MODERN SLAVERY ACT STATEMENT
for the Financial year ended 30 June 2016
This statement describes the activities Diageo is undertaking to prevent slavery and human trafficking in our own business operations and supply chain. It has been published in accordance with the Modern Slavery Act 2015 (MSA) and the California Transparency in Supply Chains Act 2010 and covers all Diageo group companies worldwide. The MSA requires large businesses in the UK to publish a slavery and human trafficking statement for financial years ending on or after 31 March 2016.

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INTRODUCTION

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

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

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

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

We produce our brands from more than 200 sites in over 30 countries. We directly employ around 32,000 people. Our partners employ many more, supporting our global manufacturing, distribution, sales and marketing operations. We have interdependent relationships throughout our value chain, from the farmers who grow our ingredients, to our employees and contractors, to the consumers who buy our brands. We want to make sure that throughout that chain – wherever we source, make and sell – we are making a positive contribution.

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Our 2020 Sustainability and Responsibility Targets
Defining and delivering our sustainability goals is an integral part of our long-term business strategy and our commitment to making a real difference to the world in which we operate.

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

We recognise the need to work in partnership with others in order to meet our ambitions.

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

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

For additional information on our 2020 targets please visit our website.

What is Diageo’s approach?
We are a signatory to the United Nations Global Compact and committed to acting in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs). We fully endorse and support the principles enshrined in the International Bill of Human Rights and the International Labour Organisation’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 own business or in any of our supply chains. We are also committed to ensuring there is transparency in our approach to tackling modern slavery in our own business and throughout our supply chains.

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

We have regular contact with our trading partners to check, as far as possible, that they are similarly committed to good practices in relation to their workforce and contractors.
Our policy framework addresses human rights, and specifically the risk of modern slavery, and is supported by training.

Our policies

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

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

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

Who these policies apply to

Our Code of Business Conduct and Global Human Rights Policy apply to every one of our 32,000 employees worldwide regardless of their role or seniority, including those in subsidiary companies and joint ventures where Diageo has a controlling interest.

We also expect all our business partners to adopt clear commitments on ethical business like those in our Code, and any party operating on Diageo’s behalf must ensure that their actions comply with our Code and global policies. Wherever possible, we contractually commit our business partners to adhere to our Code of Business Conduct 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.
Diageo provides key employees and senior management with training on human trafficking and slavery.
GOVERNANCE

Lead responsibility for human rights sits jointly with the President, Global Supply and Procurement and with the Group Human Resources Director for Diageo.

Both are members of the Diageo Executive Committee, providing executive leadership of the company, and reporting into the global CEO and CFO who are members of, and responsible to, the board of directors. Both also sit on our Human Rights Steering Committee, which shapes and determines our strategy on human rights and ensures its operational delivery across the business’s activities. This steering committee includes the following senior management positions; Global Sustainable Development Director; Global Risk & Compliance Director; and the Global Organization Effectiveness Director.

We have also set up a cross-functional working group comprising senior managers from across the business who have relevant expertise knowledge and skills, which plays a leadership and advisory role in our human rights agenda.

A dedicated Human Rights lead helps coordinate activity, build broader awareness, keep abreast of emerging issues and ensure Human Rights remains at the forefront of Diageo’s priorities.
SUPPLY CHAIN AND DUE DILIGENCE

Around 28,000 direct suppliers from more than 100 countries provide us with the raw materials, expertise and other resources that help us make great brands. All the products we make rely on high quality agricultural raw materials and the people who grow them. Just a few key raw materials go into many of our well-known brands – from barley in Johnnie Walker and wheat in Smirnoff to molasses in Captain Morgan and cream in Baileys.

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 – our code for suppliers.

Within our Partnering with Suppliers Standard we set 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 Organisation (ILO) conventions and recommendations. As part of this 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 priority focus for local sourcing is Africa, where as part of our 2020 Targets we have committed to source 80% of our agricultural raw materials locally in Africa by 2020.
Our responsible sourcing programme follows a risk-based approach to assessing adherence to our supplier code using a four-stage process: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process whereby suppliers assessed as a potential risk are required to register with SEDEX (a not-for-profit organisation that enables suppliers to share assessments and audits of ethical and responsible practices with their customers); and independent audits of suppliers who represent a potential high risk.

As at 30 June 2016 (the end of financial year 2016), 1,061 of Diageo’s supplier sites assessed as a potential risk completed a SEDEX self-assessment questionnaire. Of the 318 supplier sites assessed as a potential high risk, 47% (150) were independently audited during the last three years against the SEDEX Members Ethical Trade Audit (SMETA) ‘4 pillar audit protocol’ or equivalent. Of these, 70 audits were commissioned by Diageo, and 80 were accessed through SEDEX or AIM-PROGRESS.

As a result of the audits we commissioned, a number of issues of non-compliance were raised, with the majority relating to health, safety, and hygiene issues. We are working with our suppliers to resolve the issues identified, and, where required, arrange follow-up audits to verify the issues have been resolved.

As part of our responsible sourcing programme we are also members of AIM-PROGRESS, a forum of over 40 leading consumer goods companies which promote responsible sourcing practices and sustainable supply chains. Through AIM-PROGRESS we are involved in programmes such as developing common evaluation methodologies and tools, supplier training, and sharing supplier audits – which reduces duplication for our suppliers. More information can be found at www.aim-progress.com.
HUMAN RIGHTS IMPACT ASSESSMENTS

Each year, all business units and functions are expected to carry out a compliance risk assessment, including consideration of human rights, and to develop mitigation plans for their most relevant risks. As part of our 2020 commitment to act in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs), we have begun conducting dedicated Human Rights Impact Assessments (HRIA) in our markets.

We have partnered with BSR (Business for Social Responsibility, a leading global non-profit consultancy in the areas of human rights, sustainability and environment) to formulate and articulate our human rights vision and strategy for proactive human rights management. 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. Through this, we identified what is working well, gaps, and areas of opportunity.

Following the corporate level assessment, we developed a comprehensive HRIA toolkit - to guide markets and users through a systematic review of their business to identify and assess potential human rights impacts. Our HRIA looks at every element of our value chain from raw material sourcing, manufacturing, contractors, operations, sales and marketing to third party operations.

We have also conducted a number of training sessions for employees to be able to undertake this self-assessment and conduct HRias (as part of our self-assessment strategy) across our markets.

We are aiming to conduct HRias in all our markets over the coming years and have already completed the first assessments, focussing on some of our higher risk markets.

The assessments are robust and involve detailed examination of our value streams, from raw material sourcing which involves visits to farming communities, plantations and fields where we source our barley, wheat, sorghum, sugarcane, agave and other agricultural products, to the suppliers and manufacturing units where we procure our glass, labels, caps, merchandising materials and other items, and to the retailers and bars selling our products. They involve meetings with a number of employees, union members, workers on the factory lines, manpower providers, contract workers, NGOs we support, and other external parties. Where assessments identify human rights concerns, or indeed suggest our approach can be strengthened to better identify and prevent risk, we put in place robust action plans, working with external experts when appropriate, to resolve matters.

We have already undertaken assessments in parts of Africa and Latin America, while others are prioritised within our Asian operations. As a result of these, and of consideration of assessments and risks raised by others, we have begun more detailed work to consider labour standards on farms in Africa and Central America where our raw materials such as sorghum and sugar are grown. We have strengthened our approach to land rights and are also considering human rights risks to home workers where these may arise within our supply network.
PLANS FOR THE FUTURE

We have built a solid platform from which to continue progress in preventing modern slavery in our own business and supply chain. Our Human Rights Impact Assessments have helped us identify higher risk areas within our value stream. We are in the process of delivering a series of actions to address the identified risks, opportunities and management gaps.

We have made a number of significant acquisitions in recent years in emerging markets. We recognise that a heightened risk of modern slavery may exist in some of these jurisdictions and we are continuing to work hard to ensure all of 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.

We will continue to drive further assurance against our ethical sourcing standards across our supply chain through our responsible sourcing programme. Key areas of focus include continuing to embed our global standardised processes across our acquisitions, increasing the number of ethical audits at supplier sites assessed as a potential high risk, and further building supplier capability through engagement and training.

As we continue to strengthen our supply chain human rights due diligence we will also be increasing our focus beyond our direct suppliers to further down our supply chain, to focus particularly on our agricultural raw material sourcing. This includes a set of sustainability indicators which will include human and land rights and aligns with our wider Sustainable Agriculture strategy. A priority over the next year will be our sugar and molasses supply chains, and our local raw material sourcing in Africa.

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

Ivan Menezes
Chief Executive