

DIAGEO

DIAGEO
Cambus Cooperage

Sustainability & Responsibility
Performance Addendum to
the Annual Report 2017

Introduction

Welcome to the Sustainability & Responsibility (S&R) Performance Addendum to Diageo's 2017 Annual Report. This document is one of the three central pillars of our S&R reporting, and is intended to supplement our Annual Report 2017 and the 'Our role in society' section of our website. Together they give a comprehensive account of our strategy, approach and performance. Here we describe our approach to reporting, and present our responses to the Global Reporting Initiative (GRI) standards and the United Nations Global Compact (UNGC) principles, presented as two indices.

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Diageo's approach to reporting

Since 2014 we have been using the International Integrated Reporting Commission (IIRC)'s framework to guide us as we make progress integrating sustainability within our business and reflecting this in our approach to reporting. Throughout our reporting, we aim to transparently communicate how our strategy, governance, and performance create value – for our business and society, both now and in the future.

We consider everyone who is affected by our business, and everyone who affects it, to be a stakeholder. Our stakeholders range from employees to investors and corporate partners, and from consumers to communities, farmers and governments. With all of these stakeholders, we have various means of engagement, while anybody can of course access our information or raise comments via our website. Our stakeholders are diverse, and rightly expect detailed disclosure across a range of issues that are of material importance both to them and to our business. We aim to meet those expectations as fully as possible by reporting in three main ways.

We present our most material S&R disclosures in our Annual Report, which also describes how our S&R strategy and commercial performance drivers work together to deliver value for both our business and our communities.

Alongside the Annual Report we publish this Performance Addendum. It aims to support both stakeholders who rely on detailed information beyond the Annual Report, and demonstrates our continuing commitment to the principles of the GRI and UNGC. Our disclosures are structured within two indices: the GRI index, which follows the GRI Standards, and the UNGC index, which follows the UNGC advanced reporting criteria.

The third pillar of our reporting suite is the 'Our role in society' section of our website. This gives further details of our S&R approach and performance, and provides examples of our strategy in action.

Strategy and materiality

This year we have continued to report against our 2020 sustainability and responsibility targets, which we implemented in 2016. They were developed to align with the UN's Global Goals for sustainable development, and to enable our overall strategy of making a positive contribution as our business grows. Over the course of 2017 we continued to embed our strategy, focusing on achieving meaningful impact, tackling the issues that matter most to our business and the communities that we are part of.

We report on our 2020 targets in terms of three core priorities: creating a positive role for alcohol in society, building thriving communities, and reducing our environmental impact. These priorities are interconnected, and we recognise that the success of our strategy depends on us taking a holistic approach to addressing all the issues that are material to our stakeholders.

To ensure that we measure and manage our progress against our 2020 targets, this year we developed a performance management system to allow us to better measure and evaluate the impact of our programmes and allow us to continue to report in a clear and transparent manner against the key performance indicators introduced last year, which you will find on pages 8–9 of our Annual Report.

Materiality matrix

This year we continued to deliver against our strategy focusing on our most material issues. We identified the topics that are most relevant to external stakeholders and used qualitative analysis to assess impact for our business and communities between now and 2020, and out to 2030.

The results for 2020 show that non-communicable disease, climate change, water stewardship, gender equality and diversity, and livelihoods are high priorities, and confirm the relevance of our continued focus on creating a positive role for alcohol in society, building thriving communities and environmental stewardship. They also show an increasing stakeholder focus on climate change, which we address through our continuing progress in reducing carbon emissions.

The material issues we identified for 2030 are the same as the three core priorities we identified for 2020, shown in the matrix below. For leadership in alcohol in society, the key issues are to reduce harmful drinking in line with the voluntary targets set for non-communicable diseases and responsible marketing and selling. The key issues for building thriving communities are livelihoods, agricultural impact, food security, and gender equality and diversity. The key issues for environment remain climate change, water security, resource efficiency and biodiversity.

Our strategy empowers and enables us to make a positive contribution to the issues that matter most to our business and our stakeholders while also playing our part as a global corporate citizen and making a positive contribution to the wider challenges including the Paris Agreement and UN Global Goals.

Having clearly identified the issues that matter most, we are in a strong position to form strategic partnerships with other organisations to achieve wider scale and impact.

We are committed to regular reviews of materiality, and to using our findings to guide our strategy and our priorities. We welcome engagement from all stakeholders, to inform and enable the delivery of our strategy.

Focus on impact and execution

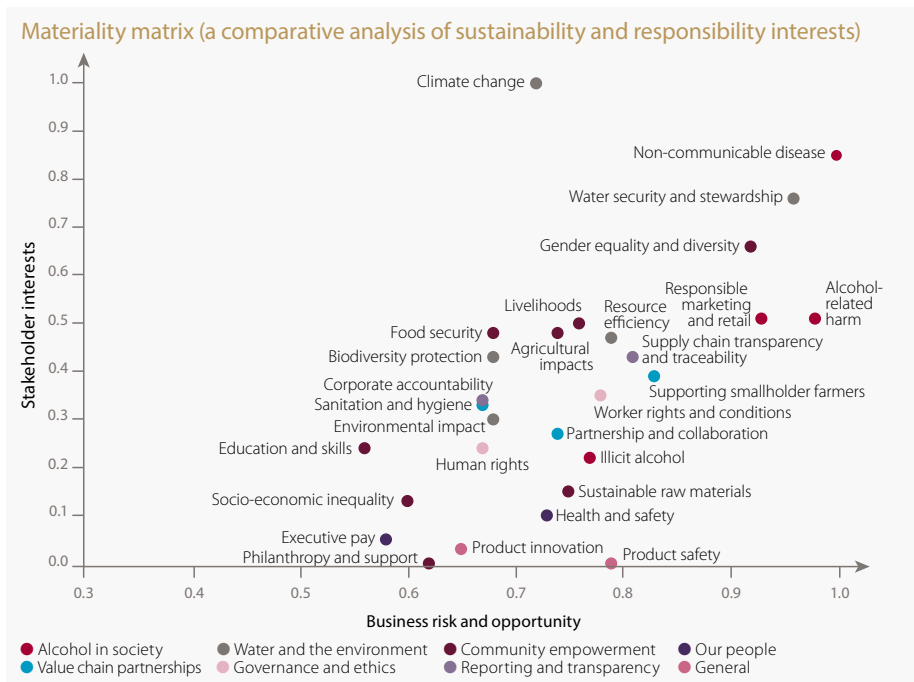
Our 2020 targets are designed to focus our work and evaluate the impacts of our initiatives. They help to co-ordinate our efforts to achieve outcomes that create the maximum possible value for our stakeholders, and for us as a business. We are already seeing progress in many areas, as we use our materiality analysis to challenge our programmes to contribute to more than one area of impact where there are synergies, both within our business and with strategic partners who share our desire to take positive action on the issues we have identified.

This year we launched a new impact measurement tool to help us design, manage, measure and evaluate our projects. The results of evaluations will allow us to refine our approach and drive further improvement in the way we contribute to society.

Progress against our targets

We remain largely on track for all our 2020 targets. We deliver activity and create impact with our programmes in three ways: within our business and our value chain; as an influential global citizen with advocacy and impactful programmes; and, increasingly, with our consumers through our brands.

Here are just a few of the year's highlights. Our website has more information, case studies and reports.



Creating a positive role for alcohol in society

We have significantly scaled up our partnerships to bring Smashed, a theatre-based education programme that aims to teach teenagers the dangers of underage drinking, to eight countries. The programme has reached 1,400 schools and more than 300,000 young people in the 10 years since its inception, with 135,000 reached this year. Of those reached, there has been a 30% increase in awareness of where to get help; a 19% increase in awareness of peer pressure; and a 38% increase in awareness of alcohol misuse. 98% of teachers would have Smashed back the following school year.

Also this year we began a two-year partnership with the UN Institute for Training and Research (UNITAR) aimed at reducing death and injuries from traffic accidents in more than 60 countries, with a focus on those with the highest road traffic death rates. In its first year, the partnership began advocacy and programme work in Mexico, Nigeria, South Korea and South Africa. National and local government officials, representatives from academia, the private sector and civil society gathered to build capacity and exchange best practices and approaches that improve road safety.

Building thriving communities

To enable the communities where we work to thrive, we have continued to strengthen skills and empowerment. Our internal diversity programme has seen more women in leadership roles within Diageo, and we remain leaders in terms of the proportion of women on our Board and Executive Committee. Externally, our Plan W programme has reached almost 60,000 more women with empowerment programmes this year, and we contributed our experience from this programme to the United Nations High Level Panel on female empowerment. Our Smirnoff brand drew consumer attention to diversity and inclusion with its work on women in the

music sector around International Women's Day and the Smirnoff Sound Collective, creating over 200 million marketing impressions to build awareness of the issue.

Our skills programmes for young people, such as Learning for Life, create access to long-term employment and improve livelihoods. This year more than 6,000 young people benefited, joining a community of more than 123,000 who now have decent work opportunities through the programme in a core part of our value chain, the hospitality sector. Upstream in our value chain, even more small farmers are part of our network in Africa with programmes that increase their crop yield and their livelihoods while underpinning a resilient supply chain for Diageo. 76% of our African raw materials came from local farms this year, and this market makes a real contribution to the local economy.

Reducing our environmental impact

Around the world, in our production sites, with our packaging and throughout the company as a whole, we continued to drive environmental improvements. As a drinks company, water is critical for us, and water security remains a key priority, particularly in our water-stressed locations. Diageo has established a strong reputation for leadership in water stewardship globally through an integrated strategy, the Diageo Water Blueprint, which addresses the impact of climate change and water risk in our broader supply chain, as well as our own operations. Our approach also leverages our Water of Life programme in support of local communities and global advocacy activity on water. Our performance in 2017 resulted in a Global Water Champion Award in 'recognition of Diageo's ongoing leadership in industrial water sustainability, and significant and demonstrable success in reducing your water footprint over the past 10 years' from the Global Water Intelligence Magazine. In terms of performance this year, our Indian business

improved water performance by 46% compared with our 2007 baseline, through investment in water efficiency projects and water recovery and reuse, while in Africa our sites have improved water efficiency by 49%. Together these contributed to an overall improvement in water use efficiency of 40% since our 2007 baseline.

Contributing to the Global Goals

Our programmes align to the United Nations' Global Goals. They contribute to this global agenda while creating shared value.

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 3](#).

We have continued to develop our approach to reporting, building on our 2016 GRI G4 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 first 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.

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

Translating our Sustainability & Responsibility Strategy to GRI

In addition to informing our strategy, our updated materiality assessment also 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's Standards.

GRI STANDARDS		OUR STRATEGIC FOCUS AREA	
Universal standards	101	Foundation – reporting principles	<ul style="list-style-type: none"> • Approach to reporting Our approach to reporting
	102	General disclosures	<ul style="list-style-type: none"> • Organisational profile • Strategy • Ethics and integrity • Governance • Stakeholder engagement • Reporting practice Governance and ethics
	103	Management approach	<ul style="list-style-type: none"> • 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

GRI Index

Universal 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 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.	<p>For us, everyone who is affected by our business, and everyone who affects it, is a stakeholder. Our stakeholders range from employees to investors and corporate partners, and from consumers to farmers, governments, and those in the communities where we work, either sourcing, making or selling.</p> <p>We actively engage stakeholders at both local and global levels, through planned communications led by our Corporate Relations teams.</p> <p>At a local level, employees across our business engage their colleagues, local governments, customers, media and community groups on issues of immediate concern to them.</p> <p>At a global level, we talk to investors, customers, suppliers and multinational organisations such as United Nations agencies and NGOs.</p> <p>Any interested parties can elicit information or raise comments with us via our website. For human rights issues, our SpeakUp helpline is also available to our supplier network.</p> <p>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.</p>
101-02 Sustainability context	The report shall present the reporting organisation's performance in the wider context of sustainability.	<p>Our Annual Report explains the wider context in which we operate and presents our sustainability performance in relation to both our corporate performance as well as global sustainable development goals including the Paris Agreement and the UN's Global Goals.</p> <p>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.</p>
101-03 Materiality	<p>The report shall cover topics that:</p> <ul style="list-style-type: none"> • reflect the reporting organisation's significant economic, environmental, and social impacts; or • substantively influence the assessments and decisions of stakeholders. 	<p>Our aim is to report fully on issues deemed material and to explain our approach.</p> <p>As referenced above, we worked with stakeholders to determine what is most material to us as a business, and this informed our materiality matrix, which you can find on page 3 of this Performance Addendum.</p>
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.

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 101: Foundation continued

PRINCIPLES FOR DEFINING REPORT QUALITY		
Disclosure		Our response
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 40–51 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 2017. 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. ◆ Our reporting practice is to present information, both in our Annual Report and Performance Addendum, in a way in which 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. ◆
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 2017. 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 developed and launched an online tool to standardise and effectively gather, record, compile, analyse and report the impact of our programmes.
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 102: General disclosures

ORGANISATIONAL PROFILE			
Disclosure		Our response	
102-01 Name of organisation	Name of the organisation	Diageo plc	◆
102-02 Activities, brands, products and services	<p>The reporting organisation shall report the following information:</p> <p>a. A description of the organisation's activities</p> <p>b. Primary brands, products and services, including an explanation of any products or services that are banned in certain markets.</p>	<p>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 7, of the Annual Report, while an overview of our production can be found in the Our business model section, page 2.</p> <p>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.</p>	◆
102-03 Location of headquarters	<p>The reporting organisation shall report the following information:</p> <p>a. Location of the organisation's headquarters.</p>	London, UK.	◆
102-04 Location of operations	<p>The reporting organisation shall report the following information:</p> <p>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.</p>	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 6.	◆
102-05 Ownership and legal form	<p>The reporting organisation shall report the following information:</p> <p>a. Nature of ownership and legal form.</p>	<p>Full name: Diageo plc</p> <p>Registered number: 23307</p> <p>Registered office: Lakeside Drive, London NW10 7HQ</p> <p>Place of registration: England and Wales</p>	◆
102-06 Markets served	<p>The reporting organisation shall report the following information:</p> <p>a. Markets served, including:</p> <p>i. geographic locations where products and services are offered;</p> <p>ii. sectors served;</p> <p>iii. types of customers and beneficiaries.</p>	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 102: General disclosures continued

ORGANISATIONAL PROFILE CONTINUED

Disclosure	Our response																																																																																																																									
<p>102-07 Scale of the organisation</p> <p>The reporting organisation shall report the following information:</p> <p>a. Scale of the organisation, including:</p> <ul style="list-style-type: none"> 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. 	<p>Diageo employs 30,433 people around the world. The production side of the business includes 143 sites in 28 countries.</p> <p>This year we made £12 billion 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, pages 90–155.</p>	◆																																																																																																																								
<p>102-08 Information on employees and other workers</p> <p>The reporting organisation shall report the following information:</p> <p>a. Total number of employees by employment contract (permanent and temporary), by gender.</p> <p>b. Total number of employees by employment contract (permanent and temporary), by region.</p> <p>c. Total number of employees by employment type (full-time and part-time), by gender.</p> <p>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.</p> <p>e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries).</p> <p>f. An explanation of how the data have been compiled, including any assumptions made.</p>	<p>Employees by region, by gender, and by employment contract type¹</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Part-time</th> <th>Full-time</th> <th>Permanent</th> <th>Fixed-term/ temporary</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Men</td> <td>2</td> <td>1,659</td> <td>1,646</td> <td>15</td> <td>1,661</td> </tr> <tr> <td>Women</td> <td>1</td> <td>1,123</td> <td>1,109</td> <td>15</td> <td>1,124</td> </tr> <tr> <td>Europe, Russia and Turkey</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Men</td> <td>127</td> <td>6,631</td> <td>6,467</td> <td>291</td> <td>6,758</td> </tr> <tr> <td>Women</td> <td>349</td> <td>4,015</td> <td>4,067</td> <td>297</td> <td>4,364</td> </tr> <tr> <td>Africa</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Men</td> <td>1</td> <td>3,768</td> <td>3,655</td> <td>114</td> <td>3,769</td> </tr> <tr> <td>Women</td> <td>2</td> <td>1,194</td> <td>1,115</td> <td>81</td> <td>1,196</td> </tr> <tr> <td>Latin America and Caribbean</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Men</td> <td>8</td> <td>1,750</td> <td>1,630</td> <td>128</td> <td>1,758</td> </tr> <tr> <td>Women</td> <td>25</td> <td>998</td> <td>952</td> <td>71</td> <td>1,023</td> </tr> <tr> <td>Asia Pacific</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Men</td> <td>2</td> <td>6,918</td> <td>6,784</td> <td>136</td> <td>6,920</td> </tr> <tr> <td>Women</td> <td>16</td> <td>1,844</td> <td>1,639</td> <td>221</td> <td>1,860</td> </tr> <tr> <td>Diageo (total)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Men</td> <td>140</td> <td>20,726</td> <td>20,182</td> <td>684</td> <td>20,866</td> </tr> <tr> <td>Women</td> <td>393</td> <td>9,174</td> <td>8,882</td> <td>685</td> <td>9,567</td> </tr> <tr> <td>All</td> <td>533</td> <td>29,900</td> <td>29,064</td> <td>1,369</td> <td>30,433</td> </tr> </tbody> </table>		Part-time	Full-time	Permanent	Fixed-term/ temporary	Total	North America						Men	2	1,659	1,646	15	1,661	Women	1	1,123	1,109	15	1,124	Europe, Russia and Turkey						Men	127	6,631	6,467	291	6,758	Women	349	4,015	4,067	297	4,364	Africa						Men	1	3,768	3,655	114	3,769	Women	2	1,194	1,115	81	1,196	Latin America and Caribbean						Men	8	1,750	1,630	128	1,758	Women	25	998	952	71	1,023	Asia Pacific						Men	2	6,918	6,784	136	6,920	Women	16	1,844	1,639	221	1,860	Diageo (total)						Men	140	20,726	20,182	684	20,866	Women	393	9,174	8,882	685	9,567	All	533	29,900	29,064	1,369	30,433	◆
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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 102: General disclosures continued

ORGANISATIONAL PROFILE CONTINUED

Disclosure	Our response		
102-08 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, page 45. 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: <ul style="list-style-type: none"> • 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: <ol style="list-style-type: none"> 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, page 46.	◆
102-10 Significant changes to the organisation and its supply chain	The reporting organisation shall report the following information: <ol style="list-style-type: none"> a. Significant changes to the organisation’s size, structure, ownership, or supply chain, including: <ol style="list-style-type: none"> 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 116–118. For material organisational restructuring programmes, see Note 4 to the Financial statements in the Annual Report, pages 109–111. For changes in share capital structure, see Notes 15–17 to the Financial statements in the Annual Report, pages 129–139. 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 and packaging sourcing, particularly in Africa, which is having a material 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 76% 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 and other raw materials sourced locally. We are also increasing the volume of alternative crops such as sorghum and cassava. Details are included in the Sustainable supply chains section of the Annual Report, page 46.	◆
102-11 Precautionary principle or approach	The reporting organisation shall report the following information: <ol style="list-style-type: none"> 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 47–50.	◆

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 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 chain and broader human rights. These and the total results of this study are illustrated in the materiality matrix found on page 3 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

GRI 102: General disclosures continued

ETHICS AND INTEGRITY

Disclosure	Our response
<p>102-16 Values, principles, standards and norms of behaviour</p>	<p>The reporting organisation shall report the following information:</p> <p>a. A description of the organisation’s values, principles, standards and norms of behaviour.</p>
<p>102-17 Mechanisms for advice and concerns about ethics</p>	<p>The reporting organisation shall report the following information:</p> <p>a. A description of internal and external mechanisms for:</p> <p>i. seeking advice about ethical and lawful behaviour, and organisational integrity;</p> <p>ii. reporting concerns about unethical or unlawful behaviour, and organisational integrity.</p>

Diageo has a set of five values that are at the heart of our business in delivering Diageo’s Performance Ambition. ◆

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](#).

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 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. 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.

The website, www.diageospeakup.com, is available in 21 languages, and we have translators available for those who contact SpeakUp by telephone. All reports are forwarded to Diageo’s Global Risk & 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 51.

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 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 58–89. 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. ◆

How we have met each disclosure

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GRI 102: General disclosures continued

GOVERNANCE CONTINUED

Disclosure		Our response
<p>102-20</p> <p>Executive-level responsibility for economic, environmental and social topics</p>	<p>The reporting organisation shall report the following information:</p> <p>a. Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics</p> <p>b. Whether post holders report directly to the highest governance body.</p>	<p>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 who reports to the Executive Committee, is shared between members of Diageo’s Executive Committee, all of whom report to the Chief Executive. For example:</p> <ul style="list-style-type: none"> • 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.
<p>102-21</p> <p>Consulting stakeholders on economic, environmental and social topics</p>	<p>The reporting organisation shall report the following information:</p> <p>a. Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics</p> <p>b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body.</p>	<p>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.</p> <p>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 and Ethics function, who also summarise issues for Executive management.</p> <p>Wider external concerns are discussed periodically. For example, this year the Board discussed emerging strategy for Diageo’s stakeholder brand, considering issues such as reputational risk, sustainability and responsibility, and government relations; and the Executive Committee reviewed our approach to creating a more positive role for alcohol in society, one of our most material issues. There is also a quarterly review of reputational risk. Both include reviews of external stakeholder comment.</p> <p>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 to the results.</p>

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GRI 102: General disclosures continued

GOVERNANCE CONTINUED

Disclosure	Our response	
<p>102-22</p> <p>Composition of the highest governance body and its committees</p> <p>The reporting organisation shall report the following information:</p> <p>a. Composition of the highest governance body and its committees by:</p> <ul style="list-style-type: none"> 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. 	<p>The Board is normally made up of 12 members including the Chairman, two executive directors and nine non-executive directors, all of whom are independent. At publication of the 2017 Annual Report, there were seven non-executive directors, and four 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 58–89.</p>	◆
<p>102-23</p> <p>Chair of the highest governance body</p> <p>The reporting organisation shall report the following information:</p> <p>a. Whether the chair of the highest governance body is also an executive officer in the organisation</p> <p>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.</p>	<p>The Chairman of the Board is not counted as a non-executive director and is not independent by virtue of being the chairman, in accordance with section A3.1 of the UK Corporate Governance Code.</p>	◆
<p>102-24</p> <p>Nominating and selecting the highest governance body</p> <p>The reporting organisation shall report the following information:</p> <p>a. Nomination and selection processes for the highest governance body and its committees</p> <p>b. Criteria used for nominating and selecting highest governance body members, including whether and how:</p> <ul style="list-style-type: none"> 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. 	<p>The Nomination Committee – made up of all the independent 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 58–89.</p> <p>The terms of reference of all Board Committees are available on our website.</p>	◆

How we have met each disclosure

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GRI 102: General disclosures continued

GOVERNANCE CONTINUED

Disclosure		Our response	
102-25 Conflicts of interest	<p>The reporting organisation shall report the following information:</p> <p>a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed</p> <p>b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum:</p> <ul style="list-style-type: none"> i. cross-board membership; ii. cross-shareholding with suppliers and other stakeholders; iii. existence of controlling shareholder; iv. related party disclosures. 	<p>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. Further information is included in the Board of Directors section of the Corporate Governance report, pages 58–59.</p>	◆
102-26 Role of highest governance body in setting purpose, values, and strategy	<p>The reporting organisation shall report the following information:</p> <p>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.</p>	<p>Diageo's corporate vision 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.</p> <p>Progress against this Ambition is updated to the Executive Committee and Board as part of the Chief Executive's Report based on issues arising. Diageo's broader Sustainability & Responsibility Strategy and progress against this are discussed and signed off at Board level at least once a year.</p> <p>Policies are generally discussed and agreed at Executive Committee level, although select policies that represent material risk are signed off at Board level.</p>	◆
102-27 Collective knowledge of highest governance body	<p>The reporting organisation shall report the following information:</p> <p>a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.</p>	<p>Background reports are submitted throughout the year on various economic, environmental and social topics, some of which are discussed in detail in Board meetings.</p> <p>The Board is also responsible for reviewing Diageo's Annual Report which provides important contextual and performance information.</p> <p>The Audit Committee of the Board reviews and recommends approval of the Annual Report.</p>	◆
102-28 Evaluating the highest governance body's performance	<p>The reporting organisation shall report the following information:</p> <p>a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental and social topics</p> <p>b. Whether such evaluation is independent or not, and its frequency</p> <p>c. Whether such evaluation is a self-assessment</p> <p>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.</p>	<p>During the year, an evaluation of the Board's effectiveness, including the effectiveness of the Audit Committee, the Nomination Committee and the Remuneration Committee, was undertaken. Further detail is included in the Corporate Governance section of the Annual Report, pages 58–89.</p> <p>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.</p>	◆

How we have met each disclosure

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- ◇ Partially disclosed and missing at least one required indicator
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- ◇ Not considered material to our business at this time

GRI 102: General disclosures continued

GOVERNANCE CONTINUED			
Disclosure		Our response	
102-29 Identifying and managing economic, environmental, and social impacts	<p>The reporting organisation shall report the following information:</p> <p>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</p> <p>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.</p>	<p>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.</p> <p>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 twice a year in the Audit Committee.</p>	◆
102-30 Effectiveness of risk management processes	<p>The reporting organisation shall report the following information:</p> <p>a. Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental, and social topics.</p>	<p>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.</p> <p>These include risks on economic, environmental and social topics. 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 58–89.</p>	◆
102-31 Review of economic, environmental, and social topics	<p>The reporting organisation shall report the following information:</p> <p>a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.</p>	<p>The Audit Committee gets updates on risks twice a year. The Board is updated on the Sustainability & Responsibility Strategy and performance at least once a year. The Executive Committee discusses these issues more frequently.</p>	◆
102-32 Highest governance body's role in sustainability reporting	<p>The reporting organisation shall report the following information:</p> <p>a. The highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered.</p>	<p>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.</p>	◆
102-33 Communicating critical concerns	<p>The reporting organisation shall report the following information:</p> <p>a. Process for communicating critical concerns to the highest governance body.</p>	<p>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.</p> <p>Further detail can be found in the Corporate Governance section of the Annual Report, pages 58–89.</p>	◆
102-34 Nature and total number of critical concerns	<p>The reporting organisation shall report the following information:</p> <p>a. Total number and nature of critical concerns that were communicated to the highest governance body</p> <p>b. Mechanism(s) used to address and resolve critical concerns.</p>	<p>The Annual Report (page 25) identifies two areas of critical concern and the mechanisms used to address these.</p>	◆

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
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- ◇ Not considered material to our business at this time

GRI 102: General disclosures continued

GOVERNANCE CONTINUED			
Disclosure		Our response	
102-35 Remuneration policies	<p>The reporting organisation shall report the following information:</p> <p>a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration:</p> <p>i. fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares;</p> <p>ii. sign-on bonuses or recruitment incentive payments;</p> <p>iii. termination payments;</p> <p>iv. clawbacks;</p> <p>v. retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees.</p> <p>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.</p>	<p>Detailed remuneration policies are included in the Directors' Remuneration Report in the Annual Report, pages 68–87. As explained on page 68, remuneration is driven by both financial and individual business performance goals, which in some cases include social and environmental objectives.</p>	◆
102-36 Process for determining remuneration	<p>The reporting organisation shall report the following information:</p> <p>a. Process for determining remuneration</p> <p>b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management</p> <p>c. Any other relationships that the remuneration consultants have with the organisation.</p>	<p>Diageo's Remuneration Committee recommends senior and executive level remuneration. Key aspects are included in the Directors' Remuneration Report within the Annual Report, pages 68–87.</p>	◆
102-37 Stakeholders' involvement in remuneration	<p>The reporting organisation shall report the following information:</p> <p>a. How stakeholders' views are sought and taken into account regarding remuneration</p> <p>b. If applicable, the results of votes on remuneration policies and proposals.</p>	<p>As described in the Directors' Remuneration Report in the Annual Report, pages 68–87, the Remuneration Committee actively engages shareholders.</p> <p>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 2016 (most recent available data), 97.47% of shareholders voted to approve it.</p>	◆

How we have met each disclosure

- ◆ Fully disclosed as outlined by the GRI Sustainability Reporting Standards
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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

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 68–87. 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 76. ◆
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 68–87. 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 76. ◆
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, and in 2017, 43.6% of our employees were covered by collective bargaining agreements. ◆

How we have met each disclosure

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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

GRI 102: General disclosures continued

STAKEHOLDER ENGAGEMENT CONTINUED

Disclosure		Our response	
102-42 Identifying and selecting stakeholders	<p>The reporting organisation shall report the following information:</p> <p>a. The basis for identifying and selecting stakeholders with whom to engage.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Our principle is to continue to engage stakeholders on specific issues that matter both to them and to us. For example, in February 2017 we hosted a women’s empowerment ‘round table’ with the UK Government, peer companies and NGOs; and in March 2017 we convened a conference with peers and civil society on smallholder farming and how collaboration could improve social, economic and environmental considerations.</p> <p>Similarly, we also engaged farming communities within our supply chain, in Ethiopia, and in blind research programmes to get representative comments and insight into their perspectives on our farming support. Our Sourcing for Growth report summarised their comments and led to further development of our farming activity.</p>	◆
102-43 Approach to stakeholder engagement	<p>The reporting organisation shall report the following information:</p> <p>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.</p>	<p>We engage stakeholders at the global level – for example, a study of more than 40 global organisations that helped us define our material issues – 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. More information is included on our website.</p> <p>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.</p> <p>Both of these engagement programmes contribute to our strategy planning process.</p>	◆
102-44 Key topics and concerns raised	<p>The reporting organisation shall report the following information:</p> <p>a. Key topics and concerns that have been raised through stakeholder engagement, including:</p> <p>i. how the organisation has responded to those key topics and concerns, including through its reporting;</p> <p>ii. the stakeholder groups that raised each of the key topics and concerns.</p>	<p>Our materiality matrix (see page 3) was informed by stakeholder engagement in 2013 and 2015, ongoing review of stakeholder comments including our Corporate Relations engagement programme, financial analysis, and in light of more recent external developments including the UN Global Goals and Paris Climate Agreement. The latter examples raised specific areas of focus and delivery which we have included in the development of our 2020 targets and our S&R strategy. See pages 40–51 of the Annual Report.</p>	◆

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 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 on pages 90–155. Further detail on what entities are included and not included in our sustainability and responsibility reporting can be found on page 74 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 3 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 7–8 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, 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 chain; and broader human rights. These and the total results of this study are illustrated in the materiality matrix found on page 3 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 ₂ e 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 community investment Last year, we reported a community investment figure of £16.3 million. That figure has been restated at £14.3 million; this was the result of a currency conversion error.
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 74 . ◆

How we have met each disclosure

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- ◇ Partially disclosed and missing at least one required indicator
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- ◇ Not considered material to our business at this time

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 2017.	◆
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 2016.	◆
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'.	This report is aligned with the GRI principles. While it has not fully reached core compliance, we also report on many indicators solely required of a comprehensive report.	◆
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.	◆

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 102: General disclosures continued

REPORTING PRACTICE CONTINUED	
Disclosure	Our response
102-56 External assurance	<p>The reporting organisation shall report the following information:</p> <p>a. A description of the organisation's policy and current practice with regard to seeking external assurance for the report</p> <p>b. If the report has been externally assured:</p> <ol style="list-style-type: none"> 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.
	<p>Assurance policy and practice</p> <p>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. 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 2017. Information that is within PwC's limited scope is marked with the symbol Δ.</p> <p>External assurance report</p> <ul style="list-style-type: none"> • PwC LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2017. 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.

How we have met each disclosure

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GRI 103: Management approach**MATERIAL TOPICS AND THEIR BOUNDARIES**

Disclosure		Our response	
103-01	<p>Explanation of the material topic and its boundary</p> <p>For each material topic, the reporting organisation shall report the following information:</p> <ol style="list-style-type: none"> a. An explanation of why the topic is material b. The boundary for the material topic, which includes a description of: <ol style="list-style-type: none"> i. where the impacts occur; ii. the organisation's involvement with the impacts. For example, whether the organisation has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships c. Any specific limitation regarding the topic boundary. 	<p>The following GRI aspects are particularly material to our 143 supply sites in 28 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 and customer privacy which did not surface as material through our stakeholder study.</p> <p>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.</p>	◆

MANAGEMENT APPROACHES

Disclosure		Our response	
103-02	<p>The management approach and its components</p> <p>For each material topic, the reporting organisation shall report the following information:</p> <ol style="list-style-type: none"> a. An explanation of how the organisation manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component: <ol style="list-style-type: none"> i. policies; ii. commitments; iii. goals and targets; iv. responsibilities; v. resources; vi. grievance mechanisms; vii. specific actions, such as processes, projects, programmes and initiatives. 	See below.	◆

How we have met each disclosure

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GRI 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED			
Disclosure		Our response	
103-02	Marketing communications	We take very seriously our duty to develop, produce, market and sell our brands responsibly, and all our marketing is governed by our Marketing Code. Our Diageo Consumer Information Standard, refreshed in June 2016, provide 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 Diageo's Marketing Code , Quality Policy and the Diageo Consumer Information Standard .	◆
103-02	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, and our certification partner is DNV-GL (except for Turkey where it is LRQA). The programme includes production sites being certified to ISO 9001, and facilities that fill and pack product for sale being certified to FSSC 22000. More than 69% of our sites are certified, so we are now focusing on the others, which are more recent acquisitions. Exception: these figures exclude USL in India. Post-acquisition, our focus has been to ensure compliance with Diageo standards in the first instance. Our plan is to have all wholly owned USL sites certified to ISO 22000 by 2020. For more details, see our Quality Policy and our Marketing Code .	◆
103-02	Anti-competitive behaviour	We have an internal competition and anti-trust policy, the core principles of which are included in our Code of Business Conduct .	◆
103-02	Public policy	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. For more details on our approach to public policy, see our Code of Business Conduct . Our position on specific issues related to alcohol policy is included on our website .	◆
103-02	Anti-corruption	We have an internal Anti-Corruption Global Policy, whose core principles are included in our Code of Business Conduct .	◆
103-02	Assessment	Each year, all business units and functions are expected to carry out a compliance risk assessment, including consideration of human rights and corruption, and to develop mitigation plans for their most relevant risks. They are required to report on their progress to the Audit and Risk Committee. For more details, see the Our role in society section of our website, under How we manage compliance.	◆
103-02	Indigenous rights	We do not believe this is material to our business. We do, however, consider land rights in our human rights assessments.	◆
103-02	Security practices	Everyone at Diageo is expected to adopt a proactive, co-operative attitude towards the health, safety and security of colleagues, contractors, customers and suppliers, as well as others working at or visiting Diageo locations. It is our intention that everyone goes home safe, every day, everywhere. For more details, see Diageo's Code of Business Conduct .	◆

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GRI 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED			
Disclosure		Our response	
103-02	Freedom of association and collective bargaining	<p>We have a strong commitment to industrial dialogue, supporting the right of employees to join or not join a trade union as they prefer. We also expect this of our suppliers, as outlined in our Partnering with Suppliers Standard. This is a contractual requirement.</p> <p>In 2017, 43.6% 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.</p>	◆
103-02	Non-discrimination	<p>All our employees have the right to expect that their basic human identity and dignity are fully respected in the workplace and we reject any form of unfair discrimination. For more details, see our Human Rights and Anti-Discrimination Policy. We also expect this of our suppliers, as outlined in our Partnering with Suppliers Standard. This is a contractual requirement.</p>	◆
103-02	Training and education	<p>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.</p>	◆
103-02	Employment	<p>We employ 30,433 people around the world. 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.</p> <p>For more details, see the Our people section of the Annual Report, pages 44–45.</p> <p>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 – see Diageo's Human Rights and Anti-Discrimination Policy, and for suppliers – see our Partnering with Suppliers Standard.</p>	◆
103-02	Indirect economic impacts	<p>As a global business operating in many locations, Diageo has many indirect economic impacts on the communities in which we operate. We have taken the strategic decision to focus on the areas that are most material to the communities and the business. We have set ourselves ambitious targets to be reached by 2020 and have, over the course of the year, developed a Social Impact Framework. This will help us measure and report effectively on the impacts of our programmes and activities. For more details, see the Building thriving communities section of the Annual Report, pages 43–47.</p>	◆
103-02	Market presence	<p>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 on our market presence, see the Our global reach section of the Annual Report, page 6.</p>	◆
103-02	Economic performance	<p>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 strategy is designed to enable us to manage these impacts, mitigating risk and identifying opportunities to create shared value, appropriate for the communities in which we operate. For more details see the Building thriving communities section of the Annual Report, pages 43–47.</p>	◆

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GRI 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED		
Disclosure		Our response
103-02	Compliance	<p>Diageo has a sound corporate governance structure and a robust governance, risk and compliance programme, with our Code of Business Conduct at its centre.</p> <p>We train employees across the company about compliance with all standards and policies, including our Environment Policy, and conduct targeted interventions with managers and senior leaders to create a culture of integrity.</p> <p>For more details, see our website and the Governance and ethics section of the Annual report, page 51.</p>
103-02	Local communities	<p>We aim to strengthen our communities by providing great, 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.</p> <p>This includes our approach to delivering human rights throughout our value chain, community development programmes such as those supporting WASH, skills and female empowerment, in addition to reducing our environmental impact and ensuring alcohol plays a positive role in society.</p> <p>From the farmers who grow our ingredients, to our employees and contractors, to the consumers who buy our brands, we want to make sure we are a positive influence on society and the environment. Our 2020 targets address these areas, and are designed to create shared value while contributing broadly to the UN's Global Goals, as described in the Annual Report, pages 40–51. Our new Social Impact Framework is a critical tool for evaluating impact and focusing investment.</p> <p>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. Joining forces with governments, NGOs, suppliers, local communities, and our consumers means we can make an even greater contribution to socio-economic development around the world. 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 further information please see our website.</p>
103-02	Occupational health and safety	<p>Diageo maintains comprehensive best practice global risk management standards for occupational health and safety that apply to all our operations. Each location is:</p> <ul style="list-style-type: none"> • Required to assure compliance to these standards • Subject to regular formal corporate independent assurance audits • Required to maintain and assure legal compliance assessment processes. <p>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.</p> <p>For more details, see Diageo's Occupational Health and Safety Policy and our Introduction to Zero Harm.</p>
103-02	Investment	<p>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.</p> <p>Investment is authorised depending on scale by various business leaders, with the Executive Committee confirming the most significant investments.</p>

How we have met each disclosure

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GRI 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED	
Disclosure	Our response
103-02 Supplier assessment for impacts on society	<p>Our responsible sourcing programme follows a comprehensive but flexible process for identifying, assessing and managing social and ethical impacts in our supply chain: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process whereby suppliers assessed as a potential risk are required to register with SEDEX (a not-for-profit organisation that enables suppliers to share assessments and audits of ethical and responsible practices with their customers) and complete a SEDEX Self-Assessment Questionnaire; and independent audits of suppliers who represent a potential high risk.</p> <p>These audits follow the SMETA 4 Pillar Audit Protocol, or equivalent, covering health and safety, labour standards, environment and business ethics.</p> <p>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.</p> <p>For more details, see the Sustainable supply chains section of the Annual Report, pages 46–47.</p>

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GRI 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED

Disclosure	Our response
<p>103-02</p> <p>Supplier human rights assessment</p>	<p>Our Code of Business Conduct and Human Rights Policy are agreed by our Chief Executive, who reports directly to the Board. Responsibility for delivery is shared between members of Diageo’s Executive Committee, all of whom report to the Chief Executive. Discussions at Executive and Board level cover emerging aspects of human rights and our delivery of them as appropriate.</p> <p>The day-to-day delivery of our Code and human rights policy is everybody’s responsibility. All of our teams receive routine training on our Code. Our Executive, senior business leaders and functional specialists lead the agenda, and assess risks, emerging issues, compliance and remediation within our routine business processes.</p> <p>We have developed a programme to assess human rights throughout our business and end-to-end value chain. This is prioritised based upon risk assessment, reflecting external awareness of human rights risks by geography and issue, and our own assessments of our value chain. This risk assessment is an ongoing process and reacts to emerging human and labour rights issues.</p> <p>Our human rights assessments include our own operations and those of our suppliers, including primary producers such as farmers, and the consumer markets where we operate. A local level risk assessment considers risks in the immediate market. We consider all aspects of human rights during our assessment programme, both through focused assessments and through our routine engagement with key areas of our value chain such as agriculture.</p> <p>The programme is progressively addressing all of our markets, and is undertaken by specialists in human rights alongside our own teams. 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. Our programme engages with the different stakeholders in our value chain, identifying those potentially affected by human rights risks.</p> <p>For more information, see our Human Rights Policy and Annual Report, page 43.</p> <p>We have been signatories to the UN Guiding Principles on Business and Human Rights (UNGPR) since 2014 and continue to embed human rights throughout our value chain, using our robust and comprehensive Human Rights Impact Assessment (HRIA) in our markets, prioritised by risk and based on a global mapping process.</p> <p>We aim to conduct HRIsAs in all markets by 2020. In 2017, we carried out HRIsAs in Uganda, Mexico, Brazil, Turkey, Thailand, and Ghana.</p> <p>In line with the UNGPR, we have identified issues that are particularly salient to our business: labour rights, including the risk of child labour, especially in agricultural supply networks; land rights; 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. 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 such as these are often systemic, we will also work with others to address them at scale.</p> <p>In addition, we manage social and ethical risks in our supply chain, focusing on labour human rights through our responsible sourcing programme described above and in our Partnering with Suppliers Standard.</p>

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GRI 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED

Disclosure		Our response	
103-02	Supplier assessment for labour practices	<p>As outlined above, we manage social and ethical risks in our supply chain through our responsible sourcing programme, which includes a specific focus on labour standards and practices.</p> <p>This comprehensive but flexible programme is embedded across our procurement function and includes: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process whereby suppliers that represent a potential risk are required to register with SEDEX (a not-for-profit organisation that enables suppliers to share assessments and audits of ethical and responsible practices with their customers) and complete a SEDEX Self-Assessment Questionnaire; and independent audits of suppliers who represent a potential high risk.</p> <p>These audits follow the SMETA 4 Pillar Audit Protocol, or equivalent, covering health and safety, labour standards, environment and business ethics.</p> <p>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.</p> <p>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.</p> <p>Within this Standard we set out our commitment to acting in accordance with the UN Guiding Principles on Business and Human Rights and the international standards set out by the eight core International Labour Organisation (ILO) conventions and recommendations. We expect our suppliers to act in accordance with these principles and commitments, and the minimum standards set out in our Standard. In addition, 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 and demonstrate applicable compliance standards.</p>	◆
103-02	Procurement practices	<p>Our procurement practices require suppliers to be assessed as described above as part of their listing. All suppliers are required to meet the minimum requirements set out in our Partnering with Suppliers Standard, which is a minimum contractual requirement.</p>	◆
103-02	Customer privacy	<p>Diageo holds personal data about employees, customers and suppliers, consumers and other individuals, including prospective and former employees. We aim to protect all such personal information that we handle in our business activities. For more details, see the data privacy section in our Code of Business Conduct.</p>	◆
103-02	Grievance mechanisms for impacts on society	<p>We advertise our third-party helpline, SpeakUp, to suppliers through our Partnering with Suppliers Standard.</p> <p>Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms</p> <p>There were 701 suspected breaches of our Code reported this year, of which 281 were subsequently substantiated. Of the suspected breaches, 282 were reported through SpeakUp, compared with 311 in 2016. All identified breaches are taken very seriously and those that require action are investigated by trained investigators.</p> <p>For more details see the Governance and ethics section of the Annual Report, page 51.</p> <p>Omissions: we do not disclose how each individual grievance is resolved since this may compromise the anonymity of those involved.</p>	◇

How we have met each disclosure

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GRI 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED

Disclosure	Human rights grievance mechanism	Our response	
103-02	Human rights grievance mechanism	<p>We have a global standard for managing breaches that provides guidance to those involved in the process to ensure it is managed effectively.</p> <p>We have a confidential whistleblowing line, SpeakUp, which allows people to raise human rights grievances, alongside our website where people outside our value chain can raise grievances.</p> <p>In 2017, seven human rights grievances were raised with us via SpeakUp, one of which we have highlighted in the Annual Report on page 18. Of the seven, two were not substantiated on investigation, three are still under review, and two were substantiated. These two related to the treatment of contractors hired through external agencies who tend to support us during peak times. We had already identified treatment of contracted labour as a concern through our HRIA programme. We are working with sub-contracted labour agencies to tackle this risk and are reviewing our overall approach to prevent future issues.</p> <p>All grievances and allegations are taken seriously and we investigate those that require action. We monitor breaches to identify trends or common areas where further action may be required. We do not tolerate reprisals or repercussions against anybody raising a grievance, including within our wider supply chain. Personnel receive specific training in human rights risks where their role may bring them into specific areas of risk, for example procurement and farming teams.</p> <p>Where appropriate, we share anonymous case studies of breaches of different areas of our Code of Business Conduct with employees so that they can learn from them. However, we do not share absolute numbers of grievances of human rights impacts either internally or externally.</p>	◆
103-02	Labour practices grievance mechanisms	<p>Employees within our own operations or within those of our suppliers can raise concerns with their HR business partner. In addition, both employees and suppliers have access to our confidential whistleblowing hotline, SpeakUp, to file grievances. More information about our approach to managing the issues collected through this and other grievance mechanisms can be found in the Governance and ethics section of the Annual Report, page 51.</p> <p>Omissions: where appropriate, we share anonymous case studies of breaches of different areas of our Code of Business Conduct with employees so that they can learn from them; however, we do not share absolute numbers of grievances on labour practices either internally or externally to protect employee confidentiality.</p>	◇
103-02	Environmental grievance mechanisms	<p>Environmental grievances, mainly attributable to dust and noise levels, are dealt with on a case-by-case basis at local site level and escalated as appropriate.</p> <p>Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms</p> <p>During the reporting year, 15 grievances about environmental impacts were filed. All were addressed and 14 were resolved through formal grievance mechanisms. There were 13 grievances about environmental impacts filed last year that were resolved this year.</p>	◆

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 103: Management approach continued

MANAGEMENT APPROACHES CONTINUED

Disclosure	Our response	
103-02	<p>Supplier environmental assessment</p> <p>We work with suppliers on environmental issues principally through our involvement with the CDP (formerly known as the Carbon Disclosure Project) climate change and water supply chain programmes. 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.</p> <p>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.</p> <p>For more details on our approach to environmental management with suppliers, see Diageo’s Partnering with Suppliers Standard, revised last year to include our expectations of suppliers on carbon and water management, as well as sustainable agriculture.</p>	◆
103-02	<p>Materials</p> <p>We aim to manage the environmental impacts of our packaging and agricultural raw materials. As part of our 2020 targets, we have four targets for packaging:</p> <ul style="list-style-type: none"> • 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. <p>For more details see the Environment section of the Annual Report, page 47–50, and our Environment Policy. We also have a sustainable agriculture strategy which is explained in the Sustainable supply chains section of the Annual Report, page 46.</p>	◆

EVALUATION OF THE MANAGEMENT APPROACH

Disclosure	Our response	
103-03	<p>For each material topic, the reporting organisation shall report the following information:</p> <p>a. An explanation of how the organisation evaluates the management approach, including:</p> <ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach. 	◆

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 103: Management approach continued**EVALUATION OF THE MANAGEMENT APPROACH** CONTINUED

Disclosure		Our response	
103-03	Assessment	<p>The Corporate Compliance team routinely assesses the management controls in all markets and functions through independent assessment of management activity against delivery of our strategy and all policies. Assessments are undertaken routinely and prioritised by risk. Each assessment requires timebound and verified mitigation actions to address failings or strengthen management approaches to delivery. All reports are shared with senior leadership of the market and function, and Executive Committee members. An annual summary of overall performance is reported to the Executive Committee and to the Audit and Risk Committee.</p> <p>Examples of mitigation activity include strengthening of reporting and recording on metrics tracking programme and strategy delivery, and increased focus on training on our Code of Business Conduct.</p>	◆
103-03	Security practices	<p>We operate security programmes at all sites, to protect our personnel, products (including tampering and counterfeiting) and wider assets such as data and information. This is co-ordinated by dedicated security teams, operating internationally and locally, who also provide training to all personnel on security measures.</p> <p>Security risks are routinely reviewed and are communicated to build global awareness.</p>	◆
103-03	Freedom of association and collective bargaining	<p>We respect our employees' choice to join or not join a trade union or other organisations of their choice and 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 to facilitate the representation of employees' interests.</p> <p>Within our value chain, we require our suppliers and business partners to do similarly.</p> <p>We review this through our own internal reviews and with suppliers via our supplier assessment process described above. Reviews include input from trade unions and any feedback we receive through SpeakUp or other engagement mechanisms.</p> <p>For more details, see our Human Rights Policy.</p>	◆
103-03	Non-discrimination	<p>Every employee and person we work with is entitled to human rights without discrimination. In all aspects of employment, we treat employees justly according to their abilities to meet the requirements of the 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.</p> <p>We provide a harassment-free environment that promotes openness, teamwork and trust. We will not tolerate employees being subject to physical, sexual, racial, psychological, verbal, or any other form of harassment, bullying or abuse.</p> <p>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.</p> <p>We evaluate this through internal review and response to feedback received through external formal processes (although none was received in 2017). Our evaluation includes input from SpeakUp and other engagement mechanisms. This year's review did not require us to make any significant adjustments to our approach.</p> <p>For more details, see our Human Rights Policy.</p>	◆

How we have met each disclosure

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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

GRI 103: Management approach continued**EVALUATION OF THE MANAGEMENT APPROACH** CONTINUED

Disclosure		Our response	
103-03	Training and education	Diageo operates a performance management and development process for all employees, which evaluates ongoing performance against an annual set of objectives and also identifies areas for capability development. This is supported by extensive internal and external training programmes. Functions develop training needs, and analyse and review talent development to support succession planning, and identify areas of training need. As a result of these reviews, training has been developed and implemented to strengthen leadership community and also on specific areas such as human rights as a result of these reviews.	◆
103-03	Employment	<p>We want our people to be engaged – passionate about our strategy, connected to our values and purpose, and motivated to perform at their best as advocates of our brands. We measure employee engagement as one of our overarching KPIs, as set out in our Annual Report on page 9, using our annual employee Values Survey to measure how engaged our people are. This year we launched an improved survey format, reducing the number of questions from 40 to 15, simplifying the process for employees and delivering more focus. While our engagement metrics are unchanged, this has led to a change in the way we measure other aspects of performance, described on pages 45–46 in the Annual Report.</p> <p>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. In addition, Human Resources continue to review policies and standards that are designed to strengthen employment standards while also strengthening our reputation as an employer. This improves employee retention alongside attracting new talent to the business.</p>	◆
103-03	Indirect economic impacts	Indirect economic impacts are reviewed as part of strategy development and risk management, and are reported to the Executive Committee and the Board. For example, the indirect increase to farmer livelihoods supports our African supply network and was evaluated in our Sourcing for Growth report.	◆
103-03	Market presence	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. Extension of activity in mainstream spirits was developed as result of this review.	◆
103-03	Economic performance	<p>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.</p> <p>Where necessary, activities are developed or adapted to improve performance against stated targets. One example of this is the approach on productivity with savings being made throughout the organisation to the value of £500 million to enable reinvestment in new activities to strengthen growth.</p>	◆

How we have met each disclosure

- ◆ Fully disclosed as outlined by the GRI Sustainability Reporting Standards
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GRI 103: Management approach continued**EVALUATION OF THE MANAGEMENT APPROACH** CONTINUED

Disclosure		Our response	
103-03	Compliance	<p>The Compliance function evaluates compliance through auditing and reviewing compliance systems, training activity and mechanisms such as the SpeakUp helpline. All audits are reported to the Executive Committee member responsible and the Chief Financial Officer. The Executive Committee routinely reviews the outcomes of audits, compliance with required processes and training, and the details of grievances raised through the SpeakUp helpline. These areas are also reviewed by the Compliance & Risk Committee of the Board.</p> <p>Reviews have led to further training on our Code of Business Conduct, as noted in the Annual Report, page 51.</p>	◆
103-03	Marketing communications	<p>The efficacy of marketing communications is reviewed by market-based teams, including general management, as well as the global brand teams and global marketing function.</p> <p>Reviews lead to more focused advertising, and new creative campaigns.</p> <p>Our Corporate Relations function also reviews marketing communications for compliance with the Diageo Marketing Code. Where communications are in breach of the Code, they are revised appropriately.</p>	◆
103-03	Customer health and safety	<p>Site performance on customer health and safety is assessed through audit and review of ongoing performance indicators, including external certification, both by site leadership and international supply chain leadership.</p> <p>This can be on a daily basis for some indicators at site level.</p> <p>Remedial action is put in place through the quality management system and can involve development of infrastructure and processes. An example of this is the investment in the USL sites in India to support external certification to international standards.</p>	◆
103-03	Local communities	<p>Local community engagement and programmes are reviewed by the Corporate Relations team in markets and internationally, using the Social Impact Framework to consider the impact created and how this can be improved.</p> <p>The revised S&R strategy has refocused community activity on key priorities, new partnerships to better deliver targets and impact, stronger impact metrics and improved communications internally and externally that also support delivery of the UN Global Goals. More detail is included in the Annual Report, pages 43–47.</p>	◆
103-03	Occupational health and safety	<p>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 on a monthly basis. These are also reviewed at the Executive Committee.</p> <p>We take action as necessary to improve our performance, with measures such as training, improvements to processes and investments in assets. For example, we invested in our USL sites in India to support external certification to international standards.</p>	◆
103-03	Materials	<p>Materials are assessed continuously which may lead to their rejection. They are reviewed at site, function and international level. Supplier performance is contingent on effective material delivery to required specification and procurement and quality teams liaise with suppliers to improve adherence to specification.</p>	◆
103-03	Investment	<p>Investment in activities is based on the development of a business case to deliver both economic indicators and wider business strategy. 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.</p>	◆

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GRI 103: Management approach continued**EVALUATION OF THE MANAGEMENT APPROACH** CONTINUED

Disclosure		Our response	
103-03	Supplier assessment for impacts on society	Suppliers are assessed for their impacts on society, and the results of this are reviewed by the procurement teams, considering any issues of non-compliance within audits. While specific issues of non-compliance are acted on as part of the audit process, this review enables the identification of trends leading to revised standards. Individual suppliers may be deselected in the event of a review highlighting failure to resolve issues of non-compliance.	◆
103-03	Supplier human rights assessment	Suppliers are assessed for their human rights impacts within the human rights impact assessment process described previously and within the Annual Report. A review by the procurement and corporate relations teams and the Human Rights Steering Committee identified trends and established mitigation actions, such as shared approaches on child protection to prevent risk of child labour.	◆
103-03	Supplier assessment for labour practices	Suppliers are assessed for their performance on labour standards, and the results of this are reviewed by the procurement teams, considering any issues of non-compliance found during an audit. This also includes performance on the SEDEX system as described above. While specific issues of non-compliance are acted upon as part of the audit process, this review also enables the identification of trends leading to revised standards. Individual suppliers may be deselected in the event of a review highlighting failure to resolve issues of non-compliance.	◆
103-03	Procurement practices	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.	◆
103-03	Anti-competitive behaviour	Our Code of Business Conduct includes the requirement to adhere to standards with regards anti-competitive behaviour. Compliance against our Code of Business Conduct is assessed by audits of all functions by the compliance team and by review of the completion of training against the Code. Audits lead to a report that identifies time-bound remedial actions and recommendations for improvement. These are reviewed by market and function management and relevant Executive Committee members. Completion of training against the Code is assessed and followed up to ensure all training is completed as required. Review of both the audits undertaken and the training programme by the Compliance team is reported to the Executive Committee and the Board and has resulted in strengthened training activity as described in the Annual Report.	◆
103-03	Public policy	Engagement in public policy is managed through the Corporate Relations team, based on risk assessment of activities and support for delivering market and business strategy, including for example engagement on alcohol in society, government/regulatory or fiscal policy. This risk assessment and the opportunities it raises are reviewed by the team 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 and Audit and Risk Committees as part of overall corporate risk management activity. Reviews have led to an increased emphasis on tax regulation and a review of alcohol in society strategy as noted previously.	◆

How we have met each disclosure

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GRI 103: Management approach continued**EVALUATION OF THE MANAGEMENT APPROACH** CONTINUED

Disclosure		Our response	
103-03	Anti-corruption	<p>The compliance team reviews the adoption and delivery of our Code of Business Conduct, considering completion of training of the Code, and audits of activity in all markets and functions assessing their compliance with the Code and delivery against strategy and all policies. The results of this audit programme are reviewed by the compliance team, the Audit and Risk Committee and the Executive Committee to assess overall compliance. The reviews have led to reinforced training on the Code and ensuring that all new employees complete the training within 30 days of joining Diageo.</p> <p>For more information see our Code of Business Conduct.</p>	◆
103-03	Customer privacy	<p>Our Code of Business Conduct and Data Privacy Policy outline the controls and management for data to ensure customer privacy is maintained. The Corporate Compliance function reviews the adoption and delivery of our Code of Business Conduct, considering completion of training of the Code, and audits of activity including data privacy in all markets and functions. Issues may also be raised through our SpeakUp helpline. Audits and issues are reviewed, with remedial action being instigated as appropriate, and through the audit process including via the Audit and Risk Committee and Executive Committee.</p> <p>For more information, see our Code of Business Conduct.</p>	◆
103-03	Grievance mechanisms for impacts on society	<p>Grievance mechanisms for impacts on society are supported through our SpeakUp helpline and website, which can be accessed by employees or by those in our value chain. Where issues are raised, we are committed to protecting the rights of those reporting concerns, and we do not tolerate reprisal against anyone who raises anything in good faith or where they have assisted an investigation.</p> <p>We track and routinely review our grievance mechanisms, along with any feedback on them, developing our approach to improve the process where practical. We will also engage with local judicial or non-judicial grievance mechanisms to address matters.</p> <p>Our reviews have led to the development of additional controls on land rights, embedded within our Partnering with Suppliers standard.</p>	◆
103-03	Human rights grievance mechanism	<p>Grievance mechanisms for human rights issues are supported through our SpeakUp helpline and website which can be accessed by employees, those in our value chain and any interested stakeholders. Where concerns are raised, we are committed to protecting the rights of those reporting matters, and we do not tolerate reprisal against anyone who raises anything in good faith or where they have assisted an investigation.</p> <p>We track and routinely review these mechanisms, along with any feedback on them, developing our approach to improve the process where practical. We will also engage with local judicial or non-judicial grievance mechanisms to address matters.</p> <p>Our own reviews have led to further training for key personnel and farmers in our agricultural supply chain on key issues such as child protection.</p>	◆

How we have met each disclosure

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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

GRI 103: Management approach continued**EVALUATION OF THE MANAGEMENT APPROACH** CONTINUED

Disclosure		Our response	
103-03	Labour practices grievance mechanisms	<p>Grievance mechanisms for labour practices are supported through our SpeakUp helpline and website, which can be accessed by employees or by those in our value chain. Where issues are raised, we are committed to protecting the rights of those reporting concerns, and we do not tolerate reprisal against anyone who raises anything in good faith or where they have assisted an investigation.</p> <p>In addition, we review assessments and non-compliances from the SEDEX SMETA supplier assessment system.</p> <p>We track and routinely review these mechanisms, along with any feedback on them, developing our approach to improve the process where practical.</p> <p>Our reviews have led to additional resource to support labour practices within our supply chain, to work closely with the SEDEX SMETA activity and suppliers to assess and strengthen compliance with labour standards.</p>	◆
103-03	Environmental grievance mechanisms	<p>Grievance mechanisms for environmental issues are supported through our SpeakUp helpline and website, which can be accessed by employees, those in our value chain and any interested stakeholders.</p> <p>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.</p>	◆
103-03	Supplier environmental assessment	<p>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.</p> <p>Environmental performance is reviewed by the procurement function, which reports to the Executive Environmental Working group which meets quarterly to review environmental performance. Mitigation activities are developed as appropriate.</p>	◆
103-03	Indigenous rights	<p>We do not consider this material to our business. We do, however, consider land rights in our human rights assessments.</p>	◇

GRI Index

Topic-specific standards

How we have met each disclosure

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GRI 200: Economic

ECONOMIC PERFORMANCE

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 (£6.5 billion), taxes (£7.4 billion), employee salaries and benefits (£1.6 billion), payments to providers of capital (£2.9 billion), and community investment (£9 million). Tax paid contains all cash tax paid of the company excluding £1 billion of VAT. Omissions: we do not currently break down direct economic value by local market. <small>1. Data is presented on a cash basis.</small>	◆
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, page 15. Total environmental protection expenditure was approximately £10 million which was spent on fuel conversions and wastewater handling particularly in USL in India and finalisation of projects on the recovery of biogas and conversions to renewable fuels.	◆
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. The majority 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. 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, page 123. 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 113 and 121 respectively. Omissions: this information is not broken down by country.	◆

MARKET PRESENCE

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 71% of our senior leaders come from the market in which they work. We strive to cultivate a diverse leadership base 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 by gender and across markets. This is reflected in the vibrant mix of 99 different nationalities at Diageo.	◆

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 200: Economic continued**INDIRECT ECONOMIC IMPACTS**

Disclosure		Our response	
203-01	Infrastructure investments and services supported	<p>Our Water of Life programme (to bring access to clean water, better sanitation, and education around hygiene to those who need it) contributes in some places to the development of local infrastructure. We have increasingly prioritised communities in close proximity to our operations and communities from which we source our local raw materials.</p> <p>This year we funded a number of WASH infrastructure projects across India and Africa, including in Kenya, Uganda, Tanzania, Ghana, Cameroon and Nigeria. For example, in Nsawam in the Eastern Region of Ghana we installed a small water treatment plant with reverse osmosis and ultra-violet filtration processes. This gave more than 10,000 people access to safe drinking water. And, in Uganda we built public toilet facilities for the Port Bell Market, benefiting more than 5,000 residents.</p>	◆
203-02	Significant indirect economic impacts	<p>Diageo has a diverse array of indirect economic impacts associated with its business relationships and community investment projects. Details of how Diageo contributes 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.</p> <p>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 this, we know that an average of 70% of the 123,000 young adults who participated in over 90 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).</p> <p>This year we completed an impact assessment study on our Learning for Life programme in Scotland, to get 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.</p> <p>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.</p> <p>Plan W, our programme to empower women, has reached over 300,000 women to date through initiatives such as education and skills training programmes. Through Plan W, we have also trained 43,215 men. Overall, we estimate that the programme has had a positive impact on a further 1,700,000 people (estimated as five contacts per individual reached).</p>	◆

PROCUREMENT PRACTICES

Disclosure		Our response	
204-01	Proportion of spending on local suppliers	<p>We estimate that more than 90% of our raw material volume is dedicated to 'in-country' suppliers for our sites in the following locations: Brazil, India, Ireland/United Kingdom and Turkey. For our sites in Africa, 76% of agricultural raw material volume used in our operations comes from suppliers based in the continent, and more than 95% of packaging is sourced locally.</p>	◆

How we have met each disclosure

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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

GRI 200: Economic continued**ANTI-CORRUPTION**

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. Omissions: risks related to corruption identified through risk assessment.	◇
205-02	Communication and training about anti-corruption policies and procedures	Our compliance programme has taken a risk-based approach to anti-corruption communication and training. Illustrative examples of content include our third-party business partner due diligence programmes, and trade incentives guidelines. Omissions: specific numbers and percentage of employees receiving training.	◇
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, entitled Contingent liabilities and legal proceedings, pages 140–142. Omissions: any non-public incidents are not reported.	◆

ANTI-COMPETITIVE BEHAVIOUR

Disclosure		Our response	
206-01	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	We have a global competition and anti-trust policy, the core principles of which are in our Code of Business Conduct . Omissions: we do not disclose details of regulatory investigations or sanctions. This is commercially sensitive information.	◇

GRI 300: Environmental**MATERIALS**

Disclosure		Our response	
301-01	Materials used by weight or volume	This year, we used approximately 1.5 million tonnes of agricultural raw materials like 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, 41% of the materials used in our packaging were recycled input materials, an increase of 1% since last year.	◆

How we have met each disclosure

- ◆ Fully disclosed as outlined by the GRI Sustainability Reporting Standards
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- ◇ Not considered material to our business at this time

GRI 300: Environmental continued

MATERIALS CONTINUED

Disclosure	Our response																												
301-03	<p>Reclaimed products and their packaging materials</p> <p>Recycling/recovery rates¹ for primary packaging categories² ◆</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>Market</th> <th>Recovery rate (%)</th> </tr> </thead> <tbody> <tr><td>North America</td><td>33</td></tr> <tr><td>Great Britain</td><td>61</td></tr> <tr><td>Kenya</td><td>No published data</td></tr> <tr><td>Nigeria</td><td>No published data</td></tr> <tr><td>Republic of Ireland</td><td>75</td></tr> <tr><td>Brazil</td><td>47</td></tr> <tr><td>South Africa</td><td>25</td></tr> <tr><td>Germany</td><td>81</td></tr> <tr><td>Greece</td><td>24</td></tr> <tr><td>Australia</td><td>44</td></tr> <tr><td>Italy</td><td>74</td></tr> <tr><td>Venezuela</td><td>25</td></tr> <tr><td>Spain</td><td>57</td></tr> </tbody> </table> <p>1. Estimated consumer recycling of primary packaging. 2. Primary packaging categories include glass, aluminium, paper and board.</p>	Market	Recovery rate (%)	North America	33	Great Britain	61	Kenya	No published data	Nigeria	No published data	Republic of Ireland	75	Brazil	47	South Africa	25	Germany	81	Greece	24	Australia	44	Italy	74	Venezuela	25	Spain	57
Market	Recovery rate (%)																												
North America	33																												
Great Britain	61																												
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Greece	24																												
Australia	44																												
Italy	74																												
Venezuela	25																												
Spain	57																												

ENERGY

Disclosure	Our response															
302-01	<p>Energy consumption within the organisation</p> <p>Here we report renewable and non-renewable direct energy consumption for the last three years in addition to our baseline year of 2007. ◆</p> <p>Renewable and non-renewable direct energy consumption (TJ)^{1,2}</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>Year</th> <th>Renewable energy source (TJ)</th> <th>Non-renewable energy source (TJ)</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>431</td> <td>13,833</td> </tr> <tr> <td>2015</td> <td>3,281</td> <td>10,500</td> </tr> <tr> <td>2016</td> <td>2,993</td> <td>9,487</td> </tr> <tr> <td>2017</td> <td>3,490</td> <td>8,862</td> </tr> </tbody> </table> <p>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 2016, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies.</p> <p>Omissions: the breakdown of energy consumption by heating, cooling and steam is not included here as currently this level of detail is unavailable with the inherent complexity of heat recovery systems.</p>	Year	Renewable energy source (TJ)	Non-renewable energy source (TJ)	2007	431	13,833	2015	3,281	10,500	2016	2,993	9,487	2017	3,490	8,862
Year	Renewable energy source (TJ)	Non-renewable energy source (TJ)														
2007	431	13,833														
2015	3,281	10,500														
2016	2,993	9,487														
2017	3,490	8,862														

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 300: Environmental continued

ENERGY CONTINUED

Disclosure	Our response															
302-02	<p>Energy consumption outside of the organisation</p> <p>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. Road and rail transport uses approximately 5.6 million gigajoules per year, and chilling and refrigeration equipment uses approximately 1.2 million gigajoules per year.</p>															
302-03	<p>Energy intensity</p> <p>Here we report renewable and non-renewable direct energy consumption for the last three years in addition to our baseline year of 2007.</p> <p>Direct and indirect energy efficiency (MJ/litre packaged)^{1,2,3}</p> <table border="1"> <caption>Direct and indirect energy efficiency (MJ/litre packaged)</caption> <thead> <tr> <th>Year</th> <th>Direct</th> <th>Indirect</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>3.5</td> <td>0.5</td> </tr> <tr> <td>2015</td> <td>3.5</td> <td>0.4</td> </tr> <tr> <td>2016</td> <td>3.0</td> <td>0.4</td> </tr> <tr> <td>2017</td> <td>2.9</td> <td>0.4</td> </tr> </tbody> </table> <p> ■ Direct ■ Indirect </p> <p> 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 2016, 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. </p>	Year	Direct	Indirect	2007	3.5	0.5	2015	3.5	0.4	2016	3.0	0.4	2017	2.9	0.4
Year	Direct	Indirect														
2007	3.5	0.5														
2015	3.5	0.4														
2016	3.0	0.4														
2017	2.9	0.4														
302-04	<p>Reduction of energy consumption</p> <p>This year energy consumption from fuel, electricity, heating, cooling and steam reduced by 0.5% compared with 2016 as a result of energy efficiency gains and some impact from production patterns in the most energy intensive area of the business, malt and grain whisky distillation. Boundaries and methodologies can be found on pages 75–78 of this Performance Addendum.</p>															
302-05	<p>Reductions in energy requirements of products and services</p> <p>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.</p>															

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 300: Environmental continued

WATER

Disclosure	Our response
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303-01	Water withdrawal by source	Water withdrawal by source by region (m³) ◆			
		Region	Mains water¹	Ground (borehole/well)	Surface water (river/lake)
		North America	1,254,077	615,949	467,694
		Europe, Russia and Turkey	3,301,849	3,869,650	891,887
		Africa	3,302,462	4,131,116	466,919
		Latin America and Caribbean	22,576	188,491	91,439
		Asia Pacific	769,251	537,920	863,389
		Corporate	173,010	27,725	0
		Total	8,823,224	9,370,851	2,781,328

Standards and methodologies are included on pages 75–78 of this Performance Addendum.

1. Data includes 63,011m³ of water given to communities.

303-02	Water sources significantly affected by withdrawal of water	We have identified 38 sites as being in water-stressed areas. These are indicated in the map in the Market dynamics section of the Annual Report, page 15. ◆
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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	5
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	17
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	20
The water source has been identified as having high biodiversity value (such as species diversity and endemism, total number of protected species)	18
The water source has been identified as having a high value or importance to local communities and indigenous peoples	Not evaluated

303-03	Water recycled and reused	The volume of water recycled or reused was 1,169,696m ³ , representing 5.6% of total water withdrawals. ◆
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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 300: Environmental continued

BIODIVERSITY		
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. ◆

Sites or land owned by Diageo situated in or near to areas of high biodiversity value

Site	Type of operation	Protected status of area	Position in relation to area of high biodiversity value				Biodiversity value attribute
			Inside	Adjacent	Near	Close	
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		●			
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				●	

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 300: Environmental continued**BIODIVERSITY CONTINUED****Sites or land owned by Diageo situated in or near to areas of high biodiversity value**

Site	Type of operation	Protected status of area	Position in relation to area of high biodiversity value				Biodiversity value attribute
			Inside	Adjacent	Near	Close	
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			●		
St Croix, USVI	Distilling	C.I. Biodiversity Hotspot	●				Terrestrial, Marine Ecosystem
		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				●	

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 300: Environmental continued**BIODIVERSITY** CONTINUED**Sites or land owned by Diageo situated in or near to 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	
Auchroisk, Scotland	Distilling	IUCN Category I-IV, Natura 2000			●		Terrestrial, Freshwater
		Ramsar, Key Biodiversity Area				●	
Benrines, 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, Natura 2000, Key Biodiversity Area				●	
Broxburn, Scotland	Distilling	Ramsar, Natura 2000, IUCN Category I-IV, Natura 2000, Key Biodiversity Area				●	Terrestrial, Freshwater
Burghead, Scotland	Malting	IUCN 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 Category I-IV, Natura 2000			●		Terrestrial, Freshwater
		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 300: Environmental continued**BIODIVERSITY** CONTINUED**Sites or land owned by Diageo situated in or near to 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	
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				●	
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: <20km to boundary of protected area

Protected area designations

- Alliance for Zero Extinction: www.zeroextinction.org
- C.I. (Conservation International) Biodiversity Hotspot: www.conservation.org/How/Pages/Hotspots.aspx
- IUCN (International Union for Conservation of Nature) Categories I-VI: www.iucn.org
- 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: ec.europa.eu/environment/nature/natura2000/index_en.htm
- Ramsar: www.ramsar.org
- World Heritage Site: whc.unesco.org/en/list

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

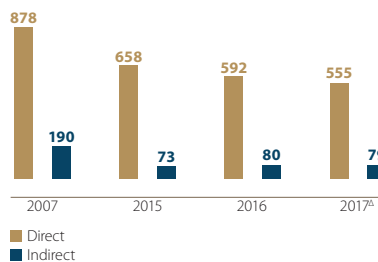
GRI 300: Environmental continued

BIODIVERSITY CONTINUED			
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, over the last three years we have been working in partnership with WWF and the National Forest Authority in Uganda to reforest more than 100 acres of the Navugulu Central Forest, and have planted 3,000 trees as part of the Kijani Tree Planting Initiative at Mount Kenya in partnership with Nature Kenya. On a smaller scale, 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 2017. 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.	◆

EMISSIONS		
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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 618,000 tonnes CO ₂ e; our total indirect location-based GHG emissions were 191,000 tonnes CO ₂ e (i.e. applying grid average emissions factors).	◆

Direct and indirect GHG emissions (market-based) ('000 tonnes CO₂e)^{1,2}



1. CO₂e figures are calculated using the WRI/WBCSD GHG Protocol Guidance available at the beginning of our financial year; the kWh/CO₂ 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 2016, 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 82–83.

For reporting methodologies, please see pages 75–78 of this Performance Addendum.

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 300: Environmental continued**EMISSIONS CONTINUED**

Disclosure	Our response																								
305-03	<p>Other indirect (Scope 3) GHG emissions</p> <table border="1"> <thead> <tr> <th>Sources of Scope 3 GHG¹ emissions</th> <th>Metric tonnes CO₂e (fiscal year 2016)²</th> </tr> </thead> <tbody> <tr> <td>Purchased goods and services</td> <td>1,770,327</td> </tr> <tr> <td>Capital goods</td> <td>319,032</td> </tr> <tr> <td>Fuel- and energy-related activities (not included in Scope 1 or 2)</td> <td>162,704</td> </tr> <tr> <td>Upstream transportation and distribution</td> <td>268,944^Δ</td> </tr> <tr> <td>Waste generated in operations</td> <td>112</td> </tr> <tr> <td>Business travel</td> <td>26,736</td> </tr> <tr> <td>Employee commuting</td> <td>29,688</td> </tr> </tbody> </table> <p>1. The principal greenhouse gas is carbon dioxide; others include HCFCs and nitrous oxide (N₂O) 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 2016. This figure has been reproduced here.</p>	Sources of Scope 3 GHG ¹ emissions	Metric tonnes CO ₂ e (fiscal year 2016) ²	Purchased goods and services	1,770,327	Capital goods	319,032	Fuel- and energy-related activities (not included in Scope 1 or 2)	162,704	Upstream transportation and distribution	268,944 ^Δ	Waste generated in operations	112	Business travel	26,736	Employee commuting	29,688								
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Waste generated in operations	112																								
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304-04	<p>GHG emissions intensity</p> <p>The market-based (net) intensity ratio of our GHG emissions was 150g CO₂e per litre of packaged product^Δ (2016 – 162g/l) and the location-based (gross) intensity ratio of our GHG emissions was 191g CO₂e per litre of packaged product^Δ (2016 – 202g/l). For reporting methodologies, including methods of calculation, please see pages 75–78 of this Performance Addendum.</p> <p>^Δ Within PwC's limited assurance scope, see pages 82–83.</p>																								
304-05	<p>Reduction of GHG emissions</p> <p>This year we reduced GHG emissions by 5.6% compared with 2016. For more details, see the Environment section of the Annual Report, pages 47–50. For reporting methodologies, please see pages 75–78 of this Performance Addendum.</p>																								
305-06	<p>Emissions of ozone-depleting substances</p> <p>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.</p> <p>Ozone-depleting substances and fluorinated gases</p> <table border="1"> <thead> <tr> <th></th> <th>Present (kg)</th> <th>Emitted (kg)</th> <th>Emissions CO₂e (tonnes)</th> </tr> </thead> <tbody> <tr> <td>Halons</td> <td>105</td> <td>0</td> <td>0</td> </tr> <tr> <td>CFC</td> <td>41</td> <td>1</td> <td>5</td> </tr> <tr> <td>HCFC</td> <td>7,663</td> <td>787</td> <td>1,425</td> </tr> <tr> <td>HFC</td> <td>18,630</td> <td>1,115</td> <td>2,765</td> </tr> <tr> <td>SF₆</td> <td>8</td> <td>0</td> <td>0</td> </tr> </tbody> </table>		Present (kg)	Emitted (kg)	Emissions CO ₂ e (tonnes)	Halons	105	0	0	CFC	41	1	5	HCFC	7,663	787	1,425	HFC	18,630	1,115	2,765	SF ₆	8	0	0
	Present (kg)	Emitted (kg)	Emissions CO ₂ e (tonnes)																						
Halons	105	0	0																						
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HCFC	7,663	787	1,425																						
HFC	18,630	1,115	2,765																						
SF ₆	8	0	0																						
305-07	<p>Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions</p> <p>The use of fuel and the distillation of alcohol generate emissions which have impacts on the environment. In 2017, we emitted 1.041kt of nitrogen oxides (NOx) and 0.838kt 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, used to flavour some of our brands. These emissions are measured but are minimal to our overall total NOx/SOx levels, which remain low compared with background NOx and SOx data.</p> <p>NOx and SOx emissions by year (kt)</p> <table border="1"> <thead> <tr> <th></th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>NOx (tonne)</td> <td>1.156</td> <td>1.035</td> <td>1.041</td> </tr> <tr> <td>SOx (tonne)</td> <td>1.033</td> <td>0.943</td> <td>0.838</td> </tr> </tbody> </table>		2015	2016	2017	NOx (tonne)	1.156	1.035	1.041	SOx (tonne)	1.033	0.943	0.838												
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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 300: Environmental continued**EFFLUENT AND WASTE**

Disclosure		Our response
306-01	Water discharge by quality and destination	In 2017, total effluent volume was 14,906,212m ³ and total BOD was 18,172 tonnes of which 17,969 ^A 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	0.8	0.1
Third-party municipal	38.6	2.3
Land	14.3	0.3
River	20.7	0.7
Sea	23.7	96.6
Wetland	1.9	0
Total	100	100

Wastewater polluting power by region, by year (BOD/tonnes)¹

	2007	2015	2016	2017
North America	242	13	101	276
Europe, Russia and Turkey	22,927	31,543	19,494	17,613
Africa	9,970	670	436	181
Latin America and Caribbean	11	50	48	38
Asia Pacific	95	489	299	64
Total	33,245	32,765	20,378	18,172
Total under direct control	32,415	32,535	20,099	17,969 ^A

1. 2007 baseline data and data for each of the intervening years in the period ended 30 June 2016 have been restated in accordance with Diageo's environmental reporting methodologies.

△ Within PwC's limited assurance scope, see pages 82–83.

For standards and methodologies, see pages 75–78 of this Performance Addendum.

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

Wastewater treatment by method

In 2017, 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. 30% of sites also sent wastewater to offsite treatment facilities, and this represents less than 1.2% of final BOD to the environment.

Treatment method	Percentage of sites using treatment method	Volume (m ³) of effluent by treatment method
Aerobic treatment	36	5,721,734
Anaerobic treatment	22	5,492,621
pH balance	34	7,248,562
Filtration	64	6,832,404
Reverse osmosis	8	1,940,841
Settling area	12	2,146,494
Stabilisation ponds	7	1,496,002
Other	0	0

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 300: Environmental continued**EFFLUENT AND WASTE** CONTINUED

Disclosure		Our response																																	
306-02	Waste by type and disposal method	Total weight of waste by type and disposal method¹ (tonnes)	◆																																
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		<p>1. This information is collected both by Diageo and by our waste disposal contractors.</p> <p>Δ Within PwC's limited assurance scope, see pages 82–83.</p>																																	
		Hazardous waste, reused, recycled and sent to landfill (tonnes)																																	
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306-03	Significant spills	There were nine spills or incidents during the reporting year, totalling approximately 87,430 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

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- ◇ Partially disclosed and missing at least one required indicator
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GRI 300: Environmental continued**ENVIRONMENTAL COMPLIANCE**

Disclosure		Our response	
307-01	Non-compliance with environmental laws and regulations	There were eight incidents of non-compliance with environmental consents this year, resulting in a total of £110,235 in fines. No cases were brought through dispute resolution mechanisms.	◆

SUPPLIER ENVIRONMENTAL ASSESSMENT

Disclosure		Our response	
308-01	New suppliers that were screened using environmental criteria	Our screening process for suppliers focuses primarily on human rights and labour standards risk, however any suppliers considered to have potential risks are then required to join SEDEX and complete a questionnaire which contains environmental elements.	◆
308-02	Negative environmental impacts in the supply chain and actions taken	<p>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 involvement in the CDP Supply Chain programme.</p> <p>We identified 155 suppliers to partner with to manage the carbon footprint of our supply chain, which accounts 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 155 suppliers, 93% responded to the CDP questionnaire, with 48% of those reporting that they have an emissions reduction target in place. This year we introduced a new performance review system for suppliers, which enables us to analyse and assess the Scope 3 emissions our suppliers report to CDP, and work with suppliers to improve performance and drive further emissions reductions.</p> <p>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. In partnership with the CDP, this year we asked 107 of our largest suppliers to disclose their water management practices through the CDP water supply chain programme. Of the 77% of suppliers that responded, 54% reported having a reduction target in place. We are now conducting a water risk mapping exercise of the sites of our key suppliers so that we can better understand the water impact of our supply chain, and then directly support suppliers including with a comprehensive water stewardship guide.</p> <p>Omissions: percentage of suppliers with which improvements were agreed as a result of assessments; environmental impacts other than carbon emissions and water.</p>	◇

How we have met each disclosure

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GRI 400: Social**EMPLOYMENT**

Disclosure		Our response																																																																																																	
401-01	New employee hires and employee turnover	<p>Diageo employs 30,433 people around the world. In 2017 we hired a total of 4,457 permanent employees – a mix of external (74.8%) and internal (25.2%) hires.</p> <p>Employee turnover in 2017 was 17.1%. Turnover was a result of both voluntary departures and those stemming from our productivity drive, which was part of our organisation effectiveness initiatives.</p> <p>New hires by region by age¹</p> <table border="1"> <thead> <tr> <th></th> <th>Under 30</th> <th>30-50</th> <th>50+</th> <th>Total</th> <th>Percentage of regional headcount</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td>177</td> <td>215</td> <td>42</td> <td>434</td> <td>15.6</td> </tr> <tr> <td>Europe, Russia and Turkey</td> <td>839</td> <td>655</td> <td>54</td> <td>1,548</td> <td>14.0</td> </tr> <tr> <td>Africa</td> <td>280</td> <td>268</td> <td>11</td> <td>559</td> <td>11.3</td> </tr> <tr> <td>Latin America and Caribbean</td> <td>266</td> <td>210</td> <td>6</td> <td>482</td> <td>17.3</td> </tr> <tr> <td>Asia Pacific</td> <td>672</td> <td>756</td> <td>6</td> <td>1,434</td> <td>16.3</td> </tr> <tr> <td>Total</td> <td>2,234</td> <td>2,104</td> <td>119</td> <td>4,457</td> <td>14.6</td> </tr> <tr> <td>Percentage of total new hires</td> <td>50.1</td> <td>47.2</td> <td>2.7</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>Leavers by region by age¹</p> <table border="1"> <thead> <tr> <th></th> <th>Under 30</th> <th>30-50</th> <th>50+</th> <th>Total</th> <th>Percentage of regional headcount</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td>72</td> <td>208</td> <td>103</td> <td>383</td> <td>13.8</td> </tr> <tr> <td>Europe, Russia and Turkey</td> <td>517</td> <td>903</td> <td>283</td> <td>1,703</td> <td>15.3</td> </tr> <tr> <td>Africa</td> <td>220</td> <td>698</td> <td>134</td> <td>1,052</td> <td>21.2</td> </tr> <tr> <td>Latin America and Caribbean</td> <td>271</td> <td>460</td> <td>68</td> <td>799</td> <td>28.7</td> </tr> <tr> <td>Asia Pacific</td> <td>248</td> <td>859</td> <td>165</td> <td>1,272</td> <td>14.5</td> </tr> <tr> <td>Total</td> <td>1,328</td> <td>3,128</td> <td>753</td> <td>5,209</td> <td>17.1</td> </tr> <tr> <td>Percentage of total leavers</td> <td>25.4</td> <td>60.0</td> <td>14.5</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table>		Under 30	30-50	50+	Total	Percentage of regional headcount	North America	177	215	42	434	15.6	Europe, Russia and Turkey	839	655	54	1,548	14.0	Africa	280	268	11	559	11.3	Latin America and Caribbean	266	210	6	482	17.3	Asia Pacific	672	756	6	1,434	16.3	Total	2,234	2,104	119	4,457	14.6	Percentage of total new hires	50.1	47.2	2.7	N/A	N/A		Under 30	30-50	50+	Total	Percentage of regional headcount	North America	72	208	103	383	13.8	Europe, Russia and Turkey	517	903	283	1,703	15.3	Africa	220	698	134	1,052	21.2	Latin America and Caribbean	271	460	68	799	28.7	Asia Pacific	248	859	165	1,272	14.5	Total	1,328	3,128	753	5,209	17.1	Percentage of total leavers	25.4	60.0	14.5	N/A	N/A	◆
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How we have met each disclosure

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GRI 400: Social continued**EMPLOYMENT** CONTINUED

Disclosure		Our response																																									
401-01 continued	New employee hires and employee turnover continued	Leavers by region by gender¹	◆																																								
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		<p>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.</p> <p>Total workforce by employees and supervised workers, and by gender This information is included in the Our people section of the Annual Report, pages 44–45.</p> <p>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:</p> <ul style="list-style-type: none"> • 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	We do not currently collect this data at a global level.	◇																																								

LABOUR/MANAGEMENT RELATIONS

Disclosure		Our response	
402-01	Minimum notice periods regarding operational changes	Minimum notice periods vary by country and range from two to 12 weeks, during which we try to find people other employment within our business, while meeting contractual or legal obligations. We give redundancy or severance support in line with local policy. We also offer training, which varies by market, to help those who leave Diageo to find other employment. Where we have collective agreements, notice periods are specified.	◆

How we have met each disclosure

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- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
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GRI 400: Social continued**OCCUPATIONAL HEALTH AND SAFETY**

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	<p>Fatalities We are saddened to report that this year a contractor was fatally injured at work in India. For more details, see the Our people section of the Annual Report, pages 44–45.</p> <p>Lost-time accident (LTA) frequency rate Our global LTA frequency rate was 1.14, a reduction of 21% compared with 2016. This rate is represented 78% by men and 22% by women. For rates by region and year since 2012, see the Our people section of the Annual Report, page 45.</p> <p>Safety data by region, and gender</p> <table border="1"> <thead> <tr> <th></th> <th>Employee LTA rate</th> <th>Fatalities¹</th> <th>Days lost per 1,000 FTEs</th> <th>Independent contractor LTAs²</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td>0.70</td> <td>0</td> <td>20.6</td> <td>2</td> </tr> <tr> <td>Europe, Russia and Turkey³</td> <td>1.46</td> <td>0</td> <td>73.0</td> <td>10</td> </tr> <tr> <td>Africa</td> <td>1.26</td> <td>0</td> <td>17.0</td> <td>9</td> </tr> <tr> <td>Latin America and Caribbean</td> <td>1.79</td> <td>0</td> <td>62.1</td> <td>0</td> </tr> <tr> <td>Asia Pacific</td> <td>0.81</td> <td>1</td> <td>19.3</td> <td>6</td> </tr> <tr> <td>Diageo (total)</td> <td>1.14^Δ</td> <td>1</td> <td>36.0</td> <td>27</td> </tr> </tbody> </table> <p>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. 3. Europe, Russia and Turkey data include the International Supply Centre, which was reported separately in previous years. Δ Within PwC's limited assurance scope, see pages 82–83.</p>		Employee LTA rate	Fatalities ¹	Days lost per 1,000 FTEs	Independent contractor LTAs ²	North America	0.70	0	20.6	2	Europe, Russia and Turkey ³	1.46	0	73.0	10	Africa	1.26	0	17.0	9	Latin America and Caribbean	1.79	0	62.1	0	Asia Pacific	0.81	1	19.3	6	Diageo (total)	1.14 ^Δ	1	36.0	27
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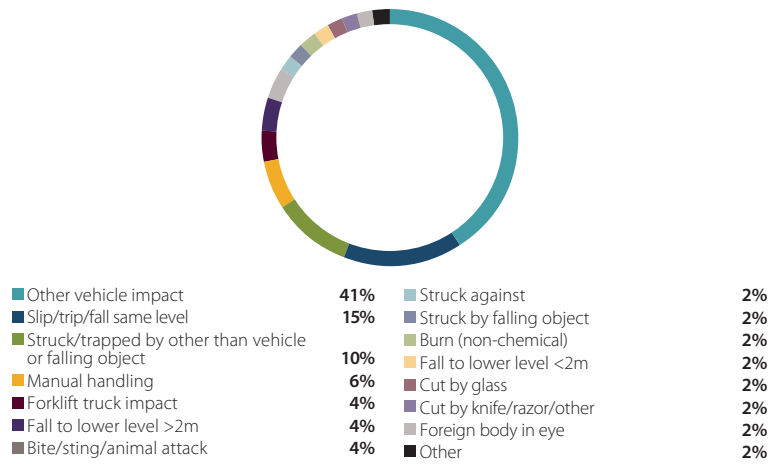
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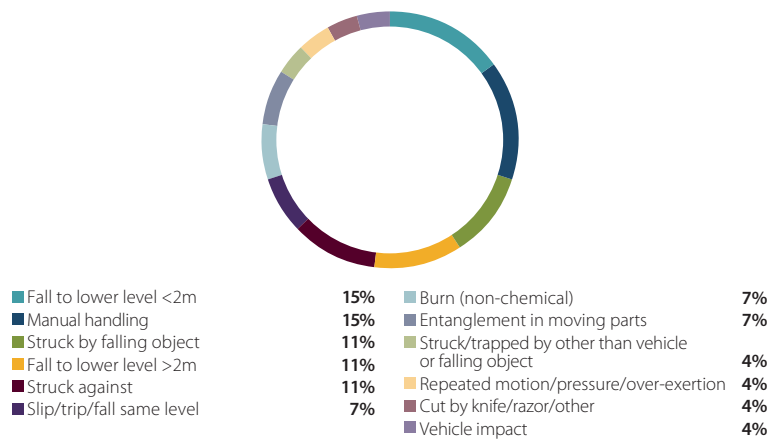
GRI 400: Social continued

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) % ◆



Types of injury (contractor) %



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.

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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	<p>Internal data protection/privacy policies and national regulations prevent the recording or disclosure of many communicable 'serious diseases' as defined in the G4 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.</p> <p>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. A global occupational health resource is now in place, with a plan to develop and embed globally consistent KPIs, and additional global occupational health standards and processes in 2018.</p>
403-04 Health and safety topics covered in formal agreements with trade unions	<p>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.</p>

TRAINING AND EDUCATION

Disclosure	Our response
404-01 Average hours of training per year per employee	<p>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.</p> <p>This year the system recorded 641,484 hours in total, an average of approximately 29 hours per employee of the 22,194 employees recorded in the system.</p> <p>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.</p> <p>Omissions: our system is not set up to record training hours per employee by gender.</p>

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 400: Social continued

TRAINING AND EDUCATION CONTINUED

Disclosure	Our response	
<p>404-02</p> <p>Programmes for upgrading employee skills and transition assistance programmes</p>	<p>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.</p> <p>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.</p> <p>Training and development programmes and interventions that we provided in 2017 include:</p> <ul style="list-style-type: none"> • Our global on-boarding programme, which provides new hires with a robust introduction and induction to Diageo – who we are, what we stand for, our brands, our ways of working, our legacy. It complements local, functional and role-specific on-boarding activity. • LEAP (Lead, Empower, Apply and Perform), Diageo’s global leadership programme targeted at mid-level managers. It focuses on developing leadership capabilities for senior roles. • The Amazing People Manager Programme is a blended learning experience for people managers in Diageo and includes all information required for an end-to-end employee experience – from managing resources and bringing on board a new employee, to managing conversations about career development and reward. This has a suite of different interventions and includes a blend of online learning courses, forums and formal face-to-face sessions. • The Everyday Leadership Hub provides tools and resources for employees to develop their leadership and personal effectiveness skills and is designed to be used alongside the functional capability frameworks to enhance Partners for Growth (P4G) and development conversations. • Commercial programmes, such as Licence to Sell, Licence to Coach, and Customer Marketing Foundation are aimed at embedding core selling and coaching skills. • The Manufacturing Excellence (ManEx) programme is an improvement system within manufacturing and has been a key driver of productivity across our supply chain. The programme can be credited with providing employees with clear, measurable targets to go after. <p>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.</p>	<p>◆</p>
<p>404-03</p> <p>Percentage of employees receiving regular performance and career development reviews</p>	<p>In 2017, 85.6% of our employees across the world received regular performance reviews.</p> <p>Omissions: data by gender and by employee category.</p>	<p>◇</p>

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 400: Social continued**DIVERSITY AND EQUAL OPPORTUNITY**

Disclosure		Our response	
405-01	Diversity of governance bodies and employees	<p>Women make up 30% of our senior management across the Company¹, 40% of our Executive Committee and 40% of our Board.</p> <p>Further employee profile information by gender is included in the Our people section of the Annual Report, page 45.</p> <p>The global nature of our business encourages diversity in leadership. We estimate that 71% of our senior leaders come from the market in which they work. We strive to cultivate a diverse leadership base 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 across genders and markets. This is reflected in the vibrant mix of 99 different nationalities at Diageo.</p> <p>Omission: employee profile information by age and specific group.</p> <p><small>1. Top leadership positions in Diageo below our Executive Committee.</small></p>	◆
405-02	Ratio of basic salary and remuneration of women to men	We do not currently collect this data at a global level.	◇

NON-DISCRIMINATION

Disclosure		Our response	
406-01	Incidents of discrimination and corrective actions taken	Where appropriate, we share anonymous case studies of breaches of different areas of our Code of Business Conduct with employees so that they can learn from them; however, we do not share absolute numbers nor confidential details of the incidents either internally or externally.	◇

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Disclosure		Our response	
407-01	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<p>Operations</p> <p>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.</p> <p>Suppliers</p> <p>Our review of Diageo-commissioned supplier audits (157) raised 15 issues of non-compliance related to the category of freedom of association and collective bargaining. Ten of these issues related to the lack of a worker representative committee; three concerned the lack of a formal policy; one related to the lack of training for worker representatives; and another to the lack of a collective bargaining agreement. At the time of writing, 14 of the issues of non-compliance had not yet been verified as closed and we are following up with the suppliers to ensure the issues are resolved.</p>	◆

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 400: Social continued**CHILD LABOUR**

Disclosure		Our response	
408-01	Operations and suppliers at significant risk for incidents of child labour	<p>Operations</p> <p>Our due diligence approach focuses on child labour and is one of the areas that our human rights impact assessment robustly investigates.</p> <p>We have reviewed higher risk areas of our supply network, including agricultural supply chains in Africa, 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 are developing child protection awareness programmes for both farming supply networks and the personnel who are involved with them.</p> <p>Suppliers</p> <p>Our review of Diageo-commissioned supplier audits (157) raised four issues of non-compliance under the category of children and young workers. All four issues relate to the lack of a formal policy at the supplier's facility in relation to child labour. At the time of writing the four issues of non-compliance had not yet been verified as closed and we are following up with the suppliers to ensure the issues are resolved.</p>	◆

FORCED OR COMPULSORY LABOUR

Disclosure		Our response	
409-01	Operations and suppliers at significant risk for incidents of forced or compulsory labour	<p>Our due diligence approach focuses on forced and compulsory labour and is one of the areas that our human rights impact assessment robustly investigates.</p> <p>Operations</p> <p>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.</p> <p>Suppliers</p> <p>Our review of Diageo-commissioned supplier audits (157) raised eight issues of non-compliance related to the SMETA audit section 'freely chosen employment'. Five of the issues concerned the lack of policy. Two related to suppliers keeping original documents belonging to employees rather than photocopies; and one related to employees being required to pay for uniforms. At the time of writing, six of these issues of non-compliance had not yet been verified as closed and we are following up with the suppliers to ensure the issues are resolved.</p>	◆

SECURITY PRACTICES

Disclosure		Our response	
410-01	Security personnel trained in human rights policies or procedures	<p>We do not record this data since our security staff contracts vary by market, some being direct employees, and others, third-party contractors. However we expect 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.</p> <p>As highlighted in the Annual Report, security personnel in Cameroon have been trained in aspects of human rights in response to a grievance raised about treatment of contractor personnel.</p>	◇

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- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

GRI 400: Social continued**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 assessments.	◇

HUMAN RIGHTS ASSESSMENT

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 UN Guiding Principles for Business and Human Rights, 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 Uganda, Mexico, Brazil, Turkey, Thailand, and Ghana, following our first assessment in Kenya in 2016. Details of our approach are included in 103-02. Our assessments cover all parts of the value chain from farm to sale. This year, employees received refresher training on our Code of Business Conduct , which covers human rights, along with other policies and standards most 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.	◆

LOCAL COMMUNITIES

Disclosure		Our response	
413-01	Operations with local community engagement, impact assessments, and development programmes	Our Social Impact Framework, which assesses impact of our programmes is applied to all community programmes. These programmes include key resource provision on water and sanitation, skills and empowerment, and alcohol in society, as described in the Annual Report, page 44.	◆
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 S&R review section of the Annual Report pages 40–51.	◆

How we have met each disclosure

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- ◇ Partially disclosed and missing at least one required indicator
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GRI 400: Social continued

SUPPLIER SOCIAL ASSESSMENT

Disclosure	Our response
<p>414-01</p> <p>New suppliers that were screened using social criteria</p>	<p>Human rights 100% of new suppliers for procurement-managed spend went through the screening process described in the supplier human rights assessment. This process includes screening for human rights.</p> <p>Labour For procurement-managed spend, 100% of new suppliers went through an initial screening process as described in the labour practices assessment section.</p> <p>Social 100% of new suppliers of procurement-managed spend went through the screening process described in the supplier assessment for impacts on society in areas such as labour standards including legal compliance on issues such as pay. This process includes screening for impacts on society.</p>
<p>414-02</p> <p>Negative social impacts in the supply chain and actions taken</p>	<p>Labour/social All suppliers determined to be a potential risk are required to register with SEDEX, and to complete the SEDEX self-assessment questionnaire. To date, 1,356 of the company's supplier sites assessed as a potential risk have registered with SEDEX, up from 1,181 last year. Of these, 1,224 have fully completed a SEDEX self-assessment questionnaire, up from 1,061 in 2016. In addition, 415 supplier sites' SEDEX membership has lapsed, meaning we are unable to view their site data. We are working with these suppliers to request they renew their membership, or we will disconnect on SEDEX from those with whom we no longer have a commercial relationship.</p> <p>Suppliers who represent a potential high risk (424) are flagged to be independently audited against the SEDEX Members Ethical Trade Audit (SMETA) 4 pillar audit protocol or equivalent. Of these, 274 (65%) were independently audited during the last three years; audits were commissioned by Diageo (157), or accessed through SEDEX and AIM-PROGRESS (117). With regard to the 157 audits commissioned by Diageo, a total of 1,115 issues of non-compliance were raised, with the majority relating to health, safety, and hygiene issues, and with just over 10% of issues falling under the category of wages and benefits. We are working with our suppliers to resolve them, and, where required, arrange follow-up audits to verify the issues have been closed.</p> <p>Merchandising materials remain one of our highest risk categories, because they are often 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, no relationships have been terminated due to negative impacts that surfaced as a result of our reviews.</p> <p>Human rights We commissioned 157 and obtained 117 audits for 274 of our direct suppliers this year, representing 65% of suppliers assessed as a potential high risk. With regards to the 157 audits commissioned by Diageo (which consider human rights), a total of 1,115 issues of non-compliance were raised, with the majority relating to health, safety, and hygiene, and with just over 10% of issues falling under the category of wages and benefits. We are working with our suppliers to resolve them and, where required, arrange follow-up audits to verify the issues have been closed.</p>

How we have met each disclosure

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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

GRI 400: Social continued

PUBLIC POLICY			
Disclosure		Our response	
415-01	Political contributions	The group has not given any money for political purposes in the United Kingdom and made no donations to EU political organisations and incurred no EU political expenditure during the year. The group made contributions to non-EU political parties totalling £0.4 million during the year (2016: £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 the group and its views on commercial matters, as well as a generally improved business environment.	◆
CUSTOMER HEALTH AND SAFETY			
Disclosure		Our response	
416-01	Assessment of the health and safety impacts of product and service categories	All our products are subject to sampling which includes inspections for defects. These include critical defects which relate to product safety and legislative requirements. We continue to see significant improvement in defects with overall defects for 2017 showing a 60% improvement on 2016.	◆
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 400: Social continued

MARKETING AND LABELLING		
Disclosure		Our response
417-01	Requirements for product and service information and labelling	<p>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.</p> <ul style="list-style-type: none"> • 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: as required by the Global Beer, Wine and Spirits Producers' Commitments (see our website), by 2017 all our products must carry at least one but up to three responsible drinking symbols. We have been working towards this in all markets, and are confident that most of our products do meet this requirement, although we cannot verify that through our systems at present. We are working towards a more robust means of measurement so that we can report fully in due course. • 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 Standards; 100% of our products comply with this requirement, with the exception of USL which does not use the Mobius loop on its product labelling. <p>All our products are covered by and assessed for compliance with the procedures set out in the second to fourth bullet points above.</p>
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, Diageo received one substantiated complaint about advertising standards. For more details, and for industry complaints as a whole, see the Annual Report, page 42. ◆
CUSTOMER PRIVACY		
Disclosure		Our response
418-01	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Although not considered a material issue, there were no such complaints. ◆
SOCIOECONOMIC COMPLIANCE		
Disclosure		Our response
419-01	Non-compliance with laws and regulations in the social and economic area	£33 million was charged to exceptional items in respect of a Turkish Competition Authority investigation into certain of Mey Icki's trading practices in Turkey. ◆

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.

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Implementing the 10 principles into strategies and operations		
1	Mainstreaming into corporate functions and business units	<p>This year we continued our efforts to embed 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.</p> <p>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.</p> <p>Progress has continued towards the 2020 targets in all areas. Details are noted within the Annual Report, pages 40–51. There has been further development of our alcohol in society programmes, which have now generated over 1,000,000 ambassadors for responsible drinking. We have seen further activity on drink driving through a new partnership with the United Nations Institute for Training and Research (UNITAR), and through our Join the Pact campaign, which has enlisted over three million commitments never to drink and drive. We have developed our community programmes, including engaging with brand teams, such as the work by Smirnoff on Learning for Life and inclusion.</p> <p>We have strengthened metrics and measurement, with the implementation of a new impact recording tool that ensures our Social Impact Framework is applied to all programmes, and that data on impact is recorded. This simplifies reporting and better aligns individual programme metrics to the 2020 targets. In parallel, we have carried out a number of deep-dive impact research projects into key issues such as agricultural programmes and Learning for Life both to develop the programmes’ impact delivery 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.</p> <p>Key S&R 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 and this is described in the section on Market dynamics 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 within the Annual Report.</p> <p>Additionally, the GRI general standard disclosures on pages 7–66 of this Performance Addendum explain how we manage our Sustainability & Responsibility Strategy.</p>
2	Value chain implementation	<p>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.</p> <p>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. Our community empowerment initiatives include flagship programmes, such as Learning for Life, which leverage 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 Review in the Annual Report, pages 40–51.</p>

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Robust human rights management policies and procedures	3 Robust commitments, strategies or policies in the area of human rights	<p>We have committed to act in accordance with the UN Guiding Principles on Business and Human Rights by 2020. Our global Human Rights 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.</p> <p>Our Human Rights 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, and rights to water and sanitation, delivered through our Diageo Water Blueprint, our community programmes such as Water of Life, and our Partnering with Suppliers Standard.</p> <p>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 UN Guiding Principles on Business and Human Rights. Our Human Rights 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.</p>
4	Effective management systems to integrate human rights principles	<p>We have a clear Human Rights 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 on joining Diageo has to complete training about our Code and key policies (such as human rights). 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 covering our key policies, which is delivered through locally organised, risk-based training.</p> <p>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 have been prioritised by risk, initially at an international level and then within the local market context. For more information please see page 43 of our Annual Report.</p>

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
<p>Robust human rights management policies and procedures (continued)</p>	<p>5 Effective monitoring and evaluation mechanisms of human rights integration</p>	<p>In 2017 we have fully implemented our Human Rights Impact Assessment programme, following trials in 2016. This has led to six market assessments, in Uganda, Mexico, Brazil, Turkey, Thailand, and Ghana, covering all aspects of the value chain from raw materials to consumption. It focused initially on locations that we assessed as being the highest risk in terms of human rights. This programme will continue with the intent of assessing all markets by 2020, and with trends identified to date being communicated along with common mitigation activity. Further details are noted above and within the Annual Report in the Sustainability & Responsibility Review, page 43.</p> <p>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.</p> <p>Our human rights assessments include our own operations and those of our suppliers, including primary producers such as farmers, and the consumer markets where we operate. A local level risk assessment considers risks in the immediate market. We consider all aspects of human rights during our assessment programme, both through focused assessments and through our routine engagement with key areas of our value chain such as agriculture.</p> <p>The programme is undertaken by specialists in human rights alongside our own teams. We 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. Our programme engages with the different stakeholders in our value chain, identifying those potentially affected by human rights risks.</p> <p>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; land rights; 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. Nonetheless, we are focusing resources on awareness programmes around child protection, measures to protect workers, including seasonal contract workers and sales teams working in bars, and measures to strengthen land rights. Because human rights issues such as these are often systemic, we will also work with others to address them at scale.</p> <p>In addition, we manage social and ethical risks in our supply chain, focusing on labour human rights through our responsible sourcing programme described above and in our Partnering with Suppliers Standard.</p> <p>Our comprehensive risk and compliance programme is outlined on page 51 of the Annual Report. It includes risk management, monitoring auditing and reporting, enforcement and incentives, and controls. The Sustainable supply chains section on page 46 explains our approach with suppliers.</p>

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Robust labour management policies and procedures		
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 Occupational Health and Safety Global 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 44–45, which discusses how we manage issues such as diversity, health and safety, and engagement. The Sustainable supply chains section on page 46 explains how we manage labour issues in our supply chain.
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 44–45.
8	Effective monitoring and evaluation mechanisms of labour principles integration	Our risk and compliance programme, referenced above, also applies to labour issues, with our SpeakUp programme providing a key review process, as outlined in the Annual Report, page 51. 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 in each case.
Robust environmental management policies and procedures		
9	Robust commitments, strategies or policies in the area of environmental stewardship	Our Environment Policy outlines our commitment to reducing our impact on the environment. We have 10 environment targets that we aim to achieve by 2020.
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 47–50 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 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 also have independent external assurance for select environmental key performance indicators. More details can be found in the Reporting Boundaries and Methodologies section of this Performance Addendum.

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Robust anti-corruption management policies and procedures	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 for or 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 51, outlines how we deliver against our anti-corruption commitment. We also have an internal Know Your Business Partner (KYBP) programme to assess third parties 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 51, 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	15 Core business contributions to UN goals and issues

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Taking action in support of broader UN goals and issues (continued)		
16	Strategic social investments and philanthropy	<p>Our community programmes focus on the most material areas for our business, with support for water and sanitation, diversity and inclusion, and skills development for employment. Our Social Impact Framework measures the impact of our investments through these programmes.</p> <p>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.</p> <p>More details of our strategic community investment programmes can be found on pages 43–45 of the Annual Report, and our website.</p>
17	Advocacy and public policy engagement	<p>We advocate many issues important to our Sustainability & Responsibility Strategy – such as participating in the CEO Water Mandate or being the first alcohol company to sign the Women’s Empowerment Principles. For more information, see our website.</p> <p>We engage at national and international levels to advocate with governments and civil society. 2017 has seen contributions to international OECD sessions on the UN Global Goals and business engagement with them; UN conferences on road safety; and national and international platforms specifically on water and diversity.</p>
18	Partnerships and collective action	<p>We believe partnership with others is the best way to make progress against our Sustainability & Responsibility Strategy and goals.</p> <p>In the case of alcohol in society, the most significant initiative we take part in 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. For more information on the Commitments and other significant partnerships, see our website. Our partnership with UNITAR on road safety to address drink driving globally is a further example of how we use partnerships to increase scale and impact of efforts to deliver the Commitments.</p> <p>Within our community programmes we have strategic partnerships with two global NGOs, WaterAid and CARE, to support our advocacy and programmes on WASH and empowerment. These are alongside focused partnerships to deliver programmes, including with government agencies such as USAID and GIZ and other national and international NGOs such as Oxfam, with which we are working on smallholder farming supply chains.</p> <p>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 40–51.</p>

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Corporate sustainability governance and leadership		
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 standard 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, and community groups 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 functions 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).

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 2017. 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 full operational control is not included.
- Food safety and quality data does not include United National Breweries, South Africa.
- Charitable giving data also includes donations made through the independent Diageo Foundation.

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 116–118, 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.

- 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

Introduction

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 (CO₂e)
 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 82–83](#) 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 ratified by Diageo's environmental executive working group, chaired by the President of Diageo Global Supply and Procurement.

Reporting boundaries

Environmental data is collected and reported for all sites at which Diageo has full 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 full 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 2016 to 30 June 2017, 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 CO₂e 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 2017 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 CO₂e 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 2017, the baseline year environmental impacts and the impacts for the intervening years were restated to reflect changes to CO₂e emission factors and updated calorific values. There were no acquisitions nor material divestments during the reporting year impacting the baseline or intervening years.

The restatements were 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 (CO₂e)

CO₂e 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 CO₂e 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 CO₂e emissions attributable to CH₄ and N₂O only, and excludes direct CO₂ emissions for biomass, biogas and the biogenic element of biofuels. De minimis quantities, typically at office sites, to a maximum of 50 tonnes CO₂e, 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 reviewed annually to reassess the materiality of the data.
- **Scope 2 emissions** (i.e. indirect CO₂e emissions) are defined as those from purchased electricity and heat.
- **Scope 3 emissions** (i.e. indirect CO₂e 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). CO₂e emissions associated with the distribution and logistics component of the supply chain were first quantified for FY 2013 and are reported separately this financial year. In addition, the CO₂e 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 CO₂e) from energy use in the year.

CO₂e 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 CO₂e 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 CO₂e emission factor to derive the total CO₂e emissions.

Scope 1 emission factors for fuels are typically UK DEFRA average fuel CO₂e 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 CO₂e 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), DEFRA (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 Global Reporting Initiative 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 38 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 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:

- 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, 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 the site level using the environmental management system.

Empowering and enabling communities

Here we explain the basis of calculation for:

- Setting baseline data and targets
- Plan W
- 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.

Plan W

We measure three indicators of performance for Plan W programmes: number of women empowered; number of men engaged; and the number of indirect beneficiaries using a multiplier of five. Data is collected via an online survey tool completed by each country team.

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

Community investment figures

Community investment includes contributions (in the form of cash, in-kind donations or employee time) from Diageo plc and the Diageo Foundation. It includes contributions to charitable entities, non-branded responsible drinking programmes that benefit charities, and management costs associated with the Diageo Foundation. 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 2017. Lost-time accident 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. In 2017 the safety data included United National Breweries in South Africa for the first time. 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 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 human resource 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 human resource 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 and market 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 human resource system. A few markets, however, are not yet using the system, and in these markets the HR teams provided gender information from their local human resource and finance systems.

Engagement results

Data is collected from an annual online Values Survey sent to all employees and administered by IBM. This year the data represented 93% of those able to participate (23,043 of the 24,733 invited) compared with 97% in 2016.

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 we will cease 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-assurance
- 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 2016 to 30 June 2017.

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 2017, 76% of agricultural materials used in our operations were sourced locally, compared to 73% in 2016.

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 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 Protocols or equivalent. Of the total audits reported, 157 were requested directly by Diageo, and 117 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.

The breakdown of our audit compliance data in this report relates only to the 157 audits directly requested by Diageo (though excludes 13 recent audits for which we are awaiting confirmation of audit findings), to ensure that our reporting reflects matters under our direct control. The audit compliance data reported relates to the most recent audit at a site.

Sustainable paper and board packaging

The percentage of sustainably sourced paper and board packaging reported relates to the 70% 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). In 2017 we integrated the ACC and Code of Business Conduct eLearning 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 control, compliance, and ethics managers. This excludes our USL business in India, which runs its own ACC training. Next year, USL will be integrated into Diageo's global eLearning programme.

SpeakUp

Our SpeakUp whistleblowing line is 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 global risk and compliance team in more serious cases. Alongside the independent phone lines, our www.diageospeakup.com website was refreshed in 2017 to make it simpler to report. It is now available in all our Code languages.

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 statements

PwC's 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 2017.

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 2017 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 2017 and Diageo's Annual Report 2017 ('Annual Report 2017'), the 'Selected Information'.

We assessed the Selected Information using Diageo's Reporting Methodologies (the 'Reporting Criteria') as set out on [pages 74–81](#) of the S&R Performance Addendum 2017. Our assurance does not extend to information in respect of earlier periods or to any other information included in the S&R Performance Addendum 2017.

Selected information

Direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO₂e)

Market based (net) intensity ratio of GHG emissions (g CO₂e per litre of packaged product)

Location based (gross) intensity ratio of GHG emissions (g CO₂e per litre of packaged product)

Packaged product (litres)

Total water withdrawn (cubic metres)

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

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

Total volume of waste sent to landfill (tonnes)

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 & Ireland) 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 2017.

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 three desktop reviews 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 to check that data had been appropriately measured, recorded, collated and reported; and
- 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; and
- the content of the Reporting Criteria, S&R Performance Addendum 2017 and the Annual Report 2017.

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; and
- 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 2017 and online¹ at www.diageo.com/en/in-society/our-role-in-society/our-reporting for the year ended 30 June 2017, 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 on this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

26 July 2017

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 statements

London Benchmarking Group

Diageo is an active member of the 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, we have worked with Diageo to ensure that it understands the LBG model and that the reported community investment programmes 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 2017. Our work has not extended to an independent audit of the data.

Commentary

During the period under review Diageo has implemented 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. Our review identified some issues in the way data has been input into the database in this first year of use. While these instances have been addressed, we encourage Diageo to continue to train managers using the database in order to ensure that as much accurate local information as possible is recorded.

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 2017