

DIAGEO

SUSTAINABLE AGRICULTURE GUIDELINES

OUR APPROACH

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Our vision is to make our agricultural supply chains economically, socially and environmentally sustainable. That means:

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

We expect our suppliers to work continuously towards more sustainable agricultural practices by treating farmers and workers fairly, reducing negative environmental impacts, protecting natural capital and supporting wider economic benefits for farming communities.

What is sustainable agriculture?

"Sustainable agriculture is the efficient production of safe, high quality agricultural products, in a way that protects the natural environment, improves the social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species."

Sustainable Agriculture Initiative Platform

SCOPE OF THIS DOCUMENT

This document sets out the Standards we expect in our agricultural supply chains, and should be applied in conjunction with our supplier code, '[Partnering with Suppliers](#)'.

It also provides guidelines to help our suppliers meet these Standards.

We expect our suppliers to understand our Standards and help drive the application of the Standards through their supply chain to the farms where our raw materials are grown.

Where we work directly with farmers, or where we have operational control of farms, we will engage directly or in conjunction with development partners, to help them work towards our Standards.

Though the scope of the supply relationship may vary by geography and commodity, we classify 'suppliers' in the agricultural context as:

- **Tier 1 Suppliers** – traders, merchants, aggregators, processors or cooperatives with whom we have a direct relationship for the supply of raw materials, and who in turn, have a direct or indirect relationship with farmers (they may source directly or through other intermediaries).
- **Farmers** – individuals or farm families, whether they have a direct relationship with Diageo or are represented by an organised cooperative, who directly manage the land, grow crops or rear livestock.

A COMMON INDUSTRY APPROACH

We are committed to promoting sustainable agricultural practices across our supply chain. We believe that a common industry approach is the best way to support improvements, not just in our own supply chain, but across the agricultural sector.

To support this common approach, Diageo is a member of the Sustainable Agriculture Initiative (SAI) Platform. We have adopted SAI's [Farm Sustainability Assessment](#) (FSA) tool as our reference to assess sustainability within our agricultural supply chains and drive improvements.

By aligning our approach with this common industry tool, we aim to avoid over-burdening suppliers and farmers with multiple company-specific audits and assessments.

FSA can be used as a standalone tool to assess farm sustainability, but also has the additional

advantage of having conducted benchmarks to FSA of over 80 other global, regional, company and crop-specific standards and legislation. This means suppliers that already comply with one of these existing schemes can demonstrate that they meet our minimum requirements without further assessments (see 'Path to Compliance'). For the most up to date list of benchmarked standards, and to download the FSA itself, see www.fsatool.com.

If a supplier already complies with a sustainability or quality standard that has not yet been benchmarked against the FSA, we encourage them to work with SAI Platform and the organisation whose standard they currently adhere to in order to seek such a benchmark, particularly where this standard is likely to achieve a benchmark result meeting an FSA performance level. For more details on FSA levels, see www.fsatool.com.

access to agricultural inputs such as seeds, agronomy advice and finance; and the level of organisation within the supply chain, particularly where the ability of farmers to engage on issues of environmental or social sustainability may be affected by a primary focus on economic viability.

For further guidance, please refer to your Diageo Procurement contact.

HOW WE DEFINE EMERGING SUPPLIERS

Emerging Tier 1 Suppliers:

Emerging Tier 1 suppliers are often determined by their size; geography; maturity of the organisation; management and operational experience; the local legislative environment; or ease of access to finance and expertise.

Smallholders:

We define smallholders, not just by the size of their farm (typically under two hectares), but also by their approach to farm management;

PATH TO COMPLIANCE

In order to meet our sustainable agriculture requirements, our aim is to work with our established suppliers to drive assurance to a minimum level of FSA Bronze (or equivalent using a benchmarked standard). This must be verified through third-party assurance, either in accordance with the FSA Implementation Framework or via the benchmarked standard. Documentation, in the form of an audit report or certificate of compliance, must be provided outlining the achieved result. See page 6 for more details on how to implement our Standards.

We hold the same high standards for all our suppliers, regardless of geography or size. However, we acknowledge that the starting point can be very different for each supplier, or category of suppliers.

The intention of these Guidelines is to promote inclusivity and not to exclude suppliers that do not immediately reach these minimum requirements. As a result, we have adopted a specific approach for those in emerging supply chains, typically comprised of less commercially organised Tier 1 suppliers and/or large numbers of independent smallholder farmers – often without any form of farmer organisation to help strengthen their farming operations (see box).

In these cases, we will take a collaborative approach that emphasises sustainability on farms and in communities as a long-term mutual goal. We will work together to establish a rigorous but achievable strategy to meet these goals, alongside other partners, such as aggregators, Governments and NGOs.

This process will include mapping suppliers' production areas, enabling access to key agricultural inputs and services during the production season, tracking basic data and focusing on continuous improvement.

PROMOTING CONTINUOUS IMPROVEMENT

Even the most sustainable agricultural systems of today may not be sustainable in the future in the face of evolving challenges presented by climate change, biodiversity loss, diminished soil fertility and a growing global population. Continuous improvement is fundamental to building resilient and sustainable agricultural systems for the long term.

This means that achieving FSA Bronze should not be considered an end in itself. Once suppliers have achieved this, we expect them to develop and implement plans to continually improve their sustainable agricultural practices. Improvement plans should focus on the priorities defined for their particular crops, regions or supply chains, and the areas identified by farmers or farm management groups as most important to them.

Continuous improvement may lead to an improved performance level (e.g. from Bronze to Silver level). It may also relate to an in-depth approach on a specific issue, such as improving water management, which may not lead to an improved performance level overall, but has the potential to benefit the farm, the environment and/or local communities.

OUR STANDARDS

The following Standards set out our requirements for suppliers in our agricultural supply chains.

Business Integrity and Ethical Standards

Laws and Regulations

Comply with local and national legislation, and established international conventions, including environmental and labour regulations.

Bribery and Corruption

Adopt a zero tolerance approach to bribery and corruption in any form.

Human Rights and Labour Standards

Child Labour

Adhere to applicable laws and regulations concerning minimum working age, prohibit employment of people below the age of 15 (subject to exceptions permitted by national law or the International Labour Organization (ILO), and protect and promote the special interests of employees under the age of 18 by allowing them access to education, limiting their employment during typical resting hours and ensuring no exposure to working conditions that are likely to jeopardise their health and safety or morals. Where there is a risk of child labour within the local supply network, take appropriate measures to build awareness and apply child protection measures.

Forced Labour

Prohibit the use of forced labour in any form, including in the form of slave labour, indentured labour, bonded labour or coercion of any employee through any means.

Abuse and Harassment of Labour

Prohibit any kind of harassment, intimidation, bullying or abuse of any employee, including through the threat of physical punishment or disciplinary action, or physically, sexually, racially, psychologically or verbally.

Freedom of Association and Collective Bargaining

Allow employees the freedom of association and collective bargaining in accordance with applicable laws and regulations.

Discrimination

Treat employees fairly and do not discriminate in any aspect of employment based on factors such as race, gender, colour, caste, religion, ethnicity, sexual orientation, disability, age, marital status, health, pregnancy, union membership, political affiliation or national origin.

Wages and Benefits

Ensure employees are paid a fair wage that is equal to or above the national legal minimum standard or in accordance with appropriate industry standards, whichever is higher.

Working Hours

Ensure employees do not work excessive hours, in accordance with national laws, collective agreements and the provisions of the relevant [ILO standards on working time](#). In the absence of applicable laws or collective agreements, normal working hours shall not on a regular basis exceed a maximum of 48 hours per working week, or 60 hours per working week including overtime, and employees shall be allowed at least one day of rest in every seven day period.

Land Rights

Respect the land rights of communities, including indigenous peoples, aligned to the principle of free, prior and informed consent (FPIC).

Access to Remedy

Provide a right to remedy for employees through an accessible, trusted and fair grievance process.

Health and Safety

Maintain a safe and secure working environment, providing, as a minimum, access to adequate safe drinking water, sanitary and hygiene facilities, ventilation, adequate lighting and temperature, personal protective equipment, and health and safety training to mitigate known hazards or potential risks.

Environmental Impact

Water Management

Assess water use in the context of local availability and quality, and manage it appropriately to support long-term sustainable water management, including adopting measures to improve water quality from wastewater discharges, agricultural inputs and soil erosion.

Waste Management

Apply the principles of reducing, reusing and recycling of waste, and other by-products of harvesting and processing crops.

Soil Management

Apply the principles of best-practice soil management to prevent soil erosion, improve soil health and avoid soil damage due to compaction, as appropriate to the crops and the cultivated land.

Nutrient Management

Ensure all organic and treated fertilisers and sludges are sourced from reliable providers and stored safely and appropriately to protect watercourses from contamination, and that fertiliser applications are recorded to facilitate efficient management and avoid overuse.

Biodiversity

Minimise the impact on ecosystems and biodiversity by ensuring that farmers protect native species and adopt good practices such as integrated farm management, responsible pesticide use and water management. Where raw materials are sourced from regions with fragile ecosystems or near conservation areas, conduct impact assessments and adopt measures to protect and enhance biodiversity and ecosystems.

Crop Protection

Apply the principles of integrated pest management where possible. Where pesticides are used, they must be sourced from reliable providers, applied responsibly, and stored safely and securely, and records must be kept of crop protection applications, product types and volumes stored.

Greenhouse Gas Emissions and Air Pollution

Minimise energy use and carbon emissions associated with growing and transporting Diageo's agricultural raw materials.

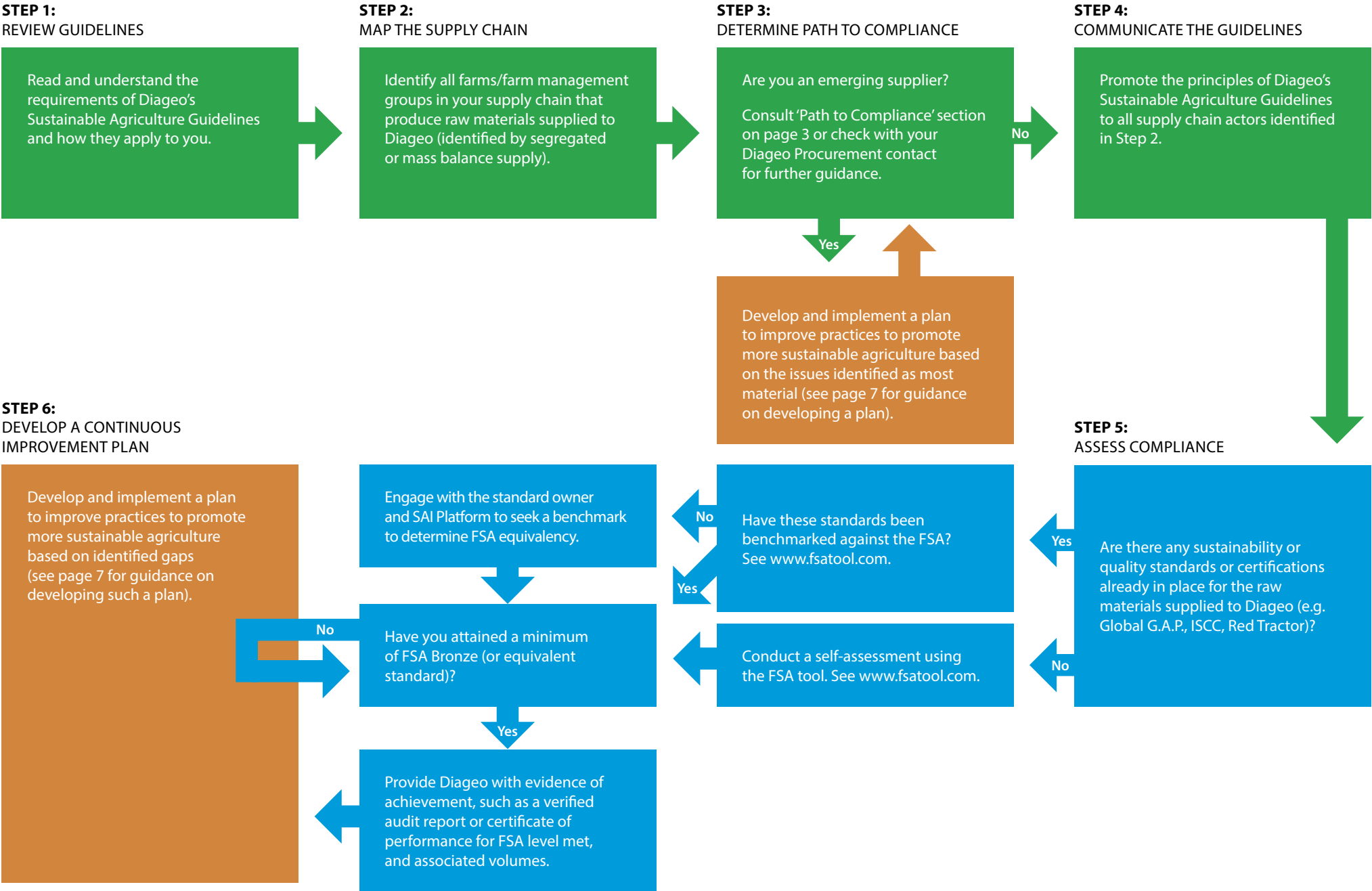
Animal Welfare

Ensure that the World Organisation for Animal Welfare's [General Principles for the Welfare of Animals in Livestock Production Systems](#), including the recognised Five Freedoms are applied to animal welfare practices in relation to any livestock involved in the supply of ingredients to Diageo (such as dairy).

IMPLEMENTING THE GUIDELINES

The framework on the following page is designed to guide suppliers through the process of implementing Diageo's Sustainable Agriculture Guidelines.





DEVELOPING A CONTINUOUS IMPROVEMENT PLAN

We encourage suppliers – whether established or emerging – to aim for continuous improvement to go beyond compliance and drive progress towards more sustainable agricultural practices. To do this, suppliers should identify areas for improvement and establish a timely plan to implement improvements, based on the most material needs of their particular supply chain.

The following steps provide guidance on how to develop and implement a continuous improvement plan. This guidance does not seek to prescribe a particular format or length that the plan should take, as this will depend on the particular farming operation, and may in the case of smallholders, be a verbal plan, as appropriate.

Six Steps to Continuous Improvement

1. Assign a Responsible Person

Assign a dedicated person (or persons) with responsibility for development and implementation of the improvement plan to make sure the process is effectively managed and ensure accountability. For emerging suppliers, this may be the farmer, an assigned farm manager or an extension worker.

2. Conduct a Gap Analysis

The FSA tool (or other benchmarked standard) can be used to conduct a gap analysis of current practices compared with best practices. On completing the FSA self-assessment, any questions without a positive response will indicate areas for improvement

(for guidance, see www.fsatool.com). If using another benchmarked standard, the results of the benchmark will indicate areas of non-compliance within the standard.

Alternatively, the farmer, their extension worker, off-taker or other advisor, may understand the inherent areas for improvement on their farm or in their local environment or communities, or there may be national schemes identifying areas for improvements, such as a National Biodiversity Plan.

3. Complete a Materiality Assessment

To help prioritise the areas identified for improvement, complete a materiality assessment to identify the areas that are most significant to the particular farm or operation. This may consider factors related to:

- specific supply chains
- the needs and capabilities of the farmers involved
- external reports on sustainability issues related to the particular crops or countries in the supply chain
- government plans on issues such as biodiversity or economic development
- changes related to climate, social or governmental factors.

4. Make Commitments

Work with farmers and other parties in the supply chain to develop a plan to drive continuous improvement, based on the results of the gap analysis and materiality assessment. This plan should identify specific areas for improvement and include clear, time-bound actions or targets to address these.

It may be helpful to consider how plans address each of the three key aspects of sustainability: economic, social and environmental. One aspect may have more areas for improvement than the others.

Other existing plans may provide further guidance for this, such as:

- plans developed by supply chain partners to comply with continuous improvement requirements of other industry, regional or company standards
- national agricultural environmental schemes
- corporate programmes on specific environmental or social issues (e.g. energy, water, biodiversity or employment rights)
- integrated farm management plans or other farm-level management plans (e.g. for pesticides, water or biodiversity).

5. Define How to Measure Progress

Define suitable indicators to measure performance against the commitments made in the continuous improvement plan to help check that the intended outcomes are achieved and, ultimately, contribute to enhancing the sustainability of agricultural supply chains (see box).

6. Review and Revise the Plan Annually

Conduct an annual review of progress by measuring the performance of suppliers or farmers against the commitments made in the plan, possibly at the end of each crop cycle. Part of this review should include an assessment of whether the intended outcomes have been achieved. This may lead to revisions to the plan or additional specific commitments.

Sample indicators to measure performance

Possible indicators include:

- Increase in yield (%)
- Decrease in pesticide application (% or litres per hectare)
- Increase in average school-leaving age (years)
- Training participation rate (% farm workers)
- Number of on-farm health and safety incidents
- Farm carbon footprint (tonnes CO₂)
- Decrease in water use (% or litres per hectare)
- Number of trees planted (as an indicator of biodiversity enhancement)
- Volume of processed material as % of harvested tonnage (as an indication of post-harvest handling efficiency)

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