



DIAGEO

## MODERN SLAVERY ACT STATEMENT

for the Financial year ended 30 June 2017

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 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 143 sites across 28 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.





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. 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 30,000 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.

We launched our refreshed Code of Business Conduct to every employee in every market in July 2015; our Code is available in 20 languages. In July 2016, we retrained all our people on our Code through an updated eLearning, which for the first time integrated our Annual Certification of Compliance (ACC). The eLearning was assigned to every employee in every market and covered all areas of our Code, with specific emphasis on key topics reinforced by scenario-based videos. Employees were 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 2017, the ACC was completed by all 9,403 eligible managers, while our United Spirits Limited business in India trained all 2,176 eligible employees.

**Dedicated modern slavery training**

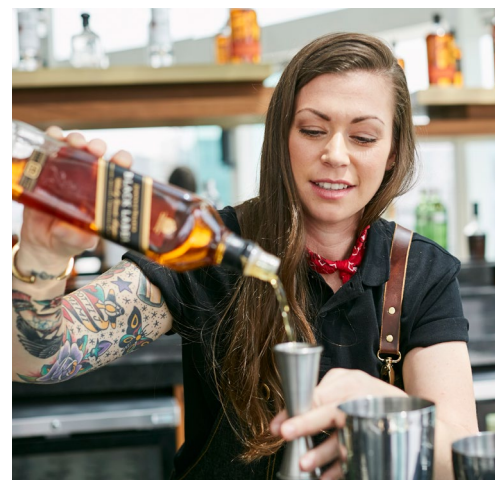
Key employees in Procurement and Sustainability who have direct responsibility for our Human Rights, Responsible Sourcing, and Supply Governance programmes have been trained on human trafficking and slavery, with external input to build awareness of possible risk in key geographies and supply networks. We are reviewing this training with the intention of developing it as new issues emerge and to better support new employees in their roles.

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 both live and web-based training for our Procurement teams on our responsible sourcing programme and our Partnering with Suppliers Standard, which includes guidance on managing human rights and labour standard risks within our supply chain.

For our supply sites specifically, we provide Security Awareness Training for Supply Chain Integrity to ensure our employees are instructed on what to look for in the supply chain in terms 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 2017, we reported seven human rights-related breaches in our Annual Report. Following investigations, we have addressed those issues, for example by working with contract labour providers in Uganda to ensure that contracted personnel received their correct holiday entitlement. We continue to prioritise contracted labour in our Human Rights Impact Assessments (HRIAs), recognising the potential risk posed in terms of working conditions and standards.

# 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, 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's activities. This steering committee includes the following senior management positions: Global Sustainable Development Director; Global Risk & Compliance Director; and the Global Organisation Effectiveness Director.

We have also set up 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 Sustainable Development 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,

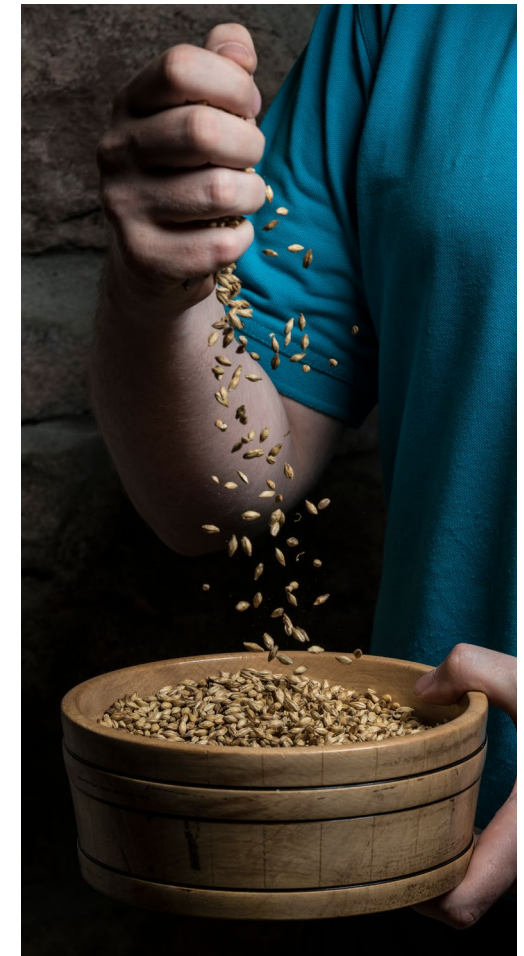
working with major international suppliers and, in some cases, directly with smallholder farmers.

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 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, plantations 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.

After an initial pilot in Kenya in 2016, in 2017 we carried out HRIAs in Uganda, Mexico, Brazil, Turkey, Thailand and Ghana, as part of our programme to conduct HRIAs in all markets by 2020. We have also conducted a number of training sessions for employees to be able to undertake risk assessment and conduct HRIAs across our markets with support from BSR.



**Addressing risks**

In line with the UNGP, we have identified three risks as particularly relevant to our business and value chain:

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

In the context of the Modern Slavery Act, we undertook a number of assessments in different countries as a result of the potential child labour risk identified in our Human Rights programme; specifically, we assessed the risks to children on smallholder farms in our agricultural supply network in Africa. While these assessments did not highlight immediate concerns, we are developing programmes to build awareness of, and support for, child protection both within those communities and among the members of our teams who work with them. We will continue to assess our agricultural supply chains for this risk, and develop further protection measures as needed.

We also recognise specific risks for women, as well as opportunities for their empowerment, in agriculture and smallholder farming in Africa. We are working with the global NGO, CARE, to research these issues and identify ways of working and policies that improve farm work and better protect the rights of women on these farms. This work in our African agricultural supply chains was a goal we set ourselves in our 2016 statement.

We are developing measures to protect contract workers, including seasonal contract workers who join our business for short periods of time, to ensure that their working conditions are to our usual standards. Those workers are also able to raise concerns with us through our dedicated SpeakUp helpline which provides independent and anonymised investigation of their concerns. One such example was reported in our 2017 Annual Report.

Because human rights issues are often systemic, we also work with others to address them at scale. This includes further work with the global NGO, CARE, with whom we have been collaborating to combat sexual harassment of women in the hospitality sector, after initial work in South East 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 using a comprehensive but flexible process: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process whereby suppliers assessed as a potential risk are required to register with SEDEX (a not-for-profit organisation that enables suppliers to share assessments and audits of ethical and responsible practices with their customers); and independent ethical audits of suppliers who represent a potential high risk.

Over the past year, we have expanded the scale of our Responsible Sourcing programme and increased 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 2017 (the end of financial year 2017), 1,224 of Diageo's supplier sites assessed as a potential risk had completed a SEDEX self-assessment questionnaire. Of the 424 supplier sites assessed as a potential high risk, 65% (274) 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 47% the previous year. Of these, 157 audits were commissioned by Diageo, and 117 were accessed through SEDEX or AIM-PROGRESS.

As a result of the audits we commissioned, a number of issues of non-compliance were raised. Many 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. 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 eight sites where there were non-compliances raised under the category of "freely chosen employment", a specific concern within the context of modern slavery. In five of these sites, the non-compliances related to the absence of a policy on forced labour. Of more concern, were two instances where employers retained



workers' original documents, rather than copies, as this could prevent freedom of movement, and one case where the employee was required to pay for uniforms. Four of these non-compliances have now been verified as resolved, we are no longer working with one supplier (for commercial reasons), and we are working with the suppliers to ensure the remaining three 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 four supplier sites where stronger employment policies were needed to prevent children being employed. Two of these non-compliances have now been verified as resolved, and we are working with the suppliers to address the other two.

A priority identified in our statement last year was the need to consider suppliers further down our supply chain, and specifically those dealing with agricultural raw materials in our sugar and molasses supply chains. To address this, we have been working with one of our key molasses suppliers to undertake initial HRIAs to better understand the risks in our molasses supply chains in three Central American countries. This HRIA process further examined

risks in labour standards that we had previously been working with the supplier to investigate. It also considered issues such as access to water and sanitation for workers, which had been identified as a generic risk in the sector. The assessments completed so far have found that the level of risk within our supply chains is low, but further assurance will be conducted as part of our supplier's ongoing due diligence and improvement programme. We will continue the process in a fourth country where the assessment was delayed by hurricanes, and, through our own site assessment in Guatemala, to further test standards and learn lessons we can apply generally.

One further example of our progress in 2017, is our official accreditation 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.

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. More information can be found at [www.aim-progress.com](http://www.aim-progress.com).



# 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 2018, 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 will remain a focus, through our programmes in Africa and our continuing work on sugar cane plantations in Central America.

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. This is the case in India, following our acquisition of United Spirits, where we continue to invest and improve standards. 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.



**Ivan Menezes**

Chief Executive

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BUCHANAN'S

WINDSOR

TEQUILA  
Don Julio

SMIRNOFF

Reel One  
VODKA

CÎROC

Captain Morgan

BAILEYS  
BB

Tanqueray

GUINNESS