



DIAGEO

Partnering with suppliers
Our code for suppliers

Partners in ambition

Diageo is a global leader in alcoholic beverages with an outstanding collection of spirit and beer brands that are enjoyed around the world.

Our ambition is to be one of the best performing, most trusted and respected consumer products companies in the world - and our suppliers play a crucial role in helping us achieve this.

We rely on our suppliers, in over 100 countries, to work with us and match our commitment to creating top quality products in a sustainable and ethical manner. Each stage of our supply chain, from farming and manufacturing through to distribution and merchandising, has impacts on the environment, local communities and our many other stakeholders. We are focused on integrating sound social and environmental standards at each stage.

This is about more than simply securing the reputation of our brands. We want to work with partners who are committed to addressing the social and environmental challenges that are most material to us, so that our long-term growth is built on a platform that safeguards environmental and human capital. Our [2020 Sustainability and Responsibility targets](#)¹ set our own ambitious commitments in these areas - and our suppliers play a vital role in helping us meet them.

Protecting human rights, minimising environmental impacts, providing safe places to work, and ensuring the sustainability of business operations - these issues are at the forefront of our minds when we choose and work with suppliers. By working together on these issues we can create strong business relationships and ensure we have a positive impact on the people and communities we work with and depend upon. We believe it will also strengthen both Diageo and our partners' businesses by building a sustainable bottom line.

Please take the time to read this Standard and understand your responsibilities so that together, we can build a strong partnership for the future.



David Cutter

President, Global Supply and Procurement

¹ <http://www.diageo.com/en-row/csr/sustainability/Pages/default.aspx>



Our focus areas

We have developed this Standard to help drive higher standards in our supply chain. It sets out our supplier sustainability and responsibility aspirations, and the minimum standards we expect of our suppliers.

Our five focus areas of engagement with our suppliers are:



End-to-end responsibility

We expect our suppliers to promote the principles in this Standard throughout their own supply chain, and to have appropriate processes in place to verify and demonstrate applicable compliance standards. We reserve the right to access and review our suppliers' processes, standards and records.

Business integrity and ethical standards

We want to do business with suppliers who share our values. We know we must act with integrity and demonstrate good citizenship in our business dealings - and we demand the highest standards of conduct from our people.

We expect our suppliers to adopt clear commitments on ethical business in line with our Code of Business Conduct², and we have minimum standards in the following areas:

Laws, regulations and trade controls

We expect our suppliers to comply with applicable laws and regulations. Our suppliers must comply with trade sanctions and restrictions issued by recognised authorities, including the United Nations, the European Union and the United States, which are designed to prevent or limit trading with certain countries or their nationals.

Bribery and corruption

Our suppliers must have a zero tolerance approach to bribery and corruption in any form, everywhere they operate. A bribe is the offer or receipt of anything of value or other advantage to or from any person to encourage someone to do something which is dishonest, illegal or a breach of trust in the performance of their role. Corruption is the abuse of entrusted power for private gain, which can take many forms that vary from the minor use of influence to institutionalised bribery.

As a minimum, we expect our suppliers to:

- comply with the Foreign Corrupt Practices Act, the UK Bribery Act and relevant and applicable laws, regulations and industry standards;
- never offer or accept anything of value where there is an intention of improperly influencing a business decision, or where the person may not be permitted by their employer or local law to receive it;
- disclose to Diageo where they or their associates may have connections with government officials and never bribe government officials of any kind;
- report immediately concerns in regard to bribery or corruption to their Diageo contact, or confidentially through Diageo's SpeakUp service.³

Conflicts of interest

Conflicts of interest can arise when an employee's personal, family, financial, political or other interests interfere or conflict with their loyalty to their employer, or their ability to make the right decisions on behalf of their employer. Our suppliers should not cause any conflicts of interest for Diageo employees, and should avoid situations where a conflict of interest may occur. We expect suppliers to disclose in full any potential conflicts of interest they may have as soon as they have been identified, so that they can be properly considered and the right action taken.

² <http://www.diageo.com/en-row/csr/Pages/our-code-policies-and-standards.aspx>

³ <http://www.diageospeakup.com>

Gifts and entertainment

Giving and receiving gifts and entertainment has a role to play in building external business relationships and generating goodwill. However, gifts and entertainment should never create a feeling of obligation or the impression of an obligation because this could be perceived as a bribe. We expect our suppliers to respect that Diageo employees must not provide or accept excessive or inappropriate entertainment, and may only offer or accept non-cash gifts of modest value occasionally. We expect suppliers to ensure they have appropriate controls in place so that gifts, sponsorship or entertainment of government officials are not bribes or perceived as such.

Competition and anti-trust

We expect our suppliers to comply with competition and anti-trust laws which apply to their business and to ours.

Marketing and innovation

Our brands must be advertised and marketed responsibly. Suppliers which are engaged in marketing and promotional activities on Diageo's behalf, such as advertising and digital agencies, must know, understand and apply our [Diageo Marketing Code](#)⁴ (DMC).

Business records and confidential information

We expect suppliers to keep accurate and up-to-date records of matters related to their business with Diageo, and to demonstrate compliance with applicable laws and regulations.

We expect our suppliers to ensure appropriate technical and organisational security measures to safeguard Diageo confidential and personal information, and to meet the requirements of applicable data privacy laws and regulations to ensure there is no disclosure of our confidential information to third parties without our prior authorisation. We also expect them to inform Diageo immediately in the event of a potential or actual data breach, or if our information is released to any third party without authorisation.

⁴ <http://www.diageo.com/en-row/csr/Pages/our-code-policies-and-standards.aspx>

Human rights and labour standards

We want to make a positive contribution to human rights and society. We are committed to promoting and respecting human rights throughout our supply chain, and expect the same from our suppliers.

We are committed to acting in accordance with the UN Guiding Principles on Business and Human Rights⁵ and the international standards set out by the eight core International Labour Organisation⁶ (ILO) conventions and recommendations. We expect our suppliers to act in accordance with these principles and commitments, and we have minimum standards in the following areas:

Child labour

We expect our suppliers to adhere to applicable laws and regulations concerning minimum working age, and strictly to prohibit the employment of young persons below the age of 15 (subject to exceptions permitted by national law or the ILO); and to protect and promote the special interests of employees under 18 by allowing them access to education, limiting employment during typical resting hours, and ensuring no exposure to working conditions that are likely to jeopardise their health and safety or morals.

Forced labour

We expect our suppliers to strictly prohibit the use of forced labour, whether in the form of slave labour, indentured labour, bonded labour, coercion of any employee through any means, or any other forms.

Abuse and harassment of labour

We expect our suppliers strictly to prohibit any kind of harassment, intimidation, bullying or abuse of any employee, including through the threat of physical punishment or disciplinary action, or physically, sexually, racially, psychologically, or verbally.

Freedom of association and collective bargaining

We expect our suppliers to allow employees the freedom of association and collective bargaining in accordance with applicable laws and regulations.

Discrimination

We 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.

⁵ http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

⁶ <http://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>

Wages and benefits

We expect our suppliers to ensure employees are paid a fair wage, according to at least the legal minimum standards or appropriate industry standards, whichever is higher.

Working hours

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

Land rights

We expect our suppliers to respect the land rights of communities, including indigenous peoples.

Access to remedy

We expect our suppliers to provide a right to remedy for their employees through an accessible, trusted and fair grievance process.



Health and safety standards

Every worker has the absolute right to come to work each day without having to risk injury or potential health concerns in order to do their job. Diageo is committed to maintaining safe and secure working conditions for employees and contract workers. We expect our suppliers to have the same approach. For our suppliers, we have minimum standards in the following areas:

Laws and regulations

We expect our suppliers to meet applicable local and national health and safety laws and regulations, including those related to the construction and maintenance of facilities for employees and contract workers.

Health and safety policy

We expect our suppliers to have a clear, publicly-available health and safety policy statement in place, be committed to developing and applying appropriate health and safety management systems (including clear assignment of management responsibility for health and safety), and to monitor and report corrective actions against incidents (accidents, near misses, etc.).

Safe working environment

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

Emergency preparedness

We expect our suppliers to maintain adequate emergency preparedness procedures, including evacuation procedures, emergency drills, appropriate first-aid supplies, fire safety equipment and exit facilities.

Risk assessment

We expect our suppliers to conduct routine risk assessments, reflecting existing and emerging issues and good practice; to understand health and safety issues both generally and specifically for their sector; and to take appropriate action to mitigate identified risks.

Continuous improvement

We expect suppliers to progressively improve health and safety standards in order to prevent accidents and injuries. Similarly, we encourage the adoption of health and safety management systems that can be externally verified and certified.

Raising concerns

We expect our suppliers to have appropriate mechanisms in place so employees and contract workers can raise and discuss their concerns around health and safety with management and receive a response.



Environmental impact

We operate in a world where many natural resources that we rely on are limited. We recognise that responsible management of the environmental impacts in our own operations, and in our wider supply chain, is important to our stakeholders and key to the long-term success of Diageo.

We have set ourselves ambitious environmental targets⁷ on water, carbon, packaging and waste to be achieved by 2020. While these targets are Diageo's responsibility, we are reliant on our suppliers to help us deliver them and will work in partnership with our suppliers to reduce the environmental impact of our business.

Our vision is to achieve and maintain environmental sustainability – a condition where our business does not cause long-term critical depletion of natural resources, or lasting damage to species, habitats, biodiversity and the climate. Our Global Environmental Policy⁸ sets out our commitment to conduct our business in a way that supports environmental sustainability. For our suppliers, we have minimum standards in the following areas:

Environmental regulations

We expect our suppliers to manage their environmental impact responsibly in line with applicable laws and regulations.

Environmental policy

We expect our suppliers to have a clear and publicly available environmental policy statement that addresses the key impacts from their operations and commits to improvement.

Reduce environmental impacts

We expect our suppliers to continually strive to reduce their environmental impacts and manage their natural resources efficiently. This includes implementing measures to prevent pollution, minimise the use of energy and production of waste and manage water responsibly.

⁷ <http://www.diageo.com/en-row/csr/sustainability/Pages/default.aspx>

⁸ <http://www.diageo.com/en-row/csr/Pages/our-code-policies-and-standards.aspx>

Collaborating with suppliers on carbon and water

We expect our suppliers to:

- measure, manage and report the energy and carbon emissions associated with their operations, including short term climate pollutants such as halons and HFCs and set a public reduction target; and
- understand their water usage in context of local availability and quality and manage it appropriately to support sustainable water stewardship.

Diageo is a member of the CDP Supply Chain Climate Change and Water programmes, through which we engage our key suppliers on measuring and managing their carbon emissions and water-related impacts. We expect our key suppliers and third party operations to support us by participating in these programmes.

Collaborating with suppliers on packaging

We want to reduce the environmental impact of our packaging while still ensuring the required functionality to protect, deliver and present our products and brands. Our 2020 targets on packaging aim to:

- reduce total packaging by 15%;
- increase recycled content to 45%;
- make 100% of packaging recyclable;
- sustainably source all of our paper and board packaging to ensure zero net deforestation.

Collaboration with our suppliers will be vital in achieving these targets and we expect our packaging suppliers to align themselves to these or equivalent targets. For more details please see our [Sustainable Packaging Commitments](#).⁹



⁹ <http://www.diageo.com/en-row/csr/Pages/our-code-policies-and-standards.aspx>

Sustainable agricultural practices

In many countries raw material supply faces challenges from water scarcity, climate change, urbanisation or unsustainable farming practices. We know that the future prosperity of farmers, suppliers and our business is closely linked with our ability to create partnerships and generate joint business value in ways that are sustainable, secure and mutually beneficial.

We will work with farmers, equipping them with the knowledge, tools and support they need in order to develop sustainable agriculture value chains for our key raw materials.

Agricultural materials are essential ingredients of our products and many of the materials that we use have long, complex supply chains. Because the sustainable production and supply of agricultural raw materials present particular challenges, we have developed [guidelines](#)¹⁰ specifically for our agricultural suppliers. They apply to Diageo, to our suppliers of agricultural raw materials, to their suppliers, and to farmers themselves.

We expect our suppliers and agents to uphold the guidelines and to continue to work towards more sustainable practices, including by:

- improving water stewardship in key agricultural communities supplying our operations, including improving water efficiency and water quality;
- understanding and planning for the impact of climate change on water resources for their own operations and raw material supply chains;
- working towards applying best-practice soil management adapted to their specific crops and land requirements;
- positively managing the impact of their operations on ecosystems, biodiversity and high conservation value areas;
- upholding the highest levels of human rights and labour standards in the agricultural supply chain.

¹⁰ <http://www.diageo.com/en-row/csr/building-thriving-communities/sustainable-supply-chains/Pages/default.aspx>

Demonstrating compliance

Diageo is entitled to request information from our suppliers in order to confirm their compliance with these standards and, where we consider it necessary, may require a supplier to provide evidence of compliance through a third-party audit. We reserve the right to undertake unannounced audits where we determine it is necessary.

Raising a concern

We believe knowing about potential breaches early means we can deal with them quickly and appropriately. We take every report seriously and we will not tolerate any reprisal by a Diageo employee against a supplier who has reported a concern in good faith or assisted us with an investigation.

We expect our suppliers to raise any concerns about our business conduct, or a potential breach of this Standard or our Code of Business Conduct, directly with their contact in Diageo. If a supplier prefers, a concern can also be raised through our SpeakUp service. SpeakUp is a confidential service for employees and third parties (including our suppliers) that is managed by an external company, independent of Diageo, with trained staff able to deal with calls in local languages. SpeakUp is available via telephone, email or internet, 24 hours a day, 7 days a week.

Contact details for SpeakUp are as follows:

Email: diageospeakup@expolink.co.uk

Internet: www.diageospeakup.com

Further information and support

For further information please visit our website www.diageo.com to access copies of our Code of Business Conduct, Partnering with Suppliers Standard, policies and our annual Sustainability and Responsibility reporting.

If you have any queries on the content of this Standard, or to get support from Diageo to help build your capabilities in relation to any of the areas detailed in this Standard, please speak with your Diageo contact.



DIAGEO

Creating a positive role for alcohol in society

As the producer of some of the world's best-known drinks brands, Diageo cares passionately about reducing alcohol-related harm in society. Our [Employee Alcohol Global Policy](#)¹¹ sets out the standards we expect from our employees in terms of their own drinking behaviour, and answers some commonly asked questions - and we welcome our suppliers to share its principles.

We believe that by working in partnership with government, society, individuals, NGOs and other companies to put in place programmes which have been shown to work, we can make a difference to raising awareness, shifting attitudes and changing behaviour. We support close to 300 responsible drinking programmes in more than 50 countries and we are committed to measuring the effectiveness of these programmes and publishing the results.

We encourage our suppliers to raise awareness of responsible drinking with their employees and support this by sharing our information and experience in this area. For further information visit www.drinkiq.com or contact us at CSR@Diageo.com to enquire about DRINKiQ training for suppliers.

VERSION 3.0, JULY 2016

¹¹ <http://www.diageo.com/en-row/csr/Pages/our-code-policies-and-standards.aspx>

