



DIAGEO

**MODERN SLAVERY
ACT STATEMENT**

for the Financial Year ended 30 June 2018

This statement describes the activities Diageo is undertaking to prevent slavery and human trafficking in our business operations and supply chain. It has been published in accordance with the Modern Slavery Act 2015 (MSA) and the California Transparency in Supply Chains Act 2010, and covers all Diageo group companies worldwide. The MSA requires large businesses in the UK to publish a slavery and human trafficking statement for financial years ending on or after 31 March 2016.

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INTRODUCTION

What is modern slavery?

Modern slavery is a crime and a violation of fundamental human rights. Modern slavery takes various forms, including slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain.

We know that modern slavery is a global issue and is linked in part to the rapid rise in global migration. It exists in every region in the world and in most types of economy, whether industrialised, developing or in transition. No sector or industry can be considered immune or be complacent.

Diageo has a zero-tolerance approach to modern slavery. This statement describes what we are doing to prevent modern slavery in our business operations and our value chain.

Our ambition

Diageo is a global leader in beverage alcohol with an outstanding collection of brands across spirits and beer. Our products are sold in more than 180 countries around the world. Our brands include Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies, Smirnoff, Cîroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.

It is our ambition to be one of the best performing, most trusted and respected companies in the world. We know we will only achieve this ambition if we do business sustainably and responsibly, and can demonstrate that this is the case.

We produce our brands from 154 sites across 26 countries. We directly employ around 30,000 people. Our partners employ many more, supporting our global manufacturing, distribution, sales and marketing operations. We have interdependent relationships throughout our value chain, from the farmers who grow our ingredients, to our employees and contractors, to the consumers who buy our brands. We want to make sure that throughout that chain – wherever we source, make and sell – we are making a positive contribution.



It is our ambition to be recognised as one of the best performing, most trusted and respected companies in the world.



Introduction



Diageo has a well-developed and embedded policy framework that addresses human rights, and specifically the risk of modern slavery.

Our 2020 sustainability and responsibility targets

Defining and delivering our sustainability goals is an integral part of our long-term business strategy and our commitment to making a real difference to the world in which we operate.

Our sustainability and responsibility targets for 2020 focus on the areas that are most material to our business and that will contribute to long-term impact and success, delivering value for Diageo, our stakeholders and communities. Our 2020 targets draw on our achievements to date and our ambitions for the future, are aligned with the UN Sustainable Development Goals (SDGs) and have been developed by a diverse group of internal and external experts. We have mapped our

sustainable development strategy against the SDGs and, through our targets and ongoing programmes, are supporting their delivery. We recognise the need to work in partnership with others in order to meet our ambitions and the wider goals of the SDGs.

Two specific commitments within our 2020 targets relate directly to modern slavery:

- act in accordance with the UN Guiding Principles on Business and Human Rights.
- deliver our responsible sourcing commitments with suppliers to improve labour standards and human rights in our supply chains.

For additional information on our 2020 targets, please see [our website](#).

Our approach

We are a signatory to the United Nations Global Compact and committed to acting in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs). We fully endorse and support the principles enshrined in the International Bill of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

Diageo has a well-developed and embedded policy framework that addresses human rights, and specifically the risk of modern slavery. This framework details our commitment to acting ethically and with integrity in all our business dealings, and to implementing and enforcing systems and controls to prevent modern slavery in our business and in our value chain. We are also committed to ensuring there is transparency in our approach to tackling modern slavery in our own business and throughout our value chain.

We expect the same high standards from all our contractors, suppliers and other business partners, and we require our contractors and suppliers to comply with our policies and codes to combat the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children. We expect our suppliers in turn to hold their own suppliers to the same high standards.

We have regular contact with our trading partners to check, as far as possible, that they are similarly committed to good practices in relation to their workforce and contractors.

OUR POLICIES AND TRAINING

Our policy framework addresses human rights, and specifically the risk of modern slavery, and is supported by training.

Our policies

1

Our **Code of Business Conduct** (our Code) is intended to embody our purpose and values. It sets out our collective and individual commitment to conducting business in accordance with them, and with all relevant laws, regulations and industry requirements, as well as with a high standard of ethics and responsibility. Our Code also sets out the headline expectations on human rights, which are further detailed in our Global Human Rights Policy. Our Code is available in 20 languages. You can read about [our Code here](#).

2

Our **Human Rights Policy** details Diageo's position on our core human rights principles – valuing diversity; preventing harassment, discrimination, child labour and forced labour; expectations on wage and working hours; and enabling freedom of association to trade unions. You can read about [our Global Human Rights Policy here](#).

3

Our **Partnering with Suppliers Standard** – our code for suppliers – has been developed to help drive higher standards in our supply chain. It sets out the minimum standards we require of our suppliers, along with the wider sustainability aspirations we expect our suppliers to be working towards in areas such as water management and emissions reductions. The standard is structured around the following five focus areas of engagement with our suppliers: Business Integrity and Ethical Standards, Human Rights and Labour Standards, Health and Safety, Environmental Impact and Sustainable Agricultural Supply Chains. You can read more about [our Partnering with Suppliers Standard here](#).

Who these policies apply to

Our Code and Global Human Rights Policy apply to every one of our employees worldwide regardless of their role or seniority, including those in subsidiary companies and joint ventures where Diageo has a controlling interest.

We also expect all our business partners to adopt clear commitments on ethical business like those in our Code, and any party operating on Diageo's behalf must ensure that their actions comply with our Code and global policies. Wherever possible, we contractually commit our business partners to adhere to our Code and/or our Partnering with Suppliers Standard. We have also included an 'end-to-end responsibility' statement in our Partnering with Suppliers Standard, setting out the expectation of our suppliers to promote the principles of the standard throughout their own supply chain, and to have the appropriate processes in place to verify and demonstrate applicable compliance standards.



Our Policies and Training

Training on these policies

Diageo understands the importance of building compliance capability across the business and we are working hard to engage our employees.

Our Code training – our way of assuring that all employees fully understand what is expected of them – is delivered predominantly by e-Learning, with an integrated Annual Certification of Compliance (ACC) requirement for managers and above. The eLearning is assigned to every employee in every market annually and covers all areas of our Code, with specific emphasis on key topics reinforced by scenario-based videos. Employees are able to complete it in their chosen language on their desktop, laptop, tablet or smartphone, with a face-to-face classroom training option delivered at sites where employees do not use computers. All new joiners are required to complete the training within 30 days.

Each market has its own training plan for our Code and key global policies, which they deliver through locally organised, risk-based training. We have strengthened our communication on good practice through annual engagement events in regions, such as the Pathway of Pride programme in Africa, Ethics Day in Asia Pacific and Compliance Awareness Day in Latin America.

We regularly review our training and communications material, and methods for delivery, to ensure they remain relevant to the risks our employees face in their roles.

Our Annual Certificate of Compliance (ACC) certifies that all employees at manager level and above fully understand what is expected of them. In 2018 the ACC was completed by 100% of eligible employees, a total of 9,009 people.

Our Code will be refreshed in 2019 to reflect external regulatory changes.

Dedicated modern slavery training

In 2016 we reported that key employees in Procurement and Sustainability who have direct responsibility for our Human Rights, Responsible Sourcing or Supply Governance programmes were trained on human trafficking and slavery, with external input to build awareness of possible risk in key geographies and supply networks. Due to changes in the teams, we intend to refresh this training as well as expand it to additional employees working in higher risk areas.

More broadly, through our Human Rights programme, we are building awareness among our employees of human rights risks in our value chain and engaging them on the issues through the human rights assessment

process, which considers business activities from sourcing raw materials to operations, right the way through to sales.

We also provide training for our Procurement teams on our responsible sourcing programme and our Partnering with Suppliers Standard, which includes guidance on how we manage human rights and labour standard risks within our supply chain.

For our supply sites specifically, we provide Security Standards and Awareness training to ensure the integrity of our supply chain, which reduces the risk of human trafficking.

Whistleblowing and breaches

We have a global standard for managing breaches that provides guidance to those

involved in the process to ensure it is managed effectively.

This includes breaches raised through our confidential whistleblowing line, SpeakUp, which is available for all Diageo employees or business partners to use in order to raise concerns about a breach of our Code, global policies or standards, or when something doesn't feel right or live up to our Diageo values. Complete anonymity is assured. SpeakUp is managed by a company independent of Diageo and is available to employees and business partners in their language of choice.

Where appropriate, we share anonymous case studies of breaches of different areas of our Code with employees so that they can learn from them. In 2018, seven human rights allegations were raised via SpeakUp. Of the seven, five were substantiated. All but one of the seven investigations were closed out within our 60-day timeframe, demonstrating the seriousness and pace with which these matters are handled. The five substantiated cases related to: required social security fund payments not being made on behalf of employees (two cases), safety and security concerns (one case), a sub-contractor bringing on site an underage employee (one case) and an employee-related Human Rights Policy breach (one case). We have taken action to address these issues.



GOVERNANCE

Lead responsibility for human rights sits jointly with the President, Global Supply and Procurement and the Group Human Resources Director. Both are members of the Diageo Executive Committee and report to the global CEO and CFO (respectively), who are members of, and responsible to, the Board of Directors. Both also sit on our Human Rights Steering Committee, which shapes and determines our strategy on human rights and ensures its operational delivery across the business' activities. This steering committee includes the following senior management positions: Global Diageo in Society Director, Global Risk and Compliance Director and Global Organisation Effectiveness Director.

We also operate a cross-functional working group comprising senior managers from across the business who have relevant expertise, knowledge and skills. This working group plays a leadership and advisory role in our human rights agenda. The working group also includes external expertise from Business for Social Responsibility (BSR), a leading global non-profit consultancy in the areas of human rights, sustainability and the environment.

Our Diageo in Society team coordinates our programme activity, which is prioritised by country and risk. This team works with our markets around the world to apply the programme, engaging senior management in each location to undertake human rights assessments with the support of expert external advisers.



OUR SUPPLY NETWORK AND ASSESSMENT PROCESS

Around 35,000 direct suppliers from more than 100 countries provide us with the raw materials, expertise and other resources that help us make great brands. All the products we make rely on high-quality agricultural raw materials and the people who grow them. Just a few key raw materials go into many of our well-known brands – from barley in Johnnie Walker and wheat in Smirnoff to molasses in Captain Morgan and cream in Baileys.

These agricultural raw materials are drawn from farms all over the world, ranging from large, highly mechanised farms over thousands of hectares in Europe and the USA to family-owned smallholdings in Africa which may be less than two hectares in size.

We recognise that different farm types and locations, involving a wide variety of types of employee (permanent, temporary, contract and seasonal), pose different risks in terms of modern slavery. We adapt our approach to assessing standards and managing issues

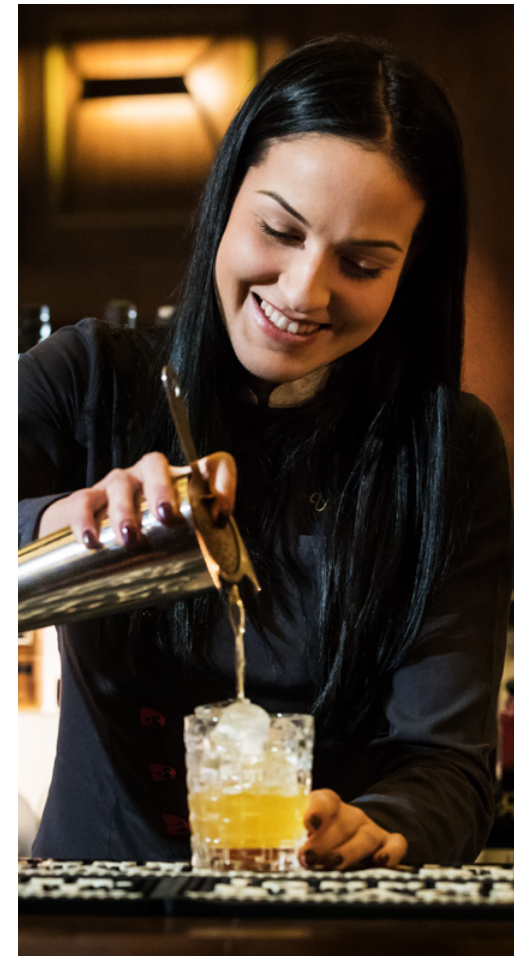
accordingly, working with major international suppliers and, in some cases, directly with smallholder farmers.

More details of the key crops we use and their various origins are contained in our [Sustainable Agriculture strategy](#).

The other goods and services we routinely source include packaging materials, especially glass, corrugated board and cartons; marketing materials; capital equipment and business services. These are typically from larger, established suppliers operating well-developed systems and processes in order to meet the scale of our needs as a large business. We recognise, however, that this does not automatically prevent risks to labour standards or in terms of modern slavery, irrespective of the nature and location of suppliers, and we monitor and assess suppliers against international standards and our own Partnering with Suppliers Standard.

Our approach to assessing risk, monitoring standards and developing action to address issues within this wide, varied and complex supply network has two areas of activity:

- Our **Human Rights programme**, including HRIAs which are based on our geographic markets around the world and consider all aspects of our value chain, from farming activity, through our own operations, to our consumer markets in the hospitality sector.
- Our **Responsible Sourcing programme**, working with suppliers all over the world.



HUMAN RIGHTS PROGRAMME

We have been signatories to the UN Guiding Principles on Business and Human Rights (UNGPs) since 2014. As part of our commitment to act in accordance with the UNGPs, we partnered with Business for Social Responsibility (BSR) in 2016 to formulate and deliver our human rights strategy. We have since conducted a corporate-level risk assessment and mapped our global policies and processes against the UNGPs, while also considering risks in different geographies informed by our own understanding and external reference data.

Following the corporate-level assessment, we developed a comprehensive Human Rights Impact Assessment (HRIA) toolkit to guide our markets through a systematic review of their businesses to identify and assess potential human rights impacts, including modern slavery risks. Our assessments are robust, and involve detailed examination of our value chain, from raw material sourcing – which includes visits to farming communities and fields where we source our barley, wheat,

sorghum, sugarcane, agave and other agricultural products – to the suppliers and manufacturing units where we procure our glass, labels, caps and other items, to our own production operations, and to the retailers and bars selling our products. They involve meetings with employees, union members, workers on factory production lines, manpower providers, contract workers, NGOs we support and other external parties.

Where assessments identify human rights concerns, or suggest our approach can be strengthened to better identify and prevent risk, we put in place robust action plans to resolve matters, working with external experts when appropriate.

We aim to conduct HRIAs in all markets by 2020. After an initial pilot in Kenya in 2016, in 2017 we carried out HRIAs in Uganda, Mexico, Brazil, Turkey, Thailand and Ghana and, in 2018, in Tanzania, Guatemala, the UK, India and Colombia, bringing our total to 12 since 2016.



Human Rights Programme

Addressing risks

In line with the UNGPs, we have identified three risks as particularly salient to our business:

- labour rights, including the risk of child labour, specifically in agricultural supply networks.
- labour standards for contract workers.
- sexual harassment in the hospitality sector.

These issues are external risk factors in the places where we operate, and we recognise the challenges they pose in our value chain. We are particularly aware of these risks when carrying out HRIAs (see our progress against our target, below), and in our supply chain.

Having identified these risks, we have developed a child protection programme for our work with smallholder farmers, where we have trained key functions and business partners on our local sourcing programme in seven countries in Africa to prevent child labour. We have also developed initiatives aimed at preventing sexual harassment in the hospitality sector and as part of it, we have launched a new Global Brand Promoter Standard which establishes principles and guidelines to protect the rights of brand

promoters. You can read about our [standard](#) here.

We have also created contractor standards guided by the International Labour Organization's Declaration on Fundamental Principles and Rights to Work, focused on promoting conditions in which people can work in freedom and safety.

In addition to the above, each market has produced an action plan to address its specific risks.

We also recognise specific risks for women, as well as opportunities for their empowerment, in agriculture and smallholder farming in Africa. In 2018 we conducted research with CARE International UK, a global NGO, to better understand these issues and identify ways of working and policies that improve farm work and better protect the rights of women on these farms. We are now integrating their recommendations in our local sourcing programme.

Because human rights issues are often systemic, we also work with others to address them at scale. This includes further work with CARE International UK, with whom we have been collaborating to combat sexual harassment of women in the hospitality sector, after initial work in Southeast Asia.



RESPONSIBLE SOURCING PROGRAMME

We manage social and ethical risks in our supply chain through our Responsible Sourcing programme, which is embedded across our procurement function. Our programme starts with our Partnering with Suppliers Standard, which sets out our commitment to acting in accordance with the UN Guiding Principles on Business and Human Rights and the international standards set out by the eight core International Labour Organization (ILO) conventions and recommendations. The Partnering with Suppliers Standard states:



we expect our suppliers strictly to prohibit the use of forced labour, whether in the form of slave labour, indentured labour, bonded labour, coercion of any employee through any means, or any other form.

Our Responsible Sourcing programme follows a risk-based approach to assessing adherence to our supplier code. Suppliers are risk assessed against the following three criteria: location of supplier site, type of product or service and spend. Suppliers assessed as a potential risk are required to register with SEDEX, the Supplier Ethical Data Exchange, and complete a SEDEX Self-Assessment Questionnaire (SAQ). Suppliers who are assessed as a potential high risk are required to register with SEDEX and undertake an independent third-party SMETA 4-pillar ethical audit.

We continue to expand the scale of our Responsible Sourcing programme and increase the number of independent ethical audits of suppliers, a key part of our due diligence process to identify and manage ethical risks in our supply chain, including modern slavery. As at 30 June 2018 (the end of Financial Year 2018), 1,248 of Diageo's supplier sites assessed as a potential risk had completed a SEDEX self-assessment questionnaire. Of the 486 supplier sites assessed as a potential high risk, 76% (370) were independently audited during the past

three years against the SEDEX Members Ethical Trade Audit (SMETA) 4-pillar audit protocol or equivalent. This is an increase from 65% the previous year. Of these, 231 audits were commissioned by Diageo and 170 were accessed through SEDEX or AIM-PROGRESS.

As a result of the audits we commissioned, a number of issues of non-compliance were raised. The majority related to basic working conditions and, specifically, health, safety and hygiene issues, with some non-compliances relating to wages and benefits, and to working hours. As part of our Responsible Sourcing programme we are working with our suppliers to resolve the issues identified and, where required, arrange follow-up audits to verify the issues have been resolved.

The audits we commissioned also identified 18 non-compliances under the category of 'freely chosen employment', a specific concern within the context of modern slavery. Twelve of these non-compliances related to the absence of a policy on forced labour, three related to suppliers withholding documents



Responsible Sourcing Programme

and the remaining three to compulsory overtime, charges for personal protective equipment and excessive probation periods. Two of these non-compliances have now been verified as resolved, and we are working with the suppliers to ensure the remaining non-compliances are addressed.

We recognise that the risk of child labour is not restricted to agriculture, but prevalent in many sectors, and we consider it as part of our supplier assessment programme. Through the audits we commissioned, we identified 34 issues of non-compliance under the category of children and young workers. Twenty-four issues related to the lack of a formal policy at the supplier's facility in relation to child labour, eight related to missing documentation to verify age and two related to the working hours of employees. Seven issues of non-compliance have been verified as closed and we are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved as well.

As mentioned in our statement last year, considering suppliers further down our supply chain remains an area of focus, and specifically those dealing with agricultural raw materials in our sugar and molasses supply chains. This year we conducted a HRIA of our Guatemalan supply chain, followed by a more specific

external audit against the BSCI standard of our Guatemalan molasses supply. These assessments identified a number of opportunities to improve working conditions, specifically related to worker engagement and representation, working hours and living conditions of third-party contractors. We are working on closing out the related corrective action plans, with a re-assessment against BSCI planned for early 2019 to track improvement.

We are also members of AIM-PROGRESS, a forum of over 40 leading consumer goods companies that promote responsible sourcing practices and sustainable supply chains. The goal of AIM-PROGRESS is to positively affect people's lives through combined leadership of robust responsible sourcing practices throughout members' supply chains.

Through AIM-PROGRESS, we are involved in programmes such as building supply chain capability so that member organisations and their suppliers are competent in executing robust responsible sourcing programmes, developing common evaluation methodologies and tools and sharing supplier audits, which reduces audit fatigue for our suppliers.

This year we worked with our peers under the umbrella of AIM-PROGRESS to develop a [supplier business toolkit](#) to share best practice

and provide practical guidance on how to improve productivity, quality and workforce management, by ensuring good working conditions and ethical standards – part of which includes sections on forced labour and child labour. More information can be found at www.aim-progress.com.

As reported in 2017, we continue to be officially accredited as a Living Wage employer in the United Kingdom, a first for a major drinks company in the UK. With treatment of contracted labour being a potential risk, this provides a further safeguard.



PLANS FOR THE FUTURE

Our programmes provide a solid platform to continue progress in reducing the risk of modern slavery in our business and value chain. Our HRIAs and Responsible Sourcing programme have helped us identify and focus on higher risk areas within our value chain, and to instigate remedial and improvement action. We will continue these programmes in 2019, expanding our Human Rights programme to more countries and value chains, and assessing more suppliers through our Responsible Sourcing programme. The key risks we have identified will be the focus of further work, as we strengthen child protection and contract labour standards, while also building awareness and capability within our supplier network through training and engagement programmes.

Agricultural supply chains remain a focus, through the implementation of our refreshed Sustainable Agriculture Guidelines, which in conjunction with our human rights programme, is enabling us to gain a better understanding of the risks within our agricultural supply network.

We recognise there can be a heightened risk of modern slavery in some emerging markets where we make acquisitions. We will continue to apply our programmes across all markets, implementing them for acquisitions and their associated supply chains. Any new acquisition becomes part of our global drive to ensure all our companies and their suppliers meet Diageo's high standards in all areas of governance and compliance, including in the fields of human rights and modern slavery.

Review and approval

This statement was approved by the Board of Diageo plc and will be reviewed by the Board of Directors at least annually.



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Registered In England
No. 23307

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Crown Royal



BUCHANAN'S



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CÎROC

Captain Morgan



Tangieray

