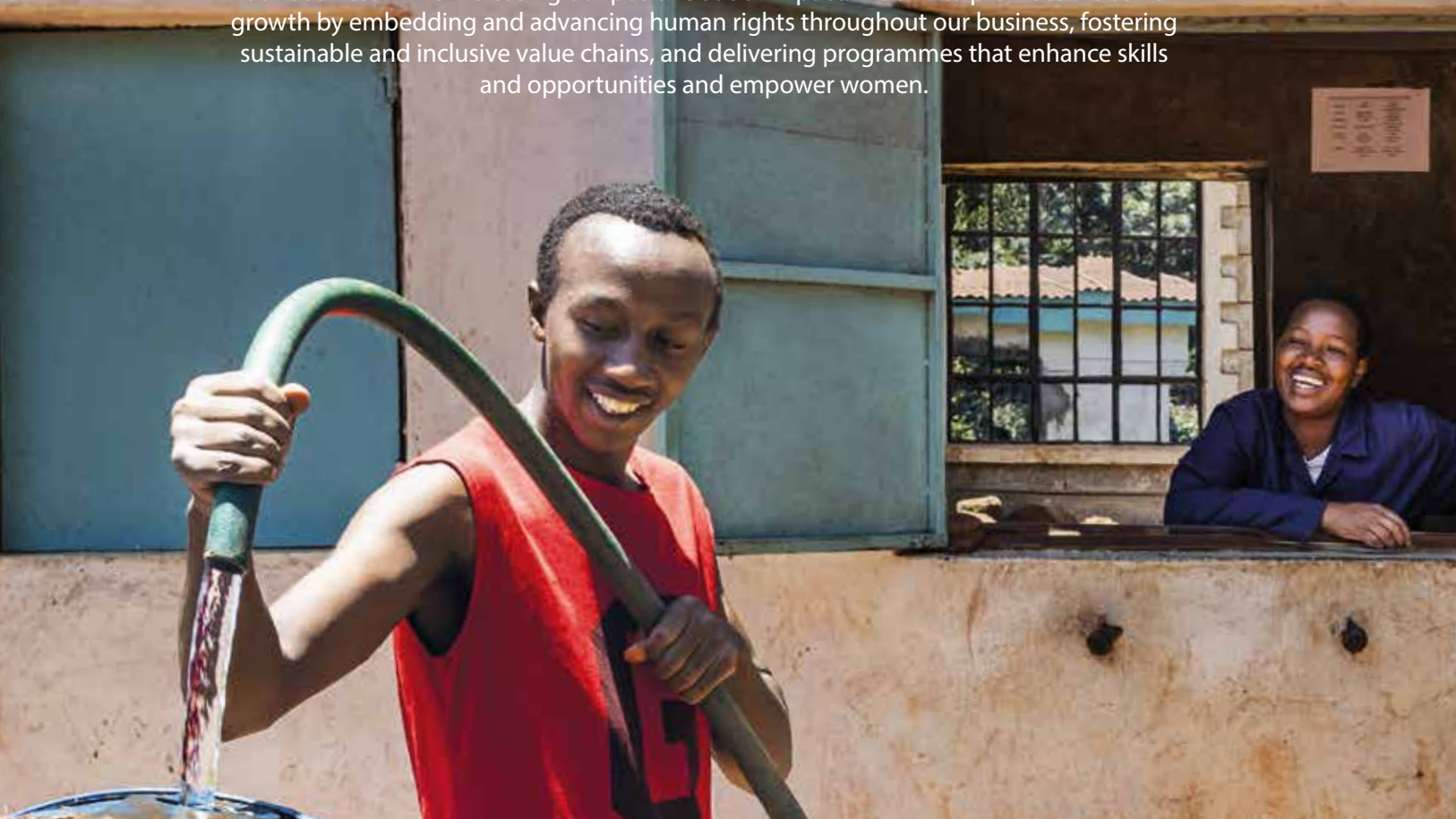


Building thriving communities

Supporting the communities where we live, work, source and sell allows us to strengthen our business while increasing our positive social impact. We aim to promote inclusive growth by embedding and advancing human rights throughout our business, fostering sustainable and inclusive value chains, and delivering programmes that enhance skills and opportunities and empower women.



Our work contributes to the following UN Sustainable Development Goals:



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 our activities 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. The statement and further details of our policies are available on www.diageo.com.

Respecting human rights throughout our business

Diageo is built on long-term relationships of trust and shared value, underpinned by respect for human rights. We aim to embed respect for human rights into the way we do business in every country and function. We have a well-developed policy framework that addresses human rights and our commitment to integrity, and this year we refreshed the human rights elements of our Code of Business Conduct, which we will launch next financial year.

Respect for human rights also informs the core principles of our supplier code, Partnering with Suppliers. Our commitments apply throughout our entire value chain – we will not work with anyone who does not align with these standards.

We have been signatories to the UN Guiding Principles on Business and Human Rights (UNGP) since 2014. We continue to embed human rights in line with the UNGP, using our comprehensive human rights impact assessment (HRIA) process, which

considers our entire value chain. Based on localised risk assessments, we develop mitigation plans for addressing specific human rights risks in order to strengthen our processes and prevent risks arising.

We have identified three external 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.

We have responded to these risks in a number of ways, such as awareness programmes focused on child protection. As part of this work, in 2018, we developed and rolled out training for a variety of internal and external stakeholders including, in some countries, selected suppliers and aggregators. This year, we commissioned an independent study into contracted labour, which we will use to develop key mitigation strategies for next year and beyond. We also developed new standards and training aimed at protecting brand promotion teams from harassment.

“Through the roll-out of comprehensive human rights assessments across its value chain worldwide, Diageo is able to address its human rights impacts and identify where it can further promote the advancement of human rights in the industry. As we work with companies to embed human rights as part of their business strategy, we see opportunities for companies to support systematic respect for human rights in the communities in which they operate.”

Aron Cramer

President and CEO, BSR (Business for Social Responsibility)

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 impact assessments (HRIAs).

PROGRESS

We aim to conduct HRIAs in all markets by 2020. This year, we finalised HRIAs in South Africa and Nigeria, bringing our total since 2015 to 14. Both markets have developed action plans to address specific salient risks. The findings of our HRIAs since 2015 have informed the work to address these risks described on page 48.

Creating impact in our supply chains

We rely on resilient, thriving supply chains for the raw materials in our brands. Collaborating with our suppliers also provides a vital opportunity for us to contribute to sustainable development and the UN SDGs. We aim to build our suppliers’ capabilities while advancing respect for human rights, so they can be our partners in providing responsibly-sourced goods and services, and to source locally where appropriate.

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, and sets targets for our long-term partners to improve.

We also work through SEDEX, a not-for-profit organisation that allows suppliers to share assessments and audits of ethical and responsible practices with multiple customers, and AIM-PROGRESS, a forum of leading consumer goods companies which promotes responsible sourcing and sustainable supply chains. These platforms allow us to work with suppliers to create action plans that address areas for improvement.

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

This year, 1,260 of our supplier sites assessed as a potential risk completed a SEDEX self-assessment. Of these, 413 were assessed as a potential high risk, with 89% independently audited over the past three years. Of these audits, we commissioned 224 and 143 came through SEDEX or AIM-PROGRESS mutual recognition audits. 146 of these audits were conducted in the past year.

Focus on sustainable agriculture

We have a Building Sustainable Supply Chains strategy supported by our Sustainable Agriculture Guidelines (SAG). These set out the agriculture-specific standards we expect of suppliers of raw materials, and how suppliers should work towards sustainable farming. These include treating farmers and workers fairly, reducing negative environmental impacts while protecting natural resources, and supporting wider economic benefits for farming communities. Both documents are published on www.diageo.com.

Wherever we work, we aim to promote sustainable agricultural practices that meet our standards, while avoiding process duplication for our suppliers.

Driving progress through Farm Sustainability Assessments

We use the Sustainable Agriculture Initiative (SAI) Platform’s Farm Sustainability Assessment (FSA) tool. In 2018 we set the minimum compliance level to meet our SAG requirements as FSA Bronze – a level which must be verified through third-party assurance, either directly, or using a benchmarked standard.

More than 80 global, regional, company or crop-specific standards have now been benchmarked against the FSA, so suppliers that already comply with an equivalent scheme can demonstrate that they meet our requirements.

We hold ourselves to the same standards. This year, for example, our agricultural team in Mexico assessed our own practices against FSA. After implementing an action plan to address gaps, our practices were independently verified as 100% FSA Gold, and Don Julio Agavera has been issued with an FSA Gold attestation.

Partnering with farmers

We also work directly with suppliers at farm level to help them meet our standards. This year in Turkey, for example, we began a project intended to help small-scale aniseed farmers build their climate resilience and improve their livelihoods, including through providing inputs and commissioning research into the best seeds to improve yields. In Africa, where our longstanding connection with farmers has resulted in some of our most developed programmes, we continued to support groups of smallholder farmers through a selection of training, access to seeds and fertilisers, access to capital through micro-loans, and engagement with NGOs and other stakeholders to build financial resilience.

TARGET

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

KPI

% of agricultural raw materials sourced locally in Africa.

PROGRESS

We sourced 82% of agricultural materials locally within Africa for use by our African markets, compared with 78% last year. We support this target through a range of farmer capacity-building programmes, described above.

TARGET

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

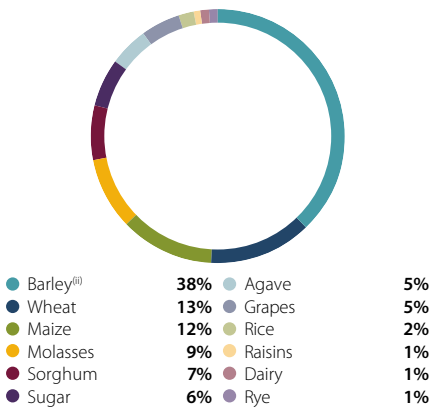
KPI

Number of smallholder farmers supported.

PROGRESS

We support more than 72,000 farmers in Africa. We buy from a further 39,000 farmers. Our work with farmers is described in ‘Partnering with farmers’, above.

Global raw materials⁽ⁱ⁾ by volume
(Total – 1.5 million tonnes)



(i) Figures represent raw materials we buy directly, and exclude raw materials used to make the neutral spirit we purchase. Other global raw materials (including aniseed, cassava and hops) are less than 0.5% of the total.
(ii) Includes malted barley.

Empowering communities where we live, work, source and sell

Our distilleries and breweries are at the heart of their communities. Through our full value chain, from grain to glass, we are connected to many more. We are committed to programmes that support the communities around us while at the same time strengthening the commercial aims and sustainability ambitions of our core business. This year Diageo invested £12.6 million or 0.3% (2018 – 0.3%) of operating profit in community initiatives.

“We all have a role to play in creating a fairer, more sustainable world, and businesses are crucial in bringing about change on a global scale, benefiting people, planet and profit. Diageo has successfully developed a model that allows them to create a thriving business while also helping improve access to clean water, decent toilets and good hygiene across the world.”

Tim Wainwright
Chief Executive,
WaterAid UK

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

Number of women empowered by our programmes.

PROGRESS

Women’s empowerment is a priority everywhere we work. We know that every value chain contains barriers to women’s equal participation, and that removing these barriers is essential to unlocking the wider economic growth on which a business like ours depends.

As well as aiming to build a truly inclusive and diverse business (see Our People on pages 58-59), our programmes aim to address the root causes of inequality through a combination of research, community programmes and advocacy. We are working in a global partnership for women’s empowerment with the NGO CARE International UK.

To date, our programmes have empowered around 400,000 women with access to training and skills.

KPI

Number of people reached through skills and empowerment programmes.

PROGRESS

Skills development programmes help people in communities around the world overcome barriers and build skills that enhance their employability and help them advance in their careers, while strengthening our value chain. Our largest global programme, Learning for Life, which focuses on hospitality, retail and entrepreneurship, has reached more than 140,000 people since its launch in 2008, with typically more than 70% gaining permanent jobs. Through our range of skills programmes, we helped more than 10,300 people around the world this year.

KPI

Number of people reached through Water of Life programmes.

PROGRESS

Water of Life helps build thriving communities by providing access to water, sanitation and hygiene, typically in rural areas that supply our raw materials and support our core business. It has reached more than 10 million people in India and in Africa since 2006, including 232,000 this year.

An example of how we are combining water programmes with women’s empowerment and skills to create a holistic impact can be found on page 19.

SPOTLIGHT

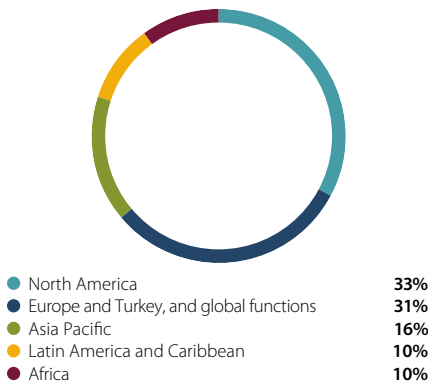
A holistic approach delivers far more to villages in Cameroon

Guinness has a big presence in Cameroon – and we see ourselves as both part of and an important contributor to local communities. Our Water of Life programme has already brought clean water to a number of communities in Cameroon, and this year we brought it to 15,000 people living in and around the villages of Moinam and Marouaré. But this latest programme has gone much further than just clean drinking water.

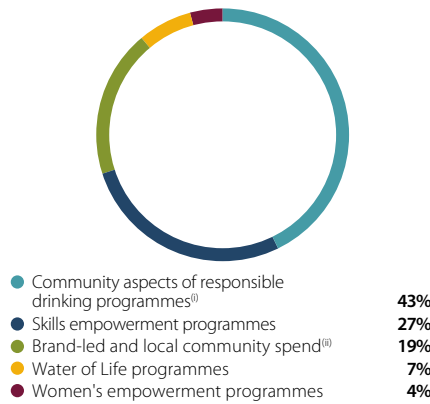
Bringing together the core themes of all our community programmes – WASH (water, sanitation and hygiene), skills development and women’s empowerment – into one holistic approach can achieve far more than a single programme on its own. So, in these two villages, as well as installing borehole wells with manual pumps to provide safe drinking water, we invested in awareness sessions about child labour and positive drinking, and encouraged women to take part in a hygiene session. This session covered menstrual hygiene and, as part of it, we distributed reusable sanitary towels to the girls and young women. Lack of access to sanitary products is a big factor in preventing girls getting an education and women entering employment, so this kind of educational effort is fundamental to women’s empowerment.

In May, the community held an official handover ceremony, marking the completion of the project, attended by Andrew Ross, Managing Director of Guinness Cameroon and Astrid Bembone, Regional Sales Manager, Center Region. Ndinga Guiwa Jeremie, Chief of Moinam village, expressed the community’s gratitude for Diageo’s investment, commenting that the clean water had eradicated water-borne diseases, while the awareness programme around positive drinking had helped people make better choices.

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.

“At CARE we know that we cannot overcome poverty until all people have equal rights and opportunities. When you empower a girl or a woman, she becomes a catalyst for positive change, whose success benefits everyone around her. Diageo’s value chain approach to tackling the root causes of gender inequality is an example of the kind of inclusive business models that are critical for tackling poverty.”

Laurie Lee
 Chief Executive,
 CARE International UK

SPOTLIGHT

Learning for Life and empowering people through skills

We want to create opportunities for people around the world to overcome barriers, boost their skills and build a better life for themselves and their families, and since 2008 our flagship Learning for Life (L4L) programme has been leading the way.

From its origins in our Latin America and Caribbean markets, L4L’s aim of finding talented people and supporting them to reach their full potential now spans more than 40 countries. At its core, L4L focuses on giving people the tools, training and skills they need to succeed in sectors including hospitality, retail, entrepreneurship and bartending.

After over a decade of programmes, L4L is always looking to break new ground. This year, for example, we ran our first ever L4L initiatives in Greece and Italy, while in Ireland we completed the second year of a L4L programme which aims to create opportunities for refugees through skills and education.

L4L is not our only programme to provide skills empowerment opportunities. In Kenya, for example, Project Heshima provides vocational



training to thousands of young people and women at risk of consuming or producing illicit brews. In India, our safe drinking ‘water ATM’ programmes include training for 287 women entrepreneurs so they can maintain and run the facilities, as described on page 19. We are proud that these initiatives have reached around 140,000 people to date, including 10,300 this year alone. We believe that by empowering disadvantaged people

through enhanced skills and employability, our programmes support UN Sustainable Development Goal 8, focused on decent work and economic growth. We are sure it makes Diageo stronger – by helping to create thriving communities where we live, work, source and sell.