

# DIAGEO

## AUSTRALIA

March 30, 2021

### **Diageo Australia Group Modern Slavery Statement 2020**

Diageo Australia Limited (DAL) is a *reporting entity* as defined per section 5 of the Australian *Modern Slavery Act 2018* (MSA). As a reporting entity DAL must prepare and submit to the Australian Modern Slavery Statements Register its annual modern slavery statement.

DAL is a wholly owned subsidiary of Diageo PLC, its ultimate United Kingdom (UK) parent company controlling DAL. Diageo PLC has for a number of years published an annual modern slavery statement prepared in accordance with the *United Kingdom Modern Slavery Act 2015* and the *California Transparency in Supply Chains Act 2015*.

This letter and the attached *Modern Slavery Act Statement 2020* published in December 2020 by Diageo PLC (Diageo PLC 2020 statement) form DAL's Modern Slavery Statement prepared in accordance section 13 of the MSA for a single entity statement. It covers the reporting period to the year ended 30 June 2020, addressing the reporting criteria set out in section 16 of the MSA.

It is noteworthy that the Diageo PLC 2020 statement covers the whole Diageo PLC Group, and therefore also DAL and all of Diageo Group's activities in Australia. The Diageo PLC Group has a common coordinated approach to modern slavery risk identification, risk assessments and actions and due diligence taken to address modern slavery risks. Overall, the Diageo PLC 2020 statement covers some but not all of the requirements for preparing modern slavery statements per the MSA. This letter addresses the additional reporting requirements per the MSA that are not fully addressed in the Diageo PLC 2020 statement, whilst referring to that statement where it provides reporting of relevance to DAL, including where it meets some of the Australian statement requirements.

#### **1 Reporting entity**

As noted above, the reporting entity for this statement is Diageo Australia Limited (DAL). This reports also reference Bundaberg Distilling Company as a fully owned subsidiary of DAL.

#### **2 DAL's structure, operations and supply chains**

##### ***DAL's structure***

As noted above, DAL is a wholly owned subsidiary of Diageo PLC, its ultimate controlling parent company based in the UK. Diageo PLC is a global leader in beverage alcohol with an outstanding collection of brands across spirits and beers. Products are sold in over 180 countries and brands include Johnnie Walker, Smirnoff, Ciroc and Ketel One vodkas, Captain Morgan and Bundaberg Rum, Baileys, Don Julio, Tanqueray, Gordons and Guinness.

DAL is responsible for Diageo PLC's marketing, sales and distribution of its beverage alcohol brands and products in Australia. DAL has two subsidiaries, both based in Australia – most notably Bundaberg Distilling

Company Pty Ltd (BDC) operating the Bundaberg Distillery – none of these subsidiaries meet the definition set in section 5 of the MSA for reporting entities.

**DAL's operations**

Diageo has two manufacturing and logistics facilities in Australia, both directly owned or controlled by DAL:

- Bundaberg Distillery is located in Bundaberg East, Queensland and produces Bundaberg Rum. Bundaberg Distillery began its operations in 1888. The company was bought by Diageo in 2000.
- Huntingwood facility, is based in Huntingwood Western Sydney where a variety of spirits product, including full strength spirits and ready to drink products are manufactured. This facility is also DAL's distribution centre.

DAL or its BDC subsidiary is responsible for all aspects of these facilities, including hiring and remuneration of staff and contractors.

DAL has its head office in McMahons Point, North Sydney, responsible for marketing, innovation, commercial and corporate functions. DAL has small satellite office locations in each state for sales teams.

**DAL's supply chains**

For this reporting period, DAL sourced direct and indirect materials and services from about 440 suppliers, covering:

- Raw materials such as molasses, sugar, neutral alcohol and flavours
- Packaging materials such as glass, PET bottles, cans, closures, and paper packaging
- Other indirect services, such as manufacturing, CAPEX, utilities, logistics, marketing, IT and other professional consulting.

Local Australian production relies on raw materials and packaging largely sourced from Australian based suppliers. In this reporting period, about 75 per cent of suppliers (including raw materials, packaging and logistics services) were locally sourced. A summary of where materials or services were sourced during this reporting period is outlined below:

Sourced locally	Sourced internationally
<ul style="list-style-type: none"> <li>• Molasses</li> <li>• Sugar</li> <li>• Neutral alcohol</li> <li>• Glass</li> <li>• Cans closures</li> <li>• Paper products</li> </ul>	<ul style="list-style-type: none"> <li>• Flavours</li> <li>• Bulk spirit</li> <li>• Glass and PET bottles</li> </ul>

Materials sourced internationally were imported from established suppliers operating in countries such as China, United States of America and within Europe.

Procurement of all goods and services is done according to Diageo PLC's procurement policies and practices, including as it relates to human rights and modern slavery risks and practices. More information regarding Diageo PLC's Partnering with Suppliers Standard is available here:

<https://www.diageo.com/PR1346/aws/media/12156/purchasing-global-standard-10122020-new-links.pdf>

Information regarding Diageo PLC's global operations and supply chains is available on pages 7 to 11 of the Diageo PLC 2020 statement.

### **3 Identified modern slavery risks**

Please refer to pages 8 and 9 in the attached Diageo PLC 2020 statement for an overview of Diageo PLC's human rights risks, including risks specific to modern slavery and supply chains. Diageo PLC's key human rights risks include:

- Labour rights, including risks of child labour, specifically in agricultural supply networks
- Labour standards for contract workers
- Sexual harassment in the hospitality sector, specifically for Brand Promoters at points of sale or at events.

As the Diageo PLC Group operates coordinated procurement policies and practices, and DAL relies on Diageo PLC's supply chains and its procurement policies and practices, these risks are also the main key modern slavery risks of DAL and its subsidiaries.

Modern slavery risks specific to Diageo's Australian activities were identified through a Human Rights Impact Assessment, completed by a third party in December 2019. The assessment identified Australia's agricultural supply chain, and manufacturing suppliers from China and Indonesia as potential risks for forced labour or modern slavery. Potential harassment of staff promoting DAL products was also identified as a human rights risk within the supply chain. These are all risks that are covered by the Diageo PLC modern slavery risk identification and covered in appropriate detail to meet the MSA requirements by the Diageo PLC 2020 statement.

DAL's country risk data is provided by Verisk Maplecroft and indicates Australia to be a low-risk region. This should be considered in the context of Diageo PLC operating in 180 countries and with supply chains in many countries with higher modern slavery risks than Australia.

### **4 Assessing and addressing DAL's modern slavery risks**

Diageo PLC's modern slavery risks are assessed through our Responsible Sourcing Programme. This follows a risk-based approach to assessing adherence to Diageo PLC's Partnering with Suppliers standard. Suppliers are risk-assessed against:

- Location of supplier site(s)
- Type of product or service.

During the year ended 30 June 2020, all of DAL's Australian suppliers were, as part of Diageo PLC's Responsible Sourcing Programme, assessed as either low or medium risk. Diageo uses Verisk Maplecroft as its source of country risk data, and Australia is classified as a low risk country.

If a supplier meets the above criteria, we will request them to join the Sedex platform and complete a Self-Assessment Questionnaire of their own operations.

Suppliers that are assessed as potentially high risk are required to conduct a third-party audit, as described on page 10 in the Diageo PLC 2020 statement.

Risks relating to DAL's operations and supply chains are therefore assessed through Human Rights Risk Assessments and regulated through Diageo PLC's Partnering with Suppliers Standard.

Actions taken to manage and address human rights risks across Diageo's operations are outlined in the attached Diageo PLC 2020 statement (page 9). This includes:

- All suppliers must comply with the Partnering with Suppliers Standard, which sets out the minimum requirements and expectations on monitoring and managing modern slavery risks. This includes the requirement for all suppliers to provide an access to remedy in the instance of human rights or modern slavery issues.
- All Diageo employees, contractors and suppliers have access to a grievance mechanism through a company-wide whistle blower hotline. This hotline is managed by an independent third party. As noted on page 5 of the Diageo PLC 2020 statement in 2019-2020 five human rights allegations were reported via the whistle-blower hotline, of which three were substantiated. Diageo PLC took actions to address these issues as they were raised.
- Where a contract is necessary, our Responsible Sourcing and Partnering With Supplier standards (including modern slavery requirements) form part of our supplier contracts.
- Where Modern slavery risks are identified through our Supplier audit programme, these risks are addressed through closure of non-compliance actions and checked through follow up audit reviews. Our Procurement teams work directly with suppliers to create action plans, and support the implementation of corrective actions.
- We also leverage membership with Aim-Progress to support the way in which we develop and improve supplier capability to manage Modern slavery and ethical sourcing risks. Diageo PLC is a member of the Capability Building workstream, to focus on collaborating with suppliers to address and prevent modern slavery.
- Our implementation of Brand Promoter Standard through supplier contracts, which includes principles around harassment, employment status, diversity, uniforms, training and information, alcohol and grievance mechanisms.

Through our Global Responsible Sourcing Programme and our partners, learnings about Modern slavery from different regions are applied across Diageo PLC's operations, including to DAL where relevant.

## 5 Assessment of effectiveness

Diageo PLC (and therefore also DAL) has methods of assessing the effectiveness of the actions it takes to assess and address modern slavery risks. Diageo operate with multiple lines of defence regarding our risk and controls environment, which are also reported up to our Audit and Risk Committee. Measures of effectiveness are identified throughout the Diageo PLC 2020 statement, and include:

- The **first line of defence**, our Global Procurement Function have **strong monthly governance** to oversee the APAC supply base (including Australia). We operate risk management dashboards, reviewed monthly by our leaders, across all countries and markets concerning Modern Slavery, Human Rights and Ethical Sourcing risks. The performance of our procurement professionals and leaders, includes a balanced scorecard of key performance indicators reviewed each month, and a component directly focusses on mitigation of Human Rights and Ethical Sourcing Risks to ensure we drive prompt action and remediation where necessary. In addition, we have invested in dedicated Global and Local Risk and Governance Procurement Management resources and Business Integrity resources that monitor our performance across the APAC market. Responsible Sourcing (including how we manage Modern Slavery, Human Rights and Ethical Sourcing risks) is part of our company set of business controls.

- At the **second line of defence**, our Responsible Sourcing Controls and compliance are able to be tested as part of our Diageo annual testing cycle. This involves a testing process by a team outside of the Global Procurement organisation to test performance in an impartial way. As part of this cycle we have a measurement in place to ensure leaders are focussed on reducing control failures and net deficiencies. Functional performance on net deficiencies are reported up to our Audit and Risk Committee.
- At the **third line of defence**, our Internal Diageo Audit team can at any time audit our Responsible Sourcing Methodology and approach. Our next Global internal audit of Responsible Sourcing is May 2021. In addition, from time to time, our external auditor (PwC) may perform global or country audits of our approach.
- Human Rights Impact Assessments are used to assess potential risks, how Diageo can address these risks, and the effectiveness of current processes – for further information, refer to page 8 in the Diageo PLC 2020 statement.’
- Metrics associated with Code of Conduct training and modern slavery training – for further information, refer to pages 4 and 5 in the Diageo PLC 2020 statement.

## **6 Consultation**

This statement is being made under a single reporting entity; however, Diageo PLC continues to operate at a coordinated level across all of its subsidiaries, including DAL and its subsidiaries. This includes the processes of identifying, assessing, managing, and addressing its human rights and modern slavery risks. For further information refer to pages 8 and 9 in the Diageo PLC 2020 statement.

## **7 Other relevant information**

DAL’s response to COVID-19 is covered in Diageo PLC’s ‘*Modern Slavery Act Statement 2020*’. Diageo’s response to COVID-19 has been unified across global operations. Monitoring for modern slavery risks specific to Australia’s supply chains (noting the higher risk agricultural sector), will continue to be monitored closely over the coming months.

## **8 Developments of our approach to addressing Modern Slavery in Supply Chains**

We will regularly review our policies and practices to ensure we are able to monitor and improve our effectiveness of identifying and remediating any identified risks of modern slavery within our supply chain. We also submit to Dow Jones Sustainability Assessments at group level, each year and strive to learn from how we perform relative to others (including areas applicable to Responsible Sourcing, Human Rights and Modern Slavery risk management).

As our programme progresses, we will look to invest in more data insights and risk intelligence to allow us to monitor the latest information on where to focus our actions. We have increased plans for collaboration, especially around capability building efforts with suppliers to try and address instances of modern slavery at the root-cause.

We continue to seek increased transparency within our supply chains, form new collaborative partnerships, embrace new technology and continually improve our partnerships with suppliers to help us work together in supply chains in addressing current and future Modern Slavery risks.

## 9 Board approval and signature

DAL's modern slavery statement for the year ended 30 June 2020 was reviewed and approved by the Board of Directors of Diageo Australia Limited on 30 March 2021.

Signed on behalf of the Board by:



Angus McPherson

(DAL Board Chairman and Managing Director – Australia)



Geraldine Joanes

(DAL Board Director and HR Director – Australia)

Attachment: Diageo PLC's *Modern Slavery Act Statement 2020* (Diageo PLC 2020 statement)

DIAGEO

**MODERN SLAVERY  
ACT STATEMENT**

for the Financial Year ended 30 June 2020



This statement describes the activities Diageo is undertaking to prevent slavery and human trafficking in our business operations and supply chain. It covers all Diageo group companies worldwide and has been published in accordance with the Modern Slavery Act 2015, the California Transparency in Supply Chains Act 2010 and all modern slavery-related legislation in other countries.

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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 transitional. 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 supply 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, Ciroc 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 that we will only achieve this ambition if we conduct business sustainably and responsibly whilst demonstrating that this is the case.

We produce our brands' products from over 150 sites across 26 countries. We directly employ over 27,000 people. Our partners employ many more, supporting our global manufacturing, distribution, sales and marketing operations. We have interdependent relationships throughout our supply chain, from the farmers who grow our ingredients, to our employees and contractors, to the consumers who buy our brands. Throughout our extended value chain, from grain to glass, we are connected to many communities. We want to make sure that throughout that chain – wherever we live, work, source and sell – we are making a positive contribution.



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



## Introduction

**Society 2030: The Spirit of Progress**  
Society 2030: Spirit of Progress is Diageo's 10-year action plan to help create a more inclusive and sustainable world. It is our commitment to grow as a business in the right way from grain to glass – building on the legacy of our founders to create a positive impact in our company, with our communities and for society. We are committed to promoting a positive role for alcohol, through celebrating moderation and taking steps to address the harmful use of alcohol, to championing inclusion and diversity, to preserving the natural resources on which our long-term success depends, and making a positive contribution to the communities in which we operate. To lead our business through the next decade, we have set ourselves 25 goals which are aligned to the United Nation's Sustainable Development Goals.

A fundamental part of Society 2030: Spirit of Progress is doing business the right way. We believe doing business the right way contributes to a fair and just society.

At Diageo, we create an environment where all our people feel they are treated fairly and with respect. We commit to understanding what it means to act with integrity in our roles, to ensure we are doing business in the right way, meeting external expectations and our own standards.

We will ensure no one compromises on their values, and everyone goes home safe and healthy, every day, everywhere. In 2014, we signed the UN Guiding Principles on Business and Human Rights (UNGPR) and committed to embedding respect for human rights into everyone's working day, in every country throughout our supply chain. We use our voice to create fair and inclusive societies wherever we do business. We work with peers and trade associations to take collective action to bring about peace and justice and build the strong institutions we all need to thrive.

For additional information on Society 2030: Spirit of Progress, 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 (UNGPRs). 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 these same high standards from all of our contractors, suppliers and other business partners. In addition 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 cascade these principles and hold their own suppliers to the same high standards.

We maintain regular contact and utilise several mechanisms to engage with our trading partners and seek assurance that they are committed to adopting best practice in relation to the rights of their workforce and contractors, aligning our approach with the UN Guiding Principles Human Rights Due Diligence Model.

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



# OUR POLICIES AND TRAINING

**Our policy framework addresses human rights, and specifically the risk of modern slavery, and is supported by on-going training programmes.**

## Our policies

1

**Our Code of Business Conduct** (our Code) embodies 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 our headline expectations on human rights, which are further detailed in our Human Rights Global Policy. Our Code is available in 20 languages. You can read about [our Code here](#).

We have reviewed our Code to ensure it remains in line with our policies (which are updated annually) and our business practices. We have taken the opportunity to ensure the language is as simple as possible for our employees to understand. We launched the refreshed Code globally in September 2019 and continue to provide it in all 20 Code languages.

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 wages and working hours; and enabling freedom of association to trade unions. You can read about [our Human Rights Global 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 Human Rights Global Policy apply to every one of our more than 27,000 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. 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 ensuring 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 e-Learning is mandatory and 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 Certification of Compliance (AAC) certifies that all employees at manager level and above fully understand what is expected of

them. In 2019 the ACC was completed by 100% of eligible employees, a total of 10,182 people.

We rolled out refreshed Code of Conduct training early 2020 – Integrity at Diageo – focusing on impactful scenarios that bring to life real life integrity issues and questions employees face day-to-day, using storytelling and animated characters which highlight the role we all play to achieve our performance ambition.

### 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 risks in key geographies and supply networks. In 2019, we refreshed this training, working with an external partner to create a series of interactive webinars and workshop sessions designed to educate attendees on human rights and modern slavery. This training was designed both to educate employees on the principles of human rights – with a specific emphasis on modern slavery – and also to empower staff to recognise the potential signs of forced labour occurring and the mechanisms they could utilise to challenge these practices and intervene. The training was rolled out to both Procurement staff and a selection of key stakeholder and influencing functions within the company, with recordings and training materials also made available upon request.

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. This year we also launched a human rights awareness video for all employees.

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. In July 2020, we launched a Responsible Sourcing Toolkit for our Procurement teams. This provides detailed end-to-end guidance on taking suppliers through each step of the responsible sourcing journey. We are currently developing, and will soon launch, a similar Responsible Sourcing Toolkit guide for suppliers. 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.

Modern Slavery training was conducted October 2020 as part of a range of sessions associated with Diageo's INC Week. The Diageo INC week is celebrated globally on an annual basis, with the purpose being to promote and accelerate inclusion and diversity within the business.

The goal of this session was less about targeting specific audiences and more about increasing company knowledge of the issues of Modern Slavery, and ensuring we made as wide an audience as possible aware of the definition

of Modern Slavery within a broader human rights context, and to explain why it is relevant to Diageo. The session also covered some of the commitments and processes that Diageo currently has in place to reduce the risk of Modern Slavery within our supply chain, and inform the audience on the active role they can play in helping Diageo to manage these risks.

### 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. 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 2019-20, five human rights allegations were raised via SpeakUp. Of the five cases, three were substantiated. The three substantiated cases related to: inadequate leave allowances and expense reimbursements of third-party contractors and one case related to discrimination and harassment. We have taken action to address each of 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 Diageo's activities. This steering committee includes the following senior management positions: Global Corporate Relations Director, Global Diageo in Society Director, Chief Business Integrity Officer, Global Audit and Risk Senior Vice President and Head of Procurement Transformation, Strategy & Excellence.**

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 Human Rights Impact Assessment 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 29,000 direct suppliers from more than 100 countries provide us with the raw materials, expertise and other resources that help us make great brands and great products. 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 Guidelines](#).

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 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 actions to address issues within this wide, varied and complex supply network has two areas of activity:

- Our Human Rights programme**, including Human Rights Impact Assessments (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 third parties and our consumer markets in the hospitality sector.
- Our Responsible Sourcing programme**, working with suppliers all over the world to improve labour standards and human rights in our supply chains in accordance with the UN Guiding Principles on Business and Human Rights.



# 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 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 have made a commitment to carry out an HRIA in all of our markets. In 2020, we carried out HRIAs in China, North America (United States/Canada), the Middle East (first phase) and Australia, bringing our total to 17 HRIAs since we began the programme in 2015. The remaining market assessments will be completed by the end of 2021.



## Human Rights Programme

## Addressing risks

In line with the UNGPs, as a direct result of carrying out the HRIAs to date, 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 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 this, we launched a Global Brand Promoter Standard which establishes principles and guidelines to protect the rights of brand promoters. You can read about [our standard here](#).

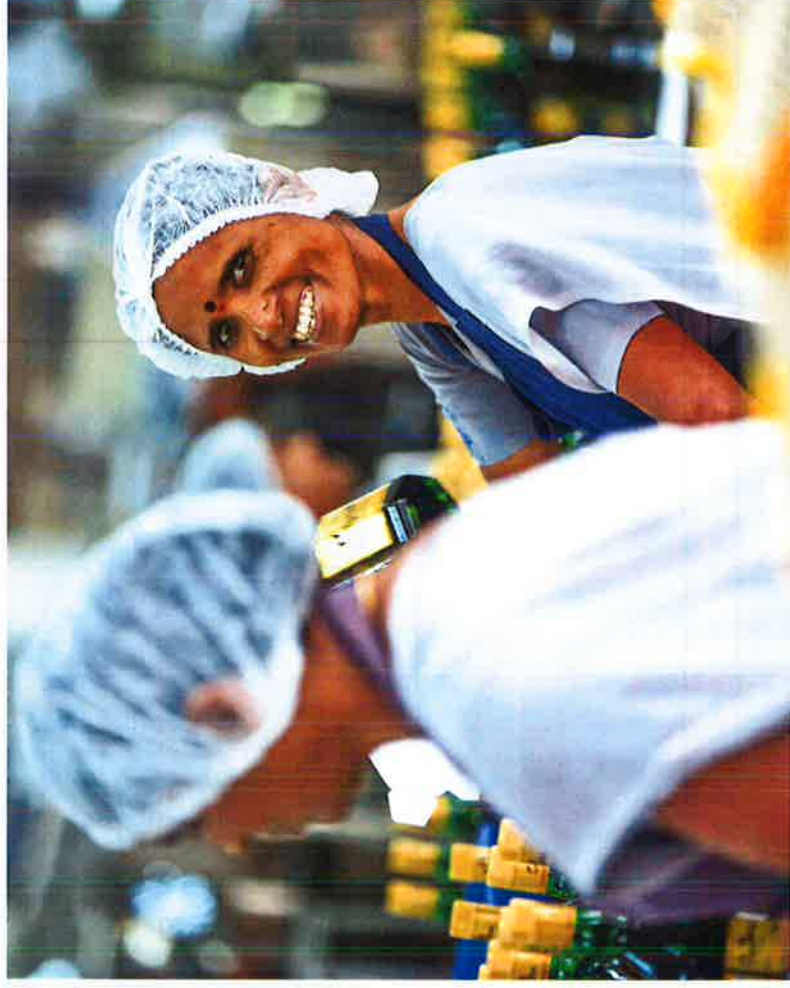
We have also created contractor standards guided by the International Labour Organization's Declaration on Fundamental Principles and Rights to Work, focused on promoting conditions in which people can work in freedom and safety.

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. In addition, we also recognise that women are potentially impacted disproportionately by business-related human rights abuses and that they may face additional barriers accessing effective remedies. With this in mind, we are in the process of integrating a gender lens within the implementation of our HRIA programme. This will include, as a minimum, additional consideration of gender indicators within our review of country context and changes to our

assessment data-collection methodologies which will further promote the inclusion of women's voices and opinion within the assessment process. By applying a gender lens to our overall HRIA approach, we are increasing our ability to identify and resolve human rights issues that impact women throughout our total value chain from grain to glass.

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 four criteria: location of supplier site; type of product or service, spend, and supplier type. Suppliers assessed as a potential risk are required to register with Sedex, an online platform to manage and improve working conditions in global supply chains and source responsibly, and complete a Self-Assessment Questionnaire (SAQ). Suppliers who are assessed as a potential high risk are required to register with Sedex, complete the SAQ and also undertake an independent third-party Sedex Members Ethical Trade Audit (SMETA) or an equivalent four-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. In February 2020, Sedex updated their SAQ to better incorporate and capture potential risk indicators. By February 2020, 1,261 of our suppliers' sites had completed the previous Sedex SAQ;

since February 2020, 551 suppliers have completed the updated version. We continue to engage the remaining identified suppliers to complete the new SAQ and this is one of several Responsible Sourcing KPIs internally monitored at a market and global level.

Suppliers who represent a potential high risk are flagged, so they can be independently audited against the SMETA Four Pillar Audit Protocol or equivalent. This year, we have 412 such suppliers, of whom 336 (82%) were independently audited during the last three years (audits are valid for three years); 263 audits were commissioned by Diageo, and 73 were accessed through Sedex and AIM-PROGRESS. AIM-PROGRESS is a membership organisation of consumer goods companies, of which Diageo is a member, and whose focus is on promoting human rights; AIM-Progress allows for mutual recognition of supplier audits commissioned by other members, thereby reducing audit burden that allows suppliers to instead focus on continuous improvement of employment conditions. A total of 2,379 issues of non-compliance have been raised through these audits, with 44%



### Responsible Sourcing Programme

relating to health, safety, and hygiene issues, 10% relating to wages and benefits, 12% relating to management systems, 9% relating to working hours; and the remaining 25% to other categories. We have followed up with the relevant suppliers with corrective action plans and are working together to resolve them.

Where required, we are arranging follow-up audits to verify the issues have been identified and resolved.

Merchandising materials remain one of our highest-risk categories. This is because they are frequently made in higher-risk countries, and we often buy them through intermediaries and therefore may not know where they were produced. We continue to work with our key merchandising suppliers to develop their capability and processes to drive auditing and assurance further down their supply chains.

To date, our key merchandising suppliers have audited over 326 factories in our supply chain.

Our direct supplier audits identified 21 non-compliances under the category of 'freely chosen employment', a specific concern within the context of modern slavery. 17 of these issues relate to the lack of a formal policy at the supplier's facility; 2 relate to workers subject to disciplinary hearings for refusing to work overtime; 1 relating to wage deductions for staying in employment; and 1 relating to excessive probation periods. We have followed up with the relevant suppliers with corrective

action plans. At the time of writing, 5 of these issues of non-compliance have been verified as resolved, whilst work is ongoing to resolve the remaining 16 cases.

We recognise the risk of child labour and through our supplier audits, 66 issues of non-compliance were raised under the category of children and young workers. 56 issues relate to the lack of a formal policy at the supplier's facility in relation to child labour or not having records in place to verify workers' age; 9 relate to no child labour remediation programme; and 1 relates to a violation of the minimum age of employment. At the time of writing, 12 issues of non-compliance have been verified as resolved and we are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved as well.

Following publication of our refreshed Sustainable Agriculture Guidelines in 2018 which set out additional guidance for suppliers of raw materials and ingredients supplementary to our Partnering with Suppliers Standard, as a supplier to ourselves of agave from our farming operations in Mexico, we worked throughout 2019 to implement SAI Platform's Farm Sustainability Assessment (FSA) across our Don Julio ranch and leased land. The FSA addresses on-farm human rights risks and the scope extends to both direct agricultural farm workers and to third-party contracted labour.

This assessment identified a number of opportunities to improve working conditions, specifically related to worker health and pay, which resulted in changes being made to contracts with our third-party labour providers. Following our initial self-assessment against the FSA, we subsequently commissioned a third-party verification of the results, which resulted in Don Julio Agave receiving an attestation of 100% Gold, an achievement that demonstrates our commitment to the highest level of human rights for both direct and indirect agricultural workers within our farming operations. We have recently identified our top agave suppliers and now intend to take the learnings gained from this project and work with those suppliers to implement the principles embedded in the FSA across their production to further support human rights in our supply chain.

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. AIM-Progress is developing a regional strategy to extend the reach and scale of support and impacts for global members, including Diageo, and a new Africa regional hub has recently been created within AIM-PROGRESS, which is being

facilitated by Fartner Africa and is currently chaired by Diageo's Global Head of Sustainable Sourcing. Through this hub, we are working with other existing members to address the most salient human rights and responsible sourcing issues across the African continent, with the intention to provide direct supplier training and capability building, as well as providing a platform to recruit new, African-based, members to the organisation for the further promotion of human rights and collective mitigation of modern slavery risks.

In 2018 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](http://www.aim-progress.com)

As first 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.

# RESPONSE TO COVID-19

**Each Diageo market conducted a risk assessment which focused on operational risks and within these assessments, the health and safety, as well as human rights and well-being, of our employees and communities was taken into consideration.**

We have placed specific focus on ensuring our whistleblowing process is still fully effective and operational during this period. Within this, we have provided additional notifications to all who reported allegations, informing them that the investigation process may take longer whilst confirming that we will continue to uphold our commitment to investigate all matters related to our code of conduct or global policies, including human rights and modern slavery. We also provided new training for our investigators on how to conduct investigations into breaches remotely.

Our whistle-blower line continued to operate, unaffected, by increased home working or restricted access to our offices and sites during COVID, as we offer various reporting channels such as telephone or web reporting of concerns.

Within Responsible Sourcing, an extension period was applied for all sites whose audits were due to expire and where restrictions were in place deeming on-site assessments unsafe. However, this allowed us to place additional focus on completing a thorough review of our Responsible Sourcing programme to ensure it remains an effective and proficient tool for detecting human rights and modern slavery risks in our supply chain.

As a consequence of this review, we have made considerable changes to our risk assessment process and to both the KPIs, and the reporting and monitoring functions behind these KPIs, to ensure a greater level of oversight of suppliers deemed high and medium risk. During this time, we have also placed an increased emphasis on working with suppliers to close outstanding non-compliances, and on the completion of the new Sedex Self-Assessment Questionnaire to improve our risk assessment of suppliers, whilst remote Sedex Virtual Assessments will be adopted as an alternative solution in regions affected by COVID restrictions.

## 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 2021, expanding our Human Rights programme to more countries and value chains, and assessing more suppliers, in a wider number of categories and tiers, through our Responsible Sourcing and Sustainable Agriculture programmes.**

The key risks we have identified will be the focus of further work, as we strengthen child protection, contract labour standards, and our work to tackle sexual harassment in the hospitality industry, whilst also building awareness and capability within our supplier network through training and engagement programmes. Furthermore, we will continue to embed our human rights approach across our global functions, markets and corporate risk management tools so that we can continuously assess and address human rights

risks following our initial assessments, as well as monitor the effectiveness of the remedial actions taken.

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 reviewed and approved by the Board of Diageo plc on 2 December 2020 and will be reviewed by the Board of Directors at least annually.



**Ivan Menezes**

Chief Executive

## Timeline of activity

## TIMELINE OF ACTIVITY

## 2020

- We rolled out refreshed Code of Conduct training early 2020 – Integrity at Diageo – focusing on impactful scenarios that bring to life real life integrity issues and questions employees face day-to-day, using storytelling and animated characters which highlight the role we all play to achieve our performance ambition.
- In 2020, we carried out Human Rights Impact Assessments in China, North America, the Middle East and Australia, bringing our total to 17 since we began the programme in 2015.
- Modern Slavery training was conducted as part of Diageo's INC Week, increasing awareness of inclusion and diversity within the business. This was aimed to increase the wider company's knowledge of the impacts of modern slavery and inform them on the active role they can play in helping Diageo manage these risks.

## 2019

- Our Annual Certification of Compliance certifies that all employees at manager level and above fully understand what is expected of them. In 2019 the ACC was completed by 100% of eligible employees, a total of 10,182 people.
- We co-sponsored two AIM-PROGRESS supplier events in Brazil and India, focusing on issues relating to forced and child labour.
- We launched a Global Brand Promoter Standard which establishes principles and guidelines to protect the rights of brand promoters.
- A further 3 Human Rights Impact Assessments are completed in China, North America and Australia.

## 2018

- We 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 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.
- In 2018 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.

## 2017

- Rolling out of our Child Protection Toolkit for all markets where we source from smallholder farmers, to train employees who visit farms about risks to children's safety.
- 14 Human Rights Impact Assessments are completed to date in Kenya, Ghana, Mexico, Brazil, Thailand, Turkey, Uganda, Colombia, UK, Guatemala, India, Tanzania, Nigeria and South Africa.
- We were officially accredited as a Living Wage employer in the United Kingdom, a first for a major drinks company in the UK.

## 2016

- We celebrated 10 years of commitment to responsible sourcing through AIM-PROGRESS. Diageo were one of the founding members, working together with other Fast-Moving Consumer Good companies to create solutions and share best practices for improving working conditions in our supply chains at scale.

## 2015

- In 2016 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 risks in key geographies and supply networks. This training was refreshed in 2019 and again in 2020.
- 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.

## 2014

- Launch of our Human Rights Impact Assessment programme, a systematic review of business activity to identify and assess potential human rights impacts, including modern slavery risks. Our assessments involve detailed examination of our value chain, from raw material sourcing to 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.
- Our Human Rights Impact Assessment business toolkit was established. This guides our markets through a systematic review of their businesses to identify and assess potential human rights impacts, including modern slavery risks.
- Our 2020 Sustainability and Responsibility targets are set. Two specific commitments relate to modern slavery: 1) Act in accordance with the UN Guiding Principles on Business and Human Rights. 2) Deliver our responsible sourcing commitments with suppliers to improve labour standards and human rights in our supply chains.

## 2014

- In 2014, we signed the UN Guiding Principles on Business and Human Rights (UNGPR) and committed to embedding respect for human rights into everyone's working day, in every country throughout our supply chain.

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*Crown Royal*



BUCHANAN'S



WINDSOR

Don Julio

SAUNDERS

Patel One  
VODKA

CÎROC

Captain Morgan



Tanganyika

GUINNESS