



Building thriving communities

Supporting our employees and the communities where we live and work is one of our biggest opportunities to create value. Making Diageo a great, safe and inclusive place to work; building sustainable and inclusive value chains; delivering empowerment programmes that enhance skills and opportunities and break down gender barriers – all these interconnected themes share the same aim: promoting inclusive growth for both society and our company. And they are all based on the respect for human rights that is fundamental to who we are and how we do business.



A sustainable value chain, built on respect for human rights

Whether in our agricultural supply chains or our workplaces, our distribution networks or the communities in which we're based, our business has been built on long-term relationships based on trust and shared value. The success of those relationships, now and in the future, is underpinned by respect for human rights.

Embedding human rights throughout our value chain

We have a well-developed policy framework that addresses human rights and sets out our commitment to acting with integrity. Respecting human rights informs the core principles of our Partnering with Suppliers Standard, described further below. And our human rights commitments apply throughout our value chain – we will not work with anyone, including any supplier, who does not align with these principles.

Identifying issues and risks

We've been signatories to the UN Guiding Principles on Business and Human Rights (UNGPR) since 2014. We continue to embed human rights throughout our value chain in line with the UNGPR, using our robust and comprehensive human rights impact assessment (HRIA) in our markets prioritised by risk on a global basis. The HRIA considers our entire value chain from sourcing to selling within a market, looking at local risks. This leads to mitigation plans to address specific human rights issues or strengthen our processes to prevent them arising.

In line with the UNGPR, we have identified three risks as particularly salient to our

business: labour rights, including the risk of child labour, especially in agricultural supply networks; labour standards for contract workers; and sexual harassment in the hospitality sector.

These issues are external risk factors in the places where we operate, and we recognise the challenges they pose in our value chain. We are particularly aware of these risks when carrying out HRIAs (see our progress against our target, below), and in our supply chain.

Having identified these risks, we have focused resources on awareness programmes around child protection, and measures to protect workers, including seasonal contract workers and sales teams working in bars.

Target Act in accordance with the UN Guiding Principles on Business and Human Rights.

KPI number of markets in which we have carried out human rights assessments.

Progress toward 2020 We aim to conduct HRIAs in all markets by 2020. This year, we carried out HRIAs in Tanzania, Guatemala, the UK, India and Colombia, bringing our total since 2015 to 12. As a result of the findings, we have developed a child protection programme for our work with smallholder farmers, and initiatives aimed at preventing sexual harassment in the hospitality sector. Each market has developed an action plan to address its specific risks. We have also developed contractor standards guided by the International Labour Organization's Declaration on Fundamental Principles and Rights to Work, focused on promoting conditions in which people can work in freedom and safety.

Our principles

We do not tolerate discrimination, harassment, bullying or abuse; we comply with wage and working time laws; we respect our employees' decisions to join or not join a trade union; and we do not tolerate forced labour. Our Modern Slavery Statement describes the activities we are undertaking to prevent slavery and human trafficking in our business operations and supply chain, in line with the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act 2010. That statement and further details of our policies are available on www.diageo.com.

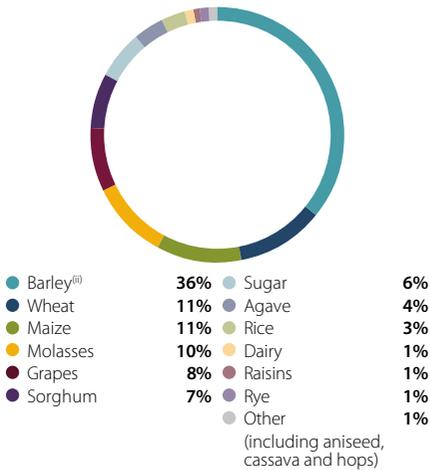
Focus on supply chain opportunities

Robust, resilient, thriving supply chains are fundamental to our business. They also enable us to contribute to the UN Sustainable Development Goals (SDGs) by reducing poverty and inequality, particularly in farming communities, and by addressing environmental challenges, including climate change. We're focused on supporting and building capability among our suppliers, and strengthening both respect for human rights and environmental practices to ensure that growth is inclusive and sustainable.

We see all our suppliers as partners in providing responsibly sourced materials and services. Our Partnering with Suppliers Standard sets out the minimum social, ethical and environmental standards we require suppliers to follow as part of their contract with us, as well as aspirations for long-term partners to work towards.

Global raw materials⁽ⁱ⁾ by volume

(Total – 1.6 million tonnes)

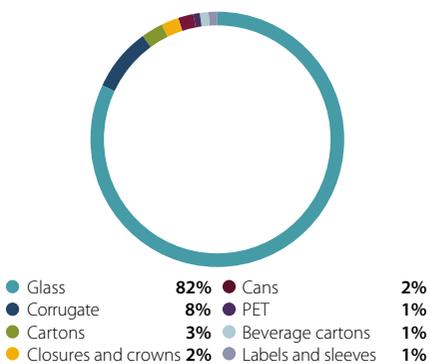


(i) Figures represent raw materials we buy directly, and exclude raw materials used to make the neutral spirit we purchase.

(ii) Includes malted barley.

Global packaging materials⁽ⁱ⁾ by volume

(Total – 1.4 million tonnes)



(i) Excludes promotional materials.

We continue to work through SEDEX, a not-for-profit organisation that enables suppliers to share assessments and audits of ethical and responsible practices with multiple customers, and through AIM-PROGRESS, a forum of 40 leading consumer goods companies which promotes responsible sourcing and sustainable supply chains. Our Know Your Business Partner (KYBP) programme also assesses third parties against the risk of bribery and corruption.

In 2018, we worked with industry peers under the umbrella of AIM-PROGRESS to develop a Supplier Business Toolkit, which is available on www.diageo.com. It aims to share best practice with suppliers and provide practical guidance on how to improve productivity, quality and workforce management, by ensuring good working conditions and ethical standards.

Target Deliver our responsible sourcing commitments with suppliers to improve labour standards and human rights in our supply chains.

KPI % of potential high-risk supplier sites audited.

Progress toward 2020 This year, 1,248 of our supplier sites assessed as a potential risk completed a SEDEX self-assessment. Of these, 486 were assessed as a potential high risk, with 76% independently audited over the past three years, up from 65% in 2017. Of these audits, we commissioned 231 and 139 came through the SEDEX or AIM-PROGRESS mutual recognition programmes. 170 audits were conducted in the past year.

Driving progress through sustainable agriculture

Embedding human rights, empowering women, building skills and increasing water resilience are essential themes of our sustainable development strategy. We work within farming communities to simultaneously advance these themes and fulfil the business imperative of making our supply of ingredients more secure.

The cornerstone of our approach is ‘Building Sustainable Supply Chains’, our strategy for sustainable agriculture. This strategy, published on www.diageo.com, is built on three core principles:

- Securing a supply for our business, while contributing to economic and wider growth
- Respecting human rights, building capacity and creating shared value with farming communities
- Using resources efficiently, minimising environmental impact, and safeguarding future crops and ecosystems.

In June 2018, we published our new Sustainable Agriculture Guidelines. These build on our strategy by outlining how we expect our suppliers to work continuously toward more sustainable agricultural practices. That includes treating farmers and workers fairly, reducing negative environmental impacts while protecting natural capital, and supporting wider economic benefits for farming communities.

Partnering with farmers

In sourcing the raw materials for our brands, we work with farmers and their communities around the world. In Africa, we focus on supporting smallholder farmers to build stronger farm enterprises, through training, better access to seeds and fertilisers to improve yields, access to capital through micro-loans, and engagement with NGOs and other stakeholders to build farmer resilience.

Where developed quality assurance standards exist, we work with industry partners to create a more harmonised approach that

helps farmers become more sustainable. We did this in 2018 with Scottish Quality Crops (SQC), an independent, third-party farm and quality assurance standard with which close to 90% of Scottish growers comply and which is now benchmarked to FSA Bronze. This allows all our Scottish-sourced grains to meet our minimum sustainability requirement. We continue to work with SQC to promote enhanced agricultural practices.

Wherever we work, we want to find ways to promote sustainable agricultural practices that meet our standards, while avoiding duplication for our suppliers.

Target Source 80% of our agricultural raw materials locally in Africa by 2020.

KPI % of agricultural raw materials sourced locally in Africa.

Progress toward 2020 We sourced 78% of agricultural materials locally within Africa for use by our African markets, compared to 76% last year. We support this target through a range of farmer capacity building programmes.

Target Establish partnerships with farmers to develop sustainable agricultural supplies of key raw materials.

KPI Number of smallholder farmers supported.

Progress toward 2020 We support more than 80,000 farmers in Africa. Our work with farmers is described in ‘Partnering with farmers’, above.

Setting new standards, and helping farmers meet them

We use the Sustainable Agriculture Initiative’s Farm Sustainability Assessment (FSA) tool to assess sustainability within our agricultural supply chain.

In 2018, we set FSA Bronze as the minimum compliance level to meet our sustainable agriculture requirements. This must be verified through third-party assurance, either directly, or using a benchmarked standard such as SQC (outlined above).

More than 80 global, regional, company or crop-specific standards have now been benchmarked against the FSA, meaning suppliers that already comply with an equivalent scheme can demonstrate that they meet our requirements. Where we work directly with suppliers at farm level – or where we have operational control of farms – we help them meet our requirements. And in markets where our supply chains include many smallholder farmers who may not yet achieve FSA Bronze, we help farmers improve their yield and livelihood, supporting sustainable farming practices and working with suppliers to identify and address their most material issues and promote inclusive growth.

Empowering and enabling communities through our programmes

In all our markets, we know that everything we do is connected to communities. As an alcohol business, we sell iconic brands responsibly to consumers; as a local employer, we provide jobs and pay taxes; and as a manufacturer, we use shared natural resources and purchase from local suppliers.

Our direct investment in programmes that support the communities where we source, make and sell our products must also reflect, and be connected to, our core business. That's why our programmes are designed to support the four main strands of our community strategy, which align with the SDGs:

- Promoting entrepreneurship, employability and skills (SDG4, SDG8)
- Building sustainable and inclusive supply chains (SDG1, SDG4)
- Improving health and wellbeing, and access to clean water, sanitation and hygiene (SDG3, SDG6)
- Empowering women and enabling inclusive societies (SDG5 and SDG10).

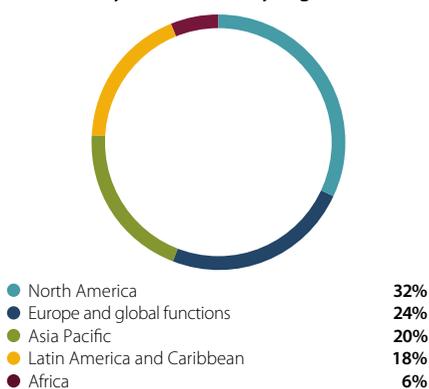
Target Our community programmes enable those who live and work in our communities, particularly women, to have the skills and resources to build a better future for themselves. We will evaluate and report on the tangible impacts of our programmes.

KPI Each programme has its own KPI.

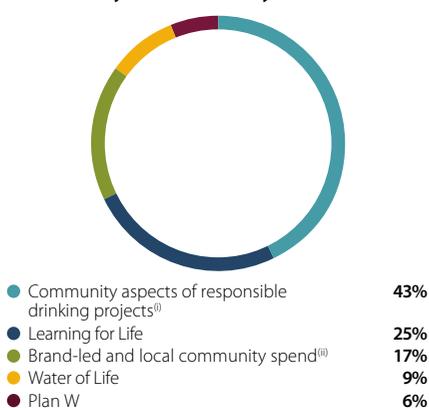
Progress toward 2020

- **Water of Life** has reached more than 10 million people in India and in 21 countries in Africa since 2006, including 234,000 this year. It is focused on access to water, sanitation and hygiene in line with SDG 6. Typically, we are implementing projects in rural areas that supply our raw materials, to ensure the programme is aligned with our core business.
- **Women's empowerment:** by applying a gender-inclusive approach across all of our community programmes, this year we reached more than 164,000 women in support of SDGs 5 and 10.
- **Learning for Life** supports vocational and life-skills training, and strengthens our value chain through its emphasis on hospitality, retail and entrepreneurship, while delivering long-term opportunities for the people involved. More than 130,000 people have taken part since we launched the programme in 2008, with typically more than 70% gaining permanent jobs. This year we trained 7,000 people globally. In May 2018, we published an independent evaluation of the programme's impact in the UK. The study, by researchers from the Business School of the University of Edinburgh, found that the programme had a positive impact on the graduates' perceptions of self-efficacy, self-esteem and self-confidence, and that 77% of participants felt that they had become more responsible drinkers.

Community investment by region



Community investment by focus area



(i) This is a sub-section of the total responsible drinking budget.
 (ii) Category includes cause-related brand campaigns, local market giving and disaster relief.

A value chain approach to women's empowerment

We will only succeed in promoting inclusive growth if we enable women throughout our value chain to play an equal role in the economy and society – from the smallholder farmers who grow our raw materials, to the employees in our workplaces and distribution networks, to the people who serve our brands to consumers all over the world.

To date, our programmes such as Plan W have empowered more than 390,000 women with access to training and skills. But we know that there is an opportunity – and a need – to do more. No country has achieved gender equality, and we know that every value chain contains barriers to women's equal participation. That's why we are now applying a gender-inclusive approach to all our community initiatives; this year we reached more than 164,000 women through our programmes.

To magnify our impact, we are working in a global partnership with the NGO CARE International to address the root causes of gender inequality throughout our value chain through a combination of research, community programmes and advocacy.

In 2017, we worked with CARE on a gender analysis of our barley supply chain in Ethiopia, where we have developed local farming programmes. It showed that, despite expanding the number of supplier farmers from 1,047 to over 6,000 in four years, the proportion of female farmers increased by just 1% – largely a result of barriers to women's participation in the farmers' groups we work with and the land rights afforded to women. We're addressing this within our local sourcing programmes, enabling equal access to skills and resources for women farmers and supporting them within farmer unions and co-operatives.

Building a more interconnected approach

We're working to increase our impact by further integrating our programmes, core business activities, and partnerships using our Social Impact Framework (SIF) to identify and measure potential benefits. That means, for example, developing combined water and women's empowerment initiatives as part of our work with farmers in India and Africa.

Partnerships are key to this approach, and this year we worked with the UN Development Programme, the German government's development agency GIZ, CARE International and the NGO WaterAid, among others, to improve livelihoods in our value chain.

Highlight

Clean water for everyone, everywhere

We believe everyone should have access to safe water and sanitation – and we're proud of our 15-year partnership with WaterAid, an NGO whose purpose is to make water, toilets and hygiene normal for everyone, everywhere. During the course of our partnership, we've brought clean water and sanitation to more than 300,000 people in Africa, including this year's project which is bringing safe water to 3,500 people in Kebbi, Nigeria. Together we are creating shared value by empowering and investing in communities and advocating for universal access to safe water, sanitation and hygiene at local, national and global levels.

Our people

We aim to create a trusting, respectful, honest and inclusive culture, where people are proud of their work, empowered to succeed, and know that their safety and other human rights are respected.

Our leaders at every level play a critical part in creating and maintaining that culture, and inspiring our performance. In 2018, we launched a new Diageo leadership standard to guide leaders on how they can shape the future of our business, invest in talent, inspire others with our purpose, and drive performance. Programmes such as our Future Leaders initiative, which supports employees in the early to middle stages of their development over a three-year period, is one example of how we unlock the potential of our people and invest in their growth.

Health and safety

Our global Zero Harm programme is designed to ensure that all our people go home safe, every day – and our health and safety strategy aims to make ours a business in which no one is hurt, anywhere.

Our Zero Harm programme has driven industry-leading progress in the safety of our people. We are delighted to say that this year we achieved our 2020 target of one lost-time accident (LTA) per 1,000 employees and no work-related fatalities two years early, which constitutes world-class performance. In 13 markets, including North America, Mexico, Ethiopia and Australia, we operated without any LTAs for the year.

While we are proud of this progress, and in particular of the speed with which safety performance has improved in businesses we have recently acquired, we know there is more work to be done. We continue to focus on fully embedding a best practice safety culture into all levels of our business, ensuring consistency in performance everywhere we operate.

We are also continuing to grow our capability around predictive safety, building safety resilience into everything we do, to anticipate and mitigate the risks that lead to incidents. Given our significant progress in reducing LTAs to date, we are expanding our focus to look at total recordable accidents in 2019. This change is intended to bring the full weight of our accident prevention programmes to bear on lower-level incidents, to help predict and prevent more serious incidents.

Target Keep our people safe by achieving less than one lost-time accident (LTA) per 1,000 employees and no fatalities.

KPI Number of LTAs; number of fatalities.

Progress toward 2020 There was just one LTA per 1,000 employees this year, a decrease of 12% from 2017, and no work-related fatalities, which means we achieved our 2020 target two years early. The health, safety and wellbeing of our employees remains our highest priority, with the overall aim of zero accidents.

Diversity and inclusion

Celebrating our inclusive and diverse culture is core to Diageo's purpose. We want to create a business which, from recruitment onwards, allows everyone to be at their best, irrespective of their gender, race, religion, disability, age or sexual orientation. We see diversity and inclusion as a critical business priority. We know that for our business to thrive, we depend on having diverse talent with a range of backgrounds, skills and capabilities in each of the 180 countries in which we operate.

We are proud that 40% of our Executive and 50% of our Board are women. Our progress is illustrated by the fact that in 2003, those figures were 0% and 10% respectively. Our efforts have been recognised externally, with Diageo named first in the FTSE 100 for female executive directors in the Female FTSE Board Report 2018 by Cranfield University School of Management. In January 2018 we were recognised by the Bloomberg Gender-Equality Index for performance and disclosure around gender equality, and we also ranked fifth in the Thomson Reuters Global Diversity and Inclusion Index.

Across the business, women currently hold more than 34% of leadership positions, and we are nearing our target of 35% of leadership positions held by women by 2020. We want to be the employer of choice for women, and we're committed to developing a strong pipeline of female talent for all roles. We're also focused on the areas of our business where we know female representation is low, such as our supply operations. This year we were proud to announce the recruitment of our first female coppersmith apprentice at Diageo Abercrombie, the famous stills which are at the heart of Scotch whisky distillation.

But we know we still have further to go. Throughout the company, we set ourselves ambitious plans for achieving these targets. The managing director of each market has a strategy in place to foster greater inclusion and diversity. We also seek to promote diversity and inclusion with consumers and communities through our brands and programmes.

Target Build diversity, with 35%⁽ⁱ⁾ of leadership positions held by women and measures implemented to help female employees attain and develop in leadership roles.

KPI % of leadership positions held by women.

Progress toward 2020 This year, 34% of leadership roles were held by women. At the most senior level, 50% of our Board members and 40% of our Executive Committee members are women. We have also added a target of 40% of women in leadership roles by 2025.

(i) We increased the target from 30% to 35% in 2017.

Lost-time accident frequency rate per 1,000 full-time employees⁽ⁱ⁾

Region	2014	2015	2016	2017	2018
North America	0.84	1.83	0.37	0.7	0.0
Europe and Turkey	2.08	2.51	1.28	1.46	1.58
Africa	0.56	1.2	0.77	1.26	1.35
Latin America and Caribbean	4.7	0.66	2.27	1.79	0.36
Asia Pacific	1.62	1.21	2.01	0.81	0.66
Diageo (total)	1.66	1.66	1.44	1.14	1.00^A

(i) Number of accidents per 1,000 employees and directly supervised contractors resulting in time lost from work of one calendar day or more.

△ Within PwC's independent limited assurance scope. Please see page 162 for further details.

Number of days lost to accidents per 1,000 full-time employees

	2014	2015	2016	2017	2018
Diageo (total)	49.7	89.4	57	36	45
Fatalities	2014	2015	2016	2017	2018
Diageo (total)	1	1	1	1	0

Engaged and empowered employees

Empowering employees to be the 'best they can be' is at the heart of our business strategy. We want our people to be engaged – passionate about our strategy, connected to our values and purpose, and motivated to perform at their best as advocates of our brands.

That means helping employees understand our strategy and their role within it through our communications and leadership interventions. It also means bringing our purpose to life within our organisation and communities, while developing knowledge and passion for our brands and products. We also engage employees on the role of alcohol in society through initiatives such as our Drink Positive campaign, described on page 18.

To support our employees' performance, we have a framework of clear policies, competitive reward programmes, coaching and development opportunities, and health and wellbeing initiatives.

This year is the 20th anniversary of Diageo's formation, and we marked the occasion with global interactive sessions celebrating our heritage and achievements, described on www.diageo.com. These included celebrating International Women's Day on 8 March 2018, when we underlined our commitment to gender equality.

We report employee engagement on page 9 as one of the overarching KPIs that measure the progress of our business.

Target Increase employee engagement to 80%, becoming a top-quartile performer on measures such as employee satisfaction, pride and loyalty.

KPI Employee satisfaction, loyalty, advocacy and pride, measured through our Values Survey.

Progress toward 2020 In our annual Values Survey, 76% of participants in the survey identified as being engaged, an increase of 1% on last year. 94% of our people participated overall (22,826 of the 24,214 invited to take part), a best-in-class response rate.

Average number of employees by region by gender⁽ⁱ⁾

Region	Men	%	Women	%	Total
North America	1,596	59.8	1,073	40.2	2,669
Europe and Turkey	6,347	60.3	4,185	39.7	10,532
Africa	3,703	75.3	1,213	24.7	4,916
Latin America and Caribbean	1,802	65.6	946	34.4	2,748
Asia Pacific	6,954	76.8	2,098	23.2	9,052
Diageo (total)	20,402	68.2	9,515	31.8	29,917

Average number of employees by role by gender

Role	Men	%	Women	%	Total
Senior manager ⁽ⁱⁱ⁾	392	66.4	199	33.6	591
Line manager ⁽ⁱⁱⁱ⁾	3,017	69.2	1,341	30.8	4,358
Supervised employee ^(iv)	16,930	67.8	8,038	32.2	24,968
Diageo (total)	20,339	68.0	9,578	32.0	29,917

New hires by region by gender⁽ⁱ⁾

Region	Men	Women	Total	% of headcount
North America	249	125	374	14.0
Europe and Turkey	720	644	1,364	12.9
Africa	279	166	445	9.1
Latin America and Caribbean	234	180	414	15.1
Asia Pacific	837	514	1,351	14.9
Diageo (total)	2,319	1,629	3,948	13.2
Percentage of total new hires	58.7%	41.3%		

Leavers by region by gender⁽ⁱ⁾

Region	Men	Women	Total	% of headcount
North America	204	118	322	12.1
Europe and Turkey	990	750	1,740	16.5
Africa	481	206	687	14.0
Latin America and Caribbean	319	188	507	18.4
Asia Pacific	761	416	1,177	13.0
Diageo (total)	2,755	1,678	4,433	14.8
Percentage of total leavers	62.1%	37.9%		

(i) Employees have been allocated to the region in which they reside.

(ii) Top leadership positions in Diageo, excluding Executive Committee.

(iii) All Diageo employees (non-senior managers) with one or more direct reports.

(iv) All Diageo employees (non-senior managers) who have no direct reports.

Highlight

Diageo Abercrombie recruits Scotland's first female coppersmith

For centuries, coppersmiths have used the same tried and tested methods to make the famous stills which are at the heart of Scotch whisky distillation. This year, Diageo Abercrombie (based in Alloa, Scotland), which makes the stills for all our distilleries, scored a first for gender equality by hiring Scotland's first female coppersmith, Rebecca Weir, 18, as part of our apprentice intake.

Rebecca, who comes from Alloa, said: "I wasn't put off by gender stereotypes – I don't think that should stop anyone from doing what they want to do. It's really exciting to be part of something which is so important to the whisky industry. I can't wait to learn more about the essential skills needed to build and preserve the stills which produce some of the world's most-loved Scotch whisky."

