

DIAGEO

AUSTRALIA

December 20, 2021

Diageo Australia Group Modern Slavery Statement 2021

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*.

It is noteworthy that the Diageo PLC 2021 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.

This letter and the attached *Modern Slavery Act Statement 2021* published in December 2021 by Diageo PLC (Diageo PLC 2021 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 2021, addressing the reporting criteria set out in section 16 of the MSA.

Board approval and signature

DAL's modern slavery statement for the year ended 30 June 2021 was reviewed and approved by the Board of Directors of Diageo Australia Limited on 19 November 2021.

Signed on behalf of the Board by:



Angus McPherson

(DAL Board Chairman and Managing Director – Australia)



Mark Harvie

(DAL Board Director and Finance Director – Australia)

Attachment: Diageo PLC's *Modern Slavery Act Statement 30 June 2021*



DIAGEO

**MODERN
SLAVERY ACT
STATEMENT**

**FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2021**



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This statement describes the activities the Diageo Group is undertaking to prevent slavery and human trafficking in our business operations and supply chain.

It covers all Diageo Group companies worldwide (including all Subsidiaries in the United Kingdom and Australia) and has been published and submitted on behalf of the Diageo Group by parent company Diageo PLC. The statement has been prepared in accordance with applicable modern slavery-related reporting legislation, including the UK Modern Slavery Act 2015, the California Transparency in Supply Chains Act 2010 and the Australian Modern Slavery Act 2018.

Diageo has a common coordinated approach to modern slavery risk identification, risk assessments and due diligence taken to address human rights, including modern slavery risks.

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 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.



You can find out more about where we operate here

Diageo's Structure and Operations

Diageo is a publicly listed (LSE and NYSE) multinational alcoholic beverage company with its corporate headquarters located at Lakeside Drive, London, NW10 7HQ. Diageo's business organisations, global operations centres and worldwide subsidiaries can be found in the [annual report](#), p. 193-197.

Diageo has determined that its subsidiary Diageo Australia Limited (DAL) meets the reporting requirements set out in section 5 of the Australian Modern Slavery Act 2018 and therefore this statement contains additional detail on the DAL operations, supply chain, human rights risk assessment and mitigating actions.

Our Ambition

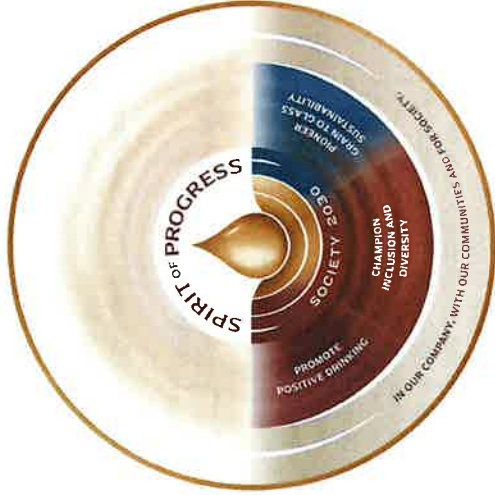
Diageo is a global leader in alcoholic beverages with an outstanding collection of brands across spirits and beer. With over 200 brands sold in more than 180 countries, including Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies, Smirnoff, Citroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.

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

We produce our brands' products from over 150 sites across 26 countries. We directly employ over 27,650 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.



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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 Nations' Sustainable Development Goals.

A fundamental part of Society 2030: Spirit of Progress is doing business the right way from grain to glass. We believe that 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. In 2014, we signed the UN Guiding Principles on Business and Human Rights (UNGP) and committed to embedding respect for human rights into everyone's working day, in every country throughout our business and 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.

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



For additional information on Society 2030: Spirit of Progress, please see our website.

DIAGEO AUSTRALIA'S STRUCTURE

DAL is a wholly owned subsidiary of Diageo PLC, its ultimate controlling parent company based in the UK.

DAL is responsible for Diageo PLC's marketing, sales and distribution of its 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 – neither of these subsidiaries meet the definition set in section 5 of the Australian Modern Slavery Act 2018 for reporting entities.

DIAGEO AUSTRALIA'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 and ReefTip Drinks Co. 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 products, including full strength spirits and ready to drink products, are manufactured. This facility is also DAL's distribution centre.

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

DAL has its head office in MacMahons Point, North Sydney and is responsible for marketing, innovation, commercial and corporate functions. DAL has small satellite office locations in each state for sales teams. In Australia, DAL employs approximately 470 employees.

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Our Approach

We are a signatory to the United Nations Global Compact and committed to acting in accordance with the UNGP. 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 expect these same high standards from all our contractors, suppliers and business partners. 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.

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.

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

Our **Code of Business Conduct** (our Code) 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 June 2020 and continue to provide it in all 20 Code languages. Our Human Rights Global 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

Our Partnering with Suppliers Standard - our code for suppliers - has been refreshed in December 2020 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 stewardship and reductions in carbon emissions. 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.

During F21 our Partnering with Suppliers standard was refreshed to include our Society 2030: Spirit of Progress commitments (pioneering grain to glass sustainability, championing inclusion and diversity, promoting positive drinking) as well as bringing 'Doing business the right way' to the forefront and including our grievance mechanism 'SpeakUp' contact information.

Who these policies apply to

Our Code and Human Rights Global Policy applies to every one of our more than 27,650 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.

Training on these policies

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

Our Code training is our way of ensuring that all employees fully understand what is expected of them and is delivered predominantly by e-Learning, with an integrated Annual Certification of Compliance (ACC) requirement for those at manager level 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 can 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.

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Each market has its own training plan for 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 ACC certifies that all employees at manager level and above fully understand what is expected of them. In 2020, the ACC was completed by 99.7% of eligible employees, a total of 14,600 people.

We rolled out refreshed Code of Conduct training in early 2021 - Integrity at Diageo - focusing on impactful scenarios that bring to life real world integrity issues and questions employees face day-to-day, using storytelling and animated characters to highlight the role we all play in achieving our performance ambition.

Dedicated Modern Slavery Training

Key employees in Procurement and Sustainability who have direct responsibility for our Human Rights, Responsible Sourcing or Supply Governance programmes are required to be trained on human trafficking and modern slavery, with external input to build awareness of possible risks in key geographies and supply networks. In 2019 this training was refreshed, working with an external partner to create a series of interactive webinars and workshop sessions. 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 impact assessment process, which considers business activities from sourcing raw materials to operations, right the way through to sales.

We also provide training to 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. Later in the year we also launched a Responsible Sourcing Toolkit guide for suppliers hosted on our new Diageo Suppliers Service Hub. Both the internal and external toolkits remain live documents which are continually updated with the latest information relating to our responsible sourcing programme.

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

Modern Slavery training was conducted in 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 of promoting 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 was 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 could play in helping Diageo to manage these risks.

During March 2021, our procurement staff at Diageo were trained on modern slavery risks from a supplier lens to ensure multiple perspectives were being looked at when increasing capability internally on modern slavery. Some of our key partners and suppliers in our responsible sourcing programme trained our procurement staff on how they manage and deal with modern slavery issues within their operations as well as looking at how competing pressures can lead to issues of modern slavery.

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 2020-21, six human rights allegations were raised via SpeakUp. Of these, only one case was substantiated, which was related to a third-party provider not keeping adequate payroll records for brand ambassadors. Corrective action was taken by the market team working with the third-party provider.

GOVERNANCE

Lead responsibility for human rights sits jointly with the President of Global Supply and Procurement (who reports to the President North America and Global Supply) and the Group Human Resources Director (who reports to the global CEO). Both are members of the Diageo Executive Committee. The President of Global Supply and Procurement also sits on our Human Rights Steering Committee, which shapes and determines our strategy on human rights and ensures its operational delivery across Diageo 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.

Our Diageo in Society team, part of the Corporate Relations function, 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 impact assessments with the support of expert external advisers.



OUR SUPPLY NETWORK AND RISK IDENTIFICATION 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 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:

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 to meet the scale of our needs as a large business.



More details of the key crops we use, and their various origins, are contained in our Sustainable Agriculture Guidelines, which can be found here



OUR SUPPLY NETWORK AND RISK IDENTIFICATION PROCESS

We recognise, that notwithstanding robust global procurement policies, 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:

1

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.

2

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 UNGPs.



DIAGEO AUSTRALIA'S SUPPLY CHAINS

For this reporting period, DAL sourced direct and indirect materials and services from approximately 440 suppliers. 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 material, packaging and

logistics services) were locally sourced including molasses, sugar, neutral alcohol, glass, cans closures, and paper products. Materials sourced internationally (including flavours, bulk spirit and PET bottles) were imported from established suppliers operating in countries such as China, the USA and within Europe.

HUMAN RIGHTS PROGRAMME

We have been signatories to the 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 now carried out 19 HRIsAs since we began our programme in 2015. In previous years we have conducted HRIsAs in Kenya, Ghana, Mexico, Brazil, Thailand, Turkey, Uganda, Colombia, the United Kingdom, Guatemala, Tanzania, Nigeria, South Africa, China, North America (United States/Canada) and Australia. This year, we carried out HRIsAs in the Middle East (second phase), PEBAC (Peru/Ecuador/Bolivia/Argentina/Chile), and North Asia (South Korea/Japan), and the second phase in India will be completed by the end of calendar 2021. These last four HRIsAs were delayed from 2020 as a result of Covid-19.



HUMAN RIGHTS PROGRAMME

Following on from the completion of the extensive human rights due diligence across our business and value chain through the HRIA programme, we will now work to further embed our human rights approach across all aspects of our business.

Below are some of the principal mitigating actions in place as business-as-usual processes stemming from the HRIAs:

- Use SMETA audit methodology to assess suppliers on Sedex's four pillars of Labour, Health and Safety, Environment and Business Ethics, and continue to use Sedex's Self-Assessment Questionnaire (SAQ) to maintain insights into the suppliers' responsible sourcing programmes.
- Strengthen partnerships with major suppliers, including those with operations in countries that may carry a higher risk of modern slavery or human rights issues.

DIAGEO AUSTRALIA'S HUMAN RIGHTS IMPACT ASSESSMENT

The Australian HRIA was undertaken between September and December 2019, with a final report provided in January 2020. The assessment focused on DAL's own manufacturing and logistics operations, raw material suppliers (sugar cane), manufacturing suppliers (glass), and sales and marketing (own operations and sales agency).

The HRIA found that DAL's operations are generally well-managed with good implementation of robust policies, aided by Australia's highly regulated labour market, which minimises risks of labour rights violations. The assessment did uncover potential risks around supply chain management, supply chain visibility, and working conditions.

Our DAL operations are working to continue compliance with Australian labour laws, and continue to engage casual workers correctly, including correct identification of casual employees entitled to continual employment. There has also been an addition of Modern Slavery Act clauses into supplier contracts to supplement human rights clauses already referenced in the Partnering with Suppliers standard.

DAL's country risk data is provided by Anthesis and indicates Australia to be a low-risk region. This should be considered in the context of Diageo operating in 180 countries and with supply chains in many countries with higher levels of modern slavery risks than Australia. However, the HRIA carried out in Australia, 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 potential human rights risk. These are, as stated above, risks common to other parts of Diageo's business and are being addressed on a global basis as set out in this statement.

Identifying and Remediating 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 global business:

- labour rights, including the risk of child labour, especially 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 in our supply chain and when carrying out HRIAs.

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.

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, category of product or service and spend. Suppliers assessed as a potential risk are required to register with Sedex and complete a Self-Assessment Questionnaire (SAQ). Sedex is an online platform used to manage and improve working conditions in global supply chains and help businesses source responsibly. Suppliers who are assessed as high risk are required to register with Sedex, complete the SAQ and 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, 1020 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.



RESPONSIBLE SOURCING PROGRAMME

Suppliers who represent a potential high risk are flagged, so they can be independently audited against the SMETA Four Pillar Audit Protocol or equivalent. These audits are carried out by independent third-party audit bodies and who are qualified by Sedex as Affiliate Audit

Companies, they also require APSCA (Association of Professional Social Compliance Auditors) membership. This year, we have 426 such suppliers, of whom 370 (87%) were independently audited during the last three years (audits are valid for three years); 166 audits were commissioned by Diageo, and 204 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 working conditions.

A total of 2,540 issues of non-compliance have been raised through these audits, with 45% relating to health, safety, and hygiene issues, 11% relating to wages and benefits, 8% relating to management systems, 15% relating to working hours; and the remaining 20% 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 352 factories in our supply chain.

Our review of all high-risk supplier audits raised 14 issues of non-compliance related to the SMETA audit section 'Freely Chosen Employment'. 8 of these issues relate to the lack of a formal policy at the supplier's facility, 3 related to wage deductions for staying in employment; 1 issue related to lack of evaluation systems in place to ensure compliance with laws on slavery and human trafficking, 1 related to unreasonable delay in payments due to workers when they leave, and 1 related to passports/ID papers of foreign workers kept by employer. We have followed up with the relevant suppliers with corrective action plans. At the time of writing, 13 of these issues of non-compliance have been verified as closed.

We recognise the risk of child labour and through our supplier audits, 58 issues of non-compliance were raised under the category of children and young workers. 36 issues related to the lack of a formal policy at the supplier's facility in relation to child labour or young workers or not having records in place to verify workers' age; 18 to the lack of child labour remediation programme; and 4 to a violation of the minimum age of employment. At the time of writing, 49 issues of non-compliance have been verified as closed. We are following up with the suppliers as part of

DIAGEO AUSTRALIA'S RESPONSIBLE SOURCING PROGRAMME

During the year ended 30 June 2021, only one of DAL's Australian suppliers was flagged as high-risk, with all the rest assessed as either low or medium risk. The high-risk supplier was audited and has remediated all non-compliances.

their corrective action plans to ensure the other issues are resolved.

Following publication of our refreshed Sustainable Agriculture Guidelines, 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 have worked 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 several 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 Agavera 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 now intend to take the learnings gained from this project and work with our top agave suppliers to implement the principles embedded in the FSA across their production to further support human rights in our supply chain.

Through AIM-PROGRESS, Diageo participates within the mutual recognition working group whose aim is to enable the social and ethical audits conducted by AIM-PROGRESS members to be recognised and accepted by other fellow members. We are also 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 Partner 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

RESPONSIBLE SOURCING PROGRAMME

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

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 to all Diageo employees within the UK and all our contract labour.

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 operates 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 global supply base. 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 focuses 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 all markets. 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 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 is 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 most recent Global internal audit of Responsible Sourcing took place in May 2021, where the end-to-end process of onboarding suppliers through to improving their capability was assessed. The audit came back without any adverse findings. It was developed into an advisory report with recommendations on how to optimise the process for human rights risk management.

In addition, from time to time, our external auditor (PwC) may perform global or country audits of our approach.



RESPONSE TO COVID-19

With the ongoing risk of Covid-19, each Diageo market continues to make ongoing efforts with respect to assessing operational risks. 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, flexible extension periods apply for all sites whose audits are due to expire and where restrictions in place deem on-site assessments unsafe. During this time, we have 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 have been adopted as an alternative solution in regions affected by COVID restrictions.

With regards to our Human Rights Impact Assessment programme we developed a robust desk-based approach. This included an in-depth review of the human rights context relevant to our operations and value chain in each country, a detailed scoping of our operations and value chain, and the development of an information gathering tool, and follow-up interviews as needed.



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 finalise the second phase of the HRIA in India by end of calendar 2021 and we will continue 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 have rolled out our new Society 2030: Spirit of Progress contract clauses across all global categories and are forging ahead to build these into all of our existing and new supplier relationships at pace. These essential clauses will form the fundamental cornerstone of how we work with our suppliers going forwards in relation to achieving these targets.

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

Senior Management and the appropriate directors of the Diageo Group, including the Board of Directors of Diageo Australia Limited, have contributed to, reviewed and approved the content of this statement. This statement was reviewed and approved by the Board of

Diageo plc on December 7th, 2021 and will be reviewed by the Board of Directors at least annually.



Ivan Menezes
Chief Executive



TIMELINE OF ACTIVITY

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.

2015

- 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.

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 UNGPRs, we partnered with Business for Social Responsibility (BSR) in 2016 to formulate and deliver our human rights strategy.

2017

- We were officially accredited as a Living Wage employer in the United Kingdom, a first for a major drinks company in the UK.
- 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.

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.
- 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.

- 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.

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.

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.

- 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.

2021

- Our internal Global Audit and Risk team underwent a full analysis of our responsible sourcing programme for the first time at a global level, reviewing the effectiveness of the programme to manage risks of modern slavery. The audit produced some recommendations for progression but no findings to be followed-up on.
- We carried out HRIAs in the Middle East (second phase), PEBAC (Peru/Ecuador/Bolivia/Argentina/Chile), and North Asia (South Korea/Japan), and the second phase in India will be completed by end of calendar 2021. These last four HRIAs were delayed from 2020 as a result of Covid-19.
- Our Partnering with Suppliers standard was refreshed to include our Society 2030: Spirit of Progress sustainability commitments as well as bringing 'Doing business the right way' to the forefront and including our grievance mechanism 'SpeakUp' contact information.

DIAGEO

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Registered In England
No. 23307

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