

QUALITY Global Policy



OUR
PRODUCTS

Quality is a key part of our relationship with our customers

Our commitment

We have the privilege of being temporary stewards of many of the most successful and well respected premium drinks brands in the world. It is all our jobs to ensure that we sustain and grow the reputation of these great brands for the generations to come.

Quality is at the heart of our brands. It is derived from the heritage of the brands themselves and the skills of our people, both past and present.

Our passionate commitment to the continuous improvement of quality and the enhancement of customer and consumer confidence in our brands is a key determinant in the long-term success of Diageo.

The high standards we maintain in all parts of the business – ingredients, processes and ways of working – are crucial to our success. Everyone in Diageo has a role to play in achieving them.

Our aim is to provide our customers and consumers with the highest standards of quality, service and value in our industry, and this Policy sets out the commitments we have made to achieve this.

Scope of this policy

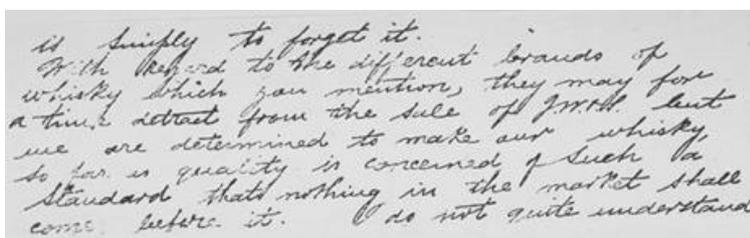
This Policy covers all Diageo brands and associated products, all Diageo businesses and joint ventures and everyone who works on or with them. We will achieve our Quality goals by deploying and applying this Quality Policy across all aspects of the supply chain under our control or influence, from suppliers to consumers, from product design to manufacture.

Context

We are committed to maintaining the very highest standards of quality for the design of our brands and for the delivery of safe products to our customers and consumers.

Our products are foods and people must be able to consume them with confidence. To support this, we are committed to full compliance with all quality-related legislative requirements in the market of sale.

This Policy sets out the framework by which we pursue our Quality aims.



In 1887, Alexander Walker wrote: "we are determined to make our whisky, as far as quality is concerned, of such a standard that nothing in the market shall come before it".

Q We have been trying to develop a new range of sustainable packaging for one of our brands and even though it's meeting all our sustainability objectives, we just can't get it to look as good as the current packaging. Saving the planet is more important, though, isn't it?

A Although we are committed to reducing our impact on the environment, we need to make sure that commitment does not impact on the quality of any element of our products. If you are not quite happy yet with the quality of the new packaging, it is better to continue until you are confident, or to see whether there is another way to improve sustainability without having any impact on quality.

Principles

All Diageo business leaders are expected to know the requirements of the Diageo Quality Policy and are responsible for motivating and training staff to ensure that employees are able to discharge their responsibilities in relation to product and process quality. As well as fully complying with any legal and global quality standards in respect of product quality, business leaders are required to have in place; systems and frameworks (including relevant Key Performance Indicators) that support Diageo’s intent to continuously improve the quality of our brands.

Diageo’s **Quality Objectives** are to design and produce brands in a way that:

1. Ensures they are always safe for consumption and meet all applicable regulations
2. Meets the needs of our customers and expectations of consumers (safe, free from defects, fully functional and consistent taste)
3. Protects Diageo’s brands and reputation

Brand & reputational quality

Brand quality is *the* most critical dimension of brand reputation. If consumer or trade perception of a brand is eroded through quality issues, then so too is the reputation and value of the brand – and this damage may be irretrievable. Maintaining and growing the quality reputation of our brands is central to Diageo’s short and long term success and we can all play a role.

Reputational Quality is based on consumer and trade perceptions of heritage, provenance and the way consumers perceive our brands. We can directly influence reputational quality in two key dimensions:

1. **Design Quality:** packaging design should be aligned to the brand values and aspirations. The components and ingredients used should be of a quality commensurate with both the brand reputation and selling price.
2. **Supplied Quality:** the quality of each individual finished product as experienced by customers and consumers (at the point of purchase or consumption).



Q We recently received a complaint from a customer that the case information on the Bill of Materials has been printed incorrectly. What do we do about this?

A When you receive any complaint from a customer or consumer, you should apply your local root cause analysis process to ensure you understand what has gone wrong and why, so that you can take steps to ensure that the problem doesn’t recur. Make sure you keep records of the complaint received and the steps you took to manage it. We pull together all the complaints data annually, so that we can recognize any trends or common factors and we can apply the lessons learned across the whole company.

Design quality and Product Change Control

Brand Design Quality must be credibly rooted in both the historic traits of the brand and also represent the present and future aspirations of the product.

Design quality must adhere to the global standards, processes and principles.

Design Quality is owned by the Design Team and the Brand Owner and is subject to sign off by Gatekeepers through the Navigate process.

When designing, developing or renovating an existing brand, the Design teams must consider objectives which may sometimes be mutually exclusive, such as Design for Quality (D4Q), sustainable packaging and gross margin.

It is Diageo's policy that quality should take priority above gross margin and above sustainability goals.

Any significant change to product (ingredients; components or finished product) must be documented and authorised using the *Navigate* process. Levels of authorisation should be proportionate to risk (probability of failure *and* scale of potential commercial impact).

Global Standards are in place to govern the execution of innovation and brand change and these must be adhered to without exception.

Component quality

Diageo brands should use the highest quality components available whilst taking into account category norms and consumer expectations, especially with reference to the anticipated selling price.

Packaging components should be safe and must be tested to ensure:

- Compatibility with liquid content
- Functional performance
- Suitability for the product's journey through the supply chain (e.g. assembly, transit, storage and use).

Shelf life

The shelf life of the liquid should be determined through a combination of experience of similar product types and through empirical testing. The shelf life may be coded onto the packaging, depending on the nature of the product (e.g. RTD or Spirit) and the prevailing customer and regulatory requirements.

The shelf life of packaging should be determined by climatic testing and the design / treatment of the materials modified accordingly to accommodate consumer and market requirements.

Super-Premium products and their packaging may require special attention owing to elevated consumer expectations and the possibility they may be stored for a long time.

Food safety and compliance

All our brands must be safe to use and consume and comply with applicable legislation. To achieve these outcomes, all products must:

- Undergo an annual product safety risk assessment for due diligence purposes *and* undergo analytical appraisal where this is deemed necessary. Documentary evidence of the risk assessment and any findings must be retained.
- Conform to the regulations and customer requirements specified in both the country of manufacture and the intended markets of sale e.g. regulatory category definitions, labelling or coding requirements.

- Be coded in such a way as to be fully traceable to the first customer Diageo sells to. Product coding and recording systems must meet Diageo Global Quality Standards.
- Be produced in a manufacturing unit that has an internationally recognized food safety system equivalent to Hazard Analysis by Critical Control Point (HACCP), e.g. FSSC 22000.



The Roseisle Distillery is the first new large-scale distillery in Scotland for over 30 years. It combines the best of modern and traditional techniques to produce quality spirit for brands including Johnnie Walker and Buchanan's.

Manufacturing and distribution quality

- The product & process specifications of all Strategic Brands, known as the Technical Equity, must be fully documented in a Brand Technical Manual.
- All raw materials, processing aids and packaging components must be properly specified and controlled and be sourced from reputable and approved suppliers.
- All manufacturing equipment that comes in contact with raw materials and product must be specified or treated in such a manner as to make it safe and compatible with the contacted material.
- All Diageo manufacturing sites must comply with the quality requirements set out in Diageo's Global Standards and have in place a Quality System (equivalent to ISO 9001) that specifies quality plans and responsibilities.
- All manufacturing facilities must identify and specify critical quality parameters and controls. All reasonable steps must be taken to comply with specifications. Quality results must be recorded, and tracked over time and have continuous improvement activity in place if specifications are not being reliably achieved.
- All Diageo packaging facilities must utilise and conform to the Global Finished Product Standard and must operate a continuous improvement culture that annually targets incremental improvements in defect levels defined in the Global Finished Product Standard.
- The analysis and sensory evaluation of all Diageo brands shall be effectively managed, demonstrating that all specifications for finished product are met. All measuring equipment must be calibrated and analytical methodologies shall be demonstrable.
- Products found to be outside of specification **should not be released** and must be quarantined. Out of specification product can only be released after completion of a documented and properly authorised concession process.
- All brands must be packaged and protected in such a manner so as to ensure they can withstand all reasonable transit and storage conditions thereby arriving with customers and consumers in perfect condition.
- All re-work or finishing in market must be authorised and in compliance to Diageo Quality standards.



Markets, customers and consumers

- A regular formalised dialogue should occur between major markets and customers to ascertain their quality needs and level of satisfaction. Improvement programmes should be in place to improve customer satisfaction in relation to quality.
- Diageo and contracted third party logistics providers should store Diageo brands in such a manner that prevents physical damage and soiling. Product should be stored in cool, dry conditions and be protected from direct sunlight.
- All business areas shall operate a process for capturing, investigating and responding appropriately to customer and consumer complaints. There shall be clearly identified root cause analysis, followed by corrective and preventive actions that are demonstrably implemented at the appropriate location. Data shall be recorded and records kept. Complaints data shall be reported and reviewed at market level and reported globally via Entropy or BPM report concerns frequency rates shall be reduced annually.

Crisis management

All sites, regions and businesses shall operate a crisis management process that is demonstrably effective and includes, as a minimum, full product recall processes and facilities. All quality crises and *Quality Incidents* should follow the FACTS process and be documented accordingly.

How does this apply to me?

- We should comply with all product and quality legislation relevant to our markets.
- We should understand and follow all the Quality Standards and quality management processes that apply to our work.
- We must ensure that our partners in the supply chain are informed of and meet the relevant our-quality standards.
- We should be vigilant about quality to ensure that our brands and associated products are consistently safe for our consumers.
- We should demonstrate the values "Be the best" and "Passionate about consumers" through an unremitting focus on quality in everything we do as a company.

Management & accountability

Specific accountability for this Policy lies with the President of Global Supply and Global Procurement and with the Global Marketing Director as the nominated Executive sponsors of the Diageo Quality Policy.

The primary accountability for deployment of the Policy lies with Global Brand Directors (for design) and with Supply Chain Directors (for manufactured and delivered quality). Responsibility for the maintenance of the Quality Systems and frameworks (e.g. Brand Technical Manuals, and compliance to Global Risk Management Standards) lies with the Technical Directors.

Those responsible for management of designers, suppliers and customers are also accountable for the deployment of relevant aspects of the Diageo Quality Policy by our business partners.

Every Diageo employee is expected to behave and act in a manner that is consistent with the achievement of our quality goals and is compliant with this Policy.

Monitoring

Conformance to our Quality Policy and Standards is assured by our Independent Assurance model and by frequent management performance reviews of quality data.

Any breach in quality standards, actual or suspected, in any of our products is regarded as a serious matter and should be reported to your local quality team or line manager. If you would like to discuss any concerns or report a suspected breach or anonymously, you can call SpeakUp in confidence.

We review and improve this Policy and our ways of working regularly, and we also take into account technical developments and changing stakeholder expectations.

Contacts and further information

For further information and advice on Quality, please contact the Quality lead in your market, Technical centre or speak to the Global Risk and Compliance team.