1.1, 1.2 and 3, Pernod Ricard established GHG emissions reduction targets in 2019 as part of the Group's Sustainability & Responsibility (S&R) Roadmap for 2030. These include goals related to renewable energy expansion in its manufacturing facilities, as well as the achievement of carbon neutrality across its operations by 2050.<sup>25</sup> Furthermore, the Group joined the RE100 initiative in 2019, a global initiative led by the Climate Group in partnership with CDP, which brings together more than 300 international companies committed to 100% renewable electricity.<sup>26</sup> Additionally, the Group's Global Environmental Policy identifies contributing to the reduction of climate change as a top environmental commitment, having reported to the CDP on its climate change-related activities since 2006.<sup>27,28</sup>

Regarding SPTs 2.1 and 2.2, Pernod Ricard established water conservation goals as part of its S&R Roadmap for 2030,<sup>29</sup> including water replenishment in high-risk areas, and as reduced water consumption across its operations. Pernod Ricard has been a member of the UN CEO Water Mandate since 2010 and identifies the preservation of water resources as a top environmental commitment in its Global Environmental Policy.<sup>30,31</sup> Pernod Ricard has also reported to the CDP on its Water Security activities since 2011.<sup>32</sup>

### Strategy to Achieve the SPTs

Pernod Ricard intends to achieve the SPTs through the following strategies:

- Regarding SPT 1, Pernod Ricard targets scope 1 and 2 GHG emissions reduction for production sites and affiliates, as well at the Group level. At the production site level, Pernod Ricard affiliates such as Irish Distillers Limited, Chivas Brothers Limited, Walkerville and Pernod Ricard India will utilize a combination of upgraded energy efficient boilers, steam recycling through mechanical vapor recompression (MVR) technology, stop drying, and switching to biofuel from coal to achieve emissions reduction targets. Pernod Ricard will also sign purchase power agreements for renewable energy from biomass, solar, hydropower and wind sources to power operations across all affiliates.
- For SPT 2, the Group will implement various water conservation and efficiency measures at the locations of its affiliates: Chivas Brothers Limited, Irish Distillers Limited, Hiram Walker, the Absolut Company, Pernod Ricard India, Havana Club, Yerevan Brandy Company and House of Tequila. These measures include process optimization through sprinkler system upgrades to reduce leakage, water efficiency retrofitting and upgrades through pump replacements, installation of closed loop systems, rainwater harvesting and on-site water treatment ponds, MVR steam recycling, and increased on-site water-softening capacity.
- To achieve SPT 3, Pernod Ricard will focus on reducing the supply chain emissions of both its dry and wet goods. For dry goods, this will include the development of hydrogen, biomass and hybrid powered furnaces for the production and recycling of glass bottles and ensuring the expansion of renewable energy use across its supply chain. For wet goods, the Group will focus on improved fertilization and soil management in agricultural practices and in setting principles for carbon sequestration.<sup>33</sup>

### Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science-based trajectories.<sup>34</sup>

<sup>25</sup> Pernod Ricard, "Sustainability & Responsibility", at: <https://www.pernod-ricard.com/en/sustainability-responsibility>

<sup>26</sup> Pernod Ricard, "Pernod Ricard is committed to renewable electricity", at: [https://assets.pernod-ricard.com/2019\\_12\\_17\\_pernod\\_ricard\\_is\\_committed\\_to\\_renewable\\_electricity.pdf](https://assets.pernod-ricard.com/2019_12_17_pernod_ricard_is_committed_to_renewable_electricity.pdf)

<sup>27</sup> Pernod Ricard, "Global Environmental Policy", at: <https://www.pernod-ricard.com/sites/default/files/2021-08/Pernod-Ricard-Global-Environmental-Policy.pdf>

<sup>28</sup> Pernod Ricard, "Pernod Ricard - Water Security 2022", (2022), at: <https://www.pernod-ricard.com/sites/default/files/inline-files/Water%20Response%202022.pdf>

<sup>29</sup> Pernod Ricard, "Sustainability & Responsibility Roadmap", at: <https://www.pernod-ricard.com/en/sustainability-responsibility>

<sup>30</sup> The CEO Water Mandate is a UN Global Compact initiative that mobilizes business leaders on water, sanitation and the SDGs. Endorsers of the CEO Water Mandate commit to continuous progress against six core elements of stewardship and in so doing understand and manage their own water risks. CEO Water Mandate, "What is the Mandate?", at: <https://ceowatermandate.org/>

<sup>31</sup> Pernod Ricard, "Global Environmental Policy", at: <https://www.pernod-ricard.com/sites/default/files/2021-08/Pernod-Ricard-Global-Environmental-Policy.pdf>

<sup>32</sup> Pernod Ricard has provided its CDP Water Security Questionnaire 2021 responses to Sustainalytics.

<sup>33</sup> International Platform for Insetting, "What is Insetting?", at: <https://www.insettingplatform.com/insetting-explained/>

<sup>34</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

Pernod Ricard has set the baseline for its SPTs at 2018, which was the most recent complete year of data at the time that the Group established the S&R 2030 Roadmap in 2019. Pernod Ricard commits to setting annual targets in relevant documentation for loan transactions, as recommended under the SLLP.

**SPTs 1.1 and 1.2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and science-based trajectories.

Pernod Ricard has demonstrated an estimated annual average reduction in scope 1 and 2 GHG emissions of 2.35% between 2018 and 2023. Considering that the Group must commit to an implied annual average scope 1 and 2 GHG emissions reduction of 8.17% from 2023 to 2025 to achieve SPT 1.1 and 6.79% between 2023 and 2030 to achieve SPT 1.2. Sustainalytics considers the SPTs to be above Pernod Ricard’s historical performance.

In comparison to its seven industry peers’ scope 1 and 2 emission targets, Sustainalytics notes that Pernod Ricard is aligned with three peers and below four others.

The SPTs are aligned with the SBTi’s 1.5°C warming scenario using an absolute contraction approach, noting that the 2030 target was verified by the SBTi in 2019.

**SPTs 2.1 and 2.2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Pernod Ricard has demonstrated an estimated annual average reduction in water consumption intensity of 0.74% between 2018 and 2023. Considering that the Group must commit to an implied annual average decline in water intensity of 4.37% between 2023 and 2025 to achieve SPT 2.1 and 2.50% between 2023 and 2030 to achieve SPT 2.2, Sustainalytics considers the SPTs to be above Pernod Ricard’s historical performance.

In comparison to seven industry peers, Pernod Ricard’s targets are below its peers’ water consumption reduction targets.

**SPT 3:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, and science-based trajectories.

Pernod Ricard has demonstrated an estimated annual average reduction in scope 3 GHG emissions intensity of 3.56% between 2018 and 2023. Given that to achieve the SPT the Group must commit to an implied annual average scope 3 GHG emissions intensity reduction of 5.68% between 2023 and 2030, Sustainalytics considers the SPT to be above Pernod Ricard’s historical performance.

In comparison to seven industry peers, Pernod Ricard’s are below its peers’ scope 3 emissions reductions targets.

Furthermore, the SPT is not aligned with the SBTi’s decarbonization trajectory using an GHG emissions per value added (GEVA) approach, which requires companies to reduce their GEVA by 7% per year.<sup>35</sup>

**Overall Assessment**

Sustainalytics considers the SPTs to align with Pernod Ricard’s sustainability strategy and SPT 1.1. and SPT 1.2 to be highly ambitious given that they are: i) above historical performance; ii) generally above the targets set by Pernod Ricard’s peers; and iii) aligned with the SBTi’s 1.5°C scenario under the absolute contraction approach.

Sustainalytics considers SPT 2.1 and SPT 2.2. to be ambitious given that they are: i) above historical performance, and ii) below the targets set by Pernod Ricard’s peers.

Sustainalytics considers SPT 3 to be moderately ambitious given that it: i) is above historical performance; ii) is below the targets set by Pernod Ricard’s peers; and iii) is not aligned with the decarbonization pathway under the SBTi’s scope 3 GEVA intensity approach.

SPT(s)	Ambitiousness of SPT(s)			
<b>SPT 1.1: Reduce scope 1 and 2 GHG emissions below 220 ktCO<sub>2</sub>e by 2025, representing a 26% reduction from the baseline year (FY2018)</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

<sup>35</sup> Science Based Targets Initiative, “SBTi Corporate Manual”, (2023), at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf>

SPT 1.2: Reduce scope 1 and 2 GHG emissions below 138 ktCO <sub>2</sub> e by 2030, representing a 54% reduction from the baseline year (FY2018)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2.1: Reduce water consumption per unit produced at distilleries below 16.7 m <sup>3</sup> /klAA by 2025, representing a 12.5% reduction from the baseline year (FY2018)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2.2: Reduce water consumption per unit produced at distilleries below 15.1 m <sup>3</sup> /klAA by 2030, representing a 20.9% reduction from the baseline year (FY2018)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3: Reduce scope 3 GHG emissions intensity per unit of value added to below 751.5 tCO <sub>2</sub> e/million EUR gross profit from recurring operations by 2030 representing a 50% reduction from baseline year (FY2018)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



### Instrument Characteristics

Pernod Ricard has disclosed that the financial characteristics of the sustainability-linked debt instruments issued under the Framework will be linked to the achievement of one or several SPTs. The success or failure to achieve such SPTs on the relevant target observation dates will trigger a coupon step-up or margin adjustment, as applicable, to be detailed in the individual transaction documents. Sustainalytics considers these levels of disclosure to be aligned with the SLBP and SLLP, noting that it does not opine on the adequacy or the magnitude of the financial penalty.

Sustainalytics recognizes that Pernod Ricard can issue multiple sustainability-linked bonds and loans under the Framework. For each issuance, Sustainalytics encourages Pernod Ricard to select a set of KPIs that collectively reflects relevant and material sustainability issues for the Group.



### Reporting

Pernod Ricard commits to report on its progress against the KPIs towards the relevant SPTs on an annual basis in its Sustainability Report. The report will be made available on the Group’s website. These reporting provisions are aligned with the SLBP and SLLP. Pernod Ricard further commits to disclose relevant information that will enable investors to monitor the level of ambition of the SPTs.



### Verification

Pernod Ricard commits to have an external verifier provide limited assurance on the annual performance on the KPIs at the relevant SPTs’ observation date, which is aligned with the SLBP and SLLP on verification. The verification will be made publicly available in the Group’s annual Sustainability Report.

## Section 2: Assessment of Pernod Ricard's Sustainability Strategy

### Credibility of Pernod Ricard Sustainability Strategy

Pernod Ricard's published its first sustainable development commitment in 2006 with a focus on responsible consumption, conservation of natural resources and reduction of the environmental impact of its operations. The launch of the commitment coincided with its first annual report using Global Reporting Initiative standards.<sup>36,37</sup>

The Group's S&R Roadmap for 2030, launched in 2019, focuses on four key pillars: Nurturing Terroir, Valuing People, Circular Making and Responsible Hosting. All pillars are based on 2030 targets and include interim milestones for 2022 and 2025. Pernod Ricard has integrated its S&R Roadmap for 2030 into its corporate governance structures, and the Corporate Social Responsibility Committee implements the S&R Roadmap for 2030 and assesses all risks and opportunities in terms of social and environmental performance.<sup>38</sup> In 2019, the Group set forth several targets as part of its S&R Roadmap for 2030, including: i) replenishing 100% of water in watersheds located in high-risk areas by 2030; ii) reducing water consumption by 20% by 2030 from a 2018 base year; iii) increasing annual renewable electricity sourcing from 74.5% in 2018 to 100% by 2025; and iv) achieving net zero emissions from its overall operations by 2050.<sup>39</sup> Also in 2019, the Group established science based targets for: i) scope 1 and 2 GHG emissions in line with limiting global warming to 1.5°C scenario and ii) scope 3 GHG emissions aligning with the well below 2°C scenario.<sup>40</sup> In 2021, the Group further built upon its sustainability commitments by conducting materiality assessments as part of its risk mapping process, through which it identified material risks related to product quality issues, health and safety, climate change and environmental damage. In 2022, the Group progressed towards its sustainability goals, including: i) seven ongoing regenerative viticulture farming systems initiatives in the Group's vineyards, ii) involvement of 73% of the Group's affiliates in a regenerative agriculture or biodiversity project lined to supply chains or landscape, iii) 31% of key raw materials produced or sourced in line with selected sustainability standards, a 3% increase from FY2021; iv) achievement of gender pay equity in 99% of its affiliates; and v) 35% of women in the top management team, a 6% increase from FY2021.<sup>41</sup>

Related to its water conservation practices, the Group achieves reductions in water consumption using monitoring systems and identifying measures to save, reuse and recycle water. The Group has also consolidated the water reduction roadmaps from the main contributing affiliates and identified associated investment plans to reach 2030 targets.<sup>42</sup> In addition, the Group is a member of the Beverage Industry Environmental Roundtable (BIER)<sup>43</sup>, a coalition working to advance environmental sustainability in the beverage industry, and Bonsucro, a multi-stakeholder organization focused on sustainable sugarcane production.<sup>44</sup> Pernod Ricard has been a participant of the UN Global Compact since 2003.<sup>45</sup>

Sustainalytics considers Pernod Ricard's targets and achievements to be aligned with and support the SPTs established by the Framework and views the instruments issued under it to further support Pernod Ricard's sustainability strategy.

### Pernod Ricard's Environmental and Social Risk Management

Sustainalytics recognizes that Pernod Ricard's defined targets are impactful, but notes that achieving the SPT may bear environmental and social risks related to the overall environmental and social impact of its products and services, product governance and human rights in its supply chain.

Sustainalytics comments below on Pernod Ricard's ability to mitigate such potential risks:

- Pernod Ricard has a Global Environmental Policy which outlines environmental commitments for emissions reduction and waste management across its value chain.<sup>46</sup> The Group requires its manufacturing facilities to be ISO 14001 certified and identifies the environmental impacts associated with its operations. In terms of environmental risk management, the Group assesses potential risks associated with its operations and develops mitigation plans to control these risks.

<sup>36</sup> GRI, "Continuous improvement", at: <https://www.globalreporting.org/>

<sup>37</sup> Pernod Ricard, "Annual Report 2005-06", at: [https://assets.pernod-ricard.com/pr\\_ar\\_2005\\_2006\\_en.pdf](https://assets.pernod-ricard.com/pr_ar_2005_2006_en.pdf)

<sup>38</sup> Pernod Ricard, "Universal Registration Document 2020-21", at: [https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020\\_URD\\_EN\\_VMEL3.pdf](https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020_URD_EN_VMEL3.pdf)

<sup>39</sup> Pernod Ricard, "Universal Registration Document 2021-22", at: [https://www.pernod-ricard.com/sites/default/files/inline-files/PER\\_URD2021\\_EN\\_2022\\_09\\_27\\_MEL\\_4%20%282%29\\_0.pdf](https://www.pernod-ricard.com/sites/default/files/inline-files/PER_URD2021_EN_2022_09_27_MEL_4%20%282%29_0.pdf)

<sup>40</sup> Ibid.

<sup>41</sup> "Pernod Ricard, "Universal Registration Document 2021-2022", at: [https://www.pernod-ricard.com/sites/default/files/inline-files/PER\\_URD2021\\_EN\\_2022\\_09\\_27\\_MEL\\_4%20%282%29\\_0.pdf](https://www.pernod-ricard.com/sites/default/files/inline-files/PER_URD2021_EN_2022_09_27_MEL_4%20%282%29_0.pdf)

<sup>42</sup> Pernod Ricard, "Universal Registration Document 2020-21", at: [https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020\\_URD\\_EN\\_VMEL3.pdf](https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020_URD_EN_VMEL3.pdf)

<sup>43</sup> BIER, "Member", at: <https://www.bierroundtable.com/member/pernod-ricard/>

<sup>44</sup> Pernod Ricard, "Universal Registration Document 2020-21", at: [https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020\\_URD\\_EN\\_VMEL3.pdf](https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020_URD_EN_VMEL3.pdf)

<sup>45</sup> UN Global Compact, "Company – Pernod Ricard", at: <https://www.unglobalcompact.org/what-is-gc/participants/7345-Pernod-Ricard>

<sup>46</sup> Pernod Ricard, "Global Environmental Policy", at: <https://www.pernod-ricard.com/sites/default/files/2021-08/Pernod-Ricard-Global-Environmental-Policy.pdf>

Environmental risks and their mitigation plans are under the responsibility of the Group Operations Director.<sup>47</sup> To address the social and health implications of its products, the Group has a Responsible Drinking Strategy and a Code for Commercial Communications that directs its commercial communications to promote responsible alcohol consumption.<sup>48,49</sup> Additionally, the Group collaborates with industry stakeholders, civil society organizations, governments, local authorities, and UN bodies, to address the harmful use of alcohol.

- To address risks related to product governance, Pernod Ricard sets out its Policy of the Integrated Management System (quality, food safety, environment, occupational health and safety) which aims to promote business excellence and guarantee customer satisfaction.<sup>50</sup> It commits to comply with the international standards ISO 9001 (quality management), and ISO 22000 (food hygiene and safety management). It also commits to promote the responsible consumption of beverages for its consumers. Furthermore, Pernod Ricard acknowledges the risk its products may have in society related to excessive and/or punitive alcohol regulations or the harmful use of alcohol. The Group promotes a responsible drinking goal and commits to global or local initiatives to fight binge drinking and drink and driving and support local engagement initiatives against the harmful use of alcohol.
- In relation to the protection of human rights throughout its supply chain, Pernod Ricard established its own Supplier Standards with the goal of increasing awareness on: i) labour and human rights, ii) health and safety, iii) environmental impact, iv) integrity and fair business practices, and v) responsible drinking.<sup>51</sup> The Group requires its suppliers and subcontractors to follow these standards and take appropriate measures for their implementation. The Group also informs that it does not engage with suppliers whose practices do not comply with these standards. Furthermore, the Group conducts sustainability assessments and labour and ethical audits for its suppliers to identify areas for improvement and to monitor the effectiveness of their action plans.<sup>52</sup>

In addition to the above, Sustainalytics notes that it has not found evidence of major environmental or social controversies related to Pernod Ricard. Overall, Sustainalytics considers that Pernod Ricard has strong management programmes and policies to mitigate risks that could affect the achievement of the SPTs.

## Section 3: Impact of the SPTs

### Importance of reducing emissions in the beverage industry

The beverage industry accounts for 0.4% of global GHG emissions, with most of the emissions originating from the supply chains of production companies.<sup>53</sup> According to BIER research on the carbon footprint of spirits, distillation accounts for 36 and -40% of total industry emissions with glass bottles alone contributing another 20%. The remainder comes from areas including warehousing, base materials and transport.<sup>54</sup>

Between 2015 and 2020, the beverage industry production volume increased by 6%, equivalent to an additional 16 billion litres of beverage production worldwide.<sup>55</sup> Demand for beverages is expected to increase along with the world's projected population growth resulting in higher energy consumption and consequent more GHG emissions from the beverage industry. Broadly, manufacturing is a crucial global sector for decarbonization, accounting for more than 40% of global GHG emissions across all industries.<sup>56,57</sup> In terms of packaging and given the considerable carbon emissions of glass bottle production, attempts by

<sup>47</sup> Pernod Ricard, "Universal Registration Document 2020-21", at: [https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020\\_URD\\_EN\\_VMEL3.pdf](https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020_URD_EN_VMEL3.pdf)

<sup>48</sup> Pernod Ricard, "Universal Registration Document including the annual financial report 2020-2021", at: [https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020\\_URD\\_EN\\_VMEL3.pdf](https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020_URD_EN_VMEL3.pdf)  
<https://www.pernod-ricard.com/en/sustainability-responsibility/responsible-hosting>

<sup>49</sup> Ibid.

<sup>50</sup> Pernod Ricard, Policy of the integrated Management System (quality, food safety, environment, occupational health and safety), (2021), at: <https://www.pernod-ricard.com/sites/default/files/inline-files/IMS%20policy.pdf>

<sup>51</sup> Pernod Ricard, "Supplier Standards", at: [https://assets.pernod-ricard.com/pernod-ricard\\_supplier\\_standards\\_en\\_2310.pdf](https://assets.pernod-ricard.com/pernod-ricard_supplier_standards_en_2310.pdf)

<sup>52</sup> Pernod Ricard, "Universal Registration Document including the annual financial report 2020-21", at: [https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020\\_URD\\_EN\\_VMEL3.pdf](https://www.pernod-ricard.com/sites/default/files/2021-10/PER2020_URD_EN_VMEL3.pdf)

<sup>53</sup> BIER, "Energy Efficiency and Climate Change", at: <https://www.bierroundtable.com/work/energy-climate/>

<sup>54</sup> BIER, "Research on the Carbon Footprint of Spirits", (2012) at: [http://bierstaging.wpengine.com/wp-content/uploads/49d7a0\\_7643fd3fae5d4daf939cd5373389e4e0.pdf](http://bierstaging.wpengine.com/wp-content/uploads/49d7a0_7643fd3fae5d4daf939cd5373389e4e0.pdf)

<sup>55</sup> BIER, "2021 Benchmarking Study Trends & Observations", (2022), at: <https://www.bierroundtable.com/wp-content/uploads/2021-BIER-Executive-Summary-Report.pdf>

<sup>56</sup> BIER, "Facility Decarbonization Playbook", (2020), at: <https://www.bierroundtable.com/wp-content/uploads/Facility-Decarbonization-Playbook.pdf>

<sup>57</sup> Ibid.

companies to adapt their packaging can have a significantly positive impact on their carbon footprint.<sup>58</sup> Beverage companies can reduce their environmental impact and carbon footprint, for example by limiting single-use plastics and providing more sustainable packaging solutions, such as reducing the weight of bottles; eliminating plastic from labels, caps and secondary packaging; and increasing recycled content, companies can reduce their environmental impact and carbon footprint.<sup>59</sup>

Based on the above context, Sustainalytics notes that Pernod Ricard’s efforts to reduce absolute scope 1 and 2 GHG emissions on operated sites and reduce scope 3 GHG emissions intensity can help the Group to meet short medium and long-term emissions reduction targets that are aligned with SBTi-verified climate trajectories.

**Impact of reduction in water consumption on the beverage industry**

Beverage production is highly water intensive, with significant water consumption taking place at each step across the value chain.<sup>60</sup> According to the Water Footprint Network, producing a 0.5 litre soda requires at least 70 litres of water, a glass of 0.25-litre of beer requires 74 litres of water, and a 125-millilitre glass of wine requires 109 litres of water in production.<sup>61</sup> As per BIER, distilleries are the most water intensive facilities in the industry, invariably putting stress on their surrounding freshwater sources.<sup>62</sup> More than half of beverage companies operate in areas with moderate to high water risk, according to the WRI’s Aqueduct Water Risk Atlas tool.<sup>63</sup> Furthermore, water demand is expected to exceed current supply by 40% by 2030, according to the Water Resource Group.<sup>64</sup> Meanwhile, the potential financial impact of water risks on the beverage industry was estimated at USD 19.59 billion in 2020, whereas the cost of mitigating those risks was only USD 1.10 billion, according to the CDP.<sup>65</sup> As a result, mitigating water-related risks and sustainable management of water resources have become strategic imperatives for the beverage industry.<sup>66</sup>

Water stress management, particularly operational improvements relating to water efficiency, can reduce vulnerability to climate change and drought, and provide a competitive advantage to global beverage industry players.<sup>67</sup> Wastewater management has a number of benefits including a reduction in the depletion of water resources, protection and promotion of human health, and a reduction in environmental degradation.<sup>68</sup> Further effort is required to ensure long-term business and environmental sustainability in all watersheds and communities by adopting initiatives such as the 3Rs – reduction, reuse, recycling – as standard practice across operational locations.<sup>69</sup>

Based on the above context, Sustainalytics notes that Pernod Ricard’s efforts to reduce water consumption of distilleries are expected to enable the Group to meet interim milestones for 2030.

**Contribution to SDGs**

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO2e)	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

<sup>58</sup> IWSR, “Consumer demand for carbon neutrality drives innovation across wine, beer and spirits”, at: <https://www.theiwsr.com/consumer-demand-for-carbon-neutrality-drives-innovation-across-wine-beer-and-spirits/>

<sup>59</sup> Ibid.

<sup>60</sup> EOS Intelligence, “Beverage Industry in Troubled Waters, Attempting Conservation Efforts”, at: <https://www.eos-intelligence.com/perspectives/energy-resources/beverage-industry-in-troubled-waters-attempting-conservation-efforts/>

<sup>61</sup> Water Footprint Network, “Product Gallery”, at: <https://waterfootprint.org/en/resources/interactive-tools/product-gallery/>

<sup>62</sup> BIER, “2018 Benchmarking Study Trends & Observations”, at: <http://www.bierroundtable.com/wp-content/uploads/2018-Water-and-Energy-Use-Benchmarking-Study.pdf>

<sup>63</sup> Ibid.

<sup>64</sup> Water Resource Group, “Who we Are”, at: <https://www.2030wrg.org/about-us/background/>

<sup>65</sup> CDP, “CDP Global Water Report 2020”, at: [https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/577/original/CDP\\_Water\\_analysis\\_report\\_2020.pdf?1617987510](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/577/original/CDP_Water_analysis_report_2020.pdf?1617987510)

<sup>66</sup> BIER, “Sustainable Coolers of the Future”, at: <https://www.bierroundtable.com/>

<sup>67</sup> Neveling, D. (2020), “The Value of Water”, Lazard Asset Management, at: <https://www.lazardassetmanagement.com/research-insights/lazard-insights/the-value-of-water#/>

<sup>68</sup> UNEP, “Sanitation, Wastewater Management and Sustainability”, at: [sanitation-wastewater-management-and-sustainability-by-sei-and-unep.pdf](https://www.unep.org/unep.pdf)

<sup>69</sup> BIER, “Context-Based Decision Guide for Water Reuse and Recycling”, (2020) at: <https://www.bierroundtable.com/wp-content/uploads/Context-Based-Decision-Guide-for-Water-Reuse-and-Recycling.pdf>

	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
KPI 2: Water consumption per unit at distilleries (m <sup>3</sup> /kIAA)	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
KPI 3: Scope 3 GHG emissions intensity per unit of value added (tCO <sub>2</sub> e)	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

## Conclusion

Pernod Ricard has developed the Pernod Ricard Sustainability-Linked Financing Framework under which it may issue sustainability-linked instruments. Pernod Ricard intends to tie the financial characteristics of the instruments to its performance against the following SPTs:

SPT 1.1: Reduce scope 1 and 2 GHG emissions below 220 ktCO<sub>2</sub>e by 2025, representing a 26% reduction from the baseline year (FY2018)

SPT 1.2: Reduce scope 1 and 2 GHG emissions below 138 ktCO<sub>2</sub>e by 2030, representing a 54% reduction from the baseline year (FY2018)

SPT 2.1: Reduce water consumption per unit produced at distilleries below 16.7 m<sup>3</sup>/kIAA by 2025, representing a 12.5% reduction from the baseline year (FY2018)

SPT 2.2: Reduce water consumption per unit produced at distilleries below 15.1 m<sup>3</sup>/kIAA by 2030, representing a 20.9% reduction from the baseline year (FY2018)

SPT 3: Reduce scope 3 GHG emissions intensity per unit of value added to below 721.5 tCO<sub>2</sub>e/million EUR gross profit by 2030, representing a 50% reduction from the baseline year (FY2018)

Sustainalytics considers KPI 1, to be very strong given that it is a direct measure of the Group's emissions with a high scope of applicability when measured jointly with KPI 3, and lends itself to external contextual benchmarking. Sustainalytics considers KPI 2 to be strong given that it follows a clear and consistent methodology and covers the majority of the Group's water consumption, despite not being able to be benchmarked. Sustainalytics considers KPI 3 to be strong given that it lends itself to external contextual benchmarking and covers the majority of the Group's total GHG footprint, but is an indirect measure of the Group's GHG emissions output.

Sustainalytics considers the SPTs to align with Pernod Ricard's sustainability strategy and SPT 1.1. and SPT 1.2 to be highly ambitious given that they are: i) above historical performance; ii) generally above the targets set by Pernod Ricard's peers; and iii) aligned with the SBTi's 1.5°C scenario under the absolute contraction approach. Sustainalytics considers Pernod Ricard's SPT 2.1 and SPT 2.2. to be ambitious given that they are: i) is above historical performance, ii) is below the targets set by Pernod Ricard's peers. Sustainalytics considers SPT 3 to be moderately ambitious given that it: i) is above historical performance, ii) is below the targets set by Pernod Ricard's peers; and iii) is not aligned with the decarbonization pathway under the SBTi's scope 3 GEVA intensity approach. Based on the above, Sustainalytics considers the Pernod Ricard' Sustainability-Linked Financing

Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023.



## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

**Issuer name:** Pernod Ricard

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** September 15, 2023

At the launch of the bond, the structure is:

- a step-up structure  a variable redemption structure

### Section 2. Pre-Issuance Review

#### SCOPE OF REVIEW

The review:

- assessed the 5 core components of the SLBP (**complete review**) and confirmed the alignment with the SLBP.
- assessed only some of them (**partial review**) and confirmed the alignment with the SLBP; please indicate which elements:
- |   |   |
|---|---|
| <input type="checkbox"/> Selection of Key Performance Indicators (KPIs)           | <input type="checkbox"/> Bond characteristics |
| <input type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input type="checkbox"/> Reporting            |
| <input type="checkbox"/> Verification   |   |

#### ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Second Party Opinion  | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                     | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |   |

#### Does the review include a sustainability quality score?

- |  |   |
|--|---|
| <input type="checkbox"/> Of the issuer         | <input type="checkbox"/> Of the selected KPIs/SPTs        |
| <input type="checkbox"/> Of the framework      | <input type="checkbox"/> Other ( <i>please specify</i> ): |
| <input checked="" type="checkbox"/> No scoring |   |

#### ISSUER'S OVERARCHING OBJECTIVES

**Does the review include:**

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?

- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

### CLIMATE TRANSITION STRATEGY

#### Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

<b>Overall comment on this section:</b>
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### Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

##### Definition, Scope, and parameters

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                  |   |

##### Relevance, robustness, and reliability of the selected KPIs

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable, if that is not already the case |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis                           | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked   |
| <input type="checkbox"/> Current verification or assurance status   | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

<b>Overall comment on this section:</b>
---

Sustainalytics considers KPI 1, Absolute scope 1 and 2 GHG emissions ktCO <sub>2</sub> e, to be very strong given that it is a direct measure of the Group's emissions with a high scope of applicability as measured jointly with KPI 3 and lends itself to external contextual benchmarking.
--

Sustainalytics considers KPI 2, Water consumption per unit produced at distilleries, to be strong given that it follows a clear and consistent methodology and covers the majority of the Group's water consumption, despite not being able to be benchmarked.

Sustainalytics considered KPI 3, Scope 3 GHG emissions intensity per unit of value added to be strong given that it lends itself to external contextual benchmarking, covers the majority of the Group's total GHG footprint, but is an indirect measure of the Group's GHG emissions output.

#### CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

##### Rationale and level of ambition

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement compared to issuer's own performance over baseline | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer's sustainability and business strategy                   | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Peer performance                                 |

##### Does the review assess if the specificities of the sector and/or local context have been identified and addressed?

- |   |                             |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Not applicable |                             |

##### Relevance and reliability of selected benchmarks and baselines

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Issuer's past performance   | <input checked="" type="checkbox"/> Issuer's peer performance |
| <input checked="" type="checkbox"/> Science-based trajectories ( <i>please specify the references</i> ): SBTi | <input type="checkbox"/> Other ( <i>please specify</i> ):     |

##### Does the review assess the credibility of the issuer's strategy and action plan to achieve the SPTs?

- |   |                             |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

##### Does the review identify the key factors that may affect the achievement of the SPTs?

- |   |                             |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

##### Does the review opine on:

- |  |   |
|--|---|
| <input type="checkbox"/> the timelines for the target achievement            | <input type="checkbox"/> the target observation date(s)   |
| <input type="checkbox"/> the trigger event(s)                                | <input type="checkbox"/> Other ( <i>please specify</i> ): |
| <input type="checkbox"/> potential recalculations or adjustments description |   |

##### Overall comment on this section:

Sustainalytics considers the SPTs to align with Pernod Ricard's sustainability strategy and SPT 1.1. and SPT 1.2 to be highly ambitious given that it: i) is above historical performance; ii) is generally above the targets set by Pernod Ricard's peers; and iii) is aligned with the SBTi's 1.5°C scenario under the absolute contraction approach.

Sustainalytics considers Pernod Ricard’s SPT 2.1 and 2.2. to be ambitious given that it: i) is above historical performance, ii) is below the targets set by Pernod Ricard’s peers.

Sustainalytics considers Pernod Ricard’s SPT 3 to be moderately ambitious given that it: i) is above historical performance, ii) is below the targets set by Pernod Ricard’s peers, iii) is not aligned with the decarbonization pathway under SBTI’s scope 3 GEVA intensity approach.

**INSTRUMENT CHARACTERISTICS**

**Does the review assess whether the bond’s financial and/or structural characteristics are commensurate and meaningful?**

- Yes
- No

**Does the review opine on the fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner?**

- Yes
- No

**Overall comment on this section:**

Pernod Ricard has disclosed that the financial characteristics of the sustainability-linked debt instruments issued under the Framework will be linked to the achievement of the SPTs. The success or failure to achieve the SPTs on the relevant target observation dates will trigger a coupon step-up or margin adjustment, as applicable, to be detailed in the individual transaction documents. Sustainalytics considers these levels of disclosure to be aligned with the SLBP and SLLP, noting that it does not opine on the adequacy or the magnitude of the financial penalty.

Sustainalytics recognizes that Pernod Ricard can issue multiple sustainability-linked bonds and loans under the Framework. Sustainalytics encourages Pernod Ricard to include both KPIs and their associated SPTs for every bond issuance or loan transaction under the Framework.

**REPORTING**

**Does the review assess the commitments of the issuer to report:**

**Content:**

- The performance of the selected KPIs
- Verification
- The level of ambition of the SPTs
- Assurance report
- Other (*please specify*):

**Frequency:**

- Annual
- Semi-annual
- Other (*please specify*):

**Means of Disclosure**

- Information published in financial report, or annual report and accounts
- Information published in sustainability report or sustainability suite of reporting
- Information published in ad hoc documents
- Other (*please specify*):

**Overall comment on this section:**

Pernod Ricard commits to reporting on an annual basis, via its Sustainability Report, on its progress against the KPIs towards the relevant SPTs. Pernod Ricard further commits to disclose relevant information that will enable investors to monitor the level of ambition of the SPTs. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2023 and the Sustainability-Linked Loan Principles 2023.

**Section 4. Post-issuance**

**CHANGE TO PERIMETER REVIEW (if applicable)**

**Material change:**

- Perimeter
- SPTs calibration
- KPI methodology
- Other (please specify):

**VERIFICATION**

**Level of verification:**

- Limited assurance
- Other (please specify):
- Reasonable assurance

**Frequency:**

- Annual
- Other (please specify):
- Semi-annual

**Section 5. Additional Information**

**Useful links** (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

**Analysis of the contribution to the UN Sustainable Development Goals:**

**Additional assessment in relation with the issuer/bond framework:**

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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