



Pernod Ricard

BOARD OF DIRECTORS

16 February 2011

INTERNAL RULES AND REGULATIONS

The Board of Directors of Pernod Ricard (hereinafter referred to as “the Company”) adopted its Internal Rules and Regulations on 17 December 2002. These rules and regulations were amended on 18 June 2008, 23 July 2008, 22 July 2009 and 16 February 2011, more particularly, in order to comply with legislative and statutory changes and take into consideration the recommendations of the AFEP-MEDEF Corporate Governance Code of December 2008.

ARTICLE 1

PURPOSE OF THE INTERNAL RULES AND REGULATIONS

The Board of Directors is bound by the provisions of the French Commercial Code and articles 16 to 27 of the Company's by-laws.

The purpose of these internal rules and regulations, in the interests of its members, the Company and its shareholders, is to:

- specify the Board of Directors' modus operandi,
- remind the members of the Board of Directors of their different obligations.

These internal rules and regulations, as well as the obligations resulting therefrom, apply to all Directors, whether they are a legal entity with a permanent representative or a natural person.

ARTICLE 2

RESPONSIBILITIES AND POWERS OF THE BOARD OF DIRECTORS

In performing its legal prerogatives, the Board of Directors, among others:

- decides on all issues relating to the Company's main strategic, economic, social, and financial directions and ensures their implementation by the General Management;
- addresses all issues concerning the correct running of the Company's business and ensures their follow-up and monitoring; to this end it shall carry out any checks and inspections that it deems necessary and, more particularly, management audits of the Company;
- approves investment projects and any operation, in particular concerning acquisitions or assignments, which is likely to significantly affect the group's results, its balance sheet structure, or its corporate risk profile;
- draws up the annual and half-year accounts and makes preparations for the annual shareholders' meeting;
- defines the Company's financial communication policy;
- guarantees the quality of information provided to the shareholders as well as to the markets;
- appoints the company officers responsible for managing the Company;
- defines the General Management's remuneration policy upon recommendation of the Remuneration Committee;
- on an annual basis, prior to the publication of the annual report, examines, case by case, the position of each Director and then shall advise shareholders of the findings of its review so that independent Directors may be identified;
- approves the Report of the Board's Chairman on the conditions governing the preparation and organisation of the work performed by the Board of Directors and on internal control procedures implemented by the Company.

In order to be able to perform its functions, the Board of Directors shall periodically be kept informed, at least once per quarter, of the Company's financial and cash position as well as of any commitments, in accordance with the following terms and conditions and, more particularly, notes prepared to this end by the Financial Division.

In accordance with article L.225-51 of the French Commercial Code, the Chairman of the Board of Directors represents the Board of Directors. He organises and coordinates its work, and reports to the annual shareholders' meeting. He ensures the smooth running of all the Company's bodies and ensures, in particular, that the Directors are capable of performing their duties. Under the conditions defined by the by-laws and with the agreement of the Board of Directors, the Chairman of the Board of Directors can also simultaneously hold the position of General Manager.

It should be noted that, as an internal measure, the powers of the Managing Director or any Deputy Managing Director are limited and that certain decisions, defined by the Board of Directors, must be submitted to the Board for prior approval.

Prior to committing the Company, the Managing Director thus has to ensure that the Board of Directors is in agreement as regards any significant operation that is outside of the strategy announced by the Company as well as for those operations listed below:

- acquisitions, disposals and exchanges of property or property rights and initiating investments for an amount greater than 50 million Euros per operation;

- concluding any agreement for a joint venture or facility with ventures, whether or not they are incorporated in France, with the exception of any company that is a subsidiary of the Company (within the meaning of Article L.233-3 of the French Commercial Code);
- acquiring an interest or shareholding in any venture or partnership or corporation, incorporated or to be incorporated, by subscription or contribution in cash or in kind, by purchasing shares, rights in the company or other securities and generally by any form whatsoever and for an amount greater than 50 million Euros per operation;
- loans, credit and advances agreed by the Company for an amount greater than 50 million Euros per borrower, except when such a borrower is a subsidiary company of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code) and excluding loans agreed for a duration of less than one year;
- borrowings contracted by the Company, with or without the provision of securities on components of the company's assets, for a total amount greater than 200 million Euros in the same financial period, unless among subsidiaries of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code) for which no limit has previously been set;
- securities and guarantees, subject to the express delegation of the Board of Directors within the limits of Articles L.225-35 and R.225-28 of the French Commercial Code.
- disposing of equity investment that has an enterprise value that is greater than 50 million Euros.

ARTICLE 3

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors is convinced of the importance of the presence of independent Directors in its midst and seeks to promote their representation to a significant level.

The Company subscribes to the criteria of independence as expressed by the AFEP-MEDEF Consolidated Report for Corporate Governance of October 2003, that is to say: *“A Director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group, or the management of either that is such as to color his or her judgment”*.

With this in mind, the Board of Directors and the Appointments Committee shall base themselves on the evaluation grid referred to below in order to assess the independence of Directors on an annual basis. The Board of Directors and the Appointments Committee shall examine whether a Director:

- exercises an executive role in the Company or its Group, or has a particular relationship of interest with its executives;
- or in the last five years has been:
 - o an employee or officer of the Company or a company belonging to the Group;
 - o an officer of another company in which the Company is an officer or in which an employee or officer of the Company currently holds or has held an office in the preceding five year period;

- is a major customer, supplier or banker of the Company or its Group or for which the Company or its Group represents a significant proportion of business;
- has a close family relationship with an officer of the company;
- has been a company auditor in the last five years;
- has been a member of the Company's Board for more than twelve years;
- is a substantial shareholder or reference shareholder in the Company or the parent company exercising control over the Company; should such a shareholder own more than 10% of the stock capital or voting rights in the company, the Appointments Committee and the Board shall systematically examine his independence taking into account the company's capital mix and whether there are any potential conflicts of interest.

The Board of Directors may be of the opinion that, while meeting the above criteria, a Director should not be considered independent in the light of his particular position or that of the Company, in view of his shareholding or for any other reason. Conversely, the Board of Directors may be of the opinion that a Director who does not meet the above-mentioned criteria is nonetheless independent.

ARTICLE 4

OBLIGATIONS OF THE DIRECTORS

4.1 General obligations

Each member of the Board of Directors acknowledges being aware of the Company's by-laws as well as the legal and regulatory texts which govern French "*sociétés anonymes*" (limited companies) with a Board of Directors, in particular:

- the regulations limiting the number of directorships held,
- the regulations relating to agreements and operations concluded between the Director and the Company,
- the definition of the Board of Directors' powers.

Each member also acknowledges being aware of:

- the definition of and of the sanctions for insider trading (art. L. 465-1 of the Monetary and Financial Code) as well as of the sanctions for the use of privileged information (art. L. 621-15 of the Monetary and Financial Code) and
- all the rules and regulations relative to the Board of Directors provided for by the AFEP-MEDEF Corporate Governance Code for listed companies dated December 2008, and more particularly, the rules of professional conduct applicable to Directors.

4.2 Non-competition obligation

Putting the Company's interests ahead of his personal interests requires the Director to respect a non-competition obligation. Throughout the term of their directorship, all members of the Board of Directors undertake not to hold any positions with a competitor of the Company and companies it controls.

4.3 Obligation of loyalty and of revelation of conflicts of interests

The obligation of loyalty requires the members of the Board of Directors to, in no way, act in their own interests against those of the Company that they run.

The Director represents all the shareholders and in all circumstances must act in the interests of the Company that correspond to the shared interests of the shareholders.

In a situation which reveals or could reveal a conflict of interests between the best interests of the Company and his direct or indirect personal interests, or the interests of the shareholder or the group of shareholders that he or she represents, the Director concerned must abstain from voting on the corresponding decision.

In order to avoid the risks of conflicts of interests and to allow the Board of Directors to provide shareholders and markets with reliable information, each Director must inform the Board of Directors:

- As soon as he or she is aware of a situation which reveals or could reveal a conflict of interests between the best interests of the Company and his direct or indirect personal interests, or the interests of the shareholder or group of shareholders that he or she represents.
- Any directorship or position held with any company during the financial year, in the month following the end of that financial year.
- For the last five years and as soon as he or she is aware of it:
 - o any directorship held outside of the Group controlled by the Company,
 - o any sentence for fraud,
 - o association with a bankruptcy, receivership, or liquidation,
 - o any incrimination and/or official public sanction, in particular any impediment to act as a member of an issuer's management or supervisory body.

4.4 Obligations related to the possession of financial instruments issued by the Company

Beyond the minimum number of shares required by the by-laws, which is 50 shares, it is advisable that each Director acquires and holds no less than 1.000 shares in the Company.

The Director undertakes to have the securities he or she owns changed into registered form (pure or administered).

All Directors have the obligation to declare any acquisition, assignment, subscription and/or exchange of financial instruments issued by the Company or related financial instruments, whether they are carried out directly or by a third party.

If need be, all Directors undertake to inform non separated spouses, partners in a PACS¹ agreement, dependent children, relatives or relatives by marriage who have been living at their domicile for at least a year and/or any legal entity that they run, manage, or control, that they are subject to the same obligation.

This declarative obligation applies both to the permanent representatives of legal entities on the Board, and the legal entities themselves. However, operations carried out by legal entities within the group that they belong to are not required to be declared.

Operations carried out by a Director, whose total sum does not exceed 5000 Euros for the calendar year are not required to be declared either. This threshold is calculated by totalling all operations carried out by himself and the operations carried out by persons linked to him.

This information must be passed on to the French *Autorité des Marchés Financiers* (Financial Markets Authority) within five trading days of the operation, with a copy of said message sent to the Company.

The AMF publishes and updates a position on the nature of operations to be declared and the methods of declaration (standard form) on its internet site (www.amf-france.org). Directors considering carrying out an operation must refer to the said position and methods.

4.5 Obligations related to the possession of insider information

As a general rule, and concerning non public information acquired in the performance of his duties, the Director shall consider himself to be constrained by a veritable professional secrecy which goes beyond the simple need for discretion provided by article L. 225-37 par. 5 of the French Commercial Code².

More specifically, in the performance of his duties, the Director regularly has the opportunity to access specific, non public information concerning the Company, as well as the financial instruments that the Company issues, which, if it was to be made public, would be likely to have a noticeable influence on the stock market price.

Thus, all Directors appear on the list of insiders prepared by the Company and made available to the AMF.

If a Director is in possession of such information, he or she shall not³:

- use this information to acquire or assign, or to attempt to acquire or assign, for himself or on behalf of a third party, directly or indirectly, financial instruments to which this information refers or financial instruments to which these instruments are related;

¹ *Pacte Civil de Solidarité*

² Article L. 225-37, par. 5 of the French Commercial Code: "The directors, as well as any persons summoned to attend the Board of Directors meetings, are bound by discretion with regard to information of a confidential nature or data presented as such by the Chairman of the Board of Directors".

³ Article 622-1 of the AMF's general rules and regulations.

- to pass on this information to anyone outside of his normal working environment, his profession or his role, or for purposes other than those for which it was passed on;
- to advise another person to acquire or assign, or to have acquired or assigned said financial instruments⁴.

Restricted periods:

As well as the major events and decisions that constitute insider information, the precise knowledge of the Company's accounts before their publication can represent insider information. Consequently, all Directors undertake not to carry out operations on the Company's financial instruments and, if need be, on the share options concerning the Company's securities for a period of:

- thirty calendar days preceding the date on which the consolidated half-yearly or annual accounts are made public,
- fifteen calendar days preceding the date on which the quarterly, half-yearly, or annual turnover is made public.

The restricted period is extended, in the following situations:

- 1/ to the day after the day of the publication, when it occurred after the closing of the markets (after 18h00 CET);
- 2/ to the day of the publication, when it occurred before the opening of the markets (before 09h00 CET).

The calendar of restricted periods for the coming six months is distributed to the Directors periodically.

It is furthermore noted that it remains forbidden for Directors to carry out operations on any of the Company's financial instruments within the period between the date on which he or she became aware of the information which, if it was to be made public, could have a noticeable influence on the market price of Pernod Ricard securities, and the date on which this information is made public. In the event of difficulties, or doubts on the nature of what is considered to be insider information or not, the Directors are asked to contact the Chairman of the Board of Directors.

Furthermore, the Directors are invited to refer to the Ethics Code, adopted by the Board of Directors on 16 February 2011, and that applies to them under specific arrangements.

4.6 Duty of diligence and vigilance

All members of the Board of Directors undertake to be assiduous and agree to:

⁴ In the event of a violation of these abstention rules, the AMF can fine the offender up to 1,500,000 Euros or, if profits have been made, up to ten times their total. Furthermore, such actions may constitute insider dealing. The use of insider information is punishable by two years imprisonment and a fine of 1,500,000 Euros whose total may exceed this figure, up to ten times the total of the profits achieved, with a minimum fine equal to the said profit. The communication of insider information is punishable by one year's imprisonment and a fine of 150,000 Euros.

- attend all Board of Directors meetings in person, by videoconference or telecommunications if need be, except in the event of an unavoidable impediment,
- attend all annual shareholders' meetings,
- attend meetings of all Committees set up by the Board of Directors of which he or she is a member,
- to analyse all questions dealt with by the Board.

The Director shall receive, generally eight days before the Board of Directors meeting, the meeting's agenda as well as the documents enabling him or her to give his or her opinion on the points in the agenda wittingly and in an informed manner. Notes and documents that support subjects which have a current, urgent, or confidential nature may be provided during the meeting.

To effectively take part in the preparation of the work and the decisions of the Board of Directors, the Director shall request all documents or complementary information that he or she deems necessary. Requests to this end shall be made to the Chairman of the Board of Directors, whose mission is to ensure that the Directors are able to correctly perform their duties.

Directors should also find themselves spontaneously provided with useful information at any time in the Company's life between Board meetings should the importance or urgent nature of the information so require.

Each Director may undergo additional training in specific features of the company, its business lines or business sector, if he deems this necessary.

If he or she so wishes, every Director is invited to meet the Directors of the Company's operational teams after giving prior notice to the Chairman.

ARTICLE 5

MEETINGS OF THE BOARD OF DIRECTORS

5.1 Meetings

The Board of Directors shall meet as often as is required in the Company's interest and at least 6 times per year.

The meetings are held in any place stated in the notice of the meeting and, as far as it is possible, at the Company's registered office or at one of its subsidiaries.

Notice of meetings may be given by any means. However, except in particular circumstances, it is delivered in writing at least eight days before each meeting.

5.2 Minutes

The draft minutes are, as far as it is possible, submitted to the Directors for approval during the next Board of Directors meeting. They are attached to the notice of meeting.

5.3 Use of video conferencing or telecommunications

Directors attending the meeting via video conferencing or telecommunications shall be deemed to be present for the purposes of calculating the quorum and the majority.

This method of participation is not applicable for decision-making whose aim is to:

- draw up the annual corporate accounts and the management report,
- draw up the consolidated annual accounts and the Group management report.

The video conferencing or telecommunications means put in place must at least transmit the participants' voices and enable the continuous and simultaneous transmission of the deliberations.

The minutes of the deliberations shall mention the Directors' attendance via video conferencing or telecommunications means and, if need be, the occurrence of possible technical problems if the course of the meeting has been disturbed.

ARTICLE 6 COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors may, upon proposal by its Chairman, set up Committees - whose composition and mandates it defines - as often as required in the best interests of the Company.

The Committees handle subjects in the area for which they have been given responsibility and may request external technical studies into matters that fall within their remit, at the expense of the Company, after so informing the Chairman of the Board of Directors or the Board of Directors itself, and on condition that they report their findings to the Board of Directors.

Should the Committees establish their own internal rules and regulations, they shall have them first approved by the Board of Directors.

There are four permanent Committees:

- the **Strategic Committee**, whose main responsibility is to prepare the strategic guidelines for the approval of the Board of Directors;
- the **Audit Committee**, whose main functions are:
 - o the process of putting together financial information: examining draft annual and six-monthly company accounts and the Group's consolidated accounts prior to presenting them to the Board of Directors; checking the appropriateness and consistency of accounting methods and principles;

- drawing attention to any possible breach of such rules and monitoring the quality of the information issued to shareholders;
- the effectiveness of the internal control and risk management systems:
 - as far as the Company's internal controls are concerned, evaluating with those responsible for internal controls, the Group's internal control systems, and examining, with those responsible, contingency plans and actions within the scope of an internal audit, the findings of such interventions and recommendations and follow-up action given to them;
 - as far as risks are concerned, regularly reviewing the Group's financial position and key financial risks and more particularly off-balance sheet commitments;
- a statutory audit of the company accounts and consolidated accounts by the Statutory Auditors as well as of the independence of the Statutory Auditors: examining with the Statutory Auditors their contingency plans, the findings of these and their recommendations, together with any follow-up action being taken; examining the monitoring of the independence of the Statutory Auditors; overseeing the selection process for the Statutory Auditors by means of invitations to tender; evaluating proposals to appoint or renew the services of the Company's Statutory Auditors and their remuneration and making recommendations in this respect.
- the **Remuneration Committee**, whose main functions are:
 - to review and propose to the Board of Directors the remuneration a company executive officer (or officers) is to be allowed together with pension arrangements and any benefits to be made available to him/them;
 - accordingly, to propose and evaluate on an annual basis, the rules to determine the variable portion to be paid to company executive officers and monitor the consistency of the selected criteria with the Company's short, medium and long-term strategic directions.
 - to recommend to the Board of Directors the amount of director's fees to be paid for the approval of the annual meeting of shareholders, together with their conditions of distribution in accordance with the following functions:
 - Member of the Board of Directors or
 - Member of the Board Committee ;
 - to be kept informed, in the presence of one or more company executive officer, of the remuneration policy for chief executives of companies belonging to the Pernod Ricard Group who are not company officers;
 - to ensure the consistency of the remuneration policy for executives who are not company officers with the policy for executives who are company officers;
 - to propose a general policy for the allocation of free shares and to subscribe to or purchase stock options and more particularly, the terms and conditions of allocation applicable to one or more of the Company's executive officers;
 - to approve information on the remuneration of company officers provided to shareholders in the annual report together with information on the

policy for the allocation of free shares, and more generally, on other work conducted by the Remuneration Committee.

- the **Appointments Committee**, whose main functions are:
 - to make proposals concerning the selection of new Directors and propose a procedure to look for and re-elect directors;
 - periodically, and at least once annually, to discuss the AFEP-MEDEF Code criteria for independence, what qualifies a Director, together with candidates for the position of Director or Board Committee candidates as being independent;
 - to ensure the continuity of the managing bodies by drawing up a succession plan for one or more company executive officers and Directors in order to be able to propose solutions to the Board of Directors in the event of unplanned leave;
 - to be kept informed of succession plans for key positions within the Pernod Ricard Group;
 - to regularly review the composition of the Board of Directors in order to monitor, more particularly, the quality (number of members and diversity of profile) and regular attendance of its members;
 - to periodically proceed with an assessment of the Board of Directors.

The Committees are composed of members chosen among non-executive the Directors. However, the Chairman of the Board of Directors shall be associated in the work of the Appointments Committee. At least two thirds of the members of the Audit, Remuneration, and Appointments committees shall be independent, as defined by the corporate governance rules.

ARTICLE 7

ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS

Periodically and once per year at least, the Board:

- shall review its composition, operation and organisation.
- shall verify that important matters are prepared and discussed in an appropriate manner;

Furthermore, at least once every three years, it shall carry out or commission a formal assessment of its work.

Every year, the Board of Directors shall inform the shareholders, in the annual report, of the assessments it has carried out and, where appropriate, of any follow-up action.

ARTICLE 8

REMUNERATION

The total budget for directors' fees is put to the vote of the shareholders at the Annual Shareholders' Meeting. It is allocated by the Board of Directors, in accordance with the recommendations of the Remuneration Committee, to the Directors taking into account their actual attendance at the Board meetings, their

level of involvement in the Board's work and the Committees, as well as the distance of the location from their normal residence.

Furthermore, the Directors are reimbursed their travel and accommodation expenses relating to the Board of Directors meetings.

ARTICLE 9
ADAPTATIONS AND AMENDMENTS TO THE INTERNAL RULES AND REGULATIONS

These internal rules and regulations may be adapted and amended upon decision of the Board of Directors.

Any new member of the Board of Directors shall be given a copy of these rules and regulations as well as a copy of the Company's by-laws.

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