

DIAGEO

Modern Slavery Act

STATEMENT

For the financial year
ended 30 June 2022





This statement describes the activities being undertaken by Diageo plc and its subsidiaries worldwide, including all subsidiaries incorporated in the United Kingdom and Australia, (the Diageo Group) to prevent slavery and human trafficking in our business operations and supply chain.

This statement has been published and submitted on behalf of the Diageo Group by its parent company Diageo plc. This statement has been prepared in compliance with global modern slavery-related legislation including the UK Modern Slavery Act 2015, the California Transparency in Supply Chains Act 2010 and the Australian Modern Slavery Act 2018.

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

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Introduction

Diageo has a zero-tolerance approach to modern slavery

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.





Diageo's Structure and Operations

Diageo is a publicly listed (LSE and NYSE) multinational alcoholic beverage company with its corporate headquarters located at 16 Great Marlborough St,

London, W1F 7HS. Further details of Diageo's business organisations, global operations centres and worldwide subsidiaries can be found in the [latest annual report](#).



You can find out more about where we operate [here](#):

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 DAL's operations, supply chain, human rights risk assessment and mitigating actions.

Diageo is a publicly listed (LSE and NYSE) multinational alcoholic beverage company

DAL 's Structure



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

DAL is responsible for the marketing, sales and distribution of the Diageo Group's 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 meets the definition set in section 5 of the Australian Modern Slavery Act 2018 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 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 BDC are 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 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.

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 and Buchanan’s 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 consumer products companies in the world. We know that we will only achieve this ambition if we conduct business sustainably and responsibly.

We produce over 200 brands from 132 sites globally. We directly employ approximately 28,000 people globally. 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.

28,000
EMPLOYED
GLOBALLY



Society 2030:
The Spirit of Progress

Society 2030: Spirit of Progress is Diageo’s 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 to 2030, 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 strive to 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 (UNGPs) 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.



For additional information on Society 2030: Spirit of Progress, [please see our website](#).

We have set ourselves

25 goals which are aligned
to the *United Nations’*
Sustainable Development Goals.

Our Approach

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

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

We expect 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.

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)** 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 2022. 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 July 2022 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. Our latest refresh was benchmarked against the requirements set out within the Corporate Human Rights Benchmark, ensuring our suppliers are



partnering with us against a consistently leading set of standards. You can read more about our [Partnering with Suppliers Standard here](#).

Who these policies apply to

Our Code and Human Rights Global Policy applies to every one of our 28,000 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.

We also expect all our business partners to *adopt clear commitments on ethical business*





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. 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 from their joining date.

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.

Each market has its own training plan for key global policies, which they deliver through locally organised, risk-based training.

Our ACC certifies that all employees at manager level and above fully understand what is expected of them. In 2021, the ACC was completed by 99% of eligible employees, a total of 15,522 people.

We rolled out refreshed Code of Conduct training in September 2022 - 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. Our training is designed both to educate employees on the principles of human rights - with a specific emphasis on modern slavery - and to empower staff to recognise the potential signs of forced labour occurring and the mechanisms they could utilise to challenge these practices and intervene. Training is 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.

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. All Category Managers have access to our internal Responsible Sourcing Toolkit, which provides a detailed end-to-end guidance on taking suppliers through each step of the responsible sourcing journey.

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 regularly updated with the latest information relating to our responsible sourcing programme.

Diageo are members of Aim-Progress, a stakeholder initiative for the fast moving consumer goods (FMCG) sector on responsible sourcing. Through our membership of Aim-Progress, we play an active role in the regional hubs within Africa and Asia Pacific. These regional hubs provide training programmes on key issues relating to modern slavery which member companies from across the FMCG community can invite their suppliers to. In the financial year ended 30 June 2022, our suppliers joined a number of in-person and virtual modern slavery training sessions in countries in Africa and Brazil.

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.

Our procurement colleagues are trained internally on key and emerging themes relating to modern slavery each year. During 2022, this training focused on responsible purchasing practices, looking in depth at how planning and purchasing can have an effect and influence on modern slavery issues within the supply chain. This training was developed following work launched by the Ethical Trading Initiative and also through partnering on content with Better Buying to ensure that business relationships support suppliers in providing decent workplace conditions.

Our suppliers joined a number of in-person and virtual modern slavery training sessions

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 2021-22, 13 human rights allegations were raised via SpeakUp. Of these, seven cases were substantiated, which were related to; failure to pay wages adequately (three cases), employee behaviour (three cases) and working hours (one case). Corrective action was taken in all cases.

It should be noted too that in 2020-2021 and 2021-2022, we amended our Human Rights issue classifications, separating them into subtypes to allow us to conduct better analysis and oversight. This reclassification is believed to be the most likely driver for the increase in cases being reported under Human Rights, as it enables a reporter to select a specific subtype which most correlates to the matter being reported. The change helpfully now allows us to disaggregate our Human Rights breach data, including by issue types such as forced labour.

To ensure we have an effective grievance mechanism for both our own employees and for workers in our supply chain, we have joined the Grievance Mechanism Activation Working Group through Aim-Progress. This group allows us to ensure we have built the right governance and conduct a self-assessment to ensure we have an effective grievance process for supporting potential victims of modern slavery to voice concerns and access remedy.



Governance

Diageo plc’s Board of Directors is responsible for setting the company’s purpose, values and strategy, and for ensuring that the company’s culture is aligned with these. Our Code of Business Conduct and Human Rights Policy are an integral part of ensuring that Diageo’s culture is aligned with our purpose and values.

Any changes to the Code and the Human Rights Policy are approved by our Chief Executive, who reports directly to the Board of Diageo plc. Responsibility for delivery is shared between members of Diageo’s Executive Committee, all of whom ultimately report to the Chief Executive Officer. Our Executive, senior business leaders and functional specialists lead the agenda via our Human Rights Steering Group, and assess risks, emerging issues, compliance and remediation within our routine enterprise risk management processes. When appropriate, human rights risks are reviewed by the Audit Committee of the Board of Diageo plc.

Responsibility for day-to-day delivery of our Code and Human Rights Policy is every employee and partner’s responsibility. We communicate our Code and Human Rights policy throughout our business and, alongside our Partnering with Suppliers standard, to all our suppliers around the world.

We support our employees to embed human rights in their work through an annual training plan including general awareness for all employees, as well as detailed training for functions directly related to managing human rights risks. Our suppliers are also invited to training and engagement events such as our annual Pathway of Pride programme in Africa.

As part of our ongoing commitment to the UNGPs, we’ve updated our human rights governance framework in line with current best practice from the Corporate Human Rights Benchmark. We measure the effectiveness of our human rights governance through monitoring breach allegation trends and root causes. We’re also enhancing our internal assurance framework to identify opportunities to further strengthen our approach.



Responsibility for *day-to-day* delivery of our Code and Human Rights Policy is every employee and partner’s responsibility.

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.



PROVIDE US WITH
RAW MATERIALS





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

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.

In 2022, we have designed and piloted a new Third-Party Risk Management programme. This allows us to manage human rights risks (alongside several other commercial areas of risk management) when onboarding new suppliers against a set criteria mapped to our Partnering with Suppliers Standard.

DAL's supply chains



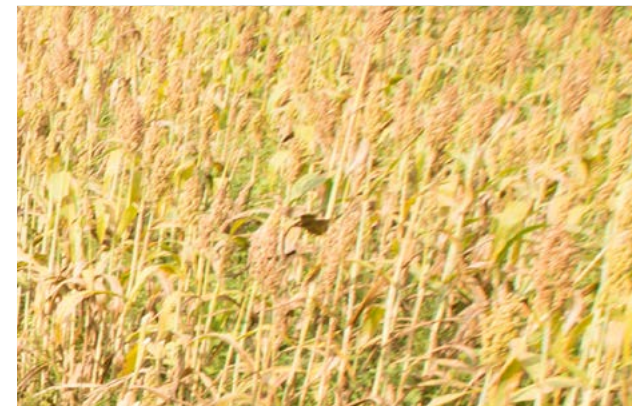
For this reporting period, DAL sourced direct and indirect materials and services from approximately 440 suppliers. Local Australian production relies on raw materials and packaging largely sourced from Australian based suppliers.

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.

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 principal 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.



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.



Our assessments are robust, and involve detailed examination of our value chain

Where assessments identified 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.

To date, we have conducted HRIAs in Australia, Brazil, China, Colombia, Ghana, Guatemala, India, Kenya, Mexico, the Middle East, Nigeria, North America (United States, Canada), North Asia (South Korea, Japan), PEBAC (Peru, Ecuador, Bolivia, Argentina, Chile), South Africa, Tanzania, Thailand, Turkey, Uganda [and the United Kingdom].

Having completed comprehensive HRIAs in these markets to identify the most salient human rights risks for our business and supply chain, we have started to embed the findings and recommendations into our routine enterprise risk management processes. This will make sure our interventions are sustainable and let us track emerging risks on an ongoing basis.

Where assessments identified 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*

DAL 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. Modern Slavery Act clauses have been added into supplier contracts to supplement human rights clauses already referenced in the Partnering with Suppliers standard.

DAL’s country risk data is provided through the Sedex Radar Tool 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 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. This year we further strengthened our approach through the launch of our Brand Promoter training website designed to increase accessibility, target promoters directly and increase our ability to track training completion.



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 UNGPs and the international standards set out by the eight core 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.



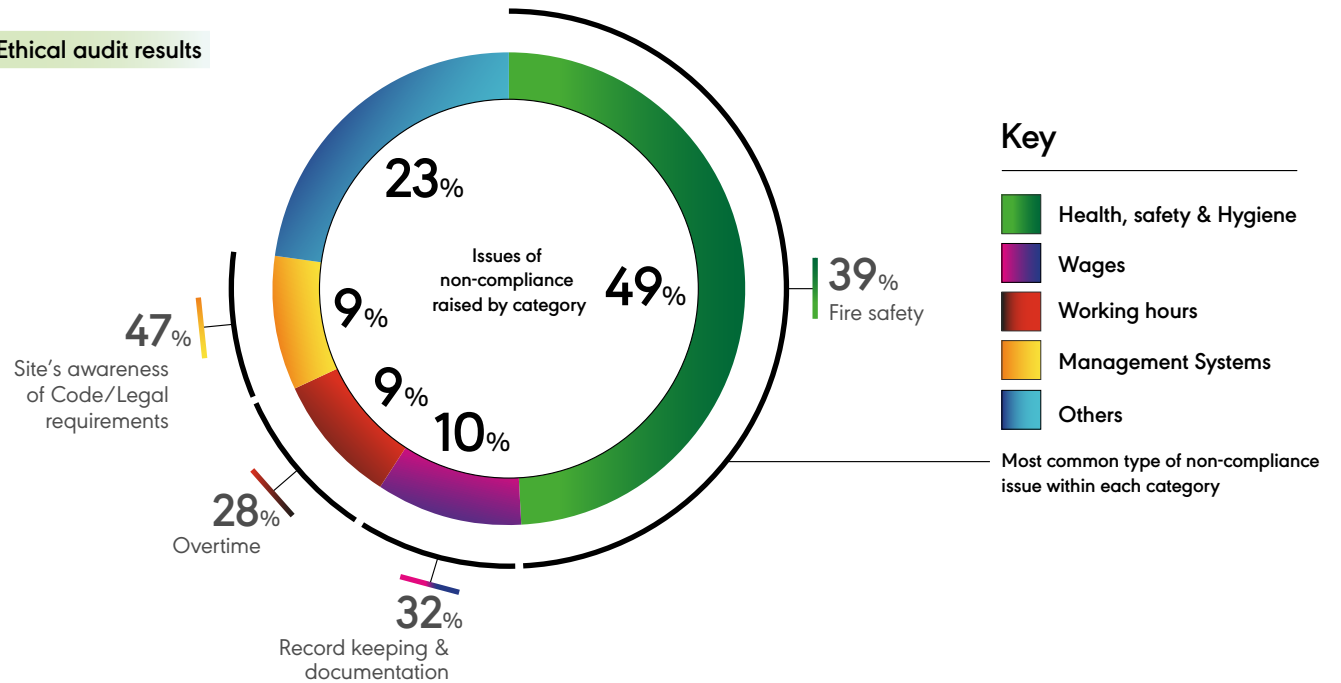
Our Responsible Sourcing programme follows a risk-based approach to assessing adherence to our Partnering with Suppliers standard. Suppliers are risk-assessed against the following three criteria: location of supplier site, category of product or service and spend. Suppliers assessed as a potential risk 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. As of the end of June 2022, 1070 suppliers have completed the latest version of the SAQ in Sedex. This is one of several Responsible Sourcing KPIs internally monitored at a market and global level.

Our ethical audit programme

Our ethical audit programme of suppliers remains a key part of our due diligence process to identify and manage ethical risks in our supply chain, including modern slavery.

Suppliers are 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 442 such suppliers, of whom 346 (78%) were independently audited during the last three years (audits are valid for three years); 310 audits were commissioned by Diageo, and 36 were accessed through Sedex and Aim-Progress. Another workstream we participate in as part of Aim Progress is the 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.

Ethical audit results



2,831 issues of non-compliance have been raised through these audits, with 49% relating to health, safety, and hygiene issues, 10% relating to wages and benefits, 9% relating to management systems, 9% relating to working hours; and the remaining 23% 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.

Of all non-compliances raised during the financial year ended 30 June 2022, over 81% have been closed (2,292), positively impacting 82,800 workers from 226 sites.

Our review of all high-risk supplier audits raised 19 issues of non-compliance related to the SMETA audit section 'Employment is freely chosen'. 6 of these issues relate to the lack of a formal policy at the supplier's facility on employment freely chosen/bonded/prison labour, 3 to practice of compulsory overtime, 2 relate to unreasonable delay in payments due to workers when they leave, 2 incidents of restricted toilet and rest breaks, 2 relates to original papers / passport retained by employer / agent as per law but workers not able to retrieve freely, 1 to workers paying recruitment fees which meet local law, 1 relates to pay / benefits dependent on working a set period of time, and 2 relates to deductions taken from workers' wages made for work-related items or monetary deposit required which takes wages below minimum.

We have followed up with the relevant suppliers with corrective action plans. At the time of writing, 10 of these issues of non-compliance had been verified as closed.

Our review of all high-risk supplier audits raised 35 issues of non-compliance under the category of 'children and young workers'. 12 issues relate to the lack of a formal policy at the supplier's facility in relation to child labour or underage labour, minimum age and recruitment process, 13 to the lack or inadequate records or process in place to verify workers' age, 9 to the absence of childcare facilities provided, and 1 to no contracts for young workers signed by parent or legal guardian as per legal requirements. At the time of writing, 24 issues of non-compliance had been verified as closed. We are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved.

When we consider modern slavery risk beyond our tier 1 supply chain, merchandising materials remain one of our highest-risk categories. This is because they are frequently made in higher-risk countries and are often purchased through intermediaries. 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 44 out of 78 factories in our supply chain which equals 56% in total.

We have continued our work beyond tier 1 into sugarcane and specifically within our rum supply chains in the Americas and Caribbean. This has involved cascading requirements on labour standards, health and safety, environmental impact and business ethics throughout the supply chain to farm level and mills. We're also looking deeper into health risks of sugarcane workers in our supply chain and partnering with multiple stakeholders including Bonsucro, NGOs, retailers and government entities to put remediation programmes in place.

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 also shared tools including a deep dive on living wages. Aim-Progress has developed a regional strategy to extend the reach and scale of support and impacts for global members, including Diageo, and we are active members of both the Africa and APAC regional hubs. Through these hubs, we are working with other existing members to address the most salient human rights and responsible sourcing issues across Africa and APAC, with the intention to provide direct supplier training and capability building, as well as providing a platform to pilot new tools and methodologies that support the promotion of human rights and collective mitigation of modern slavery risks.

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 Executive’s Audit and Risk Committee and ultimately when appropriate to the Audit Committee of the Board of Diageo plc, 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 is monitored through 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 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 can be tested as part of our Diageo annual testing cycle. This involves a process by a team outside 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 and ultimately to the Audit Committee of the Board of Diageo plc.
- At the third line of defence, Diageo’s internal audit team can at any time audit our Responsible Sourcing Methodology and approach. Our most recent 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, 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.

Plans for the Future



Our programmes provide a solid platform to continue progress in identifying and 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 assessing more suppliers, in a wider number of categories and tiers, through our Responsible Sourcing and Sustainable Agriculture programmes which will take a particular focus on modern slavery within our raw material supply chains and have a particular focus on smallholder farmers.

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 regularly assess and address human rights risks following our initial assessments, as well as monitor the effectiveness of the remedial actions taken.

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 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 newly acquired operations are incorporated into 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 executives, including the Board of Directors of Diageo Australia Limited, have contributed to, reviewed and approved the content of this statement. This statement, which is reviewed on an annual basis by the Board of Diageo plc, was approved for publication by the Board of Diageo plc on 7th December.

Ivan Menezes
Chief Executive

Timeline of activity

2014

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



2015

- 1 Launch of our **Human Rights Impact Assessment programme**, a systematic review of business activity and human rights due diligence approach 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.
- 2 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.
- 3 Our **2020 Sustainability and Responsibility** targets were 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

- 1 Key employees in Procurement and Sustainability who have direct responsibility for our Human Rights, Responsible Sourcing or Supply Governance programmes were **first trained on human trafficking and modern 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.
- 2 As part of our commitment to **act in accordance with the UNGPs**, we partnered with Business for Social Responsibility (BSR) to formulate and deliver our human rights strategy.

2017

- 1 We were **officially accredited as a Living Wage employer** in the United Kingdom, a first for a major drinks company in the UK.
- 2 We celebrated **10 years of commitment to responsible sourcing** through AIM-PROGRESS. Diageo were one of the founding members, working together with other FMCG companies to create solutions and share best practices for improving working conditions in our supply chains at scale.

2018

1 We recognise **specific risks for women**, as well as opportunities for their empowerment, in agriculture and smallholder farming in Africa. 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.

2 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.

3 Roll out of our **Child Protection Toolkit** in all markets where we source from smallholder farmers to train employees who visit farms about risks to children's safety.

4 **14 Human Rights Impact Assessments** are completed in Kenya, Ghana, Mexico, Brazil, Thailand, Turkey, Uganda, Colombia, UK, Guatemala, India, Tanzania, Nigeria and South Africa.

2020

1 We rolled out refreshed **Code of Conduct training** - 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.

2 We carried out **Human Rights Impact Assessments** in China, North America, the Middle East (phase one) and Australia, bringing our total to 17 since we began the programme in 2015.

3 **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 of the active role they can play in helping Diageo manage these risks.

2019

1 Our **Annual Certification of Compliance** is extended to include certification that all employees at manager level and above fully understand what is expected of them, including in relation to human rights risk management. In 2019 the ACC was completed by 100% of eligible employees, a total of 10,182 people.

2 We co-sponsored two **AIM-PROGRESS supplier events** in Brazil and India, focusing on issues relating to forced and child labour.

3 We launched a **Global Brand Promoter Standard** which establishes principles and guidelines to protect the rights of brand promoters.



2021

- 1 Our internal **Global Audit and Risk team** undertook a full analysis of our responsible sourcing programme at a global level, reviewing the effectiveness of the programme to manage risks of modern slavery. The audit produced some recommendations for progression.
- 2 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.
- 3 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.



In 2022, As part of our ongoing commitment to the UNGPs, we updated our human rights governance framework

2022

- 1 As part of our ongoing commitment to the UNGPs, we updated our human rights governance framework in line with current best practice from the Corporate Human Rights Benchmark.
- 2 We continued to educate all employees on human rights with a short film that brings to life our human rights commitments through the voices of affected stakeholders. This can be watched on our internal learning management system.
- 3 We launched our **Brand Promoter Standard training website** to increase accessibility and our ability to track training completion against harassment in the hospitality sector.