DIAGEO

Sustainability & Responsibility
Performance Addendum to
the Annual Report 2018

Contents

Cover image
Members of Diageo's Scotch whisky specialist
team, Emma Walker and Chris Clark, in the
Blenders' Room at Diageo's International
Supply Technical Centre, Menstrie, Scotland.

Welcome

Our purpose as a business is to celebrate life, every day, everywhere. That means being proud of what we do at work, at home and in our communities. This Sustainability & Responsibility (S&R) Performance Addendum to our 2018 Annual Report is part of our drive to achieve that purpose – by communicating transparently how our strategy, governance, and performance work together to create value and promote inclusive growth. Since 2014 we have used the International Integrated Reporting Commission (IIRC)'s framework to guide us as we integrate sustainability within our business. This Performance Addendum is one of three main ways in which we provide stakeholders with detailed disclosures across a range of issues that matter to them, and to our business. The others are our integrated Annual Report and our website.

How we report to our stakeholders

Annual Report
Where we present our most material disclosures and describe how our S&R strategy and commercial performance drivers work together to deliver value for both our business and communities.
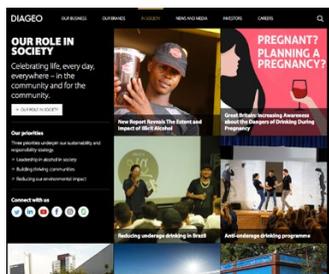
www.diageo.com
Where the **Our role in society** section of our website gives further details of our approach and performance and provides examples of our strategy in action.

Sustainability & Responsibility Performance Addendum
Where we provide additional information to stakeholders through detailed disclosures structured as follows: the GRI Index, which follows the GRI Standards; the UNGC index, which follows the UNGC advanced reporting criteria; and our response to the Sustainability Accounting Standards Board.

Who are our stakeholders?
Everyone who is affected by our business, and everyone who affects it, is a stakeholder. They range from employees to investors, from consumers to communities and from farmers to governments. For details of our stakeholder engagement, see disclosure **101-01**.
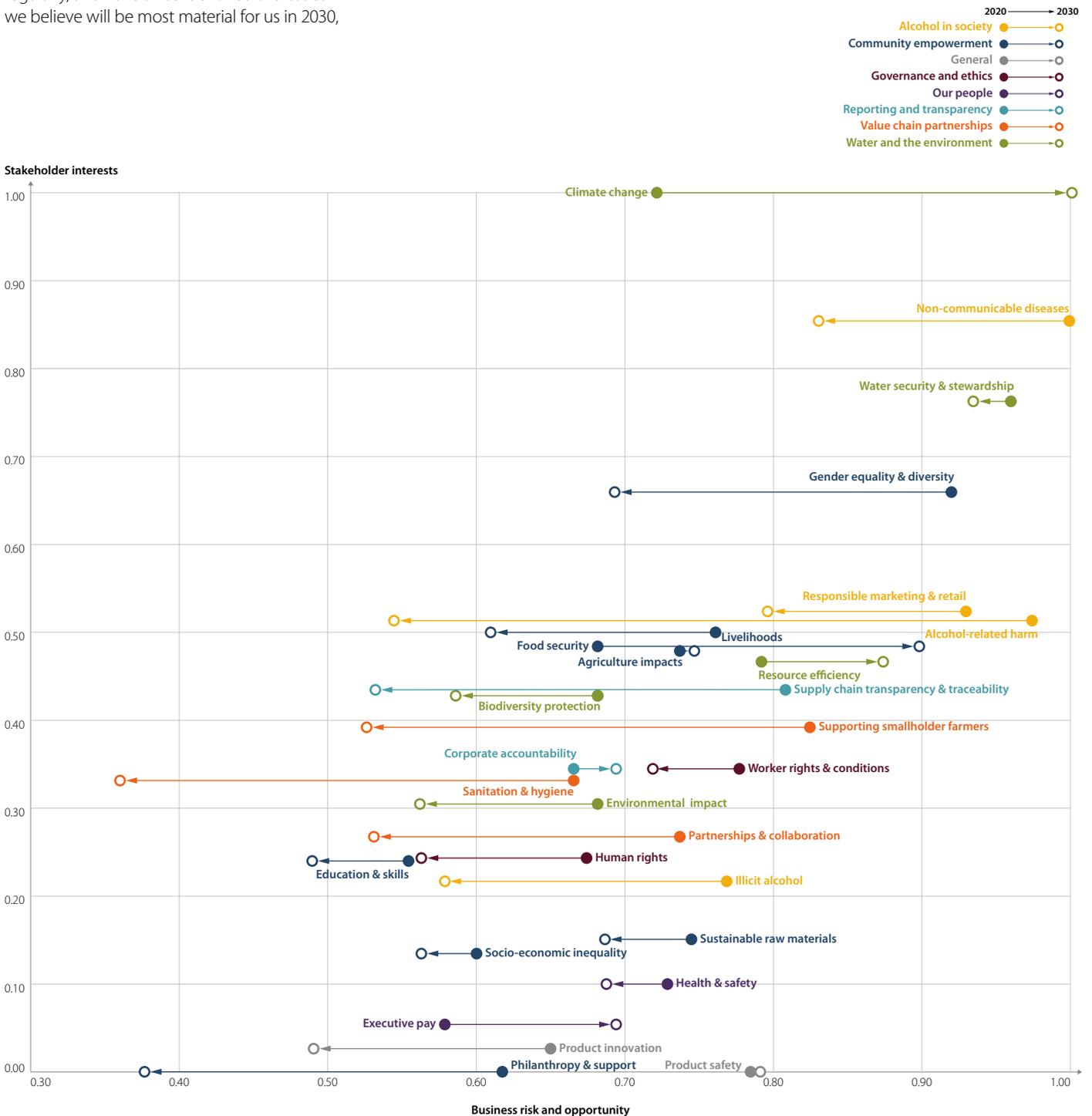
Contact us
If you have any questions or comments about this report or our S&R strategy and performance, we'd like to hear from you. Please contact **sustainability@diageo.com**.

Focusing on what matters most – to our stakeholders, and to our business

The success of our strategy depends on us taking a holistic approach to addressing the issues that are material to us and our stakeholders. In 2015, we conducted a materiality analysis for 2020 with a range of external stakeholders, comparing what was most material to them with what was most material to our business. We review materiality regularly, and have since identified the issues we believe will be most material for us in 2030,

the results of which are shown in the matrix below, compared with the original analysis for 2020. We use the findings to guide our strategy and priorities. We welcome engagement from all stakeholders to inform and enable the delivery of our strategy, and we aim to update our materiality analysis with external stakeholders in the coming year.


2020 ⟶ 2030
- Alcohol in society
- Community empowerment
- General
- Governance and ethics
- Our people
- Reporting and transparency
- Value chain partnerships
- Water and the environment

Stakeholder interests

Business risk and opportunity

Climate change
Non-communicable diseases
Water security & stewardship
Gender equality & diversity
Responsible marketing & retail
Alcohol-related harm
Livelihoods
Food security
Agriculture impacts
Resource efficiency
Supply chain transparency & traceability
Biodiversity protection
Supporting smallholder farmers
Corporate accountability
Worker rights & conditions
Sanitation & hygiene
Environmental impact
Partnerships & collaboration
Human rights
Education & skills
Illicit alcohol
Sustainable raw materials
Socio-economic inequality
Health & safety
Executive pay
Product innovation
Philanthropy & support
Product safety

Our strategy

Our sustainability and responsibility strategy harnesses our entire business to create shared value for us and the communities where we work. It focuses us on making a positive contribution to society, safeguarding the environment and promoting inclusive growth. It considers our whole value chain – wherever we source, make and sell. By growing our brands' relationships with consumers, earning the trust of stakeholders, building our resilience and productivity, and mitigating risk, our strategy is key to ensuring our business continues to create value in the future.

We describe our strategy fully in our Annual Report, where we also report against our 2020 sustainability and responsibility targets. These targets were developed to align with the UN's Sustainable Development Goals (SDGs), and to support Diageo's Performance Ambition. They reflect our three core priorities:

- creating a positive role for alcohol in society
- building thriving communities
- reducing our environmental impact.
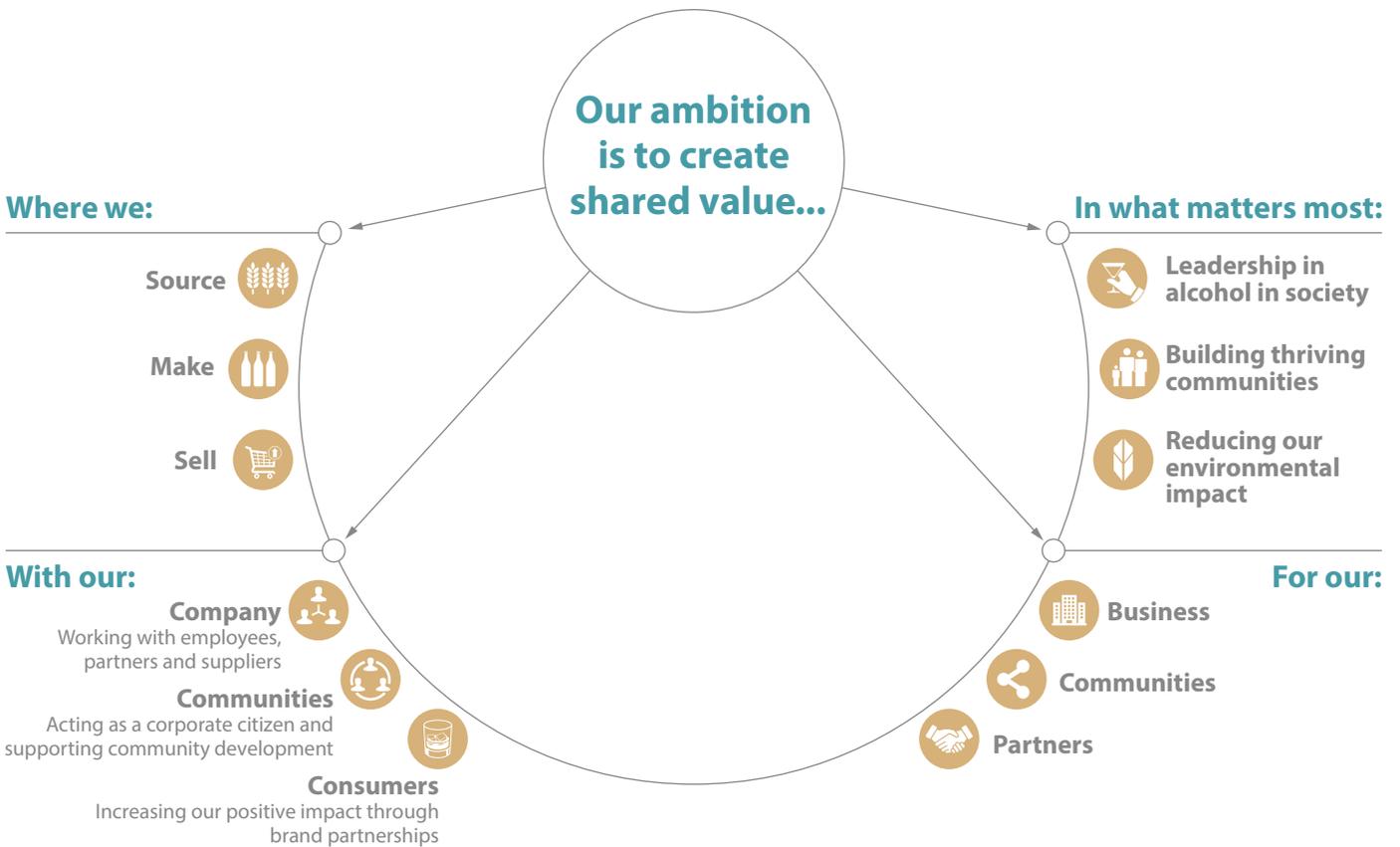
Creating positive impact: key developments in 2018

While we continue to focus on our 2020 targets – and report our progress on each target on pages 40-55 of our Annual Report – our strategy continues to evolve as we build towards the business we want to be in 2030, 2050, and beyond.

This year has seen further progress in ensuring we're leaders in creating a positive role for alcohol in society, and in finding increasingly integrated ways of fostering opportunity and inclusivity in communities. We have also continued to embed respect for human rights throughout our value chain, while remaining focused on core environmental priorities, including water stewardship and climate change.

Alcohol in society

Reinforcing our leadership in creating a positive role for alcohol in society

We want the millions of people who choose to enjoy our brands to 'drink better, not more', and we're committed to promoting moderation and tackling alcohol misuse across the world. Our strategy for creating a positive role for alcohol in society focuses on three core pillars: reducing harmful drinking; promoting moderation; and improving laws and industry standards.

This year, we've transformed our programmes aimed at reducing harmful drinking to maximise their impact in the key areas of tackling heavy episodic drinking, preventing drink driving and reducing underage drinking. In September 2017, we surpassed our 2020 target of reaching one million adults with training materials that enable them to become responsible drinking (RD) ambassadors. A full description can be found on pages 42-44 of our Annual Report 2018.

Building thriving communities

Embedding respect for human rights throughout our value chain

We've been signatories to the UN Guiding Principles on Business and Human Rights (UNGP) since 2014. We continue to embed human rights throughout our value chain in line with the UNGP, using our human rights impact assessment (HRIA) to consider our entire value chain in each market, developing local risk assessments and mitigation plans where we need to address specific human rights risks or strengthen our processes. We're on track to complete HRIAs in all our markets by 2020, and this year we carried out HRIAs in Tanzania, Guatemala, the UK, India and Colombia, bringing our total since 2015 to 12.

We have identified three human rights 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 developed a child protection toolkit for markets where we have identified a risk, and initiatives aimed at preventing sexual harassment in the hospitality sector. 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 work on embedding human rights is described further on pages 45-49 of our Annual Report.

Building thriving communities
continued

Building holistic community programmes that create shared value

Our community programmes are increasingly integrated so that they address multiple strands of our strategy while harnessing the capabilities of our business and aligning with the SDGs. Each is designed to support one or more of our community aims:

- 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 an inclusive society (SDG5, SDG10).

This year, our empowerment programmes reached 164,737 women, while our Learning for Life vocational and life-skills training reached 7,021 people.

We're continuing to integrate our Water of Life programme, which has helped more than 10 million people access water, sanitation and hygiene since 2006, with our other community and sustainable sourcing initiatives. Using our Social Impact Framework tool, we're increasing our ability to identify areas for community investments and to measure their impacts. Combined water, skills training, alcohol awareness and women's empowerment initiatives have become an increasing feature of our sustainable agriculture work with farmers in India and Africa, often involving partnerships with NGOs and other stakeholders.

Reducing environmental impacts

Building resilience to climate change

We're continuing to build our understanding and disclosure of the strategic and short-term risks and opportunities that climate change presents to our business. In the form of water stress and flooding, climate change is already affecting our operations and supply chain with an impact on raw materials and operational costs, and on revenue growth. For example, drought has recently affected harvests of ingredients in Africa and South America, while water scarcity is an important operational consideration in water-stressed areas in Africa and India.

Our **Water Blueprint**, updated this year, is central to our climate change mitigation plans. It is supported by our targets for managing water responsibly in our own and third-party operations and agriculture, and for replenishing water in water-stressed areas, and by supporting community water programmes. We aim to gain wider support and engagement through our work on water stewardship and our advocacy for greater collaboration in water management. Alongside these initiatives, we have long-standing targets for reducing the absolute greenhouse gas emissions associated with our operations and supply chain, and have achieved cumulative decreases of 40.8% in our operations and 23.1% in our supply chain against our 2007 baseline.

We have also conducted a gap analysis to assess the extent to which our existing public disclosures on climate risk align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We're already integrating climate-related issues into our mainstream business operations; this year, we continued to analyse our approach and our resilience. We are clear on where issues such as water stress are greatest, and continue to build activity into our core business plans to mitigate this.

Based on analysis of our existing public climate change disclosures in our Annual Report and CDP submissions, we have developed a plan to progressively meet TCFD requirements. We do not consider our short-term (three-year) impacts to be material in the context of TCFD. However, we are reviewing our medium-term (three to ten years) and longer-term (more than ten years) impacts and will report on those in the future. By mitigating risks of water stress in both our operations and supply chain through our Water Blueprint, we are enabling a more resilient business for the future that will support our growth.

Our science-based approach to reducing carbon emissions contributes to global delivery of the Paris Agreement while also mitigating any risks that may arise for Diageo in a low-carbon policy environment.

GRI Index

This index outlines our response to the GRI Sustainability Reporting Standards. Our definition of material is relatively broad, and includes most issues that surfaced as part of our materiality assessment, regardless of priority, as illustrated on **page 4**.

We have continued to develop our approach to reporting, building on our 2017 GRI report, and continue to report as fully as we can on our most material issues.

We have reported on as many standards as possible, against the priorities set by our updated materiality review. This year we have reported on the revised GRI Standards for the second time, staying true to our philosophy of reporting in a transparent manner to global standards of best practice on a range of economic, environmental and social impacts. We have also updated the order of some of the indicators, grouping them together more intuitively and making the information easier to navigate.

Translating our Sustainability & Responsibility Strategy to GRI

In addition to informing our strategy, our updated materiality assessment guides our reporting and has helped us determine which issues to address in our Annual Report, on our website and in our Performance Addendum so as to be most informative for our stakeholders. The following table maps our activities and programmes against the GRI Standards.

GRI Standards				Our strategic focus area
Universal standards	101	**Foundation – reporting principles**	• Approach to reporting	• Our approach to reporting
	102	**General disclosures**	• Organisational profile • Strategy • Ethics and integrity • Governance • Stakeholder engagement • Reporting practice	• Governance and ethics
	103	**Management approach**	• Material topics and their boundaries • Management approaches • Evaluation of management approaches	• Our approach to reporting
Topic-specific standards	200	**Economic**		• Building thriving communities
	300	**Environmental**		• Reducing our environmental impact
	400	**Social**		• Leadership in alcohol in society • Building thriving communities

How we have complied with the GRI Standards

The material in this report references the following disclosures:

FOUNDATION
GRI 101-01 to 101-10 from GRI 101: Foundation 2016

GENERAL
GRI 102-01 to 102-56 from GRI 102: General Disclosures 2016

MANAGEMENT APPROACH
GRI 103-01 to 103-03 from GRI 103: Management Approach 2016

ECONOMIC
GRI 201-01 to 201-04 from GRI 201: Economic Performance 2016
GRI 202-01 to 202-02 from GRI 202: Market Presence 2016
GRI 203-01 to 203-02 from GRI 203: Indirect Economic Impacts 2016
GRI 204-01 from GRI 204: Procurement Practices 2016
GRI 205-01 to 205-03 from GRI 205: Anti-corruption
GRI 206-01 from GRI 206: Anti-competitive Behaviour

ENVIRONMENTAL
GRI 301-01 to 301-03 from GRI 301: Materials 2016
GRI 302-01 to 302-05 from GRI 302: Energy 2016
GRI 303-01 to 303-03 from GRI 303: Water 2016
GRI 304-01 to 304-04 from GRI 304: Biodiversity 2016
GRI 305-01 to 305-07 from GRI 305: Emissions 2016
GRI 306-01 to 306-05 from GRI 306: Effluents and Waste 2016
GRI 307-01 from GRI 307: Environmental Compliance 2016
GRI 308-01 to 308-02 from GRI 308: Supplier Environmental Assessment 2016

SOCIAL
GRI 401-01 to 401-03 from GRI 401: Employment 2016
GRI 402-01 from GRI 402: Labour/Management Relations 2016
GRI 403-01 to 403-04 from GRI 403: Occupational Health and Safety 2016
GRI 404-01 to 404-03 from GRI 404: Training and Education 2016
GRI 405-01 to 405-02 from GRI 405: Diversity and Equal Opportunity 2016
GRI 406-01 from GRI 406: Non-discrimination 2016
GRI 407-01 from GRI 407: Freedom of Association and Collective Bargaining 2016
GRI 408-01 from GRI 408: Child Labour 2016
GRI 409-01 from GRI 409: Forced or Compulsory Labour 2016
GRI 410-01 from GRI 410: Security Practices 2016
GRI 411-01 from GRI 411: Rights of Indigenous Peoples 2016
GRI 412-01 to 412-03 from GRI 412: Human Rights Assessment 2016
GRI 413-01 to 413-02 from GRI 413: Local Communities 2016
GRI 414-01 to 414-02 from GRI 414: Supplier Social Assessment 2016
GRI 415-01 from GRI 415: Public Policy 2016
GRI 416-01 to 416-02 from GRI 416: Customer Health and Safety 2016
GRI 417-01 to 417-03 from GRI 417: Marketing and Labelling 2016
GRI 418-01 from GRI 418: Customer Privacy 2016
GRI 419-01 from GRI 419: Socioeconomic Compliance 2016

GRI Index
Universal standards

GRI 101: FOUNDATION

REPORTING PRINCIPLES	

Disclosure	Our response
101-01 **Stakeholder inclusiveness** The reporting organisation shall identify its stakeholders, and explain how it has responded to their reasonable expectations and interest.	For us, everyone who is affected by our business, and everyone who affects it, is a stakeholder. In the **Our role in society** section of our website, under stakeholder engagement, we have set out each stakeholder group and provided examples of how we currently engage them on all issues, including sustainability and responsibility questions.
101-02 **Sustainability context** The report shall present the reporting organisation's performance in the wider context of sustainability.	Our Annual Report explains the wider context in which we operate and presents our sustainability performance in relation to both our corporate performance ands global sustainable development goals including the Paris Agreement and the SDGs. Our Annual Report also presents how our material issues, economic, environmental and social, relate to our long-term strategy, risks, opportunities and goals, including our value chain.
101-03 **Materiality** The report shall cover topics that: a. Reflect the reporting organisation's significant economic, environmental, and social impacts; or b. Substantively influence the assessments and decisions of stakeholders.	Our aim is to report fully on issues deemed material and to explain our approach. As referenced above, we worked with stakeholders to inform our materiality matrix, set out on **page 4** of this Performance Addendum.
101-04 **Completeness** The report shall include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the reporting organisation's performance in the reporting period.	Our coverage of material topics is explained in the reporting boundaries and methodologies section at the end of this document.
101-05 **Accuracy** The reported information shall be sufficiently accurate and detailed for stakeholders to assess the reporting organisation's performance.	We clearly, consistently and transparently report our performance against our 2020 targets, on pages 40-55 of our Annual Report. We explain our methodology for calculating performance against targets in the reporting boundaries and methodologies section of this Performance Addendum. PwC LLC were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2018. Information that is within PwC's limited scope is marked with the symbol Δ.
101-06 **Balance** The reported information shall reflect positive and negative aspects of the reporting organisation's performance to enable a reasoned assessment of overall performance.	We report against stretching targets and against GRI indicators, whether or not our performance has been strong. This gives a balanced view of our impacts, which have been defined taking into account the views of a range of stakeholders. We aim to present information in such a way that the reader can assess trends in performance year on year.
101-07 **Clarity** The reporting organisation shall make information available in a manner that is understandable and accessible to stakeholders using that information.	Our sustainability and responsibility journey is told at a high level on **our website** with examples to bring our strategy to life; we identify and report on the most material issues in our Annual Report; and we have produced this Performance Addendum to ensure readers can find all the information they seek, including our responses to all GRI Standards.

How we have met each disclosure — Fully disclosed as outlined by the GRI Sustainability Reporting Standards | Partially disclosed and missing at least one required indicator | Not disclosed | Not considered material to our business at this time

GRI Index
Universal standards

GRI 101: FOUNDATION continued

REPORTING PRINCIPLES continued		
Disclosure		**Our response**
101-08 ●	**Comparability** The reporting organisation shall select, compile and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyse changes in the organisation's performance over time, and that could support analysis relative to other organisations.	We continue to report against our 2020 targets and GRI Standards, and have designed our Annual Report, website and this Performance Addendum to enable stakeholders to easily review our performance over time, and help readers find comparable information.
101-09 ●	**Reliability** The reporting organisation shall gather, record, compile, analyse and report information and processes used in the preparation of the report in a way that they can be subject to examination, and that establishes the quality and materiality of the information.	PwC LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2018. Information that is within PwC's limited scope is marked with the symbol Δ. Corporate Citizenship were engaged to provide limited assurance on our community investment. This year we strengthened our online tool to gather, record, compile, analyse and report the impact of our programmes. We now gather data quarterly and have enhanced the functionality to make it more appropriate for our markets.
101-10 ●	**Timeliness** The reporting organisation shall report on a regular schedule so that information is available in time for stakeholders to make informed decisions.	We continue to publish this Performance Addendum alongside the Annual Report.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◔ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Universal standards

GRI 102: GENERAL DISCLOSURES

ORGANISATIONAL PROFILE	
Disclosure	**Our response**
102-01 ● **Name of organisation**	Diageo plc.
102-02 ● **Activities, brands, products and services** The reporting organisation shall report the following information: a. A description of the organisation's activities b. Primary brands, products and services, including an explanation of any products or services that are banned in certain markets.	Diageo produces more than 100 alcoholic beverage brands, with our global giants such as Johnnie Walker, Smirnoff, Captain Morgan, Baileys, Tanqueray and Guinness representing almost a third of our net sales. Key details about each of these brands can be found in the Our brands section, page 6, of the Annual Report, while an overview of our production can be found in the Our business model section, pages 2-3. We only sell products that are approved and legal in our markets. Some markets do not allow the sale of alcohol due to religious concerns and we respect this. If stakeholders or consumers have complaints either about a brand, its ingredients, or how it is marketed, they may complain to one of the many self-regulatory bodies of which Diageo is a member, or directly to Diageo through our website or our customer care lines. We will always respond to complaints to industry bodies and abide by the decisions taken. We try to respond to all consumer inquiries or complaints either through our call centre team or via email in response to queries that come through our website.
102-03 ● **Location of headquarters** The reporting organisation shall report the following information: a. Location of the organisation's headquarters.	London, UK.
102-04 ● **Location of operations** The reporting organisation shall report the following information: a. Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Our products are sold in more than 180 countries around the world. A breakdown of which markets are in each region can be found in the Our global reach section of the Annual Report, page 7.
102-05 ● **Ownership and legal form** The reporting organisation shall report the following information: a. Nature of ownership and legal form.	Full name: Diageo plc Registered number: 23307 Registered office: Lakeside Drive, London NW10 7HQ Place of registration: England and Wales
102-06 ● **Markets served** The reporting organisation shall report the following information: a. Markets served, including: i. geographic locations where products and services are offered; ii. sectors served; iii. types of customers and beneficiaries.	Our customers vary from large global retailers and convenience stores, to bars, restaurants and hotels, to governments such as 'control states' in the United States, and state monopolies in certain countries like Sweden and Norway. These organisations are conduits to our shoppers and consumers, to whom we market. An overview of our business model can be found on pages 2-3 of the Annual Report, and a geographic breakdown is outlined in the Business review sections, pages 28-37.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Universal standards

GRI 102: GENERAL DISCLOSURES continued

ORGANISATIONAL PROFILE continued

Disclosure		Our response

102-07

Scale of the organisation
The reporting organisation shall report the following information:

a. Scale of the organisation, including:

   i.   total number of employees;

   ii. total number of operations;

   iii. net sales (for private sector organisations) or net revenues (for public sector organisations);

   iv. total capitalisation (for private sector organisations) broken down in terms of debt and equity;

   v. quantity of products or services provided.

Diageo employs 29,917 people around the world. The production side of the business includes 154 sites in 26 countries.

This year we made £12,163 million in net sales. Further details of our business model can be found on pages 2-3 of the Annual Report, and detailed financial performance is included in the Financial statements, from page 94.

102-08

Information on employees and other workers
The reporting organisation shall report the following information:

a. Total number of employees by employment contract (permanent and temporary), by gender

b. Total number of employees by employment contract (permanent and temporary), by region

c. Total number of employees by employment type (full-time and part-time), by gender

d. Whether a significant portion of the organisation's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees

e. Any significant variations in the numbers reported in Disclosures 102-08-a, 102-08-b, and 102-08-c (such as seasonal variations in the tourism or agricultural industries)

f. An explanation of how the data have been compiled, including any assumptions made.

Employees by region, by gender, and by employment contract type[1]

	Part-time	Full-time	Permanent	Fixed-term/ temporary	Total
North America					
Men	3	1,592	1,581	14	1,595
Women	3	1,069	1,063	9	1,072
Europe and Turkey					
Men	112	6,236	6,106	242	6,348
Women	339	3,847	3,929	257	4,186
Africa					
Men	1	3,702	3,634	69	3,703
Women	0	1,213	1,161	52	1,213
Latin America and Caribbean					
Men	1	1,801	1,793	9	1,802
Women	0	946	932	14	946
Asia Pacific					
Men	3	6,951	6,817	137	6,954
Women	17	2,081	1,875	223	2,098
Diageo (total)					
Men	120	20,282	19,931	471	20,402
Women	359	9,156	8,960	555	9,515
All	479	29,438	28,891	1,026	29,917

1. In some markets the concept of 'permanent employment' does not exist. For reporting purposes, we have considered as 'permanent' all those employees whose contract is not fixed-term/temporary.

How we have met each disclosure　　● Fully disclosed as outlined by the GRI Sustainability Reporting Standards　　◔ Partially disclosed and missing at least one required indicator　　○ Not disclosed　　⊗ Not considered material to our business at this time

GRI Index
Universal standards

GRI 102: GENERAL DISCLOSURES continued

ORGANISATIONAL PROFILE continued

Disclosure		Our response
102-08 continued ●	**Information on employees and other workers** (continued)	Total workforce by employees and supervised workers, and by gender: this information is included in the Our people section of the Annual Report, pages 48-49.
		Most people who work on behalf of Diageo are employed by Diageo, although, in common with most manufacturing companies, we also employ contractors, the numbers of whom vary significantly by region. For the most part, when we use contractors, it is for the following:
		● Construction projects, resulting from investments we are making in the business ● Logistics (from the end of the packaging line), such as warehouse operators, forklift truck drivers and loaders ● Cleaning, catering and site security.
		Some aspects of our business use seasonal employment, for example, in agricultural operations or in logistics and packing activities. In general, although seasonal employment is a feature of our business, it is not significant compared to our overall number of employees.
102-09 ●	**Supply chain** The reporting organisation shall report the following information: a. A description of the organisation's supply chain, including its main elements as they relate to the organisation's activities, primary brands, products and services.	Around 35,000 direct suppliers from more than 100 countries provide us with the raw materials, expertise and other resources that help us make great brands. Many of those direct suppliers themselves have an extensive supply chain, connecting us with thousands more farmers and businesses. Details of how we work with our suppliers are included in the Sustainable supply chains section of the Annual Report, pages 45-46.
102-10 ●	**Significant changes to the organisation and its supply chain** The reporting organisation shall report the following information: a. Significant changes to the organisation's size, structure, ownership, or supply chain, including: i. changes in the location of, or changes in, operations, including facility openings, closings and expansions; ii. changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations); iii. changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	For acquisitions and disposals, see Note 9 to the Financial statements in the Annual Report, pages 120-121. For material organisational restructuring programmes, see Note 4 to the Financial statements in the Annual Report, pages 114-116. For changes in share capital structure, see Notes 15–17 to the Financial statements in the Annual Report, pages 132-142. There were no material changes to the overall location of suppliers, structure of the supply chain, or our relationships with suppliers during this reporting period. Other, less material changes in our supply chain would just be a result of our routine tendering processes. We continue to promote local raw material sourcing, particularly in Africa, which is having an impact on the location of suppliers for our African businesses, as well as having a positive impact on the community through local employment and other benefits. For example, we now source 78% of the agricultural raw materials used in our African operations locally. This means we are importing fewer raw materials from Europe, and increasing the amount of agricultural raw materials sourced locally. Details are included in the Sustainable supply chains section of the Annual Report, page 45-46.
102-11 ●	**Precautionary principle or approach** The reporting organisation shall report the following information: a. Whether and how the organisation applies the precautionary principle or approach.	We take a precautionary approach to our environmental strategy, as described in our work to reduce greenhouse gases in the Environment section of the Annual Report, pages 50-54.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Universal standards

GRI 102: GENERAL DISCLOSURES continued

ORGANISATIONAL PROFILE continued

Disclosure		Our response
102-12 ●	**External initiatives** The reporting organisation shall report the following information: a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.	Diageo is a signatory to a number of global external codes and charters that reflect our commitment to sustainability and responsibility. These include, amongst others, the Dublin Principles, the UN Global Compact, the CEO Water Mandate, the UN Women's Empowerment Principles, the Global Beer, Wine & Spirits Producers' Commitments to Reduce Harmful Drinking, and the We Mean Business Commitments. More details can be found on **our website**.
102-13 ●	**Membership of associations** The reporting organisation shall report the following information: a. A list of the main memberships of industry or other associations, and national or international advocacy organisations.	We have helped establish many social aspects organisations (SAOs) – industry-funded bodies that work with governments, the private sector and NGOs to reduce harmful drinking. A list of our SAOs and trade associations that run responsible drinking initiatives can be found in the **alcohol policy** section of our website.

STRATEGY

Disclosure		Our response
102-14 ●	**Statement from senior decision-maker** The reporting organisation shall report the following information: a. A statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy for addressing sustainability.	In our Annual Report, pages 10-13, our Chairman and Chief Executive comment on how Diageo's role in society, S&R Strategy and 2020 targets support Diageo's Performance Ambition to create one of the best performing, most trusted and respected consumer products companies in the world.
102-15 ●	**Key impacts, risks and opportunities** The reporting organisation shall report the following information: a. A description of key impacts, risks and opportunities	Through stakeholder and financial analysis conducted in 2015, we confirmed that our strategy and programmes continue to focus on our most material issues. These are: the role alcohol plays in society; water security and stewardship; gender equality and diversity; sustainable supply chains; and broader human rights. These and the total results of this study are illustrated in the materiality matrix found on **page 4** of this Performance Addendum. Those risks considered most material from both a financial and non-financial perspective are included in the How We Protect Our Business: Risk Management and Principal Risks section of the Annual Report, pages 19-21.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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GRI 102: GENERAL DISCLOSURES continued

ETHICS AND INTEGRITY	
Disclosure	**Our response**
102-16 ● **Values, principles, standards and norms of behaviour** The reporting organisation shall report the following information: a. A description of the organisation's values, principles, standards and norms of behaviour	Diageo has a set of five values that are at the heart of our business in delivering our Performance Ambition. ● We're **passionate about customers and consumers** – our curiosity and customer and consumer insights drive growth. We care for our brands. We're courageous in pursuing their full potential. We're innovative, constantly searching for new ideas that drive growth and developing them across our business. ● We give ourselves and each other the **freedom to succeed** because this fosters an entrepreneurial spirit. We trust each other; we're open and challenging. We always behave as a team – when we're together and when we're apart. ● We're **proud of what we do** – we act sensitively with the highest standards of integrity and social responsibility. We celebrate and benefit from diversity. ● We strive to **be the best** – we are restless, always learning, always improving. We constantly set high standards and then try hard to exceed them. We deliver results, win where we compete and celebrate our success. ● We **value each other** – we seek and benefit from diverse people and perspectives. We strive to create mutually fulfilling relationships and partnerships. Our **Code of Business Conduct** ('our Code') sets out what we stand for as a business and how we demonstrate the highest standards of integrity and ethical behaviour, guided by our strong purpose and values. It provides clarity on how we are expected to behave to build the trust and respect of everyone that comes into contact with our company. Our Code is underpinned by a number of global policies, standards and guidelines covering specific areas of our activities. We review our policies every year to ensure that we take account of any changes in our external environment and update them accordingly. Each one reflects our values and our commitment to doing business the right way, and can be found on **our website**.
102-17 ● **Mechanisms for advice and concerns about ethics** The reporting organisation shall report the following information: a. A description of internal and external mechanisms for: i. seeking advice about ethical and lawful behaviour, and organisational integrity; ii. reporting concerns about unethical or unlawful behaviour, and organisational integrity.	Our Code, policies and standards provide practical guidance to ensure all our employees and everyone who comes into contact with our company live the values and behaviours that underpin all of our work. Diageo has a confidential service (SpeakUp) available for people to raise areas of concern about compliance with the law, our **Code of Business Conduct**, any of our global policies or standards, or any other compliance and ethics matter. The service is available 24 hours a day, 365 days a year, and is accessible via telephone or at **www.diageospeakup.com**. It can be used by all employees, contractors or any other interested party such as suppliers or customers. It is managed by an external company, independent of Diageo, with staff trained to deal with reports. Our **www.diageospeakup.com** website, available in all our 20 Code languages, was refreshed this year to make it simpler to report and follow up on potential breaches. We have seen an increase in breaches reported through the site, particularly via mobile devices, since these changes. All reports are forwarded to Diageo's Compliance team who decide next steps. Overall statistics and significant matters are then reported quarterly in summary format to our Executive and our Audit Committee. Diageo does not tolerate reprisals against anyone who reports a concern or helps with an investigation in good faith. Anyone found to be involved in retaliation against an individual who has raised a concern will be subject to disciplinary action. More information is included in the Governance and ethics section of the Annual Report, page 55.

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GRI 102: GENERAL DISCLOSURES continued

GOVERNANCE	
Disclosure	**Our response**
102-18 **Governance structure** The reporting organisation shall report the following information: a. Governance structure of the organisation, including committees of the highest governance body b. Committees responsible for decision-making on economic, environmental and social topics.	Diageo's governance structure is included in the Corporate Governance section of the Annual Report, pages 64-68. Our Chief Executive, Ivan Menezes, is ultimately accountable for overall performance against sustainability and responsibility goals, and 2020 targets, while responsibility for the component parts of our Sustainability & Responsibility Strategy is shared between members of Diageo's Executive Committee.
102-19 **Delegating authority** The reporting organisation shall report the following information: a. Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Our Chief Executive, Ivan Menezes, is ultimately accountable for performance against sustainability and responsibility goals, and reports directly to the Board. Responsibility for the component parts of our Sustainability & Responsibility Strategy is shared between members of Diageo's Executive Committee, all of whom report to the Chief Executive, as outlined in 102-20. Regional presidents and local managing directors are responsible for implementing the Sustainability & Responsibility Strategy locally and driving performance. Senior executives are accountable for each aspect of the Sustainability & Responsibility Strategy, which is led by the Global Sustainable Development Director. When issues arise in Board or Executive Committee meetings that relate to these topics, accountability will be delegated to the designated individual. When issues or risks to do with additional economic, social or environmental topics are discussed, an appropriate executive is assigned and is expected to report back to the Board or Executive Committee as appropriate. In some cases, a topic will become a standing item on the Board or Executive Committee agenda until the issue is resolved.
102-20 **Executive-level responsibility for economic, environmental and social topics** The reporting organisation shall report the following information: a. Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics b. Whether post holders report directly to the highest governance body.	Our Chief Executive, Ivan Menezes, is ultimately accountable for performance against sustainability and responsibility goals, and reports directly to the Board. Responsibility for the component parts of our Sustainability & Responsibility Strategy, led by the Global Sustainable Development Director, is shared between members of Diageo's Executive Committee, all of whom report to the Chief Executive. For example: • The President, Global Supply and Procurement is responsible for environmental performance and labour standards within the supply network • The Corporate Relations Director is responsible for social topics, specifically alcohol in society and sustainable development • Regional presidents and local managing directors are responsible for implementing the Sustainability & Responsibility Strategy locally and driving performance.
102-21 **Consulting stakeholders on economic, environmental and social topics** The reporting organisation shall report the following information: a. Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body.	External stakeholders are consulted widely and may also raise questions on issues with us routinely, via our website, through channels such as our SpeakUp helpline, or directly with local contacts depending on the issues and nature of their relationship. Consultation may be delegated to key functions globally or locally within the business. For example our Investor Relations team address issues raised through the broad investor community and will also consult on specific issues with members of the Sustainability team. Feedback on stakeholder engagement is provided to Executive Management or the Board as appropriate. In the case of the investor community, the Board receives reports on institutional shareholders' interests throughout the year, and where appropriate on private investors who represent economic, social or environmental interests. Private shareholders engage directly with the Chairman or with the entire Board at the Annual General Meeting. Elsewhere, feedback from our SpeakUp helpline is reviewed independently by the Compliance team, who also summarise issues for Executive Management. Wider external concerns are discussed periodically. For example, this year the Board discussed an emerging strategy for Diageo's engagement about the role of alcohol in society, considering issues in the revised strategy around activity to reduce drink driving, underage drinking and heavy episodic drinking, one of our most material issues. The Executive Committee specifically considered and reviewed the risks, opportunities and actions under way to deliver our sustainable development strategy. The Executive Committee also carried out a review of reputational risk and considered comments from external stakeholders. In terms of internal consultation, the Board receives a report highlighting global aggregated results of Diageo's Values Survey once a year. The results are discussed at Executive Committee level, with action plans developed in response.

How we have met each disclosure　● Fully disclosed as outlined by the GRI Sustainability Reporting Standards　◓ Partially disclosed and missing at least one required indicator　○ Not disclosed　⊗ Not considered material to our business at this time

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GRI 102: GENERAL DISCLOSURES continued

GOVERNANCE continued	

Disclosure	Our response
102-22 ● **Composition of the highest governance body and its committees** The reporting organisation shall report the following information: a. Composition of the highest governance body and its committees by: i. executive or non-executive; ii. independence; iii. tenure on the governance body; iv. number of each individual's other significant positions and commitments, and the nature of the commitments; v. gender; vi. membership of under-represented social groups; vii. competencies relating to economic, environmental and social topics; viii. stakeholder representation.	At publication of the 2018 Annual Report, the Board was made up of 10 members including the Chairman – eight non-executive directors, all of whom are independent, and two executive directors. As at the same date, five members of the Board were women. The Board has three subcommittees: the Nomination Committee; the Remuneration Committee; and the Audit Committee. Further information on the membership and work of these committees is included in the Corporate Governance section of the Annual Report, pages 64-68.
102-23 ● **Chair of the highest governance body** The reporting organisation shall report the following information: a. Whether the chair of the highest governance body is also an executive officer in the organisation b. If the chair is also an executive officer, describe his or her function within the organisation's management and the reasons for this arrangement.	The Chairman of the Board is a non-executive director but is deemed, in accordance with section A3.1 of the UK Corporate Governance Code, not to be independent.
102-24 ● **Nominating and selecting the highest governance body** The reporting organisation shall report the following information: a. Nomination and selection processes for the highest governance body and its committees b. Criteria used for nominating and selecting highest governance body members, including whether and how: i. stakeholders (including shareholders) are involved; ii. diversity is considered; iii. independence is considered; iv. expertise and experience relating to economic, environmental and social topics are considered.	The Nomination Committee – made up of all the independent non-executive directors and the Chairman of the company – is responsible for keeping under review the composition of the Board and succession to it, and for succession planning for senior leadership positions. The Committee makes recommendations to the Board concerning Board appointments. Criteria for Board appointments include skills, knowledge, experience and diversity. Further detail is included in the Corporate Governance section of the Annual Report, pages 64-68. The terms of reference of all Board Committees are available on **our website**.

How we have met each disclosure
● Fully disclosed as outlined by the GRI Sustainability Reporting Standards
◔ Partially disclosed and missing at least one required indicator
○ Not disclosed
⊗ Not considered material to our business at this time

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GRI 102: GENERAL DISCLOSURES continued

GOVERNANCE continued

Disclosure		Our response

102-25	**Conflicts of interest**
	The reporting organisation shall report the following information:
	
	a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed
	
	b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum:
	
	  i. cross-board membership;
	
	  ii. cross-shareholding with suppliers and other stakeholders;
	
	  iii. existence of controlling shareholder;
	
	  iv. related party disclosures.
		The Board has agreed an approach and adopted guidelines for dealing with conflicts of interest, and responsibility for authorising conflicts of interest is included in the schedule of matters reserved for the Board. Our **Code of Business Conduct** also references how potential conflicts of interest are managed. Further information is included in the Board of Directors sub-section of the Corporate Governance section of the Annual Report, pages 65-66.

102-26	**Role of highest governance body in setting purpose, values and strategy** The reporting organisation shall report the following information: a. Highest governance body's and senior executives' roles in the development, approval and updating of the organisation's purpose, value or mission statements, strategies, policies and goals related to economic, environmental and social topics.	Diageo's Performance Ambition and strategy are outlined in our Annual Report, the delivery of which includes key economic, social and environmental issues related to the company's reputation. Progress against this Ambition is updated regularly to the Executive Committee and the Board as part of the Chief Executive's report. Diageo's broader Sustainability & Responsibility Strategy and progress against this are discussed and signed off at Board level at least once a year. Policies are generally discussed and agreed at Executive Committee level, although select policies that represent material risk are signed off at Board level.
102-27	**Collective knowledge of highest governance body** The reporting organisation shall report the following information: a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Background reports are submitted throughout the year on various economic, environmental and social topics, some of which are discussed in detail in Board meetings. The Audit Committee reviews management's assessment of principal risks, including risks associated with our economic, social and environmental performance. The Board is also responsible for reviewing Diageo's Annual Report which provides important contextual and performance information on economic, environmental and social topics. The Audit Committee of the Board reviews and recommends approval of the Annual Report.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◕ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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GRI 102: GENERAL DISCLOSURES continued

GOVERNANCE continued		
Disclosure		**Our response**
102-28 ●	**Evaluating the highest governance body's performance** The reporting organisation shall report the following information:	During the year, an independent professional services provider carried out an evaluation of the Board's effectiveness, including the effectiveness of the Audit Committee, the Nomination Committee and the Remuneration Committee. Further detail is included in the Corporate Governance section of the Annual Report, pages 64-68.
	a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental and social topics	As part of a review of the Annual Strategy Conference, the Board agreed items that should be included on their agenda for the following year, including the role of alcohol in society.
	b. Whether such evaluation is independent or not, and its frequency	
	c. Whether such evaluation is a self-assessment	
	d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.	
102-29 ●	**Identifying and managing economic, environmental, and social impacts** The reporting organisation shall report the following information:	The Executive Committee is responsible for managing economic, environmental and social impacts with accountabilities outlined in 102-20. However, as explained in 102-19 and 102-21, the Sustainability & Responsibility Strategy is discussed at Board level, and incorporates stakeholder consultation where possible. In some cases, based on past reports, Board members identify new economic, environmental and social impacts that Diageo should manage.
	a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks and opportunities – including its role in the implementation of due diligence processes	Risks, including those identified in the How We Protect Our Business: Risk Management and Principal Risks section of the Annual Report, pages 19-21, are discussed at least twice a year in the Audit Committee. This year, the Executive reviewed the Climate Change Risk Reporting guidance as part of their review of our sustainability strategy and the risks it mitigates. The Executive Audit and Risk Committee also conducted a deep dive into environmental risk to monitor progress in managing this risk and to build the Executive's understanding of this topic.
	b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social topics and their impacts, risks and opportunities.	
102-30 ●	**Effectiveness of risk management processes** The reporting organisation shall report the following information:	At each of its meetings, the Audit Committee reviews detailed reports from the heads of the global risk and compliance and global Audit and Risk teams, and has sight of the minutes of meetings of management's Audit and Risk Committee.
	a. Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	These include economic, environmental and social risks. Context informing our Sustainability & Responsibility Strategy, including risks, is also presented to the Board. Further detail can be found in the Corporate Governance section of the Annual Report, pages 64-68.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◗ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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GRI 102: GENERAL DISCLOSURES continued

GOVERNANCE continued		
Disclosure		**Our response**
102-31	**Review of economic, environmental and social topics** The reporting organisation shall report the following information: a. Frequency of the highest governance body's review of economic, environmental and social topics and their impacts, risks and opportunities.	The Audit Committee gets updated on risks at least twice a year. The Board is updated on the Sustainability & Responsibility Strategy and performance against our 2020 targets at least once a year. The Executive Committee discusses these issues more frequently.
102-32	**Highest governance body's role in sustainability reporting** The reporting organisation shall report the following information: a. The highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered.	Our Annual Report is approved by a duly appointed and authorised committee of the Board, and ultimately signed off by our Chief Executive and Chief Financial Officer.
102-33	**Communicating critical concerns** The reporting organisation shall report the following information: a. Process for communicating critical concerns to the highest governance body.	The Board maintains a process for communicating critical concerns through the Audit Committee, which reviews the effectiveness of the company's systems of internal control and risk management, including oversight of all of the company's whistleblowing activities. Further detail can be found in the Corporate Governance section of the Annual Report, pages 64-68.
102-34	**Nature and total number of critical concerns** The reporting organisation shall report the following information: a. Total number and nature of critical concerns that were communicated to the highest governance body b. Mechanism(s) used to address and resolve critical concerns.	See the principal risks table in the Annual Report, pages 20-21.

How we have met each disclosure

● Fully disclosed as outlined by the GRI Sustainability Reporting Standards

◔ Partially disclosed and missing at least one required indicator

○ Not disclosed

⊗ Not considered material to our business at this time

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GRI 102: GENERAL DISCLOSURES continued

GOVERNANCE continued	
Disclosure	**Our response**

102-35 ● **Remuneration policies** The reporting organisation shall report the following information:
 	
a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration:
 	
    i. fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses and deferred or vested shares;
 	
    ii. sign-on bonuses or recruitment incentive payments;
 	
    iii. termination payments;
 	
    iv. clawbacks;
 	
    v. retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives and all other employees.
 	
b. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental and social topics.
	Detailed remuneration policies are included in the Directors' Remuneration Report in the Annual Report, pages 72-92. As explained in this report, remuneration is driven by both financial and individual business performance goals, which in some cases include social and environmental objectives.

102-36 ● **Process for determining remuneration** The reporting organisation shall report the following information: a. Process for determining remuneration b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management c. Any other relationships that the remuneration consultants have with the organisation.	Diageo's Remuneration Committee recommends senior and executive level remuneration. Key aspects are included in the Directors' Remuneration Report in the Annual Report, pages 72-92.
102-37 ● **Stakeholders' involvement in remuneration** The reporting organisation shall report the following information: a. How stakeholders' views are sought and taken into account regarding remuneration b. If applicable, the results of votes on remuneration policies and proposals.	As described in the Directors' Remuneration Report in the Annual Report, pages 72-92, the Remuneration Committee actively engages shareholders. **Votes on remuneration policies:** each year, at the company's Annual General Meeting, shareholders are asked to vote to approve the Directors' Remuneration Report. In 2017 (most recent available data), 97.22% of shareholders voted to approve it.

How we have met each disclosure

● Fully disclosed as outlined by the GRI Sustainability Reporting Standards   ◖ Partially disclosed and missing at least one required indicator   ○ Not disclosed   ⊗ Not considered material to our business at this time

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GRI 102: GENERAL DISCLOSURES continued

GOVERNANCE continued	
Disclosure	**Our response**
102-38 ⬒	**Annual total compensation ratio** The reporting organisation shall report the following information: a. Ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	We report the remuneration of our highest-paid executives in the Directors' Remuneration Report in our Annual Report, pages 72-92. We also report the total amount paid in salaries and benefits to employees under 201-01. We do not report publicly on this data by country. We report the percentage change in the CEO's salary, bonus and benefits compared to the average percentage change in UK and US employees' salaries, bonuses and benefits on page 88 of the Directors' Remuneration Report. **Omissions:** data by country.
102-39 ⬒	**Percentage increase in annual total compensation ratio** The reporting organisation shall report the following information: a. Ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	We report the remuneration of our highest-paid executives in the Directors' Remuneration Report in our Annual Report, pages 72-92. We also report the total amount paid in salaries and benefits to employees under 201-01. We do not report publicly on this data by country. We report the percentage change in the CEO's salary, bonus and benefits compared to the average percentage change in UK and US employees' salaries, bonuses and benefits on page 88 of the Directors' Remuneration Report. **Omissions:** data by country.

STAKEHOLDER ENGAGEMENT	
Disclosure	**Our response**
102-40 ⬤	**List of stakeholder groups** The reporting organisation shall report the following information: a. A list of stakeholder groups engaged by the organisation.	We engage internal and external stakeholders, ranging from employees, investors and commercial partners to governments and local communities. A full list is included on **our website**.
102-41 ⬤	**Collective bargaining agreements** The reporting organisation shall report the following information: a. Percentage of total employees covered by collective bargaining agreements.	We have a strong commitment to transparent dialogue. In 2018, 42.6% of our employees were covered by collective bargaining agreements.

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GRI 102: GENERAL DISCLOSURES continued

STAKEHOLDER ENGAGEMENT continued	
Disclosure	**Our response**
102-42 ● **Identifying and selecting stakeholders** The reporting organisation shall report the following information: a. The basis for identifying and selecting stakeholders with whom to engage.	We define our stakeholders as all those who affect or are affected by Diageo's business. We both proactively engage groups that fit these criteria, and speak and work with groups that are interested in engaging us. In 2015 we refreshed our materiality study, reviewing 115 documents from 43 key stakeholders, which confirmed the continued relevance of our three core focus areas: alcohol in society; building thriving communities; and environment. For more information please see **our website**. We engage a range of external stakeholders, including policymakers, civil society, peer companies, the media and regulators to understand how they view our activities on an annual basis in a formal programme led by our Corporate Relations function. This programme considers our performance and reputation economically, socially and environmentally. We also engage the communities where we source, make and sell our products directly, and take inputs received from all interested parties via other channels such as **our website**. Our principle is to continue to engage stakeholders on specific issues that matter both to them and to us. For example, in January 2018 we hosted regenerative agriculture roundtables in London and Delhi with government, civil society and private sector stakeholders to develop programmes to enable both climate-smart and socio-economically sustainable farming practices. In March 2018 we convened a third conference with peers and civil society on smallholder farming and looked at how collaboration could improve social, economic and environmental considerations, and delivery of the SDGs. We also engaged farming communities within our supply chain in Uganda in a blind research programme to gain insight into how well they feel Diageo is supporting them. We also commissioned a report in Ethiopia with independent researchers and our NGO partner CARE to look at women's empowerment in farming. These led to a set of recommendations which we will develop with farming partners.
102-43 ● **Approach to stakeholder engagement** The reporting organisation shall report the following information: a. The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	We engage stakeholders at the global level and at the local level to build trust and respect. At the heart of our strategy is the ability to customise our global programmes so that they are able to create a positive and meaningful impact for our local communities. We engage a range of external stakeholders, including policymakers, civil society, peer companies, the media, regulators, our communities and consumers to understand how they view our activities on an annual basis in a formal programme led by our Corporate Relations function. This programme considers our performance and reputation economically, socially and environmentally. Increasingly we also take note of stakeholders' opinions and comments via social media and reflect the findings of these in our planning and activity. This year we carried out digital media reviews of consumers' opinions on plastics and packaging, water and other environmental issues. We also carried out a review of longer-term scenarios with Forum for the Future, an independent not-for-profit think tank, to help us think about activity and programmes that will take us to 2050.
102-44 ● **Key topics and concerns raised** The reporting organisation shall report the following information: a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organisation has responded to those key topics and concerns, including through its reporting; ii. the stakeholder groups that raised each of the key topics and concerns.	Our materiality matrix on **page 4** was informed by stakeholder engagement in 2013 and 2015. We review materiality on an ongoing basis, in light of stakeholder comments including those arising from our Corporate Relations engagement programme, financial analysis and external developments including the SDGs and Paris Climate Agreement. This year we also considered the results of our long-term scenario planning activity with Forum for the Future. This year's review has not led to any fundamental changes to our materiality matrix, and has reinforced our current approach.

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GRI 102: GENERAL DISCLOSURES continued

REPORTING PRACTICE	
Disclosure	**Our response**
102-45 ● **Entities included in the consolidated financial statements** The reporting organisation shall report the following information: a. A list of all entities included in the organisation's consolidated financial statements or equivalent documents b. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	Our Financial statements can be found in our Annual Report from page 94. Further detail on what entities are included and not included in our sustainability and responsibility reporting can be found on **page 81** of this Performance Addendum.
102-46 ● **Defining report content and the topic boundaries** The reporting organisation shall report the following information: a. An explanation of the process for defining the report content and the topic boundaries b. An explanation of how the organisation has implemented the reporting principles for defining report content.	Through stakeholder and financial analysis conducted in 2015, we identified those sustainability and responsibility issues most material to Diageo's business. This is illustrated in the materiality matrix on **page 4** of this Performance Addendum. Our reporting at a minimum includes these issues, although we also report on certain additional issues included in the GRI Standards. See **pages 10-11** of this Performance Addendum for how we have implemented the reporting principles for defining report content.
102-47 ● **List of material topics** The reporting organisation shall report the following information: a. A list of the material topics identified in the process for defining report content.	As explained above, through stakeholder and financial analysis conducted in 2015, and ongoing reviews, we confirmed that our strategy and programmes continue to focus on our most material issues. These are: the role alcohol plays in society; water security and stewardship; gender equality and diversity; sustainable supply chains; and broader human rights. These and the total results of this study are illustrated in the materiality matrix found on **page 4** of this Performance Addendum. Further information can be found on **our website**.
102-48 ● **Restatements of information** The reporting organisation shall report the following information: a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	**Restatement of baseline environmental data** Diageo restates environmental data for the baseline year and intervening years to reflect changes in the company that would otherwise compromise the accuracy, consistency and relevance of the reported information. Restatements are made in accordance with the WRI/WBCSD Reporting Protocol, and Diageo's Environmental Reporting Methodology. The baseline year environmental impact data, and data for intervening years, are adjusted to reflect acquisitions, divestments, updates to databases for CO_2e emission factors, any errors in calculations, and any significant changes in reporting policy that result in a material change to the baseline of more than 1%. We also restate data where we can show that structural changes regarding outsourcing and insourcing have an impact of more than 1%. In the current financial year, the environmental impacts associated with acquisitions and divestments resulted in minimal changes to Diageo's baseline year impacts. These changes have been absorbed, and do not affect our 2020 environmental sustainability targets. **Restatement of code breach data** Prior year numbers of substantiated breaches and code-related leavers are updated to include the outcomes of those reports made in one financial year but for which the investigation and any associated disciplinary actions are not closed until the following financial year, after the Annual Report has been published. This enables a full and accurate year-on-year comparison to be made.
102-49 ● **Changes in reporting** The reporting organisation shall report the following information: a. Significant changes from previous reporting periods in the list of material topics and topic boundaries.	See 'significant changes in our operations' in the Reporting boundaries and methodologies section on **page 81**.

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GRI 102: GENERAL DISCLOSURES continued

REPORTING PRACTICE continued	
Disclosure	**Our response**
102-50 ● **Reporting period** The reporting organisation shall report the following information: a. Reporting period for the information provided.	Year ending 30 June 2018.
102-51 ● **Date of most recent report** The reporting organisation shall report the following information: a. If applicable, the date of the most recent previous report.	August 2017.
102-52 ● **Reporting cycle** The reporting organisation shall report the following information: a. Reporting cycle.	Annual.
102-53 ● **Contact point for questions regarding the report** The reporting organisation shall report the following information: a. The contact point for questions regarding the report or its contents.	**sustainability@diageo.com**
102-54 ● **Claims of reporting in accordance with the GRI Standards** The reporting organisation shall report the following information: a. The claim made by the organisation, if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: Core option'; ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.	We have prepared this report in accordance with the GRI Standards: Comprehensive option. Please refer to the table on **page 9**.

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GRI 102: GENERAL DISCLOSURES continued

REPORTING PRACTICE continued

Disclosure		Our response

102-55	**GRI content index**
	The reporting organisation shall report the following information:
	
	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report
	
	b. For each disclosure, the content index shall include:
	
	  i. the number of the disclosure (for disclosures covered by the GRI Standards);
	
	  ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials;
	
	  iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.
		This index serves as the GRI content index.

102-56	**External assurance**
	The reporting organisation shall report the following information:
	
	a. A description of the organisation's policy and current practice with regard to seeking external assurance for the report
	
	b. If the report has been externally assured:
	
	  i. a reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process;
	
	  ii. the relationship between the organisation and the assurance provider;
	
	  iii. whether and how the highest governance body or senior executives are involved in seeking external assurance for the organisation's sustainability report.
		Assurance policy and practice
		Diageo's policy is to align our reporting of non-financial information with the best and most up-to-date standards and protocols available at the beginning of our financial year. We believe in reporting against reliable data and strive to improve the quality of our non-financial disclosures.
		
		PwC LLP
		Towards these aims, PwC LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2018. Information that is within PwC's limited scope is marked with the symbol Δ.
		
		• PwC is an independent auditor.
		• Diageo's Chief Executive and Chief Financial Officer approve the appointment of, and set the scope of, PwC's limited assurance engagement.
		
		Corporate Citizenship
		Corporate Citizenship were engaged to assess our corporate community investment figures.
		
		• Corporate Citizenship is the manager of the London Benchmarking Group, of which Diageo is a member.
		• The Global Sustainable Development Director appoints, and sets the scope of, Corporate Citizenship's engagement.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◒ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Universal standards

GRI 103: MANAGEMENT APPROACH

To make this index easier to understand, we have described each management approach (103-02) and its evaluation (103-03) alongside the relevant indicators. So, for example, you will find the management approach and its evaluation for GRI 201, economic performance, on **page 29**, with the economic performance indicators following it.

MATERIAL TOPICS AND THEIR BOUNDARIES	
Disclosure	**Our response**
103-01 **Explanation of the material topic and its boundary**	The following GRI aspects are particularly material to our 154 supply sites in 26 countries: procurement practices; materials; energy; water; biodiversity; emissions; effluent and waste; supplier environmental assessment; environmental grievance mechanisms; occupational health and safety; and supplier assessment for labour practices. The remaining additional aspects are material to all 180 countries in which we make and sell products around the world, with the exception of indigenous rights which did not surface as material through our stakeholder study.
	We took a value chain approach to our materiality matrix. Therefore, the issues that we identified as material are also material to our suppliers and other business partners.

MANAGEMENT APPROACHES	
103-02 **The management approach and its components**	103-03 **Evaluation of the management approach**
See relevant topics.	See relevant topics.

How we have met each disclosure ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards ◔ Partially disclosed and missing at least one required indicator ○ Not disclosed ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

ECONOMIC PERFORMANCE

| 103-02 | **Our management approach to economic performance** | 103-03 | **Evaluation of the management approach** |

103-02 ● **Our management approach to economic performance**

Our relationships with suppliers, investors, lenders, governments, employees and local community stakeholders have direct economic and social impacts which we measure, manage and evaluate. Our Annual Report explains how we manage financial performance and includes financial KPIs. Each market and function is responsible for monitoring and reporting economic performance against annual plans and targets. That allows us to report on overall performance against strategy.

The Building thriving communities section of the Annual Report, pages 45-49, describes our wider economic contribution to the communities where we operate.

Investment in activities is based on developing a business case to deliver both economic indicators and wider business strategy including performance on environmental, social and governance activities.

Investment is authorised depending on scale by various business leaders, with the Executive Committee confirming the most significant investments.

103-03 ● **Evaluation of the management approach**

The Board, the Executive Committee and management teams at market and functional level review economic performance at each of their meetings, tracking key performance indicators and annual operating plans. Details of financial KPIs are within the Annual Report.

Where necessary, activities are developed or adapted to improve performance against stated targets. One example of this is our recent focus on productivity, which aims to save £700 million. This money will be invested to strengthen growth.

Investments are reviewed against the business cases made for them by market and functional management, and the Executive Committee in significant cases. This may result in action to improve performance to better deliver the planned return on investment.

Disclosure		Our response
201-01 ◑	**Direct economic value generated and distributed**	Our revenues[1] this year totalled £18.6 billion. Economic value distributed contains operating costs (£6.7 billion), taxes (£7.4 billion), employee salaries and benefits (£1.5 billion), payments to providers of capital (£2.6 billion), and community investment (£12 million). Tax paid contains all cash tax paid by the company excluding £1 billion of VAT. **Omissions:** we do not currently break down direct economic value by local market. 1. Data is presented on a cash basis.
201-02 ●	**Financial implications and other risks and opportunities due to climate change**	A variety of trends associated with climate change affect our business, in particular the risk to water scarcity, given that water is a main ingredient in all our products. This is explained in more detail in the Market dynamics section of the Annual Report, pages 14-15. Total environmental protection expenditure was approximately £5 million which was spent on water conservation projects in India and continuous improvement and energy efficiency initiatives elsewhere. We are examining more closely the specific risk of the impact of climate change on our economic performance following formal guidance from the Task Force on Climate-related Financial Disclosures (TCFD). With the support of PwC, we have undertaken a detailed review of the TCFD guidelines and aim to implement them in full. Our reporting already addresses some aspects of the guidelines, while our reporting to CDP covers much of the remainder. We will report more fully against the TCFD's guidance over the next few years. We do not currently consider general climate change risks as being immediately material to our overall financial performance, although at a local level, issues such as a reduction in the supply of sugar or sorghum as a result of a drought have had an impact. As part of our further review, we are considering the potential financial impact of government policies to combat climate change, for example an increase in carbon tax. We are also considering the potential for more significant operational impacts from water stress and related agricultural issues. We will report on these issues in the future as our reviews progress.

| **How we have met each disclosure** | ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards | ◑ Partially disclosed and missing at least one required indicator | ○ Not disclosed | ⊗ Not considered material to our business at this time |

GRI Index
Topic-specific standards

GRI 200: ECONOMIC continued

ECONOMIC PERFORMANCE continued

Disclosure		Our response
201-03	**Defined benefit plan obligations and other retirement plans**	Diageo operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. Some are defined benefit plans and are funded by payments to separately administered trusts or insurance companies. The group also operates a number of plans that are generally unfunded, primarily in the United States, which provide employees' post-employment medical costs. Where required, we have deficit funding arrangements in place for our defined benefit plans.
		For full details, see Note 13 to the Financial statements in the Annual Report, pages 126-130.
		Omissions: we do not disclose the number of employees included in the schemes or the percentage of salary contributed by employer and employee.
201-04	**Financial assistance received from government**	Diageo is a publicly-listed company and is not part-owned by any government.
		Tax credits are included in Note 7 and government grants in Note 11 to the Financial statements in the Annual Report, on pages 117-119 and 125-126 respectively.
		Omissions: this information is not broken down by country.

MARKET PRESENCE

103-02	**Our management approach to market presence**	103-03	**Evaluation of the management approach**
	Diageo is the leading spirits player in every region of the world. This regional profile provides us with exposure to the greatest consumer growth opportunities in our sector. We operate as a market-based business and have a presence in over 180 countries. For more details see the Our global reach section of the Annual Report, page 7.		Our market presence, considering issues such as scale of activity in markets, presence in current or potential product sectors, and the relative risks and opportunities is reviewed as part of the development of our overall strategy, described in our Annual Report. It is routinely reported to the Executive Committee and the Board.
	Our strategic planning considers decisions to enter either geographic or product markets as outlined in our Annual Report. We assess performance against our strategy using relevant key performance indicators.		

Disclosure		Our response
202-01	**Ratios of standard entry level wage by gender compared to local minimum wage**	We do not currently collect this data at global level.
202-02	**Proportion of senior management hired from the local community**	The global nature of our business encourages diversity in leadership and we believe in supporting local communities. We estimate that 78.4% of our senior leaders come from the market in which they work. Our leadership and talent programmes are structured to promote a balanced intake by gender and across markets.

How we have met each disclosure

● Fully disclosed as outlined by the GRI Sustainability Reporting Standards

◑ Partially disclosed and missing at least one required indicator

○ Not disclosed

⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 200: ECONOMIC continued

<div style="background:orange">**INDIRECT ECONOMIC IMPACTS**</div>

103-02 **Our management approach to indirect economic impacts**

As a global business operating in numerous locations, Diageo has many indirect economic impacts on the communities in which we operate, as described below. We have taken the strategic decision to focus on the areas that are most material to our business and the communities where we operate:

- Empowering women
- Promoting entrepreneurship, employability and skills
- Building sustainable supply chains
- Protecting water and the environment.

We have set ourselves ambitious targets to be reached by 2020. For more details, see the Building thriving communities section of the Annual Report, pages 45-49.

We also monitor the number of people benefiting from our programmes, including the number of livelihoods improved. Our Social Impact Framework, which records social, commercial and partner impacts, is being rolled out for all programmes with a budget of over £25,000.

103-03 **Evaluation of the management approach**

Indirect economic impacts are reviewed as part of strategy development and risk management, and are reported to the Executive Committee and the Board.

Disclosure		Our response
203-01	**Infrastructure investments and services supported**	Our **Water Blueprint** is our strategic approach to water stewardship, which details the infrastructure and services that we affect in this area. For example, our Water of Life programme, which aims to provide access to clean water, better sanitation, and hygiene (WASH) education to those in need, often contributes to the development of local infrastructure. We increasingly prioritise communities in close proximity to our operations and those where we source our local raw materials.
		This year we funded a number of WASH infrastructure projects across India and Africa, including in Kenya, Uganda, Tanzania, Ghana, Cameroon and Nigeria. In North Cameroon, for example, our partnership with the Sahel Espoir co-operative in the two villages of Mindjil and Garey has led to a new irrigation system and new boreholes to provide access to water for 10,000 people.
		In another example, a recent programme of investments in our distilleries in Maharashtra state, India, has resulted in installation of new water-recycling equipment, including ultra-filtration followed by two-stage reverse osmosis. This has enabled us to re-use up to 500,000 cubic metres of water a year, benefiting the local water catchment and community.
203-02	**Significant indirect economic impacts**	Diageo has a diverse array of indirect economic impacts associated with our business relationships and community investment projects. We invested £12 million or 0.3% of operating profit in programmes to support the communities where we source, make and sell our products. Details of how we contribute to local economic development can be found on **our website**. Our contribution is aligned with various external stakeholder priorities. For example, we have helped improve livelihoods for smallholder farmers in our Africa supply network, by increasing farm yields due to training and improved agricultural inputs provided from our programme. Our impact report in Ethiopia, published in 2017, identified increases in farm yield and associated improvements in the livelihoods of farming families.
		Over the course of the year we have continued to focus our efforts on understanding and quantifying our social impacts through our Social Impact Framework. From our research, we know that an average of 70% of the 130,000 young adults who participated in our Learning for Life community investment programmes across 21 countries obtained employment in areas directly related to our value chain. We estimate that our Learning for Life programme has had a positive impact on a further 615,000 people (estimated as five contacts per student).
		In May 2018 we published an impact assessment study on our Learning for Life programme in Scotland. This study was designed to provide a better understanding of our impact beyond the simple measure of the number of people finding employment following participation in the programme. Our impact study covered two years, 2014 to 2016, and included 600 students on 55 courses.

How we have met each disclosure
● Fully disclosed as outlined by the GRI Sustainability Reporting Standards ◖ Partially disclosed and missing at least one required indicator ○ Not disclosed ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 200: ECONOMIC continued

INDIRECT ECONOMIC IMPACTS continued

Disclosure		Our response
203-02 continued	**Significant indirect economic impacts** (continued)	The study showed that 71% of students successfully gained employment. Of the young people involved, 90% also talked about the increased self-esteem and motivation to work, and said that they gained valuable and recognised employment skills. It also demonstrated the change in attitude surrounding responsible consumption of alcohol among participants.
		Our women's empowerment programmes, including Plan W, have supported over 390,000 women to date through initiatives such as education and skills training. In total, our community programmes have reached over 164,000 women this year alone.

PROCUREMENT PRACTICES

103-02 ⬤	**Our management approach to procurement practices**	103-03 ⬤	**Evaluation of the management approach**
	Suppliers are selected based on their ability to effectively deliver our needs in terms of service, material, timing and cost.		Procurement practices are reviewed by internal audit and by the Compliance team. The audit leads to a report for functional management and relevant Executive Committee members, and includes remedial actions and recommendations.
	All suppliers are required to meet the minimum requirements set out in our **Partnering with Suppliers Standard**, which is a minimum contractual requirement. Our assessment processes are described in the supplier assessment management approach below.		
	Suppliers are also evaluated against the risk of bribery and corruption through our Know Your Business Partner (KYBP) assessment, which considers operating risks, market/sector risks and feedback from our internal reviews and assessments.		
	Ongoing performance against contract and service levels is reviewed by Procurement teams while adherence to specific requirements on issues such as labour and human rights is addressed as described below.		

Disclosure		Our response
204-01 ⬤	**Proportion of spending on local suppliers**	We estimate that more than 90% of our raw material volume is dedicated to 'in-country' suppliers for our sites in the following locations: India, Ireland, United Kingdom, Mexico, and Turkey. For our sites in Africa, 78% of agricultural raw material volume used in our operations comes from suppliers based in the continent.

How we have met each disclosure	⬤ Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	◯ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 200: ECONOMIC continued

ANTI-CORRUPTION

103-02	**Our management approach to anti-corruption**	103-03	**Evaluation of the management approach**

We have an internal Anti-Corruption Global Policy, and its core principles are included in our **Code of Business Conduct**. This is applied to all operations and personnel, with routine training undertaken throughout the business. Adherence to the policy is driven through global and local management within routine business operations and reviewed during assessment carried out by independent internal assessors.

Our Compliance team reviews the adoption and delivery of our **Code of Business Conduct** and its supporting policies, including anti-corruption. This covers completion rates of Code training. The team also monitors all markets and functions for compliance with the Code and its supporting policies.

The results of this monitoring activity are reviewed by management's Audit and Risk Committee and the Audit Committee of the Board who identify action plans where necessary. For example, reviews have led to more Code training in some locations. In addition, our Internal Audit team audits our markets and functions for compliance with our Code and supporting policies, reporting their results to the Executive and Board committees.

Disclosure		Our response
205-01	**Operations assessed for risks related to corruption**	Each of our markets is required to carry out a compliance risk assessment annually, including consideration of human rights, bribery and corruption, and to develop mitigation plans for their most relevant risks. In addition, every business unit is required to undertake risk assessments on corruption.

Omissions: significant risks related to corruption identified through the risk assessment. |
| 205-02 | **Communication and training about anti-corruption policies and procedures** | Everyone who joins the business has to complete training on our Code within 30 days, and all employees receive refresher Code training each year. The training covers anti-corruption policies and procedures. All manager level and above employees complete an Annual Certification of Compliance which is integrated with Code training.

Our compliance programme uses a risk-based approach to identify areas where anti-corruption communication and training should be focused. This considers the external context, geographic and functional risks, and the output of our own reviews including input from SpeakUp. Illustrative examples of our anti-corruption procedures include our third-party business partner due diligence programme Know Your Business Partner (KYBP), and trade incentives guidelines. |
| 205-03 | **Confirmed incidents of corruption and actions taken** | Public legal cases are reported in Note 18 to the financial statements of the Annual Report pages 143-146.

Omissions: any non-public incidents are not reported. |

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 200: ECONOMIC continued

ANTI-COMPETITIVE BEHAVIOUR

103-02	**Our management approach to anti-competitive behaviour**	103-03	**Evaluation of the management approach**
	We have an internal competition and anti-trust policy, the core principles of which are included in our **Code of Business Conduct**. We train personnel across the business in the requirements of this policy within the training on our Code. We monitor adherence through review of emerging issues, outcomes from SpeakUp, and routine assessment of all business functions through our internal independent reviews.		The Compliance team monitors all functions with regards to their compliance with our **Code of Business Conduct**, which includes our internal competition and anti-trust principles. Our Internal Audit team regularly undertakes market audits which includes auditing compliance procedures. Where necessary, this monitoring and these audits result in time-bound remedial actions and recommendations for improvement. These are reviewed by the relevant management teams and Executive Committee members.

The Compliance team also assesses completion of training against the Code to ensure all training is completed as required, and reports results to the Executive Committee and the Board.

This year, we further strengthened awareness of anti-competitive issues through a global eLearning campaign on anti-trust. |

Disclosure		Our response
206-01	**Legal actions for anti-competitive behaviour, anti-trust and monopoly practices**	Material legal judgements are noted in Note 18 to the financial statements in the Annual Report, pages 143-146.

Omissions: we do not disclose details of ongoing regulatory investigations or sanctions because this is commercially sensitive information. |

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◗ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL

GRIEVANCE MECHANISMS

103-02

Our management approach to environmental grievance mechanisms

Our SpeakUp helpline and website act as a conduit for all grievances including those to do with environmental issues. They can be accessed by employees, those in our value chain and any interested stakeholders. Grievances are investigated independently and, where necessary, anonymised to protect those raising the issue. For employees, SpeakUp complements, but does not replace, reporting issues to line managers, the Legal team, the Human Resources team or Controls, Compliance and Ethics managers.

We manage environmental grievances, which typically relate to dust and noise, on a case-by-case basis at local site level. If needed, local sites will escalate the complaints.

Environmental grievances are reviewed in market by the relevant functions and escalated as required to the Executive Environmental Working Group, which meets quarterly to review environmental performance. Mitigation activities are developed as appropriate.

Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms
During the reporting year, seven grievances about environmental impacts were filed. All were addressed, with six being resolved through formal grievance mechanisms. One grievance about environmental impacts was filed last year which was resolved this year.

103-03

Evaluation of the management approach

Our Environmental teams in each market review grievances to consider whether mitigation has been effective and whether grievances have been addressed.

MATERIALS

103-02

Our management approach to materials

Our materials can largely be categorised as packaging and agricultural raw materials. Our general approach is to ensure our processes are efficient and cost-effective, which may mean developing or adopting new materials that are more efficient, have a lower environmental impact or are otherwise superior. Materials are selected based on performance criteria to support finished product specification and cost. New materials are assessed in extensive trials before being used for full-scale production. Detailed specifications are developed that identify key performance criteria for materials being used in production.

Our Packaging and Sustainability teams evaluate the materials we use to ensure they are efficient, have a minimal environmental impact and are cost-effective for our production processes. We will develop or adopt new materials as needed if they offer efficiency or environmental benefits, for example. Our Packaging and Sustainability teams keep our materials under review.

103-03

Evaluation of the management approach

Packaging
We regularly evaluate the potential for new or alternative materials and emerging environmental risks from packaging materials. The emergence of plastic waste as a significant environmental issue in 2018 has led us to strengthen our approach, building on the publication of our supplementary guideline on plastics in April 2017. These include new targets for plastics use (see the Annual Report, page 51), the banning of plastic straws and stirrers from marketing and promotional activity, continued research and development into plastic packaging, and collaboration on the development of recycling sectors in key markets, particularly Africa.

Agricultural raw materials
As our requirement for agricultural materials in Africa grows, our work with smallholders becomes more important. This year we increased our focus in this area, particularly sorghum, a crop which is more resilient to climate change, and which is the mainstay of our new brewery in Kenya.

Our programmes aim to develop smallholder farming and support mid-term growth in farm yields. We are working more closely with farmers, supporting them with training, planting materials and fertilisers, mechanisation and access to credit, and we are seeing more consistent results as a consequence.

How we have met each disclosure

● Fully disclosed as outlined by the GRI Sustainability Reporting Standards

◖ Partially disclosed and missing at least one required indicator

○ Not disclosed

⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

MATERIALS continued

103-02
continued

Our management approach to materials (continued)

Packaging
As part of our 2020 targets, we have four targets for packaging:

- To reduce total packaging by 15%
- To increase recycled content to 45%
- To make all packaging recyclable
- To sustainably source all of our paper and board packaging to ensure zero net deforestation.

This year, we announced new targets for 2025 specific to our use of plastics:

- Ensure 100% of the plastic we use is designed to be widely recyclable (or reusable/compostable), using plastics that allow for increased consumer recycling rates
- Achieve 40% average recycled content in our plastic bottles – and 100% by 2030
- Continue to invest in circular economy opportunities and other sustainable packaging breakthroughs
- Accelerate our support for recycling by increasing collaboration, particularly where we have influence, and engaging with governments, peers and consumers to facilitate improved recycling.

As part of the innovation process of developing new products, we routinely review packaging. We consider its environmental impact as well as how we are performing against our packaging targets.

For more details see the Environment section of the Annual Report, pages 50-54, our **Environment Policy**, and our **Sustainable Packaging Commitments** document.

Agricultural raw materials
Our sustainable agriculture strategy, **Building Sustainable Supply Chains**, is summarised in the Sustainable supply chains section of the Annual Report, pages 45-46.

As part of our 2020 targets, we have two for agricultural raw materials:

- Source 80% of our agricultural raw materials locally in Africa
- Establish partnerships with farmers to develop sustainable agricultural supplies of key raw materials.

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.

Diageo is a member of the Sustainable Agriculture Initiative (SAI) Platform. In 2018 we adopted SAI's **Farm Sustainability Assessment** (FSA) tool as our reference to assess sustainability within our agricultural supply chain and drive improvements. Our aim is to work with our tier one suppliers to drive assurance to a minimum level of FSA Bronze (or equivalent using a benchmarked standard).

We adopted the SAI approach as standard for farmers in established supply chains. For smallholders (typically farms of 1-10 hectares) and suppliers in emerging supply chains, we are developing tailored approaches based on their most material issues.

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.

For more details, see our **Sustainable Agriculture Guidelines**.

Local sourcing in Africa
We source agricultural raw materials in Africa from local farming suppliers, including around 80,000 smallholder farmers in Kenya, Tanzania, Ethiopia, Uganda, Cameroon, Ghana, Nigeria and South Africa. Our programmes develop farming activity through training farmers in agronomy, creating access to seeds and fertilisers, improving access to affordable finance and crop insurance, and enabling some mechanisation for farming. This has led to increased yields per hectare for the farmers involved, and adds to their livelihoods, while creating a more resilient local raw material supply network. In Tanzania, we are piloting training for smallholder farmers to support their resilience to climate change.

Our sustainable agriculture strategy is explained in the Sustainable supply chains section of the Annual Report, page 46.

How we have met each disclosure | Fully disclosed as outlined by the GRI Sustainability Reporting Standards | Partially disclosed and missing at least one required indicator | Not disclosed | Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

MATERIALS continued

Disclosure		Our response
301-01 ●	**Materials used by weight or volume**	This year, we used approximately 1.6 million tonnes of agricultural raw materials such as barley, wheat and maize, and approximately 1.4 million tonnes of packaging. Pie charts showing the breakdown of our raw materials and our packaging materials by volume are included in the Sustainable supply chains section of the Annual Report, page 46.
301-02 ●	**Recycled input materials used**	This year, 40.5% of the materials used in our packaging were recycled input materials, a decrease of 0.5% since last year.
301-03 ●	**Reclaimed products and their packaging materials**	**Recycling/recovery rates[1] for primary packaging categories[2]**

Recycling/recovery rates[1] for primary packaging categories[2]

Market	Recovery rate
Germany	81%
Republic of Ireland	75%
Italy	74%
Great Britain	61%
Spain	57%
Brazil	47%
Australia	44%
North America	33%
South Africa	25%
Venezuela	25%
Greece	24%
Kenya	No published data
Nigeria	No published data

1. Estimated consumer recycling of primary packaging.
2. Primary packaging categories include glass, aluminium, paper and board.

How we have met each disclosure

● Fully disclosed as outlined by the GRI Sustainability Reporting Standards   ◖ Partially disclosed and missing at least one required indicator   ○ Not disclosed   ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

ENERGY

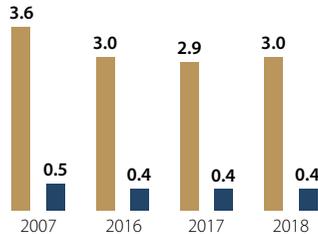| 103-02 | **Our management approach to energy** | 103-03 | **Evaluation of the management approach** |

We are committed to halving our direct carbon emissions (Scopes 1 and 2) in absolute terms by 2020, against a 2007 baseline, and achieving a 30% reduction in carbon emissions in our overall supply chain.

Our approach is based on four main activities:

1. Improving energy efficiency in our operations
Improving energy efficiency in our operations reduces carbon emissions, cuts energy bills and reduces our exposure to energy risks. Measures include improving insulations on cookers and stills, the installation of variable speed drives and low-energy lighting systems, and improvements to air condensers and boilers.

2. Generating renewable energy at our sites
Alcohol production creates a number of by-products which can be used as sources of renewable energy. We are investing in the bio-energy potential of our distilleries and breweries.

3. Sourcing renewable or low-carbon energy
Renewable and low-carbon energy from bio-energy, nuclear, wind, solar and hydro-electric sources can contribute significantly to reducing emissions. We are committed to procuring 100% of our electricity from renewable sources by 2030.

4. Partnering to reduce carbon in our supply chain
Supporting and encouraging our key suppliers to measure, manage and report their carbon emissions is essential to reducing our overall greenhouse gas emissions. In addition, we have committed to ensuring that all our new refrigeration equipment in trade is free from hydrofluorocarbons (HFCs).

For more details see the Environment section of the Annual Report, pages 50-54, and our **Environment Policy**.

We have set ourselves a series of targets to achieve by 2020, measured by KPIs which are disclosed in our Annual Report. The targets and KPIs are as follows:

Target: Reduce absolute greenhouse gas emissions from direct operations by 50%

KPI: % reduction in absolute GHG (kt CO_2e)

Target: Achieve a 30% reduction in absolute greenhouse gas emissions along the total supply chain

KPI: % reduction in absolute GHG (kt CO_2e)

Target: Ensure all our new refrigeration equipment in trade is HFC-free, with a reduction in associated greenhouse gas emissions from 2015

KPI: % of new equipment sourced HFC-free from 1 July 2015

We are listed on the FTSE4Good, CDP and Dow Jones Sustainability Europe Index to benchmark our sustainability performance.

The Environmental Executive Working Group, through the Environmental Leadership Team, ensures compliance is measured and monitored.

Disclosure	**Our response**
302-01 **Energy consumption within the organisation**	We report renewable and non-renewable direct energy consumption for the last three years in addition to our baseline year of 2007.

Renewable and non-renewable direct energy consumption (TJ)[1, 2]

Year	Renewable	Non-renewable
2007	427	13,755
2016	2,993	9,487
2017	3,561	8,866
2018	3,608	8,944

● Renewable energy source
● Non-renewable energy source

1. Direct energy consumption refers to energy sources that are owned or controlled by the company and generate Scope 1 emissions as defined by the WRI/WBCSD Greenhouse Gas Reporting Protocol.
2. 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2017, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies.

Omissions: the breakdown of energy consumption by heating, cooling and steam is not included here as currently this level of detail is unavailable due to the inherent complexity of heat recovery systems.

| **How we have met each disclosure** | ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards | ◕ Partially disclosed and missing at least one required indicator | ○ Not disclosed | ⊗ Not considered material to our business at this time |

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

ENERGY continued

Disclosure		Our response
302-02	**Energy consumption outside of the organisation**	Purchased goods and services, capital goods, transport and distribution of our brands by third-party logistics providers, and the use of chilling and refrigeration equipment by our retail customers to store and display them, are amongst the most significant areas of energy consumption outside Diageo's direct use. Road and rail transport uses approximately 4.7 million gigajoules per year, and chilling and refrigeration equipment uses approximately 1.3 million gigajoules per year.
302-03	**Energy intensity**	Here we report renewable and non-renewable direct energy consumption for the last three years in addition to our baseline year of 2007. **Direct and indirect energy efficiency (MJ/litre packaged)[1, 2, 3]** 1. Direct and indirect energy sources refer to those that generate Scope 1 (direct) and Scope 2 (indirect) emissions as defined by the WRI/WBCSD Greenhouse Gas Reporting Protocol. 2. 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2017, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies. 3. Energy included was used for fuel, electricity, heating, cooling and steam.
302-04	**Reduction of energy consumption**	This year energy consumption from fuel, electricity, heating, cooling and steam increased by 1.0% compared with 2017 as a result of higher volumes in our distilling business, a significantly energy intensive process. The energy efficiency measures we implemented during the year were not sufficient to mitigate the impact of this growth. Reporting boundaries and methodologies can be found on **pages 81-86** of this Performance Addendum.
302-05	**Reductions in energy requirements of products and services**	Energy requirements of products and services are not deemed relevant as GHG emissions from this energy use do not meet the relevancy criteria stipulated by the WRI Scope 3 Reporting Standard. Specifically: they do not contribute significantly to Diageo's overall Scope 3 footprint, nor do they contribute to Diageo's business-wide risk exposure.

| **How we have met each disclosure** | ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards | ◖ Partially disclosed and missing at least one required indicator | ○ Not disclosed | ⊗ Not considered material to our business at this time |

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

WATER

| 103-02 | **Our management approach to water** | 103-03 | **Evaluation of the management approach** |

Our **Water Blueprint** defines our strategic approach to water stewardship. It is an integrated approach based on four core areas: the sourcing of raw materials; water use in our own operations; stewardship within the communities in which we operate; and local and global advocacy for best practice in water stewardship.

In recent years we have expanded our strategy to encompass our broader global supply chain, which enables better understanding and management of our total impact on water. We focus on our sites and their supply chains in water-stressed areas, and their respective water catchments, all of which are in emerging markets.

Our strategy aims to:

1. Reduce water use through a 50% improvement in water-use efficiency
We will continue to improve water-use efficiency in our operations through a combination of continuous improvement, operational efficiency projects, capital investment, and cultural change, aimed at conserving and reusing water wherever possible. We will prioritise sites located in water-stressed areas.

2. Return 100% of wastewater from our operations to the environment safely
Measures include investment in additional effluent treatment capacity and upgrades to ensure we continue to make progress towards this ambitious target.

3. Replenish the amount of water used in our final product in water-stressed areas
We recognise that our impact on water stretches beyond our own operations, and we are committed to replenishing water in water-stressed areas where we operate. This means that where we make our brands in water-stressed areas, we will replenish the equivalent amount of water used in our final products. We will do this either by replenishing the local catchment, or by replenishing the water-stressed catchment of relevant raw material sourcing areas, through projects such as reforestation, wetland recovery, safe water and sanitation, and improved farming techniques.

For more details see the Environment section of the Annual Report, pages 50-54, and our **Environment Policy**.

We have set four targets to be achieved by 2020, against a 2007 baseline. Progress against each target is disclosed in our Annual Report through the following KPIs:

Target: Reduce water use through a 50% improvement in water-use efficiency

KPI: % improvement in litres of water used per litre of packaged product

Target: Return 100% of wastewater from our operations to the environment safely

KPI: % reduction of wastewater polluting power (1,000t BOD)

Target: Replenish the amount of water used in our final product in water-stressed areas

KPI: % of total volume of water replenished in water-stressed areas (m^3)

Target: Equip our suppliers with tools to protect water resources in our most water-stressed locations

KPI: % of key suppliers engaged in water management practices.

We are listed on the FTSE4Good, CDP and Dow Jones Sustainability Europe Index to benchmark our sustainability performance.

The Environmental Executive Working Group, through the Environmental Leadership Team, ensures compliance is measured and monitored.

| **Disclosure** | | **Our response** |

| 303-01 | **Water withdrawal by source** | **Water withdrawal by source by region (m^3)** |

Region	Mains water	Ground (borehole/well)	Surface water (river/lake)
North America	1,326,500	619,635	452,712
Europe and Turkey	3,296,325	4,044,820	1,025,854
Africa	3,086,977	4,242,524	524,060
Latin America and Caribbean	4,607	224,198	59,840
Asia Pacific	642,729	401,272	753,233
Corporate	116,966	22,494	0
Total	**8,474,104**Δ	**9,554,943**Δ	**2,815,699**Δ

Δ Within PwC's limited assurance scope, see **pages 87-88**

How we have met each disclosure   ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards   ◖ Partially disclosed and missing at least one required indicator   ○ Not disclosed   ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

WATER continued

Disclosure		Our response
303-02 ●	**Water sources significantly affected by withdrawal of water**	We have identified 41 sites as being in water-stressed areas. These are indicated on the map in the Market dynamics section of the Annual Report, page 15.

Significance criteria	Number of water sources significantly affected
Withdrawals that account for an average of 5% or more of the annual average volume of a given water body	2
Withdrawals from water bodies that are recognised by professionals to be particularly sensitive due to their relative size, function, or status as a rare, threatened, or endangered system or to their support of a particular endangered species of plant or animal	38
Any withdrawal from a wetland listed in the Ramsar Convention 78 or any other nationally or internationally proclaimed conservation area regardless of the rate of withdrawal	12
The water source has been identified as having high biodiversity value (such as species diversity and endemism, total number of protected species)	35
The water source has been identified as having a high value or importance to local communities and indigenous peoples	Not evaluated

Disclosure		Our response
303-03 ●	**Water recycled and reused**	The volume of water recycled or reused was 1,070,994m^3, representing 5.1% of total water withdrawals.

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

BIODIVERSITY

103-02 ●	**Our management approach to biodiversity**	103-03 ●	**Evaluation of the management approach**

Many of our distilleries, breweries and other sites are surrounded by valuable ecosystems supporting a wide range of plant and animal species that can be vital to the livelihoods of local people.	We have identified 35 operational sites, and other land we own, near or adjacent to areas designated as having biodiversity value by the United Nations or national conservation lists. These have a relatively small total area of approximately 24 km², and are listed under 304-01.
We take responsibility for the impact our work has on these ecosystems and the wider environment, particularly in relation to water, our main ingredient. Where appropriate, we measure and report our impact, mitigate the risks and work towards improving the environment.	Several of our sites are also in, or close to, the habitats of species that are designated as threatened by the International Union for Conservation of Nature. In all cases, we are managing these sites in accordance with our licence conditions and the expectations of local stakeholders.
Additionally, we carry out biodiversity impact assessments for new builds and sites in sensitive locations.	Our commitments to biodiversity in sensitive areas.
The use of water in areas that are water-stressed has particular consequences for biodiversity. Our overall water strategy focuses on an integrated approach to corporate water stewardship, with a specific emphasis on water-stressed areas.	
Sixteen of our production sites are associated with wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).	
In each protected wetland we are monitoring the local issues specific to our sites and implementing technologies that improve water efficiency and the quality of wastewater. We are also exploring the potential for collaboration with other industries and stakeholders to encourage more effective water catchment management practices.	

Disclosure	Our response
304-01 ●	**Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**	See table below.

Site	Type of operation	Protected status of area	Inside	Adjacent	Near	Close	Biodiversity value attribute
Victoria, Seychelles	Brewing	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater, Marine Ecosystem
		IUCN Category I-VI, Alliance for Zero Extinction, Key Biodiversity Area		●			
		Ramsar			●		
Cragganmore, Scotland	Distilling	IUCN Category I-IV, Natura 2000	●				Terrestrial, Freshwater
		Key Biodiversity Area		●			
		IUCN Category V-VI			●		
Dalwhinnie, Scotland	Distilling	IUCN Category V-VI	●				Terrestrial, Freshwater
		IUCN Category I-IV, Natura 2000		●			
		Key Biodiversity Area			●		
		Ramsar				●	
Lochnagar, Scotland	Distilling	IUCN Category V-VI	●				Terrestrial, Freshwater
		IUCN Category I-IV, Natura 2000, Key Biodiversity Area		●			

Position in relation to area of high biodiversity value (column group header over Inside / Adjacent / Near / Close)

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

BIODIVERSITY continued

304-01 continued

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value (continued)

Site	Type of operation	Protected status of area	Position in relation to area of high biodiversity value				Biodiversity value attribute
			Inside	Adjacent	Near	Close	
Quetzaltenango, Guatemala	Packaging	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater
		Key Biodiversity Area, Alliance for Zero Extinction		●			
		IUCN Category I-IV, IUCN Category V-VI			●		
Gazimagusa, Cyprus	Packaging	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater, Marine Ecosystem
		Key Biodiversity Area, Natura 2000		●			
Dailuaine, Scotland	Distilling	IUCN Category I-IV, Natura 2000	●				Terrestrial, Freshwater
		IUCN Category I-IV, IUCN Category V-VI		●			
Dailuaine, Scotland	Dark grains plant	IUCN Category I-IV, Natura 2000	●				Terrestrial, Freshwater
		IUCN Category I-IV, IUCN Category V-VI				●	
Dufftown, Scotland	Distilling	Natura 2000	●				Terrestrial, Freshwater
		Key Biodiversity Area		●			
		IUCN Category I-IV, IUCN Category V-VI			●		
Dar Es Salaam, Tanzania	Brewing	Key Biodiversity Area, Natura 2000, Ramsar		●			Terrestrial, Freshwater
		IUCN Category I-IV			●		
		IUCN Category V-VI				●	
Meta Abo, Ethiopia	Brewing	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater
		IUCN Category V-VI		●			
		Key Biodiversity Area			●		
		IUCN Category I-IV				●	
Benin, Nigeria	Brewing	IUCN Category V-VI, Key Biodiversity Area	●				Terrestrial, Freshwater
Nairobi, Kenya	Malting	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater
		IUCN Category I-IV, IUCN Category V-VI, Key Biodiversity Area			●		
Ponda, Goa, India	Distilling	IUCN Category I-IV, IUCN Category V-VI	●				Terrestrial, Freshwater
		Key Biodiversity Area, Alliance for Zero Extinction, C.I. Biodiversity Hotspot			●		
St Croix, USVI	Distilling	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater
		Key Biodiversity Hotspot, Alliance for Zero Extinction			●		
		IUCN Category I-IV, IUCN Category V-VI				●	
Moshi, Tanzania	Brewing	Key Biodiversity Area, C.I. Biodiversity Hotspot		●			Terrestrial, Freshwater
		IUCN Category V-VI			●		
		IUCN Category I-IV, World Heritage Site				●	
Auchroisk, Scotland	Distilling	IUCN Category I-IV, Natura 2000			●		Terrestrial, Freshwater
		Ramsar, Key Biodiversity Area				●	

How we have met each disclosure

● Fully disclosed as outlined by the GRI Sustainability Reporting Standards   ◗ Partially disclosed and missing at least one required indicator   ○ Not disclosed   ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

BIODIVERSITY continued

304-01
continued

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (continued)

Site	Type of operation	Protected status of area	Inside	Adjacent	Near	Close	Biodiversity value attribute
			Position in relation to area of high biodiversity value				
Benrinnes, Scotland	Distilling	IUCN Category I-IV, Natura 2000, Key Biodiversity Area			●		Terrestrial, Freshwater
Blackgrange, Scotland	Warehousing	Ramsar, IUCN Category I-IV, Natura 2000, Key Biodiversity Area			●		Terrestrial, Freshwater
Blair Athol, Scotland	Distilling	Natura 2000		●			Terrestrial, Freshwater
		IUCN Category I-IV, IUCN Category V-VI, Natura 2000, Key Biodiversity Area			●		
		Key Biodiversity Area				●	
Blythswood, Scotland	Warehousing	IUCN Category I-IV, Natura 2000, Key Biodiversity Area			●		Terrestrial, Freshwater
		IUCN Category V-VI				●	
Bonhill, Scotland	Warehousing	IUCN Category V-VI			●		Terrestrial, Freshwater
		Ramsar, Natura 2000, IUCN Category I-IV, Key Biodiversity Area				●	
Broxburn, Scotland	Distilling	Ramsar, Natura 2000, IUCN Category I-IV, Key Biodiversity Area				●	Terrestrial, Freshwater
Burghead, Scotland	Malting	IUCN Category I-IV; Natura 2000		●			Terrestrial, Freshwater
		IUCN Category V-VI, Key Biodiversity Area				●	
Cambus, Scotland	Warehousing	Ramsar, IUCN Category I-IV, Natura 2000, Key Biodiversity Area		●			Terrestrial, Freshwater
		IUCN Category V-VI, Key Biodiversity Area				●	
Cardhu, Scotland	Distilling	IUCN I-IV, Natura 2000			●		Terrestrial, Freshwater
		Key Biodiversity Area				●	
Carsebridge, Scotland	Warehousing	Ramsar, IUCN Category I-IV, IUCN Category V-VI, Natura 2000, Key Biodiversity Area			●		Terrestrial, Freshwater
Glen Ord, Scotland	Distilling	Ramsar, IUCN Category I-IV, Natura 2000, Key Biodiversity Area			●		Terrestrial, Freshwater
Glen Spey, Scotland	Distilling	IUCN Category I-IV, Natura 2000		●			Terrestrial, Freshwater
Glendullan, Scotland	Distilling	IUCN Category I-IV, Natura 2000, Key Biodiversity Area			●		Terrestrial, Freshwater
		IUCN Category V-VI				●	
Knockando, Scotland	Distilling	IUCN Category I-IV; Natura 2000		●			Terrestrial, Freshwater
Menstrie, Scotland	Warehousing	IUCN Category I-IV		●			Terrestrial, Freshwater
		Ramsar, Natura 2000, Key Biodiversity Area				●	

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

BIODIVERSITY continued

304-01 continued **Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas** (continued)

Site	Type of operation	Protected status of area	Inside	Adjacent	Near	Close	Biodiversity value attribute
				Position in relation to area of high biodiversity value			
Mortlach, Scotland	Distilling	Natura 2000		●			Terrestrial, Freshwater
		IUCN Category I-IV, Key Biodiversity Area				●	
Mwanza, Tanzania	Brewing	IUCN Category I-IV, Key Biodiversity Area		●			Terrestrial, Freshwater
		IUCN Category V-VI				●	
Shieldhall, Scotland	Bottling	Ramsar, IUCN Category I-IV, IUCN Category V-VI, Natura 2000, Key Biodiversity Area				●	Terrestrial, Freshwater
Kampala, Uganda	Brewing	Ramsar		●			Freshwater

Proximity
Inside: inside boundary of protected area
Adjacent: <1km to boundary of protected area
Near: 1-5km to boundary of protected area
Close: 5.20km to boundary of protected area

Protected area designations
· **Alliance for Zero Extinction**
· **C.I. (Conservation International) Biodiversity Hotspot**
· **IUCN (International Union for Conservation of Nature) Categories I-VI**
· Key Biodiversity Area: compiled from IUCN Red List of Threatened Species™, BirdLife International's Important Bird Areas, Plantlife International's Important Plant Areas, IUCN's Important Sites for Freshwater Biodiversity, and sites identified by the Alliance for Zero Extinction
· **Natura 2000**
· **Ramsar**
· **World Heritage Site**

Disclosure		Our response
304-02 ◐	**Significant impacts of activities, products and services on biodiversity**	None of our operations or land that we own has a significant impact on either protected areas or areas of high biodiversity value outside protected areas. **Omissions:** impact of products.
304-03 ◐	**Habitats protected or restored**	We have undertaken a number of initiatives in various locations to protect habitats. For example, during 2018 we worked in partnership with Rotary Uganda and the National Forest Authority in Uganda to reforest 200 hectares of the Gangu Forest Reserve. In Kenya, we planted 3,000 trees as part of the Kijani Tree Planting Initiative at Mount Kenya in partnership with Nature Kenya. In addition, Diageo employees around the world took part in volunteer-led environment-related activity, such as tree planting, establishing community gardens, and community clear-ups, in support of the United Nations World Water Day on 22 March and World Environment Day on 5 June 2018. **Omissions:** total size and location of all habitats restored/protected; methodologies and assumptions.
304-04 ●	**IUCN Red List species and national conservation list species with habitats in areas affected by operations**	Critically endangered: 1 Endangered: 3 Vulnerable: 3 Near threatened: 3 Least concern: 11 See table at 304-01 for list of locations.

| How we have met each disclosure | ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards | ◐ Partially disclosed and missing at least one required indicator | ○ Not disclosed | ⊗ Not considered material to our business at this time |

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

EMISSIONS

103-02	**Our management approach to emissions**	103-03	**Evaluation of the management approach**

Distillation and brewing can generate emissions that have an impact on the environment. We comply with all local laws and regulations with regard to air emissions.

In 2015 we set ourselves a target to ensure all our new refrigeration equipment in trade is free from hydrofluorocarbons (HFCs), with a reduction in associated greenhouse gas emissions.

A few of our sites have nitrogen oxides (NOx) and sulphur oxides (SOx) air emissions associated with the roasting and kilning of cereals. These emissions are measured but are minimal to our overall total NOx/SOx levels, which remain low compared with background NOx and SOx data. We are committed to measuring and reducing emissions under the We Mean Business initiative to reduce Short-Lived Climate Pollutants.

Our HFC-free ambition is supported by a target within our 2020 environmental performance strategy. One of our 2020 targets covers our HFC-free ambition. We report progress through a KPI disclosed in our Annual Report.

Target: Ensure all our new refrigeration equipment in trade is HFC-free, with a reduction in associated greenhouse gas emissions from 2015.

KPI: % of new equipment sourced HFC-free from 1 July 2015

We are listed on the FTSE4Good, CDP and Dow Jones Sustainability Europe Index to benchmark our overall sustainability performance.

The Environmental Executive Working Group, through the Environmental Leadership Team, ensures compliance with our **Environment Policy** is measured and monitored.

Disclosure		Our response

305-01 and 305-02	**Direct (Scope 1) and indirect (Scope 2) GHG emissions**	Our total direct location-based GHG emissions were 621,127 tonnes CO_2e; our total indirect location-based GHG emissions were 179,307 tonnes CO_2e (i.e. applying grid average emissions factors).

Direct and indirect GHG emissions (market-based) ('000 tonnes CO_2e)[1,2]

● Direct
● Indirect

1. CO_2e figures are calculated using the WRI/WBCSD GHG Protocol Guidance available at the beginning of our financial year; the kWh/CO_2 conversion factor provided by energy suppliers; the relevant factors to the country of operation; or the International Energy Agency, as applicable.
2. 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2017, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies.
Δ Within PwC's independent limited assurance scope, see **pages 87-88**.

For reporting methodologies, please see **pages 81-86** of this Performance Addendum.

305-03	**Other indirect (Scope 3) GHG emissions**	Sources of Scope 3 GHG[1] emissions	Metric tonnes CO_2e (fiscal year 2017)[2]
		Purchased goods and services	1,646,328
		Capital goods	330,501
		Fuel- and energy-related activities (not included in Scope 1 or 2)	177,904
		Upstream transportation and distribution	269,072Δ
		Waste generated in operations	1,008
		Business travel	20,800
		Employee commuting	17,590

1. The principal greenhouse gas is carbon dioxide; others include HCFCs and nitrous oxide (N_2O) from fertilisers.
2. Latest data available.
Δ PwC were engaged to provide limited assurance over this figure in our Scope 3 Logistics GHG Report for the year ended 30 June 2017. This figure has been reproduced here.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

EMISSIONS continued

Disclosure		Our response
305-04	**GHG emissions intensity**	The market-based (net) intensity ratio of our GHG emissions was 149g CO_2e per litre of packaged product[Δ] (2017 – 150g/l) and the location-based (gross) intensity ratio of our GHG emissions was 190g CO_2e per litre of packaged product[Δ] (2017 – 191g/l). For reporting methodologies, including methods of calculation, please see **pages 81-86** of this Performance Addendum.
		Δ Within PwC's limited assurance scope, see **pages 87-88**.
305-05	**Reduction of GHG emissions**	This year we reduced GHG emissions by 1.0% compared with 2017. For more details, see the Environment section of the Annual Report, pages 50-54. For reporting methodologies, please see **pages 81-86** of this Performance Addendum.
305-06	**Emissions of ozone-depleting substances**	The extent of ozone-depleting substances across our operations is summarised in the following table. The residual volumes of halons and CFCs across the business are now relatively minor.

Ozone-depleting substances and fluorinated gases

	Present (kg)	Emitted (kg)	Emissions CO_2e (tonnes)
Halons	100	0	0
CFC	33	1	0
HCFC	4,497	333	647
HFC	15,030	447	966
SF[6]	7	0	0

Disclosure		Our response
305-07	**Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions**	The use of fuel and the distillation of alcohol generate emissions which have impacts on the environment. In 2018, we emitted 988t of nitrogen oxides (NOx) and 945t of sulphur oxides (SOx). NOx and SOx are calculated based on fuel usage and standard emission factors. A small number of sites have NOx and SOx air emissions associated with the roasting and kilning of cereals. These emissions are measured but are minimal to our overall total NOx/SOx levels, which remain low compared with background NOx and SOx data.

NOx and SOx emissions by year (tonnes)

	2016	2017	2018
NOx	1,035	1,043	988
SOx	943	838	945

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

<div style="background:green">**EFFLUENTS AND WASTE**</div>

103-02 | **Our management approach to effluents and waste**

As part of our global **Environment Policy** we will comply with consent limits on abstraction and discharges of water or with appropriate Diageo standards where there is no regulation. We look for alternative uses for wastewater via recycling and reuse where appropriate. We set targets for reducing water use and wastewater discharge, setting more challenging water use and replenishment targets in areas of water scarcity.

When procuring materials used in our operations, we aim to favour those from renewable or recycled sources and those that in manufacture, delivery or use have a lower environmental impact. We monitor waste streams, promoting awareness of the need to increase materials efficiency. To minimise the waste we send to landfill, we operate a hierarchy of actions: omit, reduce, reuse, recycle and dispose. We monitor levels of waste recycling and waste to energy recovery, and have set a target for achieving zero waste sent to landfill at all sites by 2020.

For more details see the Environment section of the Annual Report, page 50-54, and our **Environment Policy**.

103-03 | **Evaluation of the management approach**

We have set two relevant targets to be achieved by 2020. Progress against each target is disclosed in our Annual Report through the following KPIs:

Target: Return 100% of wastewater from our operations to the environment safely

KPI: % reduction of wastewater polluting power (1,000t BOD)

Target: Achieve zero waste to landfill.

KPI: Reduction in total waste to landfill (tonnes)

Our Environmental Executive Working Group, through the Environmental Leadership Team, ensures compliance with our **Environment Policy** is measured and monitored.

Disclosure | **Our response**

306-01 | **Water discharge by quality and destination**

In 2018, total effluent volume was 17,860,290m³ and total BOD was 23,845 tonnes of which 23,584[Δ] tonnes were under Diageo's direct control.

The immediate receiving medium after leaving Diageo site

	As a percentage of total Diageo effluent volume	Percentage of the final BOD to the environment
Lake	0	0
Third-party municipal	53.0	1.5
Land	5.4	0.1
River	19.1	0.5
Sea	20.7	97.9
Wetland	1.8	0
Total	**100**	**100**

Δ Within PwC's limited assurance scope, see **pages 87-88**.

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

EFFLUENTS AND WASTE continued			

Disclosure		Our response			
306-01 continued	**Water discharge by quality and destination** (continued)	**Wastewater polluting power by region, by year (BOD/tonnes)[1]**			

	2007	**2016**	**2017**	**2018**
North America	214	101	240	176
Europe and Turkey	22,610	19,508	17,617	23,502
Africa	9,970	436	183	150
Latin America and Caribbean	10	34	34	14
Asia Pacific	92	296	64	3
Total	32,896	20,375	18,138	23,845
Total under direct control	**32,070**	**20,097**	**17,936**	**23,584**Δ

1. 2007 baseline data and data for each of the intervening years in the period ended 30 June 2017 have been restated in accordance with Diageo's environmental reporting methodologies.

Δ Within PwC's limited assurance scope, see **pages 87-88**.

For standards and methodologies, see **pages 81-86** of this Performance Addendum.

Wastewater treatment by method

In 2018, wastewater was treated onsite at our operations using one or more of the following methods: aerobic treatment, anaerobic treatment, pH balance, filtration, reverse osmosis, settling area, and stabilisation ponds. 31.5% of sites also sent wastewater to offsite treatment facilities. This represents less than 1.5% of final BOD to the environment.

Treatment method	Sites using treatment method (%)	Volume (m³) of effluent by treatment method
Aerobic treatment	33	5,736,216
Anaerobic treatment	21	6,815,102
pH balance	30	10,876,473
Filtration	30	4,633,494
Reverse osmosis	7	2,216,703
Settling area	13	1,478,486
Stabilisation ponds	6	1,496,148
Other	0	0

Omissions: whether the water was reused by another organisation; and volume of planned and unplanned water discharges.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◐ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

EFFLUENTS AND WASTE continued

Disclosure		Our response
306-02 ●	**Waste by type and disposal method**	As a result of hurricane Maria in the Caribbean in 2017, we faced challenges in disposing of waste, resulting from equipment damage, at our distillery in the US Virgin Islands, and this has increased the amount of waste sent to landfill. All disposal has been managed safely, our equipment has been repaired, and we are now reverting to reusing this waste material for agricultural purposes and avoiding landfill.

Total weight of waste by type and disposal method (tonnes)[1]

Region	Total waste to landfill	Total waste used or recycled	Total waste
North America	12,177	122,573	134,749
Europe and Turkey	169	292,694	292,864
Africa	3,108	224,662	227,770
Latin America and Caribbean	106	15,579	15,685
Asia Pacific	504	123,117	123,621
Corporate	657	2,404	3,061
Total	**16,721ᐃ**	**781,029**	**797,750**

1. This information is collected both by Diageo and by our waste disposal contractors.
ᐃ Within PwC's limited assurance scope, see **pages 87-88**.

Hazardous waste, reused, recycled and sent to landfill (tonnes)

Region	Hazardous waste to landfill	Hazardous waste used or recycled	Total hazardous waste
North America	4	1,348	1,352
Europe and Turkey	196	464	660
Africa	1,188	1,222	2,410
Latin America and Caribbean	9	2,879	2,888
Asia Pacific	324	27	351
Corporate	2	0	2
Total	**1,723**	**5,940**	**7,663**

306-03 ●	**Significant spills**	There were three spills or incidents during the reporting year, totalling approximately 119,000 litres of spilled material. In all cases regulators were informed and were satisfied with our response and follow-up. There were no significant spills; as such none were reported in our financial statements.
306-04 ⊗	**Transport of hazardous waste**	Waste deemed hazardous under the terms of the Basel Convention is not relevant to our business.
306-05 ◖	**Water bodies affected by water discharges and/or runoff**	None of our operations has a known significant impact on protected water bodies as a result of wastewater discharges or runoff. **Omissions:** further research required on potential impact and biodiversity value.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

ENVIRONMENTAL COMPLIANCE

103-02	**Our management approach to environmental compliance**	103-03	**Evaluation of the management approach**
	Our approaches to water, energy, biodiversity, emissions, and effluents and waste are described in detail above. These all form part of our overall approach to managing our environmental impact and complying with all local laws and regulations, or with Diageo standards (whichever are higher), at each site. These are set out in our **Environment Policy** and our supporting framework of policies.		Our Environmental Executive Working Group (EEWG), through the Environmental Leadership Team, ensures our **Environment Policy** is monitored across the business. The EEWG is led by the President, Global Supply and Procurement and reviews environmental performance and progress on a regular basis throughout the year. There are also routine reports to the Executive Committee and an annual review of performance against yearly and longer-term targets.

Disclosure		Our response
307-01	**Non-compliance with environmental laws and regulations**	There were six incidents of non-compliance with environmental consents this reporting year resulting in a total of £6,042 in fines. No cases were brought through dispute resolution mechanisms.

SUPPLIER ENVIRONMENTAL ASSESSMENT

103-02	**Our management approach to supplier environmental assessment**	103-03	**Evaluation of the management approach**
	We work with suppliers on environmental issues principally through our climate change and water supply chain programmes with CDP, and the implementation of our sustainable agriculture strategy. For climate change and water management, we have developed scorecards for each supplier in our CDP programme to assess performance and come to agreement on areas for improvement.		Environmental performance is reviewed by the procurement function, which reports to the Executive Environmental Working Group which meets quarterly to review environmental performance. Mitigation and improvement activities are developed as appropriate.
	We also have specific environmental programmes in place with our key packaging suppliers, aligned with our 2020 sustainable packaging targets. For example, we are working with our suppliers to increase the amount of paper and board packaging sourced from sustainable sources, and with our glass suppliers to increase the amount of recycled content. Glass is a priority material for our sustainable packaging programme given it represents over 80% of our packaging by weight.		No significant additional supplier programmes have been identified for development in 2018. The use of the CDP framework is welcomed by suppliers as it is a sectoral approach that meets the needs of their other customers. We have also developed a new supplier toolkit to help suppliers to strengthen processes on environmental and other ESG compliance issues. This has now been rolled out in a partnership with industry peers to help further improve suppliers' performance.
	Our Procurement team reviews suppliers' environmental performance against our **Partnering with Suppliers Standard**. We also expect key suppliers to take action on carbon and water through the CDP programme.		
	For more details on our approach to environmental management with suppliers, see Diageo's **Partnering with Suppliers Standard**.		

Disclosure		Our response
308-01	**New suppliers that were screened using environmental criteria**	Generally, our screening process for suppliers focuses primarily on human rights and labour standards risk, however any suppliers considered to have potential risks are required to join SEDEX and complete a questionnaire which contains environmental elements. This year, 1,248 of our suppliers' sites completed a SEDEX self-assessment questionnaire.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 300: ENVIRONMENTAL continued

SUPPLIER ENVIRONMENTAL ASSESSMENT continued

Disclosure		Our response
308-02 ●	**Negative environmental impacts in the supply chain and actions taken**	We have identified a variety of environmental impacts associated with our supply chain. Some, such as climate change through GHG emissions, are relevant to the majority of our suppliers, while other impacts such as biodiversity are most relevant to our agricultural raw material suppliers. Because of its wider relevance, we actively track and manage the carbon footprint of our supply chain through our membership of the CDP Supply Chain programme.

Carbon

In 2012, we began to identify suppliers with whom we can partner to manage the carbon footprint of our supply chain. This year, we identified 166, which account for approximately 80% of our global spend in the categories we identified as having the highest impact, namely logistics, packaging, raw materials, IS (information services) and third-party operations (other businesses that make our brands under licence). Of these 166 suppliers, 95% responded to the CDP questionnaire, with 52% of those reporting that they have an emissions reduction target.

Of those suppliers we've been working with since the programme began, the number reporting Scope 1 and 2 emissions has increased from 65% to 85%, while the number with a target has increased from 48% to 60%.

As part of our work with suppliers, we review their carbon performance, enabling us to analyse and assess the emissions they report to the CDP. We then work with them to improve performance and drive further emissions reductions.

Water

Water is another significant focus area in our supply chain, and, as part of our 2020 targets, we have committed to equipping our suppliers with tools to protect water resources in our most water-stressed locations. Through our membership of the CDP Supply Chain programme, this year we asked 103 of our largest suppliers to disclose their water management practices. Of the 90% of suppliers that responded, 61% reported having a water target.

We are also prioritising more in-depth water risk assessments of our third-party manufacturing sites, given the importance of water to the production of our brands. This year, we completed a water risk assessment of our key third-party manufacturers in India, and piloted our third-party operators (TPO) water stewardship toolkit with these partners to help improve their management of water.

We followed this with water risk assessments of all our third-party manufacturing sites globally, so that we can better understand the water impacts and risks in our supply chain. As in India, we will support these suppliers with our TPO water stewardship toolkit, prioritising those with the highest risks.

GRI Index
Topic-specific standards

GRI 400: SOCIAL

GRIEVANCE MECHANISMS

103-02 **Our management approach to grievance mechanisms**

Our social grievance mechanisms cover a wide range of areas including:

- Impacts on society
- Human rights, including child labour
- Labour practices.

Our key grievance mechanism is our third-party SpeakUp helpline and website, available in all 20 Code languages, which can be accessed by employees and anyone in our value chain, including contractors, suppliers, customers and consumers.

For employees, SpeakUp complements, but does not replace, reporting issues to line managers, the Legal team, the Human Resources team or Controls, Compliance and Ethics managers.

For suppliers, we advertise SpeakUp through our **Partnering with Suppliers Standard**. They are also encouraged to raise concerns to their most senior Diageo contact, a Diageo lawyer, or the market General Manager or function head.

All grievances and allegations are taken seriously and we investigate those that require action. We deal with issues on a case-by-case basis at local level, and, when needed, local sites will escalate the issue.

Where issues are raised, we are committed to protecting the rights of those reporting concerns, and we do not tolerate reprisals against anyone who raises anything in good faith or has assisted an investigation.

We monitor breaches to identify trends or common areas where further action may be required. Our people receive specific training and guidance on risks relevant to their role, such as human rights risk training for procurement and farming teams. Where appropriate, we also share anonymous case studies of breaches of different areas of our Code both externally on **our website** and through internal channels.

More information about our approach to managing grievance mechanisms can be found in the Governance and ethics section of the Annual Report, page 55.

Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms
There were 629 suspected breaches of our Code reported this year, of which 244 were subsequently substantiated. Of the suspected breaches, 296 were reported through SpeakUp, compared with 284 in 2017. All identified breaches are taken very seriously and those that require action are investigated by trained investigators. For more details see the Governance and ethics section of the Annual Report, page 55.

Omissions: we do not disclose how each individual grievance is resolved since this may compromise the anonymity of those involved.

103-03 **Evaluation of the management approach**

We track and routinely review our grievance mechanisms, along with any feedback we have received, and improve the process where necessary and practical. We also engage with local judicial or non-judicial grievance mechanisms to address matters when needed.

Human rights breaches
In 2018, seven human rights allegations were raised via SpeakUp. Of the seven, five were substantiated. All but one of the seven investigations were closed out within our 60-day timeframe, demonstrating the seriousness and pace with which these matters are handled. The five substantiated cases related to: required social security fund payments not being made on behalf of employees (two cases); safety and security concerns (one case); a sub-contractor bringing on site an underage employee (one case); and treating an employee in a manner inconsistent with our Human Rights Policy (one case). We have taken action to address these issues.

Labour standards breaches
In addition to routine tracking and review, which we carry out for all grievance mechanisms, we also review assessments and non-compliances from the SEDEX Members Ethical Trade Audit (SMETA) supplier assessment systems. Our reviews have led us to work more closely on SEDEX SMETA activities and with suppliers to assess and strengthen compliance with labour standards.

Our reviews have also led to the development of additional controls on land rights, embedded within our **Partnering with Suppliers Standard**.

Omissions: we do not disclose how each individual grievance is resolved since this may compromise the anonymity of those involved.

How we have met each disclosure
● Fully disclosed as outlined by the GRI Sustainability Reporting Standards
◖ Partially disclosed and missing at least one required indicator
○ Not disclosed
⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

EMPLOYMENT

| 103-02 | **Our management approach to employment** | | 103-03 | **Evaluation of the management approach** |

We are committed to providing a safe and healthy work environment for all our people. We also strive to create an inspiring work environment, where talent is nurtured, developed and rewarded. We promote an inclusive culture where our employees feel secure, respected and valued for their contribution.

For more details, see the Our people section of the Annual Report, pages 48-49.

We abide by all local labour laws and regulations, and expect our suppliers to do the same. Above and beyond that we have our own policies for employees (**Human Rights Global Policy**) and for suppliers (**Partnering with Suppliers Standard**).

We measure employee engagement as one of our overarching KPIs, as set out in our Annual Report on pages 8-9, using our annual employee Values Survey to measure how engaged our people are. Based on the outcomes of this survey and our ongoing engagement programmes, each team develops its own action plan to improve employee engagement and satisfaction.

Our Human Resources team routinely reviews our policies and standards to ensure they are sufficiently rigorous and will continue to strengthen our reputation as an employer. This helps us keep our employees while also attracting new people to the business.

Disclosure	Our response

401-01 **New employee hires and employee turnover**

Diageo employs 29,917 people around the world. In 2018 we hired 3,948 permanent employees – a mix of external (72.6%) and internal (27.4%) hires.

Employee turnover in 2018 was 14.8%. Turnover was a result of both voluntary departures and those stemming from our productivity drive, which was part of our organisational effectiveness initiatives.

New hires by region by age[1]

Region	Under 30	30-50	Over 50	Total	Percentage of headcount
North America	103	224	47	374	14.0
Europe and Turkey	707	602	55	1,364	12.9
Africa	196	245	4	445	9.1
Latin America and Caribbean	172	233	9	414	15.1
Asia Pacific	515	824	12	1,351	14.9
Total	**1,693**	**2,128**	**127**	**3,948**	**13.2**
Percentage of total new hires	42.9	53.9	3.2	N/A	N/A

Leavers by region by age[1]

Region	Under 30	30-50	Over 50	Total	Percentage of headcount
North America	68	174	80	322	12.1
Europe and Turkey	474	875	391	1,740	16.5
Africa	141	486	60	687	14.0
Latin America and Caribbean	140	333	34	507	18.4
Asia Pacific	234	835	108	1,177	13.0
Total	**1,057**	**2,703**	**673**	**4,433**	**14.8**
Percentage of total leavers	23.8	61.0	15.2	N/A	N/A

1. In some markets the concept of 'permanent employment' does not exist. For reporting purposes, we have considered as 'permanent' all those employees whose contract is not fixed-term/temporary.

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

EMPLOYMENT continued

Disclosure		Our response
401-01 continued	**New employee hires and employee turnover** (continued)	**Leavers by region by gender**[1]

Region	Men	Women	Total	Percentage 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
Total	**2,755**	**1,678**	**4,433**	**14.8**
Percentage of total leavers	62.1	37.9	N/A	N/A

1. In some markets the concept of 'permanent employment' does not exist. For reporting purposes, we have considered as 'permanent' all those employees whose contract is not fixed-term/temporary.

Total workforce by employees and supervised workers, and by gender
This information is included in the Our people section of the Annual Report, page 49.

Most people who work on behalf of Diageo are employed by Diageo, although, in common with most manufacturing companies, we also employ contractors, the numbers of whom vary significantly by region. For the most part, when we use contractors, it is for the following:

- Construction projects resulting from investments we are making in the business
- Logistics (from the end of the packaging line), such as warehouse operators, forklift truck drivers and loaders
- Cleaning, catering and site security.

401-02	**Benefits provided to full-time employees that are not provided to temporary or part-time employees**	We do not collect detailed benefits data across all our locations, so cannot report fully here. Benefits provided to employees vary across the 180 countries where we do business. In general, and where practical, benefits are calculated pro rata for part-time employees.
		Omissions: list of benefits.
401-03	**Parental leave**	Diageo complies with all local legislation in relation to provision of parental leave and provides benefits beyond minimum requirements in many countries; however, these policies are manged a locally and we do not currently collect this data at a global level.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

LABOUR/MANAGEMENT RELATIONS

103-02 ●	**Our management approach to labour/management relations**	103-03 ●	**Evaluation of the management approach**
	We have a strong commitment to dialogue with all our people, including those who are represented through a trade union or works council. We respect our employees' choice to join or not join a trade union or other organisations, and provide them with a forum to bargain collectively in support of their mutual interests. In countries where the right to freedom of association is restricted by law, we support the development of alternative means of representing employees' interests, by investing in individual consultations. In those markets where we have employees represented by trades unions or works councils, we have human resources professionals with responsibility for building relationships with those groups, and who liaise on all official dialogue. We encourage our markets to involve employee representatives early in business decisions to give them an opportunity to contribute to key issues. As outlined in our **Partnering with Suppliers Standard**, we expect our suppliers to adhere to these principles. More information can be found in our **Human Rights Global Policy**.		HR professionals such as employee relations directors and managers are monitored and evaluated on their performance in respect of managing industrial dialogue. If an employee wishes to raise a grievance, there are a number of ways to do so. Diageo has a confidential service (SpeakUp) available for anyone, including employees, to raise areas of concern about compliance with the law, our **Code of Business Conduct**, any of our global policies or standards, or compliance and ethics matters. The service is available 24 hours a day, 365 days a year, and is accessible via telephone or at **www.diageospeakup.com**. SpeakUp complements, but does not replace, reporting labour/management relations issues to line managers, Legal or Controls, Compliance & Ethics (CC&E) manager. All grievances and allegations in the area of employee or labour relations are treated with the utmost sensitivity. We apply our Global Breach Management standards to every case. This will involve impartial investigation managers being appointed. All breaches are reported and saved to our central global risk team database so they can be monitored to completion and, as appropriate, analysed for trends or themes emerging. The annual Diageo Values employee engagement survey provides a key indicator of labour relations and leads to ongoing action plans to improve relations.

Disclosure		**Our response**
402-01 ●	**Minimum notice periods regarding operational changes**	We operate in some countries where legislation defines the minimum consultation time required, and in others where this is set out in policy or in collective terms. On average these would vary from one to 12 weeks. Once a decision has been made to effect a change, within those consultation timelines, employees would then be served contractual notice bringing into effect the decision. Over any period, while we still retain an employee, we have a policy to redeploy or find suitable alternative employment where possible. If we are unable to find an opportunity we would provide a severance or redundancy payment, along with notice, depending on contractual obligations. We also offer training and outplacement support, which varies by market, to help those who leave Diageo to find other employment.

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

OCCUPATIONAL HEALTH AND SAFETY

| 103-02 | **Our management approach to occupational health and safety** | 103-03 | **Evaluation of the management approach** |

Diageo maintains comprehensive best practice global risk management standards for occupational health and safety that apply to all our operations. Each location is:

- Required to assure compliance to these standards
- Subject to regular formal corporate independent assurance audits
- Required to maintain and assure legal compliance assessment processes.

Furthermore, Diageo has set an ambitious target to achieve a leading lost-time accident (LTA) rate of less than one LTA per 1,000 full-time employees by 2020.

For more details, see Diageo's **Health, Safety and Wellbeing Policy** and our **Introduction to Zero Harm**.

Occupational health and safety is monitored continuously and reviewed by site, market and functional teams. We report our KPIs to the Supply Chain Leadership team every month. These are also reviewed by the Executive Committee.

We take action as necessary to improve our performance, with measures such as training, improvements to processes and investments in assets. For example, in February 2017 we created a new role – Europe Demand Safety Manager – to improve training and processes in our Europe offices and for our European field staff teams. As a result, the Europe Demand business's lost-time accident rate reduced by 66% this year.

Disclosure	Our response
403-01 **Workers' representation in formal joint management/worker health and safety committees**	Diageo's Global Risk Management Standards (GRMS) mandate the use of employee consultation forums (i.e. safety committees) at facility level. These cover 100% of Diageo's operations. GRMS also require employees to be involved in risk assessment and change-management processes as they relate to health and safety. Additionally, Diageo has an established global 'unsafe' reporting system, the Safety Improvement Report Cards (SIRC), which facilitates the identification and rectification of unsafe conditions or behaviours by operators.

403-02 **Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities**

Fatalities
We are pleased to report that we had no work-related fatalities this year, either employees or contractors. This is largely due to the implementation of our Severe and Fatal Incident Prevention Programme, introduced in 2012, aimed at eliminating the risks that lead to severe or fatal incidents.

Lost-time accident (LTA) frequency rate
Our global LTA frequency rate was 1.00, a reduction of 12% compared with 2017. This rate is represented 74% by men and 26% by women. For rates by region and year since 2013, see the Our people section of the Annual Report, page 48.

Safety data by region and gender

	Employee LTA rate	Fatalities[1]	Days lost per 1,000 FTEs	Independent contractor LTAs[2]
North America	0.0	0	0	0
Europe and Turkey	1.58	0	87.7	13
Africa	1.35	0	28.4	4
Latin America and Caribbean	0.36	0	31.3	0
Asia Pacific	0.66	0	35.6	1
Diageo (total)	**1.00**△	**0**	**45**	**18**

1. Fatalities include any employee work-related fatality or any work-related fatalities occurring to third parties and contractors while on Diageo's premises.
2. A rate is not reported for independent contractors due to the difficulty and administrative burden in accurately recording headcount. Performance is measured by an absolute incident number.
△ Within PwC's limited assurance scope, see **pages 87-88**.

| How we have met each disclosure | ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards | ◖ Partially disclosed and missing at least one required indicator | ○ Not disclosed | ⊗ Not considered material to our business at this time |

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

OCCUPATIONAL HEALTH AND SAFETY continued

Disclosure	Our response
403-02 continued	**Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities** (continued)

Types of injury (employee) %
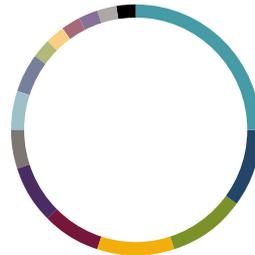
● Slipped, tripped or fell on the same level	**24%**	● Manual handling	**5%**
● Entanglement in moving parts	**15%**	● Struck against	**5%**
● Other vehicle impact	**10%**	● Contact with electricity	**2%**
● Struck by falling object	**10%**	● Burn – contact with hot surface or liquid	**2%**
● Other	**7%**	● Chemical splash/burn	**2%**
● Forklift truck impact	**7%**	● Fall to lower level >2m	**2%**
● Struck/trapped by (other than vehicle or falling object)	**5%**	● Cut by glass	**2%**
		● Cut by knife/razor/other	**2%**

Types of injury (contractor) %

● Slipped, tripped or fell on the same level	**34%**
● Fall to lower level <2m	**18%**
● Struck by falling object	**11%**
● Other	**11%**
● Fall to lower level >2m	**11%**
● Struck/trapped by (other than vehicle or falling object)	**5%**
● Cut by glass	**5%**
● Manual handling	**5%**

Omissions: acute onset of occupational illness is included in our LTA definition. However, occupational disease rates are not disclosed due to regional variances in capabilities, national practice and regulatory barriers. We are working to improve consistency of reporting for future disclosures.

Regional breakdowns by injury type are not included since, given the low LTA numbers, the trends are not statistically significant. We do not include absenteeism rates since we do not collect this data at a global level.

● Fully disclosed as outlined by the GRI Sustainability Reporting Standards   ◖ Partially disclosed and missing at least one required indicator   ○ Not disclosed   ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

OCCUPATIONAL HEALTH AND SAFETY continued	
Disclosure	**Our response**
403-03 ◐ **Workers with high incidence or high risk of diseases related to their occupation**	Internal data protection/privacy policies and national regulations prevent the recording or disclosure of many communicable 'serious diseases' as defined in the GRI implementation guidance. However, regarding high risk occupational exposures, our global health and safety standards require occupational health monitoring for new employees and specific worker groups; for specific conditions including lung function and audiometry; for shift worker and lone worker assessments; for professional drivers, etc. Our global standards also include industrial hygiene monitoring requirements for specific work groups or conditions, including workplace chemical exposures, noise, vibration, ionising radiation and so forth.
	Omissions: our monitoring programmes and incident data suggest that the only globally material issue is musculoskeletal disorders. However, incidence rates are not disclosed due to regional variations in capabilities, national practice and regulations. Our global occupational health resource has developed a global set of KPIs and codified standards for our markets to adopt and embed. The UK & Ireland Occupational Health team is leading best practice for the business and will support the development of standards and processes in 2019.
403-04 ● **Health and safety topics covered in formal agreements with trade unions**	Safety responsibilities are included in all contracts for work and are a key part of our **Code of Business Conduct**. Other than in policy compliance requirements, and in some cases inclusion in performance-related reward structures, specific health and safety topics are not covered in formal agreements with trade unions.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◐ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

TRAINING AND EDUCATION

103-02 ●	**Our management approach to training and education**	103-03 ●	**Evaluation of the management approach**
	Training and education are central to our approach to developing our people. The cornerstone of our development initiatives is our Partners for Growth (P4G) performance management programme for all employees. It includes a clear personal development programme supported by a variety of internal and external training and coaching opportunities, alongside performance management. We also have a range of initiatives that are designed to help employees become the best they can be, as described in 404-02.		We have a performance management and development process for all employees. We evaluate employees' performance against annual objectives and identify where they may benefit from our extensive range of internal and external training programmes. Each function assesses its own training needs, and is responsible for succession planning. As a result of these reviews, training has been developed and implemented to strengthen the leadership community and also on specific areas such as human rights.

Disclosure	**Our response**
404-01 ◐	**Average hours of training per year per employee**	Our measurement control system enables markets to track and capture training hours of employees (from both global and local programmes) within the Diageo Academy Learning Management System.
		This year the system recorded 508,245 hours in total, an average of approximately 21.8 hours per employee of the 23,299 employees recorded in the system.
		We also provide training to our Supply team which is recorded manually in employees' personal files and is not recorded within the management system. These figures therefore exclude this training.
		Omissions: our system is not set up to record training hours per employee by gender.
404-02 ●	**Programmes for upgrading employee skills and transition assistance programmes**	We have designed and developed a range of learning initiatives to enhance the effectiveness of our employees. These initiatives aim to provide employees across different levels and stages of their career with the requisite skills to excel in their roles and develop leadership capabilities for future roles.
		Our approach to learning follows the 70-20-10 principle, whereby 70% of learning comes from on-the-job activities, 20% from coaching conversations and 10% from formal training interventions. We believe this is the most effective style of learning for our employees.
		We currently offer a Learning suite, consisting of a Learning Portal (Academy Mosaic), within our intranet site that contains information about our core learning programmes for all functions and leadership levels. We have a Learning Management System (Academy LMS) where employees can access and record their training and request feedback around their leadership and people management skills. We also have a video learning platform (Academy TV) that provides easy access to upwards of 400 learning videos on different functional and leadership topics.
		Most employees at Diageo also have individual development plans and performance goals as part of their Partners for Growth (P4G) appraisal system, which are tracked and measured by their line manager.
		We have also integrated Academy LMS with external content portals. For example, Harvard Business Review is made available to all our employees, giving them access to world-class articles related to leadership and management.
		We also offer training to employees in times of transition, such as women going on and returning from maternity leave, and those leaving the business either through redundancy or retirement.
404-03 ◐	**Percentage of employees receiving regular performance and career development reviews**	In 2018, 85.8% of our employees across the world received regular performance reviews.
		Omissions: data by gender and by employee category.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◐ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

DIVERSITY AND EQUAL OPPORTUNITY

103-02 ●	**Our management approach to diversity and equal opportunity**	103-03 ●	**Evaluation of the management approach**
	Diageo is fully committed to diversity and equal opportunity, and to fostering an inclusive and diverse workplace culture where everyone can perform at their best, regardless of background. Gender balance is a priority for us, and we have made a public commitment that 35% of leadership positions will be held by women in 2020 and 40% by 2025. We also have a number of initiatives aimed at strengthening the diversity of our talent as a whole, promoting inclusive leadership and ensuring that our workforce reflects the global markets where we operate.		We have a number of diversity targets which we track and report against regularly; these targets are incorporated into the annual goals of relevant employees. We also keep track of our employees' experience of diversity through our annual Diageo Values survey.
	We look for the same commitment from external partners. For example, our 'Free the Bid' initiative, launched in 2018, requires all our marketing agencies to propose at least one female director as part of any creative team. And, externally, we promote inclusivity as a principle, by sponsoring Pride, for example, and other local and international initiatives to empower under-represented groups. Our brands are also prominent in promoting a positive message on inclusion and diversity more broadly, for example, Smirnoff's 'We're Open' campaign.		

Disclosure		**Our response**
405-01 ◕	**Diversity of governance bodies and employees**	Women comprise 34% of top leadership roles across the Company[1], 40% of our Executive Committee and 50% of our Board.
		Further employee profile information by gender is included in the Our people section of the Annual Report, pages 48-49.
		The global nature of our business means that we are ideally placed to leverage diversity in leadership, and we estimate that 78.4% of our senior leaders come from the market in which they work. We strive to cultivate a diverse leadership group both in terms of nationality and culture, with breadth and depth of experience across our global operations. Our leadership and talent programmes are structured to promote a balanced intake of people across a wide spectrum of markets and this is reflected in the vibrant mix of 99 different nationalities at Diageo.
		Omissions: employee profile information by age and specific group.
		1. Top leadership positions in Diageo below our Executive Committee.
405-02 ○	**Ratio of basic salary and remuneration of women to men**	Given the complexity of our operations across around 180 countries, we do not currently collect this data at a global level. In 2017, the UK government introduced legislation on gender pay gap reporting, and in November we published a detailed **gender pay analysis** covering our UK businesses. The headline figure was a mean pay gap of +0.6% (i.e. on average men earned 0.6% more than women), significantly below the UK Office of National Statistics national mean of 17.7%.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◕ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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GRI 400: SOCIAL continued

NON-DISCRIMINATION

| 103-02 | **Our management approach to non-discrimination** | 103-03 | **Evaluation of the management approach** |

103-02

Our management approach to non-discrimination

All our employees have the right to expect that their basic human identity and dignity will be fully respected in the workplace, and we reject any form of unfair discrimination. In all aspects of employment, we treat employees justly according to their abilities to meet the requirements of their role. We will not discriminate based on factors such as race, religion, colour, ethnicity, national origin, disability, sexual orientation, gender, gender identity, gender expression or marital status.

We provide a harassment-free environment that promotes openness, teamwork and trust. We will not tolerate employees being subject to harassment, bullying or abuse whether physical, sexual, racial, psychological, verbal, or any other form.

Through our **Partnering with Suppliers Standard**, we similarly expect our suppliers to treat employees fairly and not discriminate (in any aspect of employment) 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. This is a contractual requirement.

For more details, see our **Human Rights Global Policy**.

103-03

Evaluation of the management approach

Employees and everyone we work with are entitled to human rights without discrimination.

We evaluate this through internal review and response to feedback received through external formal processes. Our evaluation includes input from SpeakUp and other engagement mechanisms. This year we held discussions with management's Audit and Risk Committee, and the Audit Committee of the Board on the subject, and have conducted anti-discrimination and harassment training in a number of locations around the world, including all of the US and India where it is legally required.

For more details, see our **Human Rights Global Policy**.

Disclosure		Our response
406-01	**Incidents of discrimination and corrective actions taken**	**Operations** A key issue for all companies this year has been the increase in awareness of discrimination and harassment in the workplace, triggered by social media campaigns such as #metoo and #timesup. We already have appropriate measures in place to monitor and manage any allegations, and we raise awareness amongst our employees through various functional and local programmes to address discrimination and harassment. These are delivered by the HR, Corporate Relations and Compliance teams. **Suppliers** Our review of Diageo-commissioned supplier audits (231) and audits accessed through industry-wide mutual recognition programmes (139) found 13 issues of non-compliance related to the category of discrimination. Nine of these issues concern the lack of a formal policy; two relate to discrimination in hiring practices; one to the lack of access to grievance mechanisms and one to the provision of personal protective equipment. We have followed up with the relevant suppliers with corrective action plans. At the time of writing, three of the issues of non-compliance have been verified as closed and we are following up with suppliers as part of their corrective action plans to ensure the other issues are resolved as well.

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Topic-specific standards

GRI 400: SOCIAL continued

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

103-02 ● **Our management approach to freedom of association and collective bargaining**

We have a strong commitment to industrial dialogue, supporting the right of employees to join or not join a trade union as they prefer, as outlined in our **Human Rights Global Policy**. We also expect this of our suppliers, as outlined in our **Partnering with Suppliers Standard**. This is a contractual requirement.

In 2018, 42.6% of our employees were covered by collective bargaining agreements. We aim to maintain regular, open dialogue with unions over issues of common interest. We also believe in the same principles for our suppliers; for more details see the Human Rights and Core Labour Standards section of our **Partnering with Suppliers Standard**.

103-03 ● **Evaluation of the management approach**

We use internal reviews and our supplier assessment process to evaluate our approach. Reviews include input from trade unions and any feedback we receive through SpeakUp or other engagement mechanisms.

For more details, see our **Human Rights Global Policy**.

Disclosure		Our response

407-01 ● **Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk**

Operations
We are not aware of any operations that have violated, or are at significant risk of violating, people's rights to exercise freedom of association and collective bargaining. We will investigate allegations as and when they come up and will take appropriate remedial action, involving relevant local agencies as appropriate.

Suppliers
Our review of Diageo-commissioned supplier audits (231) and audits accessed through industry-wide mutual recognition programmes (139) found 45 issues of non-compliance related to the category of freedom of association and collective bargaining. Twelve issues relate to the lack of a formal structure for worker representation; eight to the lack of a formal policy; six to the election of representatives; five to the lack of a workers' committee; four to the lack of training; four to the running of union meetings; four to issues concerning collective bargaining agreements; and the remaining two to the lack of a grievance procedure and to welfare committee meetings. We have followed up with the relevant suppliers with corrective action plans. At the time of writing, eight of the issues of non-compliance have been verified as closed and we are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved as well.

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Topic-specific standards

GRI 400: SOCIAL continued

CHILD LABOUR

103-02   **Our management approach to child labour**

We act in accordance with the United Nations (UN) Guiding Principles on Business and Human Rights. Our **Human Rights Global Policy** is informed by the Children's Rights and Business Principles. We do not permit exploitation of children by our employees, or by our suppliers or business partners. We will not employ anyone under the age of 16. Employees under the age of 18 will not perform any hazardous work. We respect all relevant local laws regarding voluntary employment and minimum age for employment.

We have identified child labour as a potential risk within our agricultural supply chains, and within Africa in particular. As a result, we evaluated farming activities and communities for this risk in five countries. None identified child labour in our supply chain, but we are aware that there may be a risk of children working on family farms.

We therefore developed a child protection toolkit which we are implementing in all markets in Africa where we source from smallholder farmers. This will help our own people who visit farms build their awareness of the risks to children's safety, including what activities are unacceptable and pose a risk to their development, such as carrying heavy loads, using mechanical equipment, working with pesticides, and missing school to work in the fields.

We will build similar awareness with farming communities through our training programme, and monitor standards during visits to farmers. We will carry out further investigations to evaluate ongoing risk, the level of awareness amongst our teams and the farming communities, and the effectiveness of our child protection activity.

103-03   **Evaluation of the management approach**

Operations
Our due diligence approach focuses on child labour and is one of the areas that our human rights impact assessments robustly investigate.

We have reviewed higher risk areas of our supply network and are not aware of any operations that have significant risks concerning issues related to child labour. We will investigate allegations as and when they come up and will take remedial action, involving relevant local agencies as appropriate. We have developed a child protection toolkit as described left.

Our human rights steering committee reviews this activity routinely.

Suppliers
Our review of Diageo-commissioned supplier audits (231) and audits accessed through industry-wide mutual recognition programmes (139) raised 34 issues of non-compliance under the category of children and young workers. Twenty-four issues related to the lack of a formal policy at the supplier's facility in relation to child labour; eight related to missing documentation to verify age; and two related to the working hours of young employees. We have followed up with the relevant suppliers with corrective action plans. At the time of writing, seven issues of non-compliance have been verified as closed and we are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved as well.

We have not identified any risk of the worst forms of child labour, as identified by the International Labour Organization, through our assessments or within our activities.

Our child protection toolkit will increase awareness of the risks faced by children on family farms and support greater protection. We will continue to review the risk through our own farm visits and additional reviews.

Disclosure	Our response
408-01 **Operations and suppliers at significant risk for incidents of child labour**	**Operations** We have reviewed higher risk areas of our supply network, including agricultural supply chains in Africa, Mexico, Guatemala, Turkey and Brazil and are not aware of any operations that have significant risks concerning issues related to child labour. We will investigate allegations as and when they come up and will take appropriate remedial action, involving relevant local agencies as appropriate. We have developed a child protection toolkit for both farming supply networks and the Diageo employees who are involved with them. **Suppliers** Our review of Diageo-commissioned supplier audits (231) and audits accessed through industry-wide mutual recognition programmes (139) raised 34 issues of non-compliance under the category of children and young workers. Twenty-four issues related to the lack of a formal policy at the supplier's facility in relation to child labour; eight related to missing documentation to verify age; and two related to the working hours of young employees. We have followed up with the relevant suppliers with corrective action plans. At the time of writing, seven issues of non-compliance have been verified as closed and we are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved as well.

How we have met each disclosure   ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards   ◖ Partially disclosed and missing at least one required indicator   ○ Not disclosed   ⊗ Not considered material to our business at this time

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Topic-specific standards

GRI 400: SOCIAL continued

FORCED OR COMPULSORY LABOUR

103-02 ●	**Our management approach to forced or compulsory labour**	103-03 ●	**Evaluation of the management approach**
	We have reviewed higher risk areas of our supply network, including agricultural supply chains in Africa, Mexico, Guatemala, Turkey, the UK and Brazil and are not aware of any operations that have significant risks concerning issues related to forced or compulsory labour.		We evaluated our approach, reviewing supply chains and our monitoring via our human rights impact assessments and within our procurement and sustainability functions. There have been no incidents of forced or compulsory labour that we are aware of, but we continue to monitor activity. We report on this, our risks and preventative activity, in our **Modern Slavery Statement**.
	If any allegations are reported, we would investigate and take appropriate remedial action, including involving relevant local agencies as appropriate. To date, we have not come across any incidents of compulsory or forced labour in our value chain either, but we will continue to monitor this issue through our human rights impact assessments and with suppliers.		

Disclosure		**Our response**
409-01 ●	**Operations and suppliers at significant risk for incidents of forced or compulsory labour**	Our due diligence approach focuses on forced and compulsory labour and is one of the areas that our human rights impact assessments robustly investigate.
		Operations
		We are not aware of any operations that have significant risks concerning issues related to forced or compulsory labour. We will investigate allegations as and when they come up and will take appropriate remedial action, involving relevant local agencies as appropriate.
		Suppliers
		Our review of Diageo-commissioned supplier audits (231) and audits accessed through industry-wide mutual recognition programmes (139) raised 18 issues of non-compliance related to the SMETA audit section 'freely chosen employment'. Twelve of these issues related to the lack of a formal policy at the supplier's facility; three related to suppliers withholding documents; and the remaining three to compulsory overtime, charges for personal protective equipment and excessive probation periods. We have followed up with the relevant suppliers with corrective action plans. At the time of writing, two of these issues of non-compliance have been verified as closed and we are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved as well.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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GRI 400: SOCIAL continued

SECURITY PRACTICES

103-02	**Our management approach to security practices**	103-03	**Evaluation of the management approach**

Our Corporate Security Policy outlines our four pillars of security: people security; physical security (including of our products and assets); investigations; and business continuity and crisis management (BCM). This policy is underpinned by a number of security standards and guidelines – the minimum that every market and site must adhere to.

We operate security programmes at all sites, and every site must have an identified and trained individual responsible for the programme. The level of security at each site is determined by the size and local requirements of that site.

These are supported and trained by a central team of security experts who have regional and functional responsibility for security across the four pillars and all Diageo markets. This team runs global training (such as our online people security training), global security communications and awareness, and ensures Diageo meets all external regulations and requirements.

We have a risk-based approach to security, and produce an assessment and mitigation plan for every security risk we identify. We review security risks routinely and communicate with our people around the world to raise awareness.

The central team tracks all markets for adherence to our policy and manages the internal audit process for security and BCM. The team also regularly benchmarks with other multinationals and with governments through membership and liaison with organisations such as the UK government's Centre for the Protection of Natural Infrastructure, the US State Department's Overseas Security Advisory Council and the International Security Management Association.

Disclosure		Our response
410-01	**Security personnel trained in human rights policies or procedures**	We do not record this data since our security staff contracts vary by market, some being direct employees, and others, third-party contractors. However, it is a contractual requirement for third parties to adhere to policies pertaining to corporate and personal security, and to carry out training on our **Code of Business Conduct**. This is mandatory and critical to the future of our relationship with them.

RIGHTS OF INDIGENOUS PEOPLES

Disclosure		Our response
411-01	**Incidents of violations involving rights of indigenous peoples**	We do not believe this is material to our business. We do, however, consider land rights in our human rights impact assessments.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◗ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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GRI 400: SOCIAL continued

HUMAN RIGHTS ASSESSMENT

103-02 ●	**Our management approach to human rights assessment**	103-03 ●	**Evaluation of the management approach**
	For our overall approach to human rights, see our global **Human Rights Global Policy**.		Each HRIA results in an action plan. We review progress against these plans through our routine business processes.
	We have been signatories to the UN Guiding Principles on Business and Human Rights (UNGP) since 2014 and continue to embed human rights throughout our value chain. We do this through our comprehensive human rights impact assessment (HRIA) programme, prioritised by risk and based on a global mapping process. This programme is our opportunity to reach across our whole value chain, both within Diageo and to our suppliers, customers, and other partners. Through it, we identify those potentially affected by human rights issues, assess the risks and develop mitigation action plans.		
	The programme is undertaken by specialists in human rights alongside our own teams, who receive training to support their role. We also ensure that those members of our own team with a direct involvement in specific areas of human rights risks such as procurement, receive training to support their role.		
	We aim to conduct HRIAs in all markets by 2020. In 2018, we carried out HRIAs in Tanzania, Guatemala, the UK, India and Colombia, bringing our total to 12 since 2015.		

Disclosure		Our response
412-01 ●	**Operations that have been subject to human rights reviews or impact assessments**	All our business units and operations (100%) are required to carry out a risk assessment which includes human rights as part of the review process.
		Above and beyond this, as part of our 2020 target to act in accordance with the UNGP, we have developed a comprehensive human rights impact assessment approach, and aim to complete assessments in all our markets by 2020. This year we conducted assessments in Tanzania, India, the UK, Colombia and Guatemala. Details of our approach are included in our Annual Report, page 45 and within our submission in the UK under the Modern Slavery Act.
		This year, all employees received refresher training on our **Code of Business Conduct**, which included human rights, in addition to policies and standards relevant to their role.
412-02 ◐	**Employee training on human rights policies or procedures**	All middle manager employees and above are required to complete an Annual Certification of Compliance, which certifies their compliance with and understanding of our Code, which includes human rights. Within the certification, those who marked the **Human Rights Global Policy** as most important are required to complete a certification of their knowledge and understanding of some of the key points of the policy.
		Specific training on human rights risks was also provided to key personnel in procurement and corporate relations given that their responsibilities may bring them into contact with areas of risk.
		Omissions: total hours of training. Since training sessions on our Code and policies vary in duration, it is not possible to report accurately the number of hours spent on specific subjects during training sessions.
412-03 ●	**Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening**	100% of investment agreements and contracts included human rights clauses, given that, as a minimum, all contracts are required to include compliance with Diageo's **Code of Business Conduct** and/or Diageo's **Partnering with Suppliers Standard**, both of which reference human rights requirements.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◐ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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Topic-specific standards

GRI 400: SOCIAL continued

LOCAL COMMUNITIES

103-02 ●

Our management approach to local communities

We aim to strengthen our communities by providing engaging, safe and diverse places to work; building sustainable and inclusive supply chains; and delivering programmes that empower communities and the individuals within them, enabling them to grow. We invested £12 million or 0.3% of operating profit in these programmes this year.

As part of this approach we are committed to promoting human rights throughout our value chain. We also invest in creating a positive alcohol plays a positive role in society, building thriving communities and reducing our environmental impact.

Our 2020 targets address these areas, and are designed to create shared value while contributing to the UN's Sustainable Development Goals, as described in the Annual Report on pages 40-55. This has led to the provision of safe water and sanitation in water-stressed areas reaching more than 10 million people since 2006; development of skills programmes focusing on the hospitality sector which have reached more than 130,000 young people since 2008; and women's empowerment programmes which have empowered over 390,000 women directly and reached almost 2 million in their households. Our local farming programme also adds skills for farmers and increases their livelihoods and supports rural economic development directly and indirectly through the trade created.

We believe one of the best ways we can contribute to communities is by engaging others to become advocates for causes important to them and their stakeholders. Some of our strongest advocacy work includes arguing for industry-wide standards to tackle alcohol misuse and promote responsible drinking. We are also passionate advocates in areas including anti-corruption, women's empowerment and water stewardship. For more details see **our website**.

103-03 ●

Evaluation of the management approach

Local community engagement and programmes are reviewed by the relevant market corporate relations team as well as at group level. We are progressively rolling out our Social Impact Framework to consider the impact of our programmes and how we can improve them. Where appropriate, we also assess these programmes through more detailed research. For example, our research into local farming activity in Ethiopia led us to strengthen the controls on the quality of seeds provided to farmers and increase the emphasis on women's empowerment within our smallholder farming networks.

Disclosure		Our response
413-01 ●	**Operations with local community engagement, impact assessments and development programmes**	We carry out detailed research on key community programmes to understand their full impact. For example, we have assessed farming activity with smallholders in Ghana, Ethiopia and Uganda. These help us improve our approach through activities such as improving seed quality and increasing our engagement with farmer organisations or intermediaries. Similar studies have assessed the impact of our Learning for Life programmes in Latin America and Europe, including, in one case, the impact of alcohol consumption amongst the young people on the programme. We are also rolling out our Social Impact Framework globally, which assesses the social, commercial and partner impacts of our community programmes where investment is over £25,000. These programmes focus on the core elements of our building thriving community strategy, which are: ● Empowering women ● Promoting entrepreneurship, employability and skills ● Building sustainable supply chains ● Improving access to clean water and sanitation. These are described in more detail in the Annual Report on pages 45-49.
413-02 ◐	**Operations with significant actual and potential negative impacts on local communities**	The social impacts of our operations and community investment are discussed in the Annual Report on pages 40-55. **Omissions:** we discuss significant actual and potential negative impacts on local communities at a global level but not by specific location.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◐ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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GRI 400: SOCIAL continued

SUPPLIER SOCIAL ASSESSMENT

103-02 **Our management approach to supplier social assessment**

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.

Within this Standard we set out our commitment to acting in accordance with the UN Guiding Principles on Business and Human Rights (UNGP) and the international standards set out by the eight core International Labour Organization (ILO) conventions and recommendations. We also expect our suppliers to promote the principles of our Standard throughout their own supply chain, and to have appropriate processes in place to verify compliance.

Our Responsible Sourcing programme focuses specifically on tier one suppliers and is a comprehensive but flexible process for identifying, assessing and managing social and ethical impacts in our supply chain. The programme consists of: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process where suppliers assessed as a potential risk are required to register with SEDEX and complete a SEDEX self-assessment questionnaire; and independent audits of suppliers who represent a potential high risk. SEDEX is a not-for-profit organisation that enables suppliers to share assessments and audits of ethical and responsible practices with their customers. This means suppliers only have to go through one assessment process for many customers.

These audits follow the SEDEX Members Ethical Trade Audit (SMETA) Four Pillar Audit Protocol, or equivalent, covering health and safety, labour standards, environment and business ethics.

If we identify any issues of non-compliance in an audit, a corrective action plan report (CAPR) is raised with the supplier in question in order to resolve any issues.

This year 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.

For more details, see the Sustainable supply chains section of the Annual Report on pages 45-46.

Human rights in the supply chain
We have been signatories to the UNGP since 2014 and continue to embed human rights throughout our value chain. We do this through our comprehensive human rights impact assessment (HRIA) programme, prioritised by risk and based on a global mapping process. This programme is our opportunity to reach beyond tier one suppliers, to primary producers such as farmers. We aim to conduct HRIAs – which include supplier assessments – in all markets by 2020. In 2018, we carried out HRIAs in Tanzania, Guatemala, the UK, India and Colombia, bringing our total to 12 since 2015.

The programme is undertaken by specialists in human rights alongside our own teams, who receive training to support their role.

In line with the UNGP, we have identified issues that are particularly salient to our business: labour rights, including the risk of child labour, especially in agricultural supply networks; treatment of contract labour; and sexual harassment in the hospitality sector. These issues were identified as external risk factors in the places where we operate, rather than through reported incidents in our value chain. We are focusing resources on awareness programmes around child protection, and measures to protect workers, including seasonal contract workers and sales teams working in bars. Because human rights issues such as these are often systemic, we will also work with others to address them at scale.

103-03 **Evaluation of the management approach**

We assess suppliers for their impacts on society, and the results are reviewed by our Procurement teams who consider any issues of non-compliance with our policies. This also includes performance on the SEDEX system as described left.

While specific issues of non-compliance are acted on as part of the audit process, these reviews identify trends that allow us to revise standards and guidance. If specific suppliers consistently fail to respond to improvement plans, we may stop working with them.

In the area of human rights, a review by the Procurement and Corporate Relations teams and the human rights steering committee identified trends and established mitigation actions. These included elements such as shared approaches on child protection to prevent the risk of child labour and to increase protection for children in farming communities.

Disclosure		Our response
414-01	**New suppliers that were screened using social criteria**	All suppliers of procurement-managed spend go through the screening process described above. This includes areas such as labour standards, human rights including child labour, and legal compliance on issues such as pay.

How we have met each disclosure	● Fully disclosed as outlined by the GRI Sustainability Reporting Standards	◖ Partially disclosed and missing at least one required indicator	○ Not disclosed	⊗ Not considered material to our business at this time

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Topic-specific standards

GRI 400: SOCIAL continued

SUPPLIER SOCIAL ASSESSMENT continued	
Disclosure	**Our response**
414-02 ● **Negative social impacts in the supply chain and actions taken**	All suppliers determined to be a potential risk are required to register with SEDEX, and to complete the SEDEX self-assessment questionnaire. To date, 1,376 of the company's supplier sites assessed as a potential risk have registered with SEDEX, up from 1,356 last year. Of these, 1,248 have fully completed a SEDEX self-assessment questionnaire, up from 1,224 in 2017. In addition, 247 supplier sites' SEDEX membership has lapsed, meaning we were unable to view their site data. We are working with these suppliers to request they renew their membership, and we will disconnect on SEDEX from those with whom we no longer have a commercial relationship.
	Suppliers who represent a potential high risk are flagged to be independently audited against the SEDEX Members Ethical Trade Audit (SMETA) Four Pillar Audit Protocol or equivalent. We have 486 such suppliers, of whom 370 (76%) were independently audited during the last three years (audits are valid for three years); audits were commissioned by Diageo (231), or accessed through SEDEX and AIM-PROGRESS (139).
	With regard to these audits, a total of 2,402 issues of non-compliance were raised, with around 50% relating to health, safety, and hygiene issues; around 10% relating to each of wages and benefits, management systems, and working hours; and the remaining 20% 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 closed.
	Merchandising materials remain one of our highest risk categories, because they are frequently made in higher risk countries and we often buy through intermediaries and therefore may not know where they were produced. 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 130 factories in our supply chain.

PUBLIC POLICY	
103-02 ● **Our management approach to public policy**	103-03 ● **Evaluation of the management approach**
As part of doing business, Diageo engages with governments, public interest groups, industry associations and a broad range of other similar bodies around the world. In doing so, our aim is always to comply with all laws governing political activity.	Following our review, we are considering the impact of Brexit and various other emerging government and international policies that have resulted from increased protectionism and uncertainty in the international trading environment. No other significant new issues have arisen.
Our Corporate Relations team manages our engagement in public policy, assessing risk and aiming to support the delivery of market and business strategy, including for example engagement on alcohol in society, government/regulatory or fiscal policy. For more details on our approach to public policy, see our **Code of Business Conduct**.	
The team also assesses risks and opportunities against the corporate relations strategy at market and global levels. The risk management focus includes public policy/engagement risks which are also reviewed by the Executive Committee, the Audit Committee and the Audit and Risk Committee as part of overall corporate risk management activity.	
Recent reviews have led to an increased emphasis on tax regulation and a review of our alcohol in society strategy. Our position on specific issues related to **alcohol policy** is described on **our website**.	

Disclosure	**Our response**
415-01 ● **Political contributions**	Diageo has not given any money for political purposes in the UK, has made no donations to EU political organisations and incurred no EU political expenditure during the year. We made contributions to non-EU political parties totalling £0.3 million during the year (2017 – £0.4 million). These contributions were made exclusively to federal and state candidates and committees in North America (consistent with applicable laws), where it is common practice to make political contributions. No particular political persuasion was supported and contributions were made with the aim of promoting a better understanding of our business and our views on commercial matters, as well as a generally improved business environment.

| **How we have met each disclosure** | ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards | ◖ Partially disclosed and missing at least one required indicator | ○ Not disclosed | ⊗ Not considered material to our business at this time |

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Topic-specific standards

GRI 400: SOCIAL continued

CUSTOMER HEALTH AND SAFETY

103-02 · **Our management approach to customer health and safety**

We aim to design and make products that are always safe for consumers to drink, and that meet their expectations in terms of taste, consistency and presentation. We have a programme of certification for our sites which includes:

- Site internal assessment to Diageo standards
- Market Independent assurance of adherence to standards
- ISO 9001 for our production facilities
- FSSC22000 at our brewing and packaging locations.

At the date of this report, 54% of our sites were certified; this is down from last year because our figures now include recent acquisitions such as USL in India. Post-acquisition, our focus has been to ensure compliance with Diageo standards in the first instance.

For more details, see our **Quality Global Policy** and the **Diageo Marketing Code**.

103-03 · **Evaluation of the management approach**

We review customer safety at a number of levels across the organisation depending on severity.

Management's Audit and Risk Committee reviews our key risk that relates to customer health and safety, counterfeit and contamination (with a particular focus on food fraud).

The Excellence in Supply Chain meeting, chaired by the President, Global Supply and Procurement, monitors our top KPIs for quality – liquid non-conformance, total defects, and distribution defects.

Market-level teams meet monthly with the market head of governance to review these KPIs along with local quality KPIs as part of a broader environment, health, safety and quality agenda, and escalate any issues to the market head of supply chain.

Disclosure	Our response
416-01 · **Assessment of the health and safety impacts of product and service categories**	Our products are mostly low risk, and all products are subject to liquid testing and inspection for defects (these include critical defects which relate to product safety and legislative requirements). Critical defects have reduced by 15% since 2017, and we have seen a significant improvement in consumer complaints with an 18% reduction since 2017, due to our sustained focus on quality. We have deployed severe quality incident prevention standards across the business to mitigate low-frequency, high-risk occurrences.
416-02 · **Incidents of non-compliance concerning the health and safety impacts of products and services**	To the best of our knowledge, we have had no significant incidents of non-compliance with regulations resulting in a fine, a penalty or a warning.

How we have met each disclosure — ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards | ◑ Partially disclosed and missing at least one required indicator | ○ Not disclosed | ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

MARKETING AND LABELLING

103-02 ● **Our management approach to marketing labelling communications**

We take very seriously our duty to develop, produce, market and sell our brands responsibly, and all our marketing is governed by the **Diageo Marketing Code**, Digital Code, Responsible Research Global Standard and Data Protection Global Policy. Our **Diageo Consumer Information Standard**, refreshed in June 2016, provides mandatory minimum standards for the information that must be included on labels and packaging on all Diageo-owned brands in all geographies (where legally permitted). Labels and packaging must include alcohol content and nutrition information per serve, alcohol content by volume (ABV), at least one and up to three responsible drinking symbols, a reference to our global responsible drinking website, **DRINKiQ.com**, a list of allergens, and recycling and sustainability symbols. For more details about labelling and information, see the **Diageo Marketing Code**, **Quality Global Policy** and the **Diageo Consumer Information Standard**.

103-03 ● **Evaluation of the management approach**

Our corporate relations function reviews marketing communications for compliance with the **Diageo Marketing Code**. Where communications are in breach of the Code, they are revised appropriately.

We review the Code itself every 12-18 months to ensure it remains best in class in terms of rigorous standards and that it is consistent with evolving technologies. All changes are signed off by the Chief Marketing Officer, General Counsel and Director of Corporate Relations.

Our market-based teams, including general managers, review the efficacy of marketing communications, as do our global brand teams and global marketing function.

By continually assessing our communications, we gain feedback that is valuable to improve future communications campaigns.

Disclosure	Our response
417-01 ● **Requirements for product and service information and labelling**	The following explains our approach to: the sourcing of product components; content that has social and environmental impact; safe use of the product; and disposal. • **Sourcing of components of the product or service:** we do not provide sourcing information for our ingredients; 0% of our product labels includes this information. • **Content, particularly with regard to substances that might produce an environmental or social impact:** legislation requires a statement of alcohol by volume on all our products; 100% of our products contain this information. • **Safe use of the product or service:** the Global Beer, Wine and Spirits Producers' Commitments (see **our website**) required all our products to carry at least one but up to three responsible drinking symbols by 2017. We have been working towards this in all markets. The majority of our products are compliant, and we continue to work towards full compliance. • **Disposal of the product and environmental/social impacts:** we mandate the Mobius loop (or equivalent) designation for all packaging and point of sale as part of our **Diageo Consumer Information Standard**; 100% of our products comply with this requirement, with the exception of USL which does not use the Mobius loop on its product labelling. All our products are covered by and assessed for compliance with the procedures set out in the second to fourth bullet points above.
417-02 ● **Incidents of non-compliance concerning product and service information and labelling**	To the best of our knowledge, we have had no significant incidents of non-compliance with regulations resulting in a fine, a penalty or a warning.
417-03 ● **Incidents of non-compliance concerning marketing communications**	This year, we received complaints about five of our advertisements that were substantiated. For more details, and for industry complaints as a whole, see the Annual Report on pages 42-44.

How we have met each disclosure ● Fully disclosed as outlined by the GRI Sustainability Reporting Standards ◐ Partially disclosed and missing at least one required indicator ○ Not disclosed ⊗ Not considered material to our business at this time

GRI Index
Topic-specific standards

GRI 400: SOCIAL continued

CUSTOMER PRIVACY

103-02	**Our management approach to customer privacy**	103-03	**Evaluation of the management approach**

Diageo holds personal data about employees, customers and suppliers, consumers and other individuals, including prospective and former employees. We have a data privacy programme designed to protect all such personal information that we handle in our business activities. Our **Code of Business Conduct**, our Data Privacy Global Policy and our Digital Code set out how we handle data in line with data protection laws.

This year we launched a full programme of activities led by our group Data Privacy Officer in readiness for the introduction of the EU General Data Protection Regulation (GDPR). We introduced mandatory global training on data privacy for all employees and global data breach response processes.

Our Compliance team reviews the adoption and delivery of our **Code of Business Conduct**, considering completion of training of the Code, and monitoring of activity including data privacy in all markets and functions.

Our group Data Privacy Officer, supported by a Privacy team, oversees internal accountability and legal compliance across Diageo and reports on progress to the Audit Committee.

Our global Computer Security Incident team is trained to investigate and contain any personal data security incident, and to ensure any breaches are reported within the 72 hours required by GDPR or as otherwise required by law.

Issues may also be raised through our SpeakUp helpline, via line managers, Legal representatives, Human Resources or the Compliance team. Audits and issues are reviewed, with remedial action being instigated as appropriate, including via the Audit and Risk Committee and Executive Committee.

For more information, see our **Code of Business Conduct**.

Disclosure		Our response
418-01	**Substantiated complaints concerning breaches of customer privacy and losses of customer data**	This year the introduction of GDPR substantially increased the scope of personal data incidents that are potentially reportable to the relevant EU regulator(s). For many organisations, and Diageo is no exception, relatively minor incidents previously considered non-material (e.g. internal organisational access controls or theft of secured devices) may have to be reported as a routine matter. Nonetheless, this year, there have been no substantiated complaints concerning material breaches or losses of customer or consumer data.

SOCIOECONOMIC COMPLIANCE

103-02	**Our management approach to socioeconomic compliance**	103-03	**Evaluation of the management approach**

Diageo has a sound corporate governance structure and a robust governance, risk and compliance programme, with our **Code of Business Conduct** at its centre.

We train employees across the company about how to comply with all standards and policies, and conduct targeted interventions with managers and senior leaders to create a culture of integrity.

For more details, see **our website** and the Governance and ethics section of the Annual Report on page 55.

Our Compliance team evaluates compliance through monitoring and reviewing compliance systems, training activity and mechanisms such as the SpeakUp helpline. Our Internal Audit team also undertakes regular audits at market level which include an assessment of compliance.

All audits are reported to the Executive Committee member responsible and the Chief Executive and Chief Financial Officer. The Executive Committee routinely reviews the outcomes of audits, compliance monitoring of required processes and training, and the details of grievances raised through the SpeakUp helpline. These areas are also reviewed by management's Audit and Risk Committee and by the Audit Committee of the Board.

Reviews have led to further training on our **Code of Business Conduct**.

Disclosure		Our response
419-01	**Non-compliance with laws and regulations in the social and economic area**	This year there were no charges to exceptional items in respect of non-compliance with laws and regulations in the social and economic area.
		Omission: we do not report on fines which the business does not deem to be material. Materiality is defined in the Independent Auditor's Report in the Annual Report, page 95.

How we have met each disclosure
● Fully disclosed as outlined by the GRI Sustainability Reporting Standards
◐ Partially disclosed and missing at least one required indicator
○ Not disclosed
⊗ Not considered material to our business at this time

United Nations Global Compact (UNGC) Index

The following index is structured along the UNGC advanced level reporting criteria. Our annual Communication on Progress is made up of our Annual Report together with this Performance Addendum. This index directs readers to the relevant parts of both documents.

IMPLEMENTING THE 10 PRINCIPLES INTO STRATEGIES AND OPERATIONS		
Criterion	Description	Cross reference/direct answer
1	**Mainstreaming into corporate functions and business units**	This year we continued to focus on embedding our Sustainability & Responsibility Strategy into corporate functions and business units, as we work towards our 2020 targets. Specific details can be found in the Sustainability & Responsibility section of the Annual Report, pages 40-55.
		Our strategy is based on our assessment of the most material issues facing the business and was approved by the Executive Committee. It has been rolled out to all functions and markets, with a specific focus on delivering the 2020 targets. Each market has a plan to deliver against these targets.
		We are proud to announce an updated alcohol in society strategy, focusing on three pillars: campaigning to reduce harmful drinking; promoting moderation; and improving laws and industry standards. We have seen further activity through internal campaigns such as Drink Positive, and through the launch of our updated **DRINKiQ.com,** our dedicated responsible drinking website, available in 18 languages. We have developed our community programmes, including engaging with brand teams, such as continuing Smirnoff's work on inclusion through initiatives such as the Spotify Equalising Music Campaign.
		We continued with our commitment to strengthening metrics and measurement, with further development of our IMPACT reporting tool, which records detailed data on all our sustainability and responsibility programmes across all markets. This simplifies reporting and better aligns individual programme metrics to our 2020 targets. In parallel, we have carried out a number of deep-dive impact research projects into key issues such as agriculture and women's empowerment both to improve the impact of our programmes and to support stronger communication with internal and external audiences. We place particular emphasis on public policy communications, to support a policy environment that is conducive to implementation and growth at scale.
		Key sustainability and responsibility performance indicators are built into our core performance targets, as outlined in the Annual Report, pages 8-9, and also within our risk management agenda, pages 19-21. The strategy is embedded in routine activity, as described in the Market dynamics section on pages 14-15 with a particular focus on the impacts of climate change and water stewardship in water-stressed locations. Each area has the full support of the Chairman and the Chief Executive, as noted in their statements on pages 10-13.
		Additionally, the GRI general disclosures on **pages 12-28** of this Performance Addendum explain how we manage our Sustainability & Responsibility Strategy.
2	**Value chain implementation**	Our Sustainability & Responsibility Strategy not only covers our operations, but also our entire value chain – from the farmers that grow our raw materials to the customers and bartenders that sell our brands, and the consumers who enjoy our drinks.
		For example, our alcohol in society programme includes working with customers and consumers to curb alcohol misuse. Our environment programme involves engaging suppliers on climate change and water through CDP (formerly known as the Carbon Disclosure Project). Our community empowerment initiatives include flagship programmes, such as Learning for Life, which leverages the economic impact of our value chain by helping job seekers enter the hospitality sector. Our sustainable supply chains programme embeds standards within the supply chain. We work with suppliers and others in partnerships to uphold high standards of ethics, and we partner with farmers to support them with crop rotation and with soil and crop management. More about our performance across all these areas can be found in the Sustainability & Responsibility section in the Annual Report on pages 40-55.

United Nations Global Compact (UNGC) Index

ROBUST HUMAN RIGHTS MANAGEMENT POLICIES AND PROCEDURES		
Criterion	**Description**	**Cross reference/direct answer**
3	**Robust commitments, strategies or policies in the area of human rights**	We have committed to act in accordance with the UN Guiding Principles on Business and Human Rights (UNGP) by 2020. Our **Human Rights Global Policy** outlines our commitment to respect and embed human rights across all operations. We lay out similar expectations for our suppliers in our global **Partnering with Suppliers Standard**.
		Our **Human Rights Global Policy** confirms this commitment, as articulated in the Universal Declaration of Human Rights, a declaration we are committed to delivering in its entirety, throughout our business and value chain.
		In our workplaces and the communities in which we operate, we believe a serious commitment to respecting human rights is fundamental to our way of doing business. We recognise that we are responsible for the impact of our operations on our employees, on all workers in our supply chain, on consumers of our products and on the communities in which we operate. This includes a commitment to support the rights of indigenous peoples, and the communities where we work including their land rights. As well as this, we're committed to supporting rights to water and sanitation, delivered through our **Water Blueprint**, our community programmes such as **Water of Life**, and our **Partnering with Suppliers Standard**.
		As a demonstration of our commitment, we are a signatory to the UN Global Compact and the UN Women's Empowerment Principles, and we will act in accordance with the UNGP. Our **Human Rights Global Policy** is also guided by the International Labour Organization's Declaration on Fundamental Principles and Rights to Work. By committing to these international frameworks, we are dedicated to enriching the workplace. We act with integrity, in compliance with local law, and we respect the unique customs and cultures in the communities in which we operate.
4	**Effective management systems to integrate human rights principles**	We have a clear **Human Rights Global Policy** which sets out our commitment to human rights. We also have a number of other policies and standards that reinforce our human rights principles to our employees, suppliers and other stakeholders. We have well-developed management systems, including our global framework for compliance training, which mandates that every employee has to complete training about our Code and key policies (such as human rights) on joining Diageo. The Annual Certificate of Compliance (ACC) is designed to confirm that all mid-level and senior managers fulfil their duties with regards to compliance, and have read and understood our Code and key global policies. Each market has a training plan on our key policies, which is delivered through locally organised, risk-based training.
		We have a comprehensive human rights impact assessment (HRIA) approach, which is progressively assessing the human rights risks across our whole value chain within all of our markets. Assessments were prioritised by risk, initially at an international level and then within the local market context. For more information please see page 45 of our Annual Report.
5	**Effective monitoring and evaluation mechanisms of human rights integration**	In 2018 we continued to roll out our HRIA programme, which was initially trialled in 2016. To date, we have conducted assessments in 12 countries, including this year in Tanzania, Guatemala, the UK, India and Colombia. This programme covers all aspects of our value chain, from raw materials to consumption. It is our intention to assess all markets by 2020. Trends identified to date are communicated along with relevant mitigation activity. Further details are noted above and within the Sustainability & Responsibility Review, on page 45 of our Annual Report.
		Our detailed approach supports markets through a systematic review of their businesses to identify and assess potential human rights impacts. We have established a human rights governance structure to embed the due diligence and integration of human rights as business as usual across our operations. We aim to proactively manage and monitor any infringement of human rights on an ongoing basis and take appropriate remedial action as and when required.
		Our HRIAs include our own operations and those of our suppliers, including primary producers such as farmers, and our consumer markets. We consider all aspects of human rights through the assessment programme, both through focused assessments and through our routine engagement with key areas of our value chain such as agriculture. We also engage with the different stakeholders in our value chain, identifying those potentially affected by human rights risks.
		The programme is undertaken by specialists in human rights alongside our own teams. Any members of our team with a direct involvement in human rights risks, such as procurement, receive training to support their role.

United Nations Global Compact (UNGC) Index

ROBUST HUMAN RIGHTS MANAGEMENT POLICIES AND PROCEDURES continued		
Criterion	**Description**	**Cross reference/direct answer**
5 continued	**Effective monitoring and evaluation mechanisms of human rights integration** (continued)	In line with the UNGP, we have identified issues that are particularly salient to our business: labour rights, including the risk of child labour, especially in agricultural supply networks; treatment of contract labour; and sexual harassment in the hospitality sector. These issues were identified as external risk factors where we operate, rather than reported incidents in our value chain. Nonetheless, we are focusing resources on awareness programmes around child protection; and measures to protect workers, including seasonal contract workers and sales teams working in bars. Because human rights issues are often systemic, we will also work with others to address them at scale.
		In addition, we manage social and ethical risks in our supply chain, focusing on labour human rights through our responsible sourcing programme described in our **Partnering with Suppliers Standard**.
		Our comprehensive risk and compliance programme is outlined on page 55 of the Annual Report. It includes risk management; monitoring, auditing and reporting; enforcement and incentives; and controls. The Sustainable supply chains section on pages 45-46 explains our approach with suppliers.

ROBUST LABOUR MANAGEMENT POLICIES AND PROCEDURES		
Criterion	**Description**	**Cross reference/direct answer**
6	**Robust commitments, strategies or policies in the area of labour**	Our **Code of Business Conduct** sets the standard for what is expected of everyone working at Diageo. Other policies, such as our **Global Health, Safety and Wellbeing Policy** or our **Human Rights Global Policy**, flow from its principles.
		Our overall commitment to our people is outlined in the Our people section of the Annual Report, pages 48-49, which discusses how we manage issues such as diversity, health and safety, and engagement. The Sustainable supply chains section on pages 45-46 explains how we manage labour issues in our supply chain to the same standards.
7	**Effective management systems to integrate the labour principles**	Our risk and compliance programme, referenced above, also covers labour issues. For additional information as to how we manage issues such as diversity, health and safety, or engagement, see the Our people section of the Annual Report, pages 48-49.
8	**Effective monitoring and evaluation mechanisms of labour principles integration**	Our risk and compliance programme, referenced above, also applies to labour issues. Reports through our SpeakUp website and telephone line help us monitor thses issues as outlined in the Annual Report, page 55.
		Targets are set for performance in key areas of labour implementation, most notably on safety, diversity and employee engagement as an indicator of labour principles in practice. These are recognised as key performance indicators and highlighted within the Annual Report on pages 8-9. Each is routinely monitored, and reviewed at site, market and global level, with programmes in place to improve performance where necessary in order to deliver our 2020 targets.

ROBUST ENVIRONMENTAL MANAGEMENT POLICIES AND PROCEDURES		
Criterion	**Description**	**Cross reference/direct answer**
9	**Robust commitments, strategies or policies in the area of environmental stewardship**	Our **Environment Global Policy** outlines our commitment to reducing our impact on the environment. We have 10 environment targets that we aim to achieve by 2020, as well as a commitment to using 100% renewable energy by 2030.
10	**Effective management systems to integrate the environmental principles**	Our robust environmental management system focuses on helping the business achieve its targets for water efficiency, water wasted at water-stressed sites, water quality, water replenishment, carbon emissions, waste to landfill and sustainable packaging. More details can be found on pages 50-54 of the Annual Report.
11	**Effective monitoring and evaluation mechanisms for environmental stewardship**	Our risk and compliance programme, referenced above, also applies to our **Environment Global Policy**. Beyond this we have a robust system to monitor environmental performance managed by our Environmental Leadership Team, which meets monthly, and our Environmental Executive Working Group, which meets quarterly. We independently externally assure select environmental key performance indicators. More details can be found in the Reporting Boundaries and Methodologies section on **pages 81-86** of this Performance Addendum.

United Nations Global Compact (UNGC) Index

ROBUST ANTI-CORRUPTION MANAGEMENT POLICIES AND PROCEDURES		
Criterion	**Description**	**Cross reference/direct answer**
12	**Robust commitments, strategies or policies in the area of anti-corruption**	Our **Code of Business Conduct** and Anti-Corruption Global Policy set the standard for what is expected of everyone working at Diageo and those who represent or act on behalf of Diageo. We have made a commitment that we will not condone the offer or acceptance of bribes in any form, anywhere we operate.
13	**Effective management systems to integrate the anti-corruption principle**	Our risk and compliance programme explained in the Governance and ethics section of the Annual Report, page 55, outlines how we deliver against our anti-corruption commitment. We also have an internal Know Your Business Partner (KYBP) programme to assess third parties, such as suppliers and customers, against the risk of bribery and corruption, and to mitigate risks.
14	**Effective monitoring and evaluation mechanisms for the integration of anti-corruption**	The Governance and ethics section of the Annual Report, page 55, sets out our monitoring and evaluation mechanisms. Our internal Global Audit and Risk (GAR) programme checks that these principles are consistently applied.

TAKING ACTION IN SUPPORT OF BROADER UN GOALS AND ISSUES		
Criterion	**Description**	**Cross reference/direct answer**
15	**Core business contributions to UN goals and issues**	Diageo is committed to contributing to many goals of the United Nations (UN) as well as those of other affiliated, specialised agencies, such as the World Health Organization (WHO) and the International Labour Organization (ILO).
		Our Sustainability & Responsibility Strategy is aligned to the UN Sustainable Development Goals (SDGs), and delivery of our 2020 targets contributes to the delivery of those goals. Areas of specific focus are water and sanitation, health and non-communicable disease, carbon, diversity and empowerment, livelihoods and decent work. These also contribute to poverty reduction. Further details are available on **our website**.
		We focus particularly on the role of alcohol in society, contributing to the prevention and control of non-communicable diseases, and the WHO target of reducing alcohol-related harm by 10% across the world by 2025. Every one of our responsible drinking programmes, partnership, and campaigns are in service of this. In 2018 we announced a new alcohol in society strategy, creating greater reach and measurement of impact, as outlined in the Annual Report on pages 42-44.
		Our responsible drinking programmes also include working with expectant mothers and midwives to educate them of the risks of drinking while pregnant. This supports the SDG to improve maternal healthcare. We also have specific programmes to prevent underage drinking, including working with schools through theatre programmes like 'Smashed'. Our Water of Life programme, which has reached more than 10 million people in Africa alone, aims to provide access to clean water and sanitation. This programme supports the SDG to provide safe water and sanitation, and contributes to the eradication of extreme poverty and hunger. Our women's empowerment community programmes, including Plan W, aim to empower women, in support of the SDG to promote gender equality and empower women. Finally, our environmental programme supports the SDG to ensure environmental sustainability.
16	**Strategic social investments and philanthropy**	Our community programmes focus on the most material areas for our business, with support for water and sanitation, diversity and inclusion, skills development for employment and sustainable agriculture. Our Social Impact Framework measures the impact of programmes over £25,000.
		In addition, we support critical issues and disaster relief as they arise in our markets, providing financial and material support for relief programmes through NGO partners as appropriate.
		More details of our strategic community investment programmes can be found on pages 47-49 of the Annual Report, and **our website**.
17	**Advocacy and public policy engagement**	We advocate on many issues important to our Sustainability & Responsibility Strategy – such as participating in the UNGC CEO Water Mandate or joining the Open for Business coalition, an alliance of leading companies that are committed to supporting LGBT+ inclusion worldwide. For more information, see **our website**.
		We engage at national and international levels to advocate with governments and civil society. For example, we have a strategic partnership with WaterAid to promote access to safe drinking water, hygiene and sanitation, and more broadly for water stewardship; and we are strong global advocates for various important issues through our membership of the Alliance for Water Stewardship, UNGC CEO Water Mandate and local partnerships with the German government's development agency, GIZ, Oxfam and other organisations.

United Nations Global Compact (UNGC) Index

TAKING ACTION IN SUPPORT OF BROADER UN GOALS AND ISSUES continued		
Criterion	Description	Cross reference/direct answer
17 continued	**Advocacy and public policy engagement** (continued)	On alcohol in society issues we advocate, for example, for road safety, in part through our partnership with the United Nations' road safety initiative, UNITAR, where we have sought to build capacity with stakeholder events and training.
		In 2018 we also led discussions at the OECD Development Committee, representing the wider private sector and supporting the role of the private sector in development and the delivery of the SDGs. We discussed our work on skills for young people and water in particular, and the importance of leveraging our core business to support shared value.
18	**Partnerships and collective action**	We believe partnership is the best way to make progress against our Sustainability & Responsibility Strategy and goals.
		In the case of alcohol in society, the most significant initiative we have been part of in recent years is the Global Beer, Wine and Spirits Producers' Commitments to Reduce Harmful Drinking – the largest ever industry-wide initiative to implement effective ways to address harmful drinking. The Commitments ended in December 2017, but the signatory companies remain committed to the spirit of the five Commitments and the ten action areas. A final progress report will be issued in September 2018 and can be found at **www.producerscommitments.org**.
		We will continue to work with our peers in this area. In 2017 our CEO became Chairman of the CEO Group at the International Alliance for Responsible Drinking. The CEO Group met in September 2017 and announced a commitment to enhance standards for digital marketing by applying new tools, technology and data to digital marketing to ensure it is responsibly targeting adult consumers. Our partnership with UNITAR on road safety to address drink driving globally is a further example of how we use partnerships to increase the scale and impact of our efforts to deliver the Commitments.
		Within our community programmes we have strategic partnerships with two global NGOs, WaterAid and CARE International, to support our advocacy and programmes on water, sanitation and hygiene and on women's empowerment. These are alongside focused partnerships to deliver programmes, including with government agencies such as GIZ and other national and international NGOs such as Oxfam.
		Elsewhere in our supply chain activity, partnering with suppliers and peers through AIM-PROGRESS and SEDEX is critical to the success of our programme to improve labour standards globally within our supply network. More details of our partnerships in each of these areas is covered in the Sustainability & Responsibility section of the Annual Report, pages 40-55.

CORPORATE SUSTAINABILITY GOVERNANCE AND LEADERSHIP		
Criterion	Description	Cross reference/direct answer
19	**CEO commitment and leadership**	In the Annual Report, pages 10-13, our Chairman and Chief Executive confirm their commitment to sustainability and responsibility.
20	**Board adoption and oversight**	The GRI general disclosures on governance included in this Performance Addendum explain the process by which the Board adopts and oversees aspects of Diageo's Sustainability & Responsibility Strategy.
21	**Stakeholder engagement**	We engage stakeholders on two levels, local and global. At a local level, employees across Diageo's business engage their colleagues, local governments, customers, media, community groups and consumers on issues of immediate concern to them. At a global level, we engage investors, customers, suppliers, and multinational organisations such as UN agencies and NGOs. Routine dialogue through the corporate relations function is critical to those engagement processes, with regular assessment of stakeholder sentiment within the various sectors, the review of which strengthens our engagement process and public policy activity.
		More information can be found on **our website,** and within our GRI submission (**102-40 to 102-44**).

Our response to the Sustainability Accounting Standards Board (SASB)

The US-based SASB sets out sustainability reporting standards for various sectors. The following table summarises our response to the sector-specific standard for alcoholic beverage companies.

ENERGY MANAGEMENT	
SASB metric	**Our response**
Total energy consumed, percentage grid electricity, percentage renewable energy	See **GRI 302** in this document
	Omission: percentage grid energy

WATER MANAGEMENT	
SASB metric	**Our response**
(1) Total water withdrawn and (2) total water consumed; percentage of each in regions with high or extremely high baseline water stress	See **GRI 303** in this document
	See pages 15 and 50-54 in the Annual Report
Discussion of water management risks and description of management strategies and practices to mitigate those risks	See **GRI 303** in this document
	See pages 19-21 (risk) and 50-54 (environment) in the Annual Report
	See our **Water Blueprint**

RESPONSIBLE DRINKING AND MARKETING	
SASB metric	**Our response**
Percentage of advertising impressions made on individuals above the legal drinking age	All advertising impressions are targeted to those above the legal drinking age; see the **Diageo Marketing Code** for more details
Notices of violations received for non-conformance with industry or regulatory marketing and/or labelling codes	See **GRI 417-03** in this document
	See pages 42-44 of the Annual Report
Amount of legal and regulatory fines and settlements associated with labelling and/or marketing practices	See Note 18 of the financial statements, pages 143-146 of the Annual Report for details of contingent liabilities and legal proceedings
	See pages 42-44 of the 2017 Annual Report for details of breaches of marketing practices
Description of efforts to promote responsible consumption of alcohol	See pages 42-44 of our Annual Report
	See **www.diageo.com**

PACKAGING LIFECYCLE MANAGEMENT	
SASB metric	**Our response**
(1) Total weight of packaging, (2) percentage made from recycled or renewable materials, and (3) percentage that is recyclable or compostable	See **GRI 301** in this document
	See pages 50-54 of the Annual Report
Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	See **GRI 301** in this document
	See pages 50-54 of Annual Report
	See the **sustainable packaging** section of our website

Our response to the Sustainability Accounting Standards Board (SASB)

ENVIRONMENTAL AND SOCIAL IMPACT OF INGREDIENTS SUPPLY CHAIN	
SASB metric	**Our response**
Percentage of beverage ingredients sourced from regions with high or extremely high baseline water stress	See pages 15 and 50-54 of the Annual Report
Suppliers' social and environmental responsibility audit conformance: (1) major non-conformance rate and associated corrective action rate and (2) minor non-conformance rate and associated corrective action rate	See **GRI 414** in this document
List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations	See **GRI 301** in this document See pages 45-46 of the Annual Report

Reporting boundaries and methodologies

The reporting boundaries and methodologies outlined here relate to the social and environmental performance disclosures set out in our Annual Report and this Sustainability & Responsibility Performance Addendum.

Reporting boundaries

Our reporting covers the global operations of Diageo plc in the financial year ended 30 June 2018. Dates refer to financial years unless otherwise stated. Excluding the few exceptions below, the boundaries for all data disclosed in the Annual Report and this Performance Addendum include the results of the company and its subsidiaries, together with Diageo's attributable share of the results of significant joint ventures.

On the acquisition of a business, or of an interest in an associate or joint venture, fair values, reflecting conditions at the date of acquisition, are attributed to the net assets including identifiable intangible assets and contingent liabilities acquired. For non-financial data, our aim is to integrate data from acquisitions as soon as it is practically possible to do so, and ideally not later than after we have collated one full year's data.

This is because systems and processes for the collection of non-financial data often vary widely in different parts of the world, and it takes time to integrate different systems, and, in some cases, set up those systems.

Exceptions

- Environmental and safety data from joint ventures and associates where Diageo does not have operational control is not included.
- Food safety and quality data does not include United National Breweries, South Africa.

Uncertainty and estimates

While we make every effort to capture all information as accurately as possible, it is neither feasible nor practical to measure all data with absolute certainty. Where we have made estimates or exercised judgement, this is highlighted within the reporting methodologies.

Significant changes in our operations

Diageo has made a number of disposals and acquisitions of brands, distribution rights, and equity interests in premium drinks businesses over the last three years. Please see Note 9 to the Financial statements in the Annual Report, pages 120-121, for details.

Reporting methodologies

Here you will find an explanation of our methodology for calculating our targets and other key information disclosed in the Annual Report and this Performance Addendum, under the following headings:

- Alcohol in society
- Environment
- Empowering and enabling communities
- Our people
- Sustainable supply chains
- Governance and ethics
- Food safety and quality.

Alcohol in society

Here we explain our methodology for the following:

- Global Beer, Wine and Spirits Producers' Commitments
- Responsible drinking initiatives.

Global Beer, Wine and Spirits Producers' Commitments

In January 2013, Diageo became a signatory to the Global Beer, Wine and Spirits Producers' Commitments to Reduce Harmful Drinking – an annual report on progress is published each year. The latest progress report released by the International Alliance for Responsible Drinking (IARD) is based on key performance indicators developed by Accenture Strategy, who also support the annual data collection process. The data and report have been assured by KPMG Sustainability.

Responsible drinking initiatives

Performance is based on internally reported initiatives through a network of corporate relations leaders in each of our markets.

Environment

This section details Diageo's environmental reporting methodologies, and outlines the basis and approach for quantification of the environmental impacts against the following headings:

- Setting baseline data and targets
- Our targets
  1. Greenhouse gas emissions – referred to as carbon dioxide equivalent (CO_2e)
  2. Water use
  3. Wastewater polluting power as measured by biochemical oxygen demand (BOD)
  4. Waste to landfill
  5. Sustainable packaging
- Litres of packaged product (the denominator for determining efficiency indicators; both absolute and efficiency indicators are used for environmental measures).

The following methodologies take into account regulatory requirements applicable to our operations globally, industry codes of practice and voluntary guidance from external bodies.

PricewaterhouseCoopers LLP (PwC) has been appointed to provide limited assurance over selected environmental KPIs. See **pages 87-88** here for PwC's full independent limited assurance opinion.

Setting baseline data and targets

Environmental data is externally reported on the basis of our financial reporting year, running from 1 July to 30 June. Diageo's environmental reporting methodologies are reviewed and updated on an annual basis by Diageo's Environmental Leadership Team and material changes are ratified by Diageo's Environmental Executive Working Group, chaired by the President, Global Supply and Procurement.

Reporting boundaries and methodologies

Reporting boundaries
Environmental data is collected and reported for all sites at which Diageo has operational control including office sites with more than 50 employees. The reporting boundaries are based on the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (WRI/WBCSD Protocol). Environmental data from joint ventures and associates, where Diageo does not have operational control, is excluded from the reported environmental figures.

The environmental impacts associated with leased facilities and the carbon emissions associated with company vehicles and leased cars are also excluded and considered immaterial to the company's overall impacts. This is reviewed annually to assess the data and extent of impacts.

The environmental data includes newly acquired businesses as soon as practical and no later than one year after assuming operational control. The environmental data associated with any divestments is removed from the baseline, intervening years and current year to ensure relevant comparisons and consistent performance tracking towards targets.

We collect data on key measures of environmental performance every year. This is collated and analysed using a web-based environmental management system. For the reporting period 1 July 2017 to 30 June 2018, 202 sites in 45 countries reported environmental impact data.

Baseline
Diageo's baseline year, set as the financial year (FY) ended 30 June 2007, applies to all environmental targets with the exception of packaging, which has a baseline of FY 30 June 2009. The baselines have been established as set out here. The baseline data is used as the basis for calculating progress against Diageo's targets for CO_2e emissions, water use, BOD load to the environment and waste to landfill, first announced in September 2008 and further developed in 2015. 2007 as the baseline year is deemed to be appropriate in FY 2018 and the relevance of this is reviewed annually.

Restatement of baseline environmental data
Diageo restates environmental data for the baseline year and intervening years to reflect changes in the company that would otherwise compromise the accuracy, consistency, and relevance of the reported information.

Restatements are made in line with the protocols defined by the WRI/WBCSD Protocol, and the Beverage Industry Sector Guidance for Greenhouse Gas Emissions Reporting version 3.0.

The baseline year environmental impact data, and data for intervening years, are adjusted to reflect acquisitions, divestments, updates to databases for CO_2e emission factors, any errors in calculations, and any significant changes in reporting policy that result in a material change to the baseline of more than 1%. We also restate data where we can show that structural changes regarding outsourcing and insourcing have an impact of more than 1%.

In FY 2018, the baseline year environmental impacts and the impacts for the intervening years were restated to reflect changes to CO_2e emission factors and updated calorific values. There were no acquisitions nor material divestments during the reporting year impacting the baseline or intervening years.

Any restatements are carried out in accordance with the WRI/WBCSD Protocol, which defines the requirements for companies to restate environmental impacts for consistent tracking over time when they undergo significant structural changes. We deem this necessary to make meaningful historical comparisons.

The baseline year environmental impacts associated with acquisitions and bringing production in house are primarily determined directly from the historical data records for production volumes, energy, water use and waste generated for the baseline year and intervening years. In certain cases, where historical data is unavailable, the environmental impacts for the baseline year and intervening years are extrapolated from current environmental impact data, based on production patterns.

The impact of these increases is absorbed within the group and we reaffirmed our commitment to our 2020 environmental sustainability goals.

Uncertainty and estimates
While we make every effort to capture all information as accurately as possible, it is neither feasible nor practical to measure all data with absolute certainty. Where we have made estimates or exercised judgment, these are highlighted within these reporting methodologies.

Our targets
In 2008 Diageo set environmental targets on baseline data from the financial year ended 30 June 2007. In December 2014 we announced a new set of sustainability and responsibility targets to be achieved by FY 2020, and which would apply from FY 2016 onwards. Since setting these targets and reporting our performance against them, we have incorporated a number of acquisitions and the FY 2007 baseline has been reset accordingly. The impact of these acquisitions on our 2020 environmental targets has been fully absorbed.

1. Greenhouse gas emissions – referred to as carbon dioxide equivalent (CO_2e)
CO_2e emissions data has been prepared in accordance with the WRI/WBCSD Protocol, Scope 2 guidance (amendment to the GHG Protocol Corporate Standard, 2015), Scope 3 calculation guidance (Corporate Value Chain (Scope 3)) and IPCC methodology in relation to ozone-depleting substances and fluorinated gases. A summary of the key elements of this standard and their application to Diageo's business is outlined below.

Scope
- **Scope 1 emissions** (i.e. direct CO_2e emissions) are defined as those from on-site energy consumption of fuel sources, such as gas, fuel oil, diesel, as well as fugitive and agricultural emissions. In keeping with WRI/WBCSD Protocol guidance relating to biofuels, Diageo reports CO_2e emissions attributable to CH_4 and N_2O only, and excludes direct CO_2 emissions for biomass, biogas and the biogenic element of biofuels. De minimis quantities, typically at office sites, to a maximum of 50 tonnes CO_2e, are excluded, as are the carbon emissions associated with biogas flaring and leased cars since they are considered immaterial to the company's overall impacts. These areas are routinely reviewed to reassess the materiality of the data.
- **Scope 2 emissions** (i.e. indirect CO_2e emissions) are defined as those from purchased electricity and heat.
- **Scope 3 emissions** (i.e. indirect CO_2e emissions) are defined as those that relate specifically to Category 4 of the Protocol – emissions from upstream transportation and distribution (e.g. suppliers, distribution and logistics). CO_2e emissions associated with the distribution and logistics component of the supply chain were first quantified for FY 2013 and are reported

Reporting boundaries and methodologies

separately this financial year. In addition, the CO_2e emissions relating to all categories material to our supply chain include purchased raw materials, packaging, capital equipment, consumer use and disposal. These were first quantified for FY 2016. These are combined with direct operations and emissions associated with distribution and logistics (Category 4), providing a total supply chain carbon footprint. These are reported separately this financial year.

Carbon dioxide emissions from the fermentation process are excluded from our reported environmental data as these emissions are from a biological short cycle carbon source and are thus outside scopes 1, 2, and 3.

Calculation methodology and assumptions
Performance measure:

● Absolute volume of carbon emissions (in 1,000 tonnes of CO_2e) from energy use in the year.

CO_2e emissions data is externally reported in metric tonnes and is the measure used to compare the emissions from the six main greenhouse gases based on their global warming potential (GWP). The CO_2e emissions data is calculated on the basis of direct measurement of energy use (e.g. meter reads/invoices) for the majority of sites. In certain limited instances (<1%), where invoices are not available, for example due to timing differences, consumption is estimated. Fuel consumption is reported by fuel type at site level using the environmental management system. It is then converted to energy consumption, in kWh, by fuel type and multiplied by the relevant CO_2e emission factor to derive the total CO_2e emissions.

Scope 1 emission factors for fuels are typically UK BEIS average fuel CO_2e emissions factors and calorific values (the latest available at the start of the reporting year). However, where product specific factors are available, these are applied.

Carbon emissions from electricity (Scope 2) are reported as both market emissions and location emissions in line with the WRI/WBCSD Protocol Scope 2 amendment made in January 2015. Diageo's CO_2e reduction targets and reporting protocols since 2007 are based on market emissions applying emissions factors specified in energy attribute certificates, contracts, power purchase agreements and supplier utility emission as detailed in WRI/WBCSD Protocol Scope 2 guidance. The reporting of location (gross) emissions has

been added to Diageo's protocols since FY 2014. For location-based reporting of grid electricity consumption, regional or subnational factors are used where available. These include, for example, CER (Ireland), BEIS (GB), the National Inventory Report (Canada), US eGRID (USA), and the Indian power sector report (India). In all other cases country or sub-regional factors are provided by the International Energy Agency (IEA).

2. Water use
Performance measure:

● Water use efficiency derived from total volume of water withdrawn, in cubic metres, by sites in the year/total packaged volume, in litres.

Diageo prepares and reports water withdrawal data from the sites over which it has operational control, using internally developed reporting methodologies based on the GRI Standards. In addition to tracking total water usage, Diageo also prepares and reports water efficiency, meaning the ratio of the amount of water consumed to produce one litre of packaged product.

Water-stressed locations and classification
The World Resource Institute Aqueduct tool, UN Definitions and internal survey information are used to determine the number of our sites that are located in water-stressed areas. In the current financial year, we have designated 41 of our production sites as being in water-stressed areas, identifying them as higher risk in terms of sustainable water supply. These sites are subject to more intense water stewardship measures over and above our target to improve water efficiency by 50% by 2020.

Calculation methodology and assumptions
Diageo defines the total quantity of water withdrawals as water obtained from groundwater, surface water, mains supply and water delivered to the site by tanker less any clean water provided back to local communities directly from a site. Uncontaminated water abstracted and returned to the same source under local consent, water abstracted from the sea, and rainwater collection are excluded from water usage data reported.

Water used for irrigation purposes on land under Diageo's operational control is not included in Diageo's water use efficiency for production operations. The extent of water use at Diageo-operated agricultural lands

(in Mexico, Brazil and Turkey), is quantified and reported separately.

Water withdrawals are measured primarily on the basis of meter reads and invoices for the majority of sites. In some limited instances estimations are used to calculate withdrawals. Water withdrawals are reported by source at site level using the environmental management system.

Water efficiency (water use rate), per litre of packaged product, is calculated by converting the total water withdrawal in cubic metres to litres, then dividing by the total packaged volume in litres.

3. Wastewater polluting power as measured by biochemical oxygen demand (BOD)
Performance measure:

● Wastewater pollution load to the environment measured in '000s tonnes of biochemical oxygen demand (BOD), by site in the year.

Much of the water used in brewing, distilling and beverage packaging facilities is used for cleaning process equipment, and such water becomes polluted with product residues. The strength of this pollution in the wastewater discharged as effluent is expressed as BOD. BOD is a direct measure of the polluting strength of effluent, and quantifies the oxidisable organic matter present in the wastewater or effluent stream.

Diageo measures and reports the final BOD load discharge to the environment outside of the site boundary that is directly treated and controlled and/or treated by third parties, consistent with international methods and literature describing the determination of BOD impacts. Wastewater used for irrigation is excluded from reported BOD.

Calculation methodology and assumptions
The final BOD load to the environment is determined from the volume in cubic metres of site effluent multiplied by the BOD concentration in mg/l, and is expressed as thousands of tonnes.

Effluent volume is either determined from an on-site flow meter or by calculating a 'mass balance' formula/ratio of effluent volume: water withdrawal. In the limited instances where mass balance and ratios are applied, these are validated through industry standard coefficients for wastewater volume for brewing, distilling, and packaging operations. The BOD concentration of the effluent is determined on a sample basis, from one of the following:

Reporting boundaries and methodologies

- On/off site BOD laboratory analysis
- On/off site chemical oxygen demand (COD) laboratory analysis and applying industry (or site-specific) correlation coefficient to convert to BOD
- Third-party/municipal treatment facility BOD data.

Data is reported at site level using the environmental management system.

4. Waste to landfill
Performance measure:

- Total waste sent for disposal in landfill in tonnes, by site in the year.

Diageo records the type and quantity of all waste to landfill using Diageo's internal environmental reporting methodologies and GRI Standards.

The definition of waste to landfill includes all hazardous waste (except asbestos waste required by national or state legislation to be landfilled in specified registered sites), and all unwanted or discarded material produced in solid, sludge or liquid form from manufacturing and office sites. This includes all refuse, garbage, construction debris, treatment and process sludge, and materials that a site has been unable to reclaim, reuse, or recover.

Calculation methodology and assumptions
Sites collect primary waste data typically in the form of weighbridge tickets and invoices from waste handlers. Data is reported by waste type at site level using the environmental management system. All waste to landfill is reported in metric tonnes.

5. Sustainable packaging
Diageo monitors and assesses the type and volume of packaging used and the alternatives available to ensure, where practical, that our brands are delivered to the consumer with the smallest possible environmental footprint. The methodology for sustainable packaging includes:

- Packaging weight
- Recycled content
- Recyclability.

All changes in sustainable packaging impacts are quantified and expressed in terms of weight or percentages.

Pack weight changes are determined by quantifying the weight reduction in grammes and multiplying by the number of product lines (SKUs) affected on an annualised basis. Recycled content is determined by establishing the volume in grammes/kgs of non-virgin

materials used to generate the pack components, and adjusting for current year changes to recycled content. Recyclability is expressed as a percentage, determined by quantifying the weight of the final pack deemed to be non-recyclable and multiplying by the total annualised volume of the SKU. Having set targets against a 2009 baseline, packaging data is inputted for each of our three metrics (weight, recycled content, and recyclability). They are then consolidated and internally verified, based on the best available information.

Litres of packaged product
Litres of product packaged by sites and aggregated at group level is the denominator for efficiency indicators, for example water efficiency or where environmental impact areas are expressed in terms of efficiency as well as absolute measures.

To calculate efficiency ratios, Diageo uses litres of packaged product as the standard measure for comparison, as this measures the environmental impact associated with the production of our products.

Calculation methodology and assumptions
Our calculation of litres of product packaged includes the total litres of product packaged which enter a finished goods warehouse at operationally controlled sites, together with any product sent to a third party for packaging (i.e. a non-operationally controlled site). Damaged product at the point of production is not included in these figures.

Data is reported at site level using the environmental management system.

Empowering and enabling communities
Here we explain the basis of calculation for:

- Setting baseline data and targets
- Women's empowerment programme beneficiaries
- Water of Life beneficiaries
- Learning for Life beneficiaries
- Community investment figures.

Setting baseline data and targets
Baselines differ for each metric. Our Water of Life targets were set in the year ended 30 June 2007. Cumulative performance records activity between 1 July 2006 and 30 June 2017. Our Learning for Life target was set in the year ended 30 June 2009, and beneficiaries are counted from 1 July 2008 to 30 June 2017.

Women's empowerment beneficiaries
We have two measures for our women's empowerment programmes: number of women empowered and number of women reached. The number of women empowered is defined as direct participants in women's empowerment programmes, or in those programmes with a specific women's empowerment element. The number of women reached is defined as all those benefiting from other community programmes, including Learning for Life and Water of Life.

Beneficiary data for each project is provided by either our in-market sustainable development leads or our implementation partners. Data is collected via an online survey tool completed by each country team, and collated at a global level.

Water of Life beneficiaries
Our implementation partners provide us with beneficiary data for each project. To meet the criteria for a Water of Life programme, each beneficiary should:

- Live within 2km of the water source, or 500m if in an urban area
- Be able to get his or her water from:
  - Piped water into a dwelling, plot or yard
  - A public tap/standpipe
  - A tube well/borehole
  - A protected dug well
  - A protected spring
  - Rainwater collection
  - Water filtration and purification
- Have access to:
  - Sanitation (toilets)
  - Educational programmes on hygiene.

Learning for Life beneficiaries
Beneficiaries are defined as direct participants in Diageo-funded Learning for Life programmes. Data is collected by our training partners via standardised surveys, and averages are reported by market via an online data collection tool. Alongside the number of beneficiaries, market teams also track demographic information (age and gender), the number of hours spent training (meeting local certification standards), participant satisfaction rate, the number of participants who perform internships, and participants' increase in income after completing the programme. In line with our 2020 targets launched in 2015, we are committed to evaluating and reporting on the impact of

Reporting boundaries and methodologies

our programmes. We are rolling out our Social Impact Framework for all programmes of £25,000 and over, to help us assess their social, commercial and partner impacts.

Community investment figures
Community investment includes contributions (in the form of cash, in-kind donations or employee time) from Diageo plc. It includes contributions to charitable entities, non-branded responsible drinking programmes that benefit charities, and delivery costs of our community programmes. We use the principles of the London Benchmarking Group (LBG), which we helped pioneer in 1994, to measure our community investment.

Cash, in-kind donations and employee time contributions are recorded through an annual survey of local markets around the world.

Our people
Here we explain the basis of calculation for:
- Setting baseline data and targets
- Employee profile data
- Lost-time accident (LTA) frequency rate
- Fatalities
- Women in senior management positions
- Engagement results.

Setting baseline data and targets
Baseline information differs between metrics. Employee profile information and engagement results are calculated annually, and for this year, they were calculated at the year ended 30 June 2018. Lost-time accident (LTA) frequency has a baseline of 30 June 2010, with targets set for 2020, and phased incremental targets set each year.

Reporting boundaries for safety data
Safety data is collected and reported for all sites at which Diageo has full operational control, including all office sites. The safety data includes newly acquired businesses as soon as practical, and no later than one year after we have assumed operational control. Safety data associated with any divestments during the current reporting year is excluded from reporting in the current period.

Employee profile data
Total employee data comprises our average number of full-time equivalent employees, and is captured globally through financial and human resources (HR) information and reporting systems. New hires and leavers data considers the total number of employees,

irrespective of type of contract. Gender data is collected by region. The majority of the gender information is collected from our global HR system. A few markets, however, are not yet using the global human resource system. For those markets, the HR teams provided gender information at the market level from their local HR and finance systems.

Lost-time accident (LTA) frequency rate
Performance measure:
- Lost-time accident (LTA) frequency rate is defined as the number of LTAs per 1,000 full-time employees (FTE).

An LTA is defined as any work-related incident resulting in injury or illness, where a healthcare professional or Diageo recommends one or more full days away from work or where a job restriction is required. Where individuals self-certify their absence in the absence of a healthcare professional or Diageo recommendation, these are not included as LTAs.

We consider an injury or illness to be work-related when an event or exposure in the work environment either (1) caused or contributed to the resulting condition, or (2) significantly aggravated a medically documented and treated pre-existing injury or illness.

LTA numbers also include any FTE work-related fatalities.

In line with industry best practice, we include in our definition of an 'employee' temporary staff and contractors who work under our direct supervision.

Calculation methodology and assumptions
At all sites, on occurrence of an incident, the local health and safety representative will initiate an accident investigation and root cause analysis. If the accident is classified as an LTA, then the local health and safety representative will escalate to the site leadership team, who will in turn escalate to regional, market and global leadership.

Each month, sites are required to submit (a) details associated with all incidents, accidents and LTAs that have occurred, and (b) FTE data for their site. FTE data is primarily obtained directly from the global HR/payroll system or estimated using employee numbers, average number of hours worked, absences and overtime information if actual data is not readily available.

Safety data and FTE data is reported at site level using the global data management system.

Fatalities
Fatalities include any employee work-related fatality or any work-related fatalities occurring to third parties and contractors while on Diageo's premises.

Women in senior management positions
Gender data is collected by region. The majority of the gender information is collected from our global HR system. A few markets, however, are not yet using the system, and in these markets the HR teams provided gender information from their local HR and finance systems.

Engagement results
Data is collected from the annual online Diageo Values Survey which is sent to all employees and administered by IBM. This year the data represented 94% of those able to participate (22,826 of the 24,214 invited) compared with 93% in 2017.

In 2017, we improved our annual Values Survey to simplify the process and ensure the results were relevant to the business, reducing the survey from 40 questions to 15. As a result, we no longer measure our previous performance enablement metric and have ceased reporting on what was formerly the second 2020 target in this area, 'Raise our performance enablement score, which measures a link between engagement and performance commitment, to 83%'.

Sustainable supply chains
Here we explain the basis of calculation for:
- Setting baseline data and targets
- Local sourcing in Africa
- SEDEX self-assessment
- Audits of highest-risk suppliers
- Sustainable paper and board packaging.

Setting baseline data and targets
All performance figures against targets are for the period from 1 July 2017 to 30 June 2018.

Exclusions
Supplier CDP carbon and water data exclude suppliers of our USL business in India.

Local sourcing in Africa
Our target is to source 80% of agricultural materials locally across Africa by 2020. 'Local' is defined as materials of agricultural origin sourced within Africa and used in our African operations to produce our brands. In 2018, 78% of agricultural materials used in our operations were sourced locally, compared to 76% in 2017.

Reporting boundaries and methodologies

We calculated this figure by using the weighted average local agricultural material volumes used across each of our African markets including Nigeria, Ghana, Cameroon, Ethiopia, Kenya, Uganda, Tanzania and South Africa.

SEDEX self-assessment
Self-assessment data is provided to us in reports run from the Supplier Ethical Data Exchange (SEDEX), a not-for-profit organisation that enables suppliers to share assessments and audits on ethical and responsible practices with their customers. Their system includes the number of suppliers who have registered with Diageo, linked their operating sites with ours, and then completed the self-assessment or any other performance-related data.

Audits of highest-risk suppliers
A supplier is assessed as a potential high risk by considering location, industry type and spend. We have only reported the number audits of supplier sites assessed as a potential high risk, rather than all suppliers linked to Diageo on SEDEX that have an ethical audit.

Audits are conducted by independent third-party auditing companies trained to SEDEX Members Ethical Trade Audit (SMETA) protocols or equivalent. The breakdown of our audit compliance data in this report relates to both audits requested by Diageo and audits from industry-wide mutual recognition programmes. Audits are valid for three years, and our data relates to the most recent audit at a site.

Of the 370 audits reported in 2018, 231 were requested directly by Diageo, and 139 were requested by others. Those requested by others remain valid through the AIM-PROGRESS mutual recognition process or through adherence to our own audit requirements. Confirmation of the findings of 11 of the 370 audits was outstanding at the end of the financial year, and so is excluded from our audit compliance data in this report.

Sustainable paper and board packaging
The percentage of sustainably sourced paper and board packaging reported relates to the 82% of suppliers that responded to our request for information and not our total supply base. The data from our suppliers is self-reported.

Governance and ethics
Here we explain the basis of calculation for:
- Annual Certification of Compliance
- SpeakUp.

Annual Certification of Compliance
We ask all manager-level and above employees to confirm their understanding and commitment to their compliance and ethics accountabilities in the Annual Certification of Compliance (ACC). The ACC and Code of Business Conduct eLearning are integrated and delivered through the global online training tool, Diageo Academy, which holds a record of who has participated. Participation records are reported to market and function leadership teams, and reviewed by controls, compliance, and ethics managers. Records for 2018 include Diageo India (USL) employees.

SpeakUp
Our SpeakUp whistleblowing line and website are communicated to all employees and third parties. The service is run by an independent external party which reports to a three-person triage team which includes the Global Risk and Compliance Director. Investigators are appointed where necessary, and appropriate remediation, including disciplinary consequences, are put in place where allegations are substantiated.

Oversight is provided by in-market controls, compliance and ethics managers or members of the Compliance team in more serious cases. Alongside the independent phone lines, cases can also be reported through our **www.diageospeakup.com** website which is available in all 20 of our Code languages.

Reported and substantiated breaches
Prior year numbers of substantiated breaches and code-related leavers are updated to include the outcomes of those reports made in one financial year but for which the investigation and any associated disciplinary actions are not closed until the following financial year, after the Annual Report has been published. This enables a full and accurate year-on-year comparison to be made.

Food safety and quality
Here we explain the basis of calculation for:
- Packaging defects (ppm)
- Total concerns (complaints).

Packaging defects (ppm)
Packaging defects data is based on a 0.1% sampling for spirits and a 0.025% for beers. Individual packs are inspected against a global finished product standard. The number of defects is recorded and reported monthly against the sample size for the production run. Figures are aggregated globally and are weighted based on volume of production.

Total concerns (complaints)
All complaints are recorded (validated or not) through consumer care lines and in-market companies. The concern rate is calculated based on the volume of cases produced at the site in the same period as the complaint was received. Figures are aggregated globally, are weighted based on volume of production, and are expressed as number of complaints per units sold, with a unit being one case of nine one-litre bottles.

External assurance: PwC

Independent Limited Assurance Report to the Directors of Diageo plc

The Board of Directors of Diageo plc ('Diageo') engaged us to provide limited assurance on the information described below for the year ended 30 June 2018.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 30 June 2018 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected information

The scope of our work was limited to assurance over the information marked with the symbol Δ in Diageo's Sustainability & Responsibility ('S&R') Performance Addendum 2018 and Diageo's Annual Report 2018 ('Annual Report 2018'), the 'Selected Information'.

We assessed the Selected Information using Diageo's Reporting Methodologies (the 'Reporting Criteria') as set out on **pages 81-86** of the S&R Performance Addendum 2018. Our assurance does not extend to information in respect of earlier periods or to any other information included in the S&R Performance Addendum 2018.

Selected information

Direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO_2e)

Direct and indirect carbon emissions by weight (location/gross based) (tonnes CO_2e)

Total direct (renewable and non-renewable) energy consumption (TJ)

Direct and indirect energy efficiency (MJ/litre packaged)

Market-based (net) intensity ratio of GHG emissions (g CO_2e per litre of packaged product)

Location-based (gross intensity) ratio of GHG emissions (g CO_2e per litre of packaged product)

Percentage reduction in absolute carbon emissions (direct and indirect carbon emissions by weight (market/net based)) from the prior year

Packaged product (litres)

Total water withdrawn (cubic metres)

Total water withdrawn split by mains, ground and surface water sources (cubic metres)

Water use efficiency per litre of product packaged (litres/litre)

Percentage improvement in litres of water used per litre of product packaged from the prior year (percentage)

Wastewater polluting power ('BOD'), total under direct control (tonnes)

Percentage reduction in wastewater polluting power ('BOD'), total under direct control (tonnes)

Total volume of waste sent to landfill (tonnes)

Percentage reduction in total waste sent to landfill from the prior year (percentage)

Lost-time accident frequency rate per 1,000 full-time employees.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our independence and quality control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which Diageo is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at June 2018.

External assurance: PwC

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- Made enquiries of relevant Diageo's management, including those with responsibility for management and group reporting of S&R data

- Evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included visiting 12 sites and completing one desktop review of site level data, selected on the basis of their inherent risk and materiality to the group, to understand the key processes and controls for reporting site performance data to the group team

- Performed limited substantive testing on a selective basis of the Selected Information at 12 sites and one desktop review to check that data had been appropriately measured, recorded, collated and reported

- Considered the disclosure and presentation of the Selected Information.

Diageo's responsibilities

The Directors of Diageo are responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error

- Establishing objective Reporting Criteria for preparing the Selected Information

- Measuring and reporting the Selected Information based on the Reporting Criteria

- The content of the S&R Performance Addendum 2018 and the Annual Report 2018.

Our responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error

- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained

- Reporting our conclusion to the Directors of Diageo.

This report, including our conclusions, has been prepared solely for the Board of Directors of Diageo in accordance with the agreement between us, to assist the Directors in reporting Diageo's performance and activities. We permit this report to be disclosed in the S&R Performance Addendum 2018 and online[1] at **http://www.diageo.com/en-row/csr/Pages/our-reporting.aspx** for the year ended 30 June 2018, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Diageo for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
25 July 2018

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1 The maintenance and integrity of Diageo's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on Diageo's website.

External assurance: London Benchmarking Group

Assurance statement

Diageo is an active member of London Benchmarking Group (LBG), the international standard for measuring companies' contribution to communities.
LBG's measurement model helps businesses to improve the management, measurement and reporting of their community investment programmes and activities. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes, and assesses the actual results for the community and for the business. (See **www.lbg-online.net** for more information.)

As managers of LBG, Corporate Citizenship has worked with Diageo to ensure that it understands the LBG model and that the reported community investment programmes and contributions are in line with the LBG principles of measurement. Having conducted an assessment, we are satisfied that this has been achieved during the year to 30 June 2018. Our work has not extended to an independent audit of the data.

Commentary
This is the second year in which Diageo has used a new database for recording the contributions to, and impacts of, its community programmes. The database aims to ensure a systematic global data collection process and is aligned to the LBG framework.

There were noticeable improvements in the data generated from the database this year, with the data being more comprehensive (for example distinguishing programme funding, in-kind donations and employee time costs) and of higher consistency. However, opportunities for improvement were also identified. Notably, for the community data there is an opportunity to improve users' understanding of key definitions and establish greater consistency in methodologies used to estimate the reach of Diageo's projects in terms of beneficiary numbers. In addition, further guidance could be given to database users on how and where to input details (and breakdowns) of programme spend and impacts into the database. While discrepancies in the datasets reviewed were addressed during the assurance engagement, Diageo is encouraged to enhance training where necessary to maximise accuracy in information going forward.

We continue to be satisfied that, when reporting activity that promotes responsible drinking as corporate community investment, Diageo only includes those elements relating directly to the delivery of community benefit.

Corporate Citizenship
www.corporate-citizenship.com
July 2018