

DIAGEO

Sustainable Agricultural Sourcing Guidelines



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Our customers, consumers and stakeholders expect from us high quality products manufactured and sourced responsibly, with due respect to the environment and fair treatment of the people involved in the making of them.

In our own direct operations, we have substantial commitments to reduce our environmental and social impacts through our Corporate Social responsibility strategy.

We now believe the time is right to extend this to our agricultural supply chains, and these guidelines are our commitment to that.

Of our overall procurement spend, agricultural inputs such as cereals, grapes, sugar and dairy cream account for approximately 15% of the total, sourced from about 150 global suppliers. In a world of growing food insecurity, climate change, water scarcity and unsustainable farming practices, businesses such as ours that are reliant on complex food supply chains, have a responsibility to work towards more sustainable sourcing practices. I look forward to working together with our supply chain to improve this area of our operations and am excited about the value it will add to our Corporate Social Responsibility agenda"

A handwritten signature in black ink, appearing to read 'D Gosnell', written in a cursive style.

David Gosnell,
President Global Supply and Procurement



Vision

Our Corporate Social Responsibility Strategy lies at the heart of our commitment to sustainable sourcing. This strategy, in turn, is rooted in Diageo's core values, key of which are: being proud of what we do, to be the best, and to value each other. We aim to act with the highest standards of integrity and social responsibility and strive to create mutually fulfilling relationships and partnerships.

We take our responsibilities seriously. Our commitments, as illustrated through our Environmental Policy and our existing "Partnering with Suppliers" Standards, commit us, and our suppliers, to taking charge of our key social and environmental impacts.

We recognise that, the sustainable production and supply of agricultural raw materials present particular challenges, which we believe deserve specific responses. As such, through these guidelines, we intend to build on the foundations of our existing policies to address the particular needs and circumstances of our agricultural supply chains.

The guidelines set out our intent, and our desire, to invest in a sustainable future for our supplier communities, their livelihoods and their environment, and in doing so, ensure the future sustainability of our business.



The Guidelines - What we expect

These guidelines apply to Diageo, our suppliers of agricultural goods, to their suppliers, and where relevant, extends to the farmers managing the land too. It expects them to uphold the guidelines, and to work continuously towards more sustainable practices. It is about ensuring commitment to good environmental practices, fairness to workers and wider economic benefits for grower communities.



Legal compliance

- As a minimum, we expect ourselves and all of our suppliers to comply with local and national legislation, including environmental and labour regulations. Where regulations are absent or lack enforcement, we encourage our suppliers to adopt suitable global standards.



Environmental impacts

Our Environmental Policy commits us to environmental leadership and we have set stretching targets on climate change, water, pollution, and waste. We recognise that tackling environmental impacts in our agricultural supply chain is a key element in achieving leadership, and expect our agricultural suppliers to demonstrate their own commitment to the environment.

• Environmental Management

We expect the same rigorous standards of our suppliers as we use in our own facilities through our Environmental Policy, including the documenting of environmental management systems with clear targets and accountabilities.

• Reducing Water Use and Pollution

Our Water Strategy sets policies and stretching water efficiency/waste water targets in our own operations. Based on this commitment, we intend to apply a rigorous approach to understanding water usage and to improving



water efficiency throughout our agricultural supply chain, prioritising crops from water-stressed areas. This includes encouraging our priority suppliers to adopt the most efficient irrigation systems for the crop and land type, taking into account issues such as storage and grey water options, as well as responsible extraction. In addition, we seek to limit the occurrence of water pollution from agricultural inputs and find alternative uses for effluent waste.

- **Preventing Soil Erosion**

Soil conservation is a key priority to ensure that today's agricultural practices do not cause erosion or affect long-term fertility. We expect suppliers to work towards applying best-practice soil management adapted to their specific crops and land requirements.

- **Protecting Biodiversity**

We expect our suppliers to minimise their impact on ecosystems and biodiversity of the land. We expect farmers to adopt good practices such as reduced pesticide use and water management, as well as the protection of native species. Where

our ingredients are sourced from regions with fragile ecosystems or near conservation areas, we expect our suppliers to conduct impact assessments to ensure negative impacts are minimised and biodiversity protected.

- **Reducing energy and carbon**

We are committed to monitoring and assessing energy used and carbon emitted in the growing and transport of our key ingredients. Together with our suppliers, we will drive efficiency improvements from producer level upwards, and introduce alternative or renewable energy options wherever feasible.

- **Ensuring Animal Welfare**

We expect suppliers to maintain the highest levels of animal welfare in the production of our dairy ingredients. Where necessary, we will support our suppliers in meeting best practice standards for quality, traceability and welfare.

Socio-economic impacts

Some of our agricultural inputs are sourced from countries where living standards and incomes are low and working conditions variable or poor. In such countries we acknowledge that through our suppliers, we can play a positive role in supporting local economies and livelihoods. In order to do so, we require the following:



• **Ensuring fair working conditions**

In line with our existing “Partnering with Suppliers” Standards and the ILO Core Conventions, we seek to ensure fair working conditions, a fair wage, and respect for human rights for all employees. We recognise that in the agricultural sector, types of employment vary significantly (e.g. contract workers, small-holder farmers, temporary or seasonal labour). As such we expect our suppliers to follow best practice standards across all these working environments, including provision of training, welfare and accommodation where required.

• **Health and Safety**

we are committed to maintaining safe and health working conditions for all employees and contract workers. We expect our suppliers to do likewise, conducting routine risk assessments and to continuously improve health and safety standards to prevent accidents and injuries. As a minimum, we expect adequate protection equipment and training shall be provided



to all workers to minimise hazards, and medical care shall be available when needed.

• **Child Labour**

We condemn the use of child labour (defined as anyone under 16 years of age, or that stipulated in local legislation, if this is higher) and expect our suppliers to uphold the principles of ILO Convention 138. In the context of small-holder farming, we understand the right to train a future generation of producers through accessible chores alongside school education, but have zero-tolerance for



any work that jeopardises the health, safety and morals of young people.

Working with Suppliers – Managing and Measuring

Background

Over the last few years, we have developed policies and systems to manage our direct social and environmental impacts. Building on this foundation we now intend to work more effectively with our agricultural suppliers to ensure our commitments are driven further into the supply chain.

Our approach to managing our agricultural supply chain builds on our existing strong mechanisms for supplier engagement as defined through our “Partnering with Suppliers” Standards and our Environmental Policy.

Responsibility for the upkeep of this Code lies with our Head of Global Procurement.

Engagement Process and Priorities

We recognise that the task is significant, and the journey long. As such, our approach has been to start the process with a full risk-assessment of our agricultural supply chain and identify the areas where we can make the most difference first. Using key criteria to assess these risks (including the size of spend, the proximity to our brands, and our ability to positively influence) we have identified

a few key ingredients for initial focus, being cream, barley, sorghum and sugar/alcohol.

We will work with the suppliers of these priority ingredients to self-assess, and identify a framework and programme for action that achieves (rather than saying ‘work towards’) continual improvement in those supply chains.

Supplier Responsibility

As part of our contractual requirements, suppliers will be expected to have in place measures that demonstrate progress on a regular basis. We will conduct review of this progress through audits or other appropriate mechanisms as part of our contractual agreements.

We expect our suppliers to raise concerns and issues of non-compliance with our procurement team as and when they arise, and to develop appropriate action plans to address these. We also

expect them to take part in the sharing of best-practice with others as and when we find it. Failure to comply with this policy will lead to a review of the relationship and if deemed appropriate, may lead to the termination of the contract.

Supporting our Suppliers

We are committed to supporting our suppliers in adopting and implementing this code. For priority ingredients, we will help to establish programmes and resourcing as necessary to work towards best practice.

In order to keep our code fresh and responsive to evolving concerns, we will also seek periodic input from experts in relevant areas to advise us where necessary.

Finally, we commit to reporting to our stakeholders on an annual basis on the improvement in environmental, social and economic impacts we are achieving through this work.





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