

DIAGEO



Sustainability & Responsibility
Performance Addendum to
the Annual Report 2016



INTRODUCTION

Welcome to the Sustainability & Responsibility (S&R) Performance Addendum to Diageo's 2016 Annual Report. This document is one of the three central pillars of our S&R reporting, and is intended to supplement our Annual Report 2016 and the 'Our role in society' section of our website. Together they give a comprehensive description of our strategy, approach and performance. Here we describe our approach to reporting, and present our responses to the Global Reporting Initiative (GRI) G4 guidelines and the United Nations Global Compact (UNGC) principles, presented as two indices.

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Key

-  Links to Annual Report
-  Links to www.diageo.com

Diageo's approach to reporting

Since 2014 we have been using the International Integrated Reporting Commission (IIRC)'s framework to guide us as we build towards integrated reporting. Throughout, we have aimed to use our reporting to show stakeholders how our strategy, governance, performance and prospects create value – to society and to our business, both now and into the future.

Our stakeholders are diverse, and rightly expect detailed disclosures across a range of issues. 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 our Performance Ambition.

Alongside the Annual Report we publish this Performance Addendum. It aims to support both stakeholders who rely on detailed information which cannot be included in the Annual Report for reasons of space, and our continuing commitment to the principles of the GRI and UNGC. Our disclosures are structured within two indices: the GRI index, which follows the G4 framework, 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, updated in August 2016. This gives further details of our S&R approach and provides examples of our strategy in action.

Strategy and materiality

In 2016 we implemented, and began reporting against, our 2020 S&R targets. These build on our long tradition of contributing to society, with a renewed focus on achieving real and measurable impact on the issues that are most material to our stakeholders, and to our business. 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.

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. However, we see these priorities as 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 we have introduced a range of new key performance indicators this year, which you will find on pages 40–49 of our Annual Report.

Materiality matrix

This year we renewed our focus on materiality, identifying topics relevant to external stakeholders and using qualitative analysis to assess impact within our business. The results showed that non-communicable disease and water remain high priority material topics, and confirmed the relevance of our continued focus on creating a positive role for alcohol in society and being good stewards of water. They also showed an increasing stakeholder focus on climate change, which we address through our continuing success in reducing carbon emissions. This is particularly the case when we look towards 2030 and beyond.

The matrix on page 3 illustrates the results of our assessment, with external stakeholder interests illustrated on the y axis and business interests on the x axis.

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

Focus on impact and execution

Our 2020 targets are designed to evaluate the impacts of our initiatives, so that we can co-ordinate our efforts to achieve outcomes that create the maximum possible value for our stakeholders, and for us. We are already seeing progress in many areas, and we expect the results of this evaluation process to drive further improvement in the way we contribute to society.

Central to all our work is creating a positive role for alcohol in society. We support global efforts of the United Nations and the World Health Organization in the Global Strategy to Reduce the Harmful Use of Alcohol, the Non-Communicable Diseases Global Monitoring Framework target of at least a 10% relative reduction in the harmful use of alcohol by 2025, and the Sustainable Development Goal 3.5, "Strengthen the prevention and treatment of substance

abuse, including narcotic drug abuse and harmful use of alcohol."

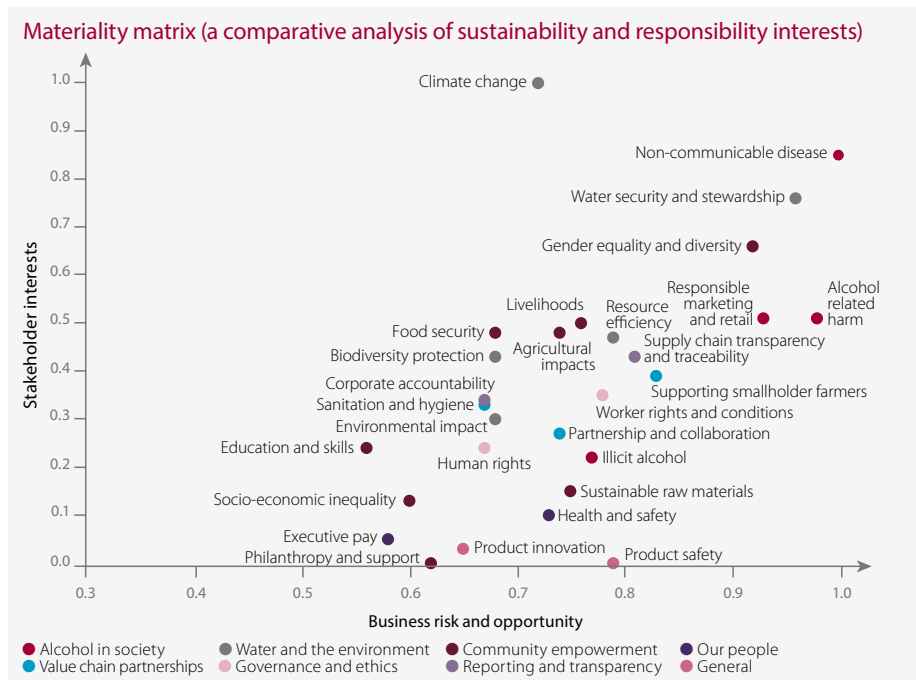
Our work focuses on marketing responsibly, investing in programmes that prevent and reduce harmful drinking, working with others to raise awareness and change people's attitudes and behaviour, and providing the information consumers need in order to make informed decisions about drinking – or not drinking – as part of a balanced lifestyle. We are encouraged that evaluation of our initiatives show that we can make a real difference in reducing harmful drinking and we recognise that working in partnership with others, from governments, educators, retailers and NGOs is key to success. Evaluations can be found on our website.

A key element of our focus on impact has been our work to implement our commitment to act in accordance with the UN Guiding Principles on Business and Human Rights, and

this year we developed and launched our Human Rights Impact Assessment process. This year also saw the launch of our new Sustainable Agriculture Strategy, and the first full year of our Water Blueprint, both of which address key environmental and social issues in an increasingly holistic way.

Our new Social Impact Framework, launched this year and described on page 42 of our Annual Report, is a critical tool for evaluating impact and focusing investment. It has confirmed that working with partners who add value to our programmes and initiatives is vital, and this year we agreed new partnerships with UNITAR, USAID, and the NGO WaterAid, among others.

Details of 2016 performance against our targets can be found on pages 40–49 of our Annual Report.



GRI G4 INDEX

This index outlines our response to the GRI G4 Sustainability Reporting Guidelines. 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 2015 GRI G4 report and continue to focus on reporting as fully as we can on our most material issues.

We have reported on as many standard and specific disclosures as possible, including many required only of a comprehensive report, against the priorities set by our updated materiality review. We have reported on a small number of additional indicators this year, reflecting improvements made as we begin reporting against our 2020 targets.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◆ 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 indicators would be most useful to our stakeholders. The following table maps our activities and programmes against the GRI's aspects. GRI aspects not included in this table are not considered material and are not reported in this Performance Addendum.

STRATEGIC FOCUS AREA	GRI ASPECT	
Alcohol in society	<ul style="list-style-type: none"> • Customer Health and Safety • Product and Service Labelling 	<ul style="list-style-type: none"> • Marketing and Communications • Public Policy
Environment	<ul style="list-style-type: none"> • Water • Effluents and Waste • Energy • Emissions • Transport 	<ul style="list-style-type: none"> • Materials • Products and Services • Biodiversity • Overall Environment
Building thriving communities	<ul style="list-style-type: none"> • Local Communities • Economic Performance 	<ul style="list-style-type: none"> • Indirect Economic Impacts • Public Policy
Our people	<ul style="list-style-type: none"> • Employment • Labour/Management Relations • Diversity and Equal Opportunity • Occupational Health and Safety • Training and Education • Human Rights – Investment • Human Rights – Non-discrimination 	<ul style="list-style-type: none"> • Freedom of Association and Collective Bargaining • Child Labour • Forced or Compulsory Labour • Security Practices • Human Rights – Assessment • Market Presence • Equal Remuneration for Women and Men
Sustainable supply chains	<ul style="list-style-type: none"> • Procurement Practices • Supplier Assessment for Labour Practices • Supplier Human Rights Assessment 	<ul style="list-style-type: none"> • Supplier Assessment for Impacts on Society • Supplier Environmental Assessment
Governance and ethics	<ul style="list-style-type: none"> • Compliance • Anti-corruption • Anti-competitive Behaviour • Compliance – Society • Environmental Grievance Mechanisms • Compliance – Environmental 	<ul style="list-style-type: none"> • Grievance Mechanisms for Impacts on Society • Human Rights Grievance Mechanisms • Labour Practices Grievance Mechanisms • Compliance – Product Responsibility • Governance • Ethics and Integrity
Reporting and transparency	<ul style="list-style-type: none"> • Identified Material Aspects and Boundaries • Report Profile • Organisational Profile 	
General management of sustainability and responsibility	<ul style="list-style-type: none"> • Strategy and Analysis • Stakeholder Engagement 	

GRI G4 INDEX

General standard disclosures

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Strategy and analysis

<p>G4-1 ◆</p>	<p>Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation, and the organisation's strategy for addressing sustainability.</p> <p>↪ 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 'the best performing, most trusted and respected consumer products company in the world'.</p>	<p>G4-2 ◆</p>	<p>Description of key impacts, risks, and opportunities.</p> <p>↪ Through stakeholder and <input type="checkbox"/> 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. 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.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
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Organisational profile

<p>G4-3 ◆</p>	<p>Name of the organisation. Diageo plc.</p>	<p>G4-4 ◆</p>	<p>Primary brands, products and services.</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, pages 4–5, of the Annual Report, while an overview of our production can be found in the Our Business section, page 2.</p>	<p>G4-5 ◆</p>	<p>Location of the organisation's headquarters. London, UK.</p>
<p>G4-6 ◆</p>	<p>Number of countries where the organisation operates, and names of countries where either the organisation has significant operations, or that are specifically relevant to the sustainability topics covered in the report.</p> <p>↪ Our products are sold in more than 180 countries around the world, separated into 21 markets and five regions. A breakdown of which markets are in each region can be found in the Our global reach section of the Annual Report, page 3.</p>	<p>G4-7 ◆</p>	<p>Nature of ownership and legal form.</p> <p>Full name: Diageo plc Registered number: 23307 Registered office: Lakeside Drive, London NW10 7HQ Place of registration: England and Wales</p>	<p>G4-8 ◆</p>	<p>Markets served.</p> <p>↪ Our customers can 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 page 7 of the Annual Report, and a geographic breakdown is outlined in the Business Review sections, pages 28–37.</p>

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
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Organisational profile, continued**G4-9****Scale of the organisation.**

Diageo employs 32,078 people around the world. The production side of the business includes more than 150 sites in 30 countries.

This year we made £10.5 billion in net sales.

Further details of our business model can be found on page 7 of the Annual Report, and detailed financial performance is included in the Financial statements, pages 88–153.

G4-10**Total number of permanent employees by employment contract, employment type, region and gender.****Employees by region by gender, and by employment contract type¹**

	Part-time	Full-time	Permanent	Fixed-term/ temporary	Total
North America					
Men	5	1,724	1,715	14	1,729
Women	5	1,161	1,145	21	1,166
Europe, Russia and Turkey					
Men	134	6,421	6,247	308	6,555
Women	342	3,855	3,905	292	4,197
Africa					
Men	1	4,109	3,998	112	4,110
Women	1	1,165	1,090	76	1,166
Latin America and Caribbean					
Men	4	2,011	1,856	159	2,015
Women	3	1,137	1,056	84	1,140
Asia Pacific					
Men	2	8,176	8,015	163	8,178
Women	17	1,805	1,665	157	1,822
Diageo (total)					
Men	146	22,441	21,831	756	22,587
Women	368	9,123	8,861	630	9,491
All	514	31,564	30,692	1,386	32,078

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 indicator

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Organisational profile, continued

<p>G4-10 cont ◆</p>	<p>Total workforce by employees and supervised workers, and by gender.</p> <p>↪ This information is included in the Our people section of the Annual Report, page 44.</p> <p>Whether a substantial portion of the organisation’s work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</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. 	<p>Significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p> <p>Some aspects of our business use seasonal employment. For example, we own sugar cane fields in Brazil for our cachaça business, and agave fields in Mexico for our tequila brands. In general, although seasonal employment is a feature of our business it is not significant compared to our overall number of employees.</p>
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How we have met each indicator

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Organisational profile, continued

<p>G4-11 ◆</p>	<p>Percentage of total employees covered by collective bargaining agreements.</p> <p>We have a strong commitment to transparent dialogue, and in 2016 46% of our employees were covered by collective bargaining agreements.</p>	<p>G4-12 ◆</p> <p>Describe the organisation's supply chain.</p> <p>↪ Around 28,000 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 45.</p>	<p>G4-13 ◆</p> <p>Significant changes during the reporting period.</p> <p>↪ For acquisitions and disposals, see Note 9 to the Financial statements in the Annual Report, pages 113–116.</p> <p>For material organisational restructuring programmes, see Note 4 to the Financial statements in the Annual Report, pages 106–107. For changes in share capital structure, see Notes 15–17 to the Financial statements in the Annual Report, pages 127–136.</p> <p>The main material changes to the overall location of suppliers, structure of the supply chain, or our relationships with suppliers during this reporting period relate to the sale of our wines business. This means we no longer source grapes from the United States and Argentina. Other, less material changes in our supply chain would just be a result of our routine tendering processes.</p> <p>We continue to promote local raw material 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. We now source 73% of the raw materials used in our African operations locally. This means we are importing less barley and malted barley from Europe, and increasing the amount of barley and malted barley 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 45.</p>
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How we have met each indicator

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Organisational profile, continued

<p>G4-14 ◆</p>	<p>Whether and how the precautionary approach or principle is addressed by the organisation.</p> <p>↪ 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 46–48.</p>	<p>G4-15 ◆</p>	<p>Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.</p> <p>☐ Diageo is a signatory to a number of global external codes and charters that reflect our commitment to sustainability and responsibility. These include the Dublin Principles, UN Global Compact, CEO Water Mandate, Cancún Communiqué, and the UN Women's Empowerment Principles. More detail can be found on our website.</p>	<p>G4-16 ◆</p>	<p>Memberships of associations (such as industry associations) and national or international advocacy organisations.</p> <p>☐ We have helped establish many social aspects organisations (SAOs) – industry-funded bodies that work with governments, the private sector, and NGOs to promote responsible 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.</p>
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Identified material aspects and boundaries

<p>G4-17 ◆</p>	<p>All entities included in the organisation's consolidated financial statements or equivalent documents, and whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.</p> <p>↪ Our Financial statements can be found in our Annual Report on pages 88–153. 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.</p>	<p>G4-18 ◆</p>	<p>Process for defining the report content and the aspect boundaries.</p> <p>Through stakeholder and financial analysis, we identified those sustainability and responsibility issues most material to Diageo's business. This is illustrated in a 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.</p>	<p>How the organisation has implemented the reporting principles for defining report content.</p> <p>See table on next page.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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Identified material aspects and boundaries, continued

CATEGORY – CONTENT

Principle	What it means	Our response
Stakeholder inclusiveness	The report should identify its stakeholders and explain how the reporting organisation has responded to their reasonable expectations and interests.	<p>□ On our website we have set out who our key stakeholders are, explaining how we have engaged them and identifying key areas of reporting that address their areas of interest. This year we refreshed our 2013 materiality study, reviewing over 115 sources from 43 external stakeholders and interviewing a key group of internal stakeholders. This study informed our updated materiality matrix which can be found on page 3 of this Performance Addendum. It also confirmed that our new strategy positions us to achieve our 2020 targets and make a meaningful, positive contribution to the communities we are a part of.</p>
Sustainability context	The report should present the organisation’s performance in the wider context of sustainability.	<p>➤ Our Annual Report explains the wider context in which we operate; see the Market dynamics section on pages 14–15.</p>
Materiality	<p>The report should cover aspects that:</p> <ul style="list-style-type: none"> • Reflect the organisation’s significant economic, environmental, and social impacts • Would substantively influence the assessments and decisions of stakeholders. 	<p>Our aim is to report fully on issues deemed highly material and to explain our approach to these deemed of medium materiality. 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>
Completeness	The report should include coverage of material aspects and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organisation’s performance in the reporting period.	<p>Our coverage of material topics is explained in the reporting boundaries and methodologies section at the end of this document.</p>

CATEGORY – QUALITY

Balance	The report should reflect positive and negative aspects of the 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.
Comparability	The organisation should select, compile and report information consistently. The report information should 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 GRI and have prepared this Performance Addendum as an index to help readers find comparable information.
Accuracy	The reported information should be sufficiently accurate and detailed for stakeholders to assess the organisation’s performance.	We explain our methodology for calculating performance against targets in the Reporting boundaries and methodologies section. PwC LLC were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2016. Information that is within PwC’s limited scope is marked with the symbol Δ.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Identified material aspects and boundaries, continued

CATEGORY – QUALITY, CONTINUED

Principle	What it means	Our response
Timeliness	The organisation should 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.
Clarity	The organisation should make information available in a manner that is understandable and accessible to stakeholders using the report.	Our sustainability and responsibility journey is told at a high level on our website ; 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 our responses to all GRI indicators.
Reliability	The organisation should gather, record, compile, analyse and disclose information and processes used in the preparation of a 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 2016. Information that is within PwC’s limited scope is marked with the symbol Δ.

<p>G4-19 ◆</p> <p>Material aspects identified in the process for defining report content.</p> <p>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.</p>	<p>G4-20 ◆</p> <p>For each material aspect, the aspect boundary within the organisation.</p> <p>The following GRI aspects are particularly material to our 200+ supply sites in 30 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>G4-21 ◆</p> <p>For each material aspect, the aspect boundary outside the organisation.</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>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Identified material aspects and boundaries, continued

<p>G4-22 ◆</p>	<p>Effect of any restatements of information provided in previous reports, and the reasons for such restatements.</p> <p>Restatement of baseline environmental data</p> <p>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.</p> <p>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%.</p> <p>In 2016, the baseline year environmental impacts and the impacts for the intervening years were restated due to the acquisitions of Don Julio in Mexico and United National Breweries in South Africa, and the divestments of Red Stripe in Jamaica and the wines businesses in California and Argentina. 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.</p>	<p>G4-23 ◆</p>	<p>Significant changes from previous reporting periods in the scope and aspect boundaries.</p> <p>See 'significant changes in our operations' in the Reporting boundaries and methodologies section on page 74.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Stakeholder engagement

<p>G4-24 ◆</p>	<p>Stakeholder groups engaged by the organisation.</p> <p>□ 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.</p>	<p>G4-25 ◆</p>	<p>Basis for identification and selection of 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 our 2013 study, we aimed to engage diverse stakeholder groups including NGOs, governments, investors, multilaterals, employees and customers. While most stakeholders had a global reach, we also spoke with certain government and other local stakeholders. Stakeholders in markets with high net sales and high net sales growth were given priority. This year 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>Our principle is to continue to engage stakeholders on specific issues that matter both to them and to us. For example, in October 2015 we hosted a women’s empowerment ‘round table’ with peers and NGOs; and in March 2016 we convened the first conference on sustainability in the beverage alcohol industry, which was well attended by a range of external stakeholders.</p>	<p>G4-26 ◆</p>	<p>Organisation’s approach to stakeholder engagement.</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>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Stakeholder engagement, continued

<p>G4-27 ◆</p>	<p>Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded.</p> <p>↪ Our refreshed materiality matrix (see page 3) was informed by stakeholder and financial analysis, and in light of external developments including the UN Global Goals. It confirmed our approach as set out in our S&R strategy. We are now focused on achieving our ambitious 2020 targets discussed on pages 40–49 of our 2016 Annual Report.</p>		
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Report profile

<p>G4-28 ◆</p>	<p>Reporting period (such as fiscal or calendar year) for information provided.</p> <p>Year ending 30 June 2016.</p>	<p>G4-29 ◆</p>	<p>Date of most recent report (if any).</p> <p>August 2016.</p>	<p>G4-30 ◆</p>	<p>Reporting cycle (such as annual; biennial).</p> <p>Annual.</p>
<p>G4-31 ◆</p>	<p>Contact point for questions regarding the report or its contents.</p> <p>csr@diageo.com</p>				
<p>G4-32 ◆</p>	<p>'In accordance' option the organisation has chosen.</p> <p>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.</p>	<p>GRI Content Index for the chosen option.</p> <p>This index serves as the GRI Content Index.</p>	<p>Reference to the external assurance report, if the report has been externally assured.</p> <p>PwC LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2016. Information that is within PwC's limited scope is marked with the symbol Δ.</p>		

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Report profile, continued

<p>G4-33 ◆</p>	<p>Organisation’s policy and current practice with regard to seeking external assurance for the report.</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 2016. Information that is within PwC’s limited scope is marked with the symbol Δ.</p>	<p>Relationship between the organisation and the assurance providers.</p> <p>PwC is an independent contractor.</p>	<p>Whether the highest governance body or senior executives are involved in seeking assurance for the organisation’s sustainability report.</p> <p>Diageo’s Chief Executive and Chief Financial Officer approve the appointment of, and set the scope of, PwC’s limited assurance engagement.</p>
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Governance

<p>G4-34 ◆</p>	<p>Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.</p> <p>↪ Diageo’s governance structure is included in the Corporate Governance section of the Annual Report, pages 56–87. 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.</p>	<p>G4-35 ◆</p>	<p>Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.</p> <p>As described in G4-36, senior executives are accountable for each aspect of the Sustainability & Responsibility Strategy. When issues arise in the 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.</p>
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How we have met each indicator

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Governance, continued

<p>G4-36 ◆</p>	<p>Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and 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 is shared between members of Diageo's Executive Committee, all of whom report to the Chief Executive, as outlined below. Regional presidents and local managing directors are responsible for implementing the Sustainability & Responsibility Strategy locally and driving performance.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Area(s) of accountability</th> </tr> </thead> <tbody> <tr> <td>Corporate Relations Director</td> <td>Strategy and reporting Alcohol in society Community empowerment</td> </tr> <tr> <td>Chief Marketing Officer</td> <td>Alcohol in society (responsible marketing and branded campaigns) Customer partnerships Community empowerment (brand campaigns)</td> </tr> <tr> <td>President, Global Supply and Procurement</td> <td>Environment Our people (safety) Sustainable supply chains</td> </tr> <tr> <td>Human Resources Director</td> <td>Our people</td> </tr> <tr> <td>Chief Financial Officer</td> <td>Governance and ethics</td> </tr> </tbody> </table>	Title	Area(s) of accountability	Corporate Relations Director	Strategy and reporting Alcohol in society Community empowerment	Chief Marketing Officer	Alcohol in society (responsible marketing and branded campaigns) Customer partnerships Community empowerment (brand campaigns)	President, Global Supply and Procurement	Environment Our people (safety) Sustainable supply chains	Human Resources Director	Our people	Chief Financial Officer	Governance and ethics
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President, Global Supply and Procurement	Environment Our people (safety) Sustainable supply chains												
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Chief Financial Officer	Governance and ethics												
<p>G4-37 ◆</p>	<p>Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom, and any feedback processes to the highest governance body.</p> <p>Many issues raised by institutional or private investors represent economic, social or environmental interests. The Board receives reports on institutional shareholder interests throughout the year. Private shareholders engage directly with the Chairman or with the entire Board at the Annual General Meeting.</p> <p>Wider external concerns are discussed periodically. For example this year the Board has discussed emerging strategy for Diageo's stakeholder brand, considering issues such as reputational risk, sustainability and responsibility, and government relations. 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>												
<p>G4-38 ◆</p>	<p>Composition of the highest governance body and its committees.</p> <p>↪ The Board is 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 2016 Annual Report, five members 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 56–87.</p>												

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Governance, continued

<p>G4-39 ◆</p>	<p>Whether the chair of the highest governance body is also an executive officer.</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>G4-40 ◆</p> <p>Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.</p> <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.</p>	<p>The Committee makes recommendations to the Board concerning Board appointments. Criteria for Board appointments include skills, knowledge, experience and diversity.</p> <p>↪ Further detail is included in the Corporate Governance section of the Annual Report, pages 56–87.</p> <p>□ The terms of reference of all Board Committees are available on our website.</p>
<p>G4-41 ◆</p>	<p>Processes for the highest governance body to ensure conflicts of interest are avoided and managed.</p> <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 56–87.</p>	<p>G4-42 ◆</p> <p>Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, values or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.</p> <p>Diageo's corporate vision and strategy are outlined in our Performance Ambition, the delivery of which includes key economic, social and environmental issues related to the company's reputation.</p>	<p>Progress against this Ambition is a standing agenda item for the Board and is included as part of the Chief Executive's Report. Diageo's broader Sustainability & Responsibility Strategy is discussed and signed off at Board level at least once a year.</p> <p>Policies are generally discussed and agreed at the Executive Committee level, although select policies that represent material risk are signed off at Board level.</p>
<p>G4-43 ◆</p>	<p>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>	<p>G4-44 ◆</p> <p>Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.</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 56–87.</p>	<p>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>Feedback on performance identified through the 2015 evaluation, including on sustainability and responsibility impacts that influence external reputation, was used to craft the Board's agenda for the following year.</p>

How we have met each indicator

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Governance, continued

<p>G4-45 ◆</p>	<p>Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities and whether stakeholder consultation was used.</p> <p>↪ The Executive Committee is responsible for managing economic, environmental and social impacts with accountabilities outlined in G4-36. However, as explained in G4-35 and G4-37, the Sustainability & Responsibility Strategy is discussed through a variety of channels at Board level, and incorporates stakeholder consultation where possible. In some cases, based on past reports to the Board, 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>	<p>G4-46 ◆</p> <p>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 56–87.</p>	<p>G4-47 ◆</p> <p>Frequency of the highest governance body's review of economic, environmental and social 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>
<p>G4-48 ◆</p>	<p>Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects 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>	<p>G4-49 ◆</p> <p>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 56–87.</p>	<p>G4-50 ◆</p> <p>Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.</p> <p>↪ The Report of the Audit Committee, found on pages 63–65 of the Annual Report, outlines key issues that the Committee reviewed this year. While most issues concerned financial matters, the Audit Committee also reviewed material legal cases and issues concerning post-employment plans that had wider scope. They also received a report on breaches as disclosed on page 49 of the Annual Report; none were considered critical.</p>

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Governance, continued

<p>G4-51 ◆</p>	<p>Remuneration policies for the highest governance body and senior executives including relation to economic, environmental and social objectives.</p> <p>↪ Detailed remuneration policies are included in the Directors' Remuneration Report in the Annual Report, pages 66–85. As explained on page 66, remuneration is driven by both financial and individual business performance goals, which in some cases include social and environmental objectives.</p>	<p>G4-52 ◆</p>	<p>Process for determining remuneration.</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 66–85.</p>	<p>G4-53 ◆</p>	<p>How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.</p> <p>↪ As described in the Directors' Remuneration Report in the Annual Report, pages 66–85, the Remuneration Committee actively engages shareholders. Votes on remuneration policies: each year at the company's Annual General Meeting, shareholders are asked to vote to approve the Directors' Remuneration Report. In 2015 (most recent available data), 96.45% of shareholders voted to approve it.</p>
<p>G4-54 ◇</p>	<p>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.</p> <p>↪ We report the remuneration of our highest paid executives in the Directors' Remuneration Report in our Annual Report, pages 66–85. We also report the total amount paid in salaries and benefits to Employees under G4-EC1. We do not report publicly on this data by country.</p>	<p>G4-55 ◇</p>	<p>Ratio of 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.</p> <p>See G4-54.</p>		

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Ethics and integrity

<p>G4-56 ◆</p>	<p>Organisation’s values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.</p> <p>□ Diageo has a set of five values that are at the heart of our business, and a series of codes and policies. These can be found on our website.</p>	<p>G4-57 ◆</p>	<p>Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.</p> <p>☞ We expect anyone who comes across a breach of our Code of Business Conduct to report it promptly, either to their manager, or to a member of the controls, compliance and ethics, human resources or legal teams, or through SpeakUp, our confidential whistleblowing line. Diageo will not tolerate retaliation against anyone reporting a concern.</p> <p>SpeakUp is also available to suppliers, so that they too can raise any concerns with us. More information is included in the Governance and ethics section of the Annual Report, page 49.</p>	<p>G4-58 ◆</p>	<p>Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.</p> <p>See G4-57.</p>
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GRI G4 INDEX

Specific standard disclosures

How we have met each indicator

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CATEGORY – ECONOMIC

Aspect – economic performance

<p>G4-DMA ◆</p>	<p>Economic performance.</p> <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 42–43.</p>	<p>G4-EC1 ◆</p> <p>Direct economic value generated and distributed.</p> <p>↪ Our revenues¹ this year totalled £17.1 billion (including sale of businesses of £1.1 billion).</p> <p>Economic value distributed contains operating costs (£6.1 billion), taxes (£5.9 billion), employee salaries and benefits (£1.5 billion), payments to providers of capital (£3.3 billion), and community investment (£16.3 million). Tax paid contains all cash tax paid of the company excluding £1 billion of VAT.</p> <p>Omissions: we do not currently break down direct economic value by local market.</p> <p><small>1. Data is presented on a cash basis.</small></p>	<p>G4-EC2 ◆</p> <p>Financial implications and other risks and opportunities for the organisation's activities for climate change.</p> <p>↪ 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. As reported under G4-EN31, total environmental protection expenditure was approximately £20 million which was largely spent on wastewater handling particularly in USL in India, recovery of biogas and conversions to renewable fuels.</p>
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How we have met each indicator

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Aspect – economic performance, continued

G4-EC3



Coverage of the organisation's defined benefit plan obligations

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 121.

Omissions: we do not disclose the number of employees included in the schemes or the percentage of salary contributed by employer and employee.

G4-EC4



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 110–112 and 119–120 respectively.

Omissions: this information is not broken down by country.

How we have met each indicator

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Aspect – market presence

<p>G4-DMA ◆</p>	<p>Market presence.</p> <p>↪ We employ 32,078 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 43–44.</p>	<p>G4-EC5 ◇</p>	<p>Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.</p> <p>We do not currently collect this data at a global level.</p>	<p>G4-EC6 ◆</p>	<p>Proportion of senior management hired from the local community at significant locations of operation.</p> <p>The global nature of our business encourages diversity in leadership and we believe in supporting local communities. We estimate that 79% 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.</p>
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How we have met each indicator

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Aspect – indirect economic impacts

<p>G4-DMA ◆</p>	<p>Indirect economic impacts.</p> <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 so as to effectively measure and report on the impacts of our programmes and activities. For more details, see the Building thriving communities section of the Annual Report, pages 42–43.</p>	<p>G4-EC7 ◆</p>	<p>Development and impact of infrastructure investments and services supported.</p> <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 project in Cameroon to install a water supply and sanitation facilities at the ‘Cité des Palmiers’ market in Douala, which sells local fresh food, and supports other small businesses. Through it, we provided potable water, functional modern toilets (using rainwater), a shower room and hand washing stations both for the market users and the surrounding population.</p>
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Aspect – indirect economic impacts, continued

G4-EC8
◆

Significant indirect economic impacts, including the extent of impacts.

□ Diageo has a diverse array of indirect economic impacts associated with its business relationships and community investment projects to promote a responsible role for alcohol in society, empower men and women through skills development training, and improve access to clean water and sanitation. Details of how Diageo contributes to local economic development can be found on **our website**. This work is aligned with various external stakeholder priorities.

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 7,417 young adults who participated in over 90 Learning for Life community investment programmes across 38 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 586,055 people (estimated as five contacts per student).

Moreover, as described in G4-EC1, 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.

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 that they gained valuable and recognised employment skills.

Plan W, our programme to empower women, has reached 115,091 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 575,455 people (estimated as five contacts per woman empowered).

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Aspect – procurement practices

<p>G4-DMA ◆</p>	<p>Procurement practices.</p> <p>We manage social and ethical risks in our supply chain through a four-stage programme: 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 independent audits of suppliers who represent the highest risk.</p>	<p>□ See our Partnering with Suppliers Standard, revised this year to include additional clarity on minimum requirements, particularly on bribery and corruption. This sets out the minimum social, ethical and environmental standards required of suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards.</p>	<p>G4-EC9 ◆</p>	<p>Proportion of spending on local suppliers at significant locations of operation.</p> <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, 73% of agricultural raw material volume used in our operations comes from suppliers based in the continent.</p>
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CATEGORY – ENVIRONMENTAL

Aspect – materials

<p>G4-DMA ◆</p>	<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> <ol style="list-style-type: none"> 1) to reduce total packaging by 15% 2) to increase recycled content to 45% 3) to make all packaging recyclable 4) 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, pages 46–48, 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 45.</p>	<p>G4-EN1 ◆</p>	<p>Materials used by weight or volume.</p> <p>↗ This year, we used approximately 1.4 million tonnes of agricultural raw materials like barley, wheat and maize, and approximately 1.3 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 45.</p>	<p>G4-EN2 ◆</p>	<p>Percentage of materials used that are recycled input materials.</p> <p>This year, 40% of the materials used in our packaging were recycled input materials, an increase of 1% since last year.</p>
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Aspect – energy

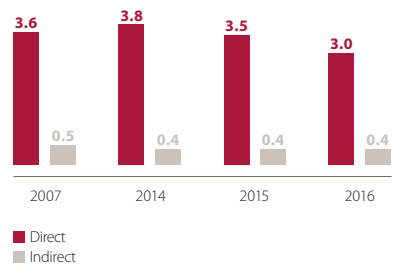
<p>G4-DMA ◆</p>	<p>Energy.</p> <p>□ We aim to reduce greenhouse gas (GHG) emissions across our whole supply chain, and our strategy is to improve energy efficiency in our operations; generate renewable energy at our sites; and source renewable or low-carbon energy for use in our plants. We also work in partnership with our suppliers to reduce carbon emissions across our broader supply chain. We focus particularly on our packaging, ingredient and logistics and distribution providers, elements of the supply chain which contribute the most significant proportion of carbon emissions, beyond our direct operations.</p> <p>For more information see our Environment Policy.</p>																
<p>G4-EN3 ◇</p>	<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"> <thead> <tr> <th>Year</th> <th>Renewable/low-carbon (TJ)</th> <th>Non-renewable (TJ)</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>564</td> <td>13,826</td> </tr> <tr> <td>2014</td> <td>3,663</td> <td>11,237</td> </tr> <tr> <td>2015</td> <td>3,268</td> <td>10,500</td> </tr> <tr> <td>2016</td> <td>2,898</td> <td>9,494</td> </tr> </tbody> </table> <p> ■ Renewable/low-carbon ■ Non-renewable </p> <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 2015, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies. </p>	Year	Renewable/low-carbon (TJ)	Non-renewable (TJ)	2007	564	13,826	2014	3,663	11,237	2015	3,268	10,500	2016	2,898	9,494
Year	Renewable/low-carbon (TJ)	Non-renewable (TJ)															
2007	564	13,826															
2014	3,663	11,237															
2015	3,268	10,500															
2016	2,898	9,494															
<p>G4-EN4 ◇</p>	<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>																

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.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – energy, continued

<p>G4-EN5 ◆</p>	<p>Energy intensity. Direct and indirect energy efficiency (MJ/litre packaged)^{1, 2, 3}</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Direct (MJ/litre packaged)</th> <th>Indirect (MJ/litre packaged)</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>3.6</td> <td>0.5</td> </tr> <tr> <td>2014</td> <td>3.8</td> <td>0.4</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> </tbody> </table> <p>Legend: ■ Direct, ■ Indirect</p>	Year	Direct (MJ/litre packaged)	Indirect (MJ/litre packaged)	2007	3.6	0.5	2014	3.8	0.4	2015	3.5	0.4	2016	3.0	0.4	<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 2015, 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 (MJ/litre packaged)	Indirect (MJ/litre packaged)															
2007	3.6	0.5															
2014	3.8	0.4															
2015	3.5	0.4															
2016	3.0	0.4															
<p>G4-EN6 ◆</p>	<p>Reduction in energy consumption. This year energy consumption from fuel, electricity, heating, cooling and steam reduced by 9.1% compared with 2015 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. Standards and methodologies can be found on pages 75–79 of this Performance Addendum.</p>	<p>G4-EN7 ◇</p> <p>Reductions in energy requirements of products and services. Energy requirements of products and services are not deemed relevant as GHG emissions from this energy use do not meet the relevancy criteria stipulated by the WRI Scope 3 Reporting Standard, specifically: they do not contribute significantly to Diageo's overall Scope 3 footprint, nor do they contribute to Diageo's business-wide risk exposure.</p>															

How we have met each indicator

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Aspect – water

<p>G4-DMA ◆</p>	<p>Water.</p> <p>□ We manage our impacts on water through the Diageo Water Blueprint, our integrated approach to water stewardship, which is based on four main platforms – raw materials, production, community and advocacy. It recognises the full value chain impact of our activities on water, and aims to reduce that impact, focusing on water-stressed areas. For more details see our website.</p>	<p>G4-EN8 ◆</p>	<p>Total water withdrawal by source</p> <p>Water withdrawal by source by region (m³)</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Mains water¹</th> <th>Ground (borehole/well)</th> <th>Surface water (river/lake)</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td>1,161,577</td> <td>578,730</td> <td>364,686</td> </tr> <tr> <td>Europe, Russia and Turkey</td> <td>3,769,134</td> <td>3,386,501</td> <td>923,236</td> </tr> <tr> <td>Africa</td> <td>3,545,735</td> <td>4,013,857</td> <td>425,642</td> </tr> <tr> <td>Latin America and Caribbean</td> <td>35,393</td> <td>211,757</td> <td>123,112</td> </tr> <tr> <td>Asia Pacific</td> <td>881,438</td> <td>709,742</td> <td>992,831</td> </tr> <tr> <td>Corporate</td> <td>153,816</td> <td>617</td> <td>0</td> </tr> <tr> <td>Diageo (total)</td> <td>9,547,093</td> <td>8,901,204</td> <td>2,829,507</td> </tr> </tbody> </table> <p><small>1. Data includes 121,310m³ of water given to communities.</small></p> <p>Standards and methodologies are included on pages 75-79 of this Performance Addendum.</p>	Region	Mains water ¹	Ground (borehole/well)	Surface water (river/lake)	North America	1,161,577	578,730	364,686	Europe, Russia and Turkey	3,769,134	3,386,501	923,236	Africa	3,545,735	4,013,857	425,642	Latin America and Caribbean	35,393	211,757	123,112	Asia Pacific	881,438	709,742	992,831	Corporate	153,816	617	0	Diageo (total)	9,547,093	8,901,204	2,829,507
Region	Mains water ¹	Ground (borehole/well)	Surface water (river/lake)																																
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<p>G4-EN9 ◆</p>	<p>Water sources significantly affected by withdrawal of water.</p>	<p>Significance criteria</p>	<p>Number of water sources significantly affected</p>																																
		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	16																																
		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																																
	<p>↪ We have also identified 39 sites as being in water-stressed areas. These are indicated in the map in the Market dynamics section of the Annual Report, page 15.</p>																																		

How we have met each indicator

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Aspect – water, continued

<p>G4-EN10 ◆</p>	<p>Percentage and total volume of water recycled and reused.</p> <p>The volume of water recycled or reused was 1,797,985m³, representing 8.4% of total water withdrawals.</p>
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Aspect – biodiversity

<p>G4-DMA ◆</p>	<p>Biodiversity.</p> <p>□ We have established a process to assess the impact of our operations on biodiversity and aim to deploy this approach at all our major sites. This year we completed eight assessments chosen according to proximity to protected areas. The most material impact on biodiversity is through our use of water, and we have three targets:</p> <ol style="list-style-type: none"> 1) To improve water use efficiency and thereby reduce withdrawals 2) To ensure all wastewater is returned safely to the environment 3) To replenish the water used in our products in water-stressed sites in the watershed. <p>For more details about this and other aspects of biodiversity, see our Environment Policy.</p>	<p>G4-EN11 ◆</p> <p>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</p> <p>See table below.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – 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	
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	Distilling	IUCN Category I-IV, Natura 2000	●				Terrestrial, Freshwater
		IUCN Category I-IV, IUCN Category V-VI				●	
Dufftown, Scotland	Distilling	Natura 2000	●				Terrestrial, Freshwater
		Key Biodiversity Area		●			
		IUCN Category I-IV, IUCN Category V-VI			●		
Dar Es Salaam, Tanzania	Brewing	Key Biodiversity Area, Natura 2000, Ramsar		●			Terrestrial, Freshwater
		IUCN Category I-IV			●		
		IUCN Category V-VI				●	
Meta Abo, Ethiopia	Brewing	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater
		IUCN Category V-VI		●			
		Key Biodiversity Area			●		
		IUCN Category I-IV				●	
Benin, Nigeria	Brewing	IUCN Category V-VI, Key Biodiversity Area	●				Terrestrial, Freshwater

How we have met each indicator

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Aspect – biodiversity, 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	
Nairobi, Kenya	Malting	C.I. Biodiversity Hotspot	●				Terrestrial, Freshwater
		IUCN Category I-IV, IUCN Category V-VI, Key Biodiversity Area			●		
Ponda, Goa, India	Distilling	IUCN Category I-IV, IUCN Category V-VI	●				Terrestrial, Freshwater
		Key Biodiversity Area, Alliance for Zero Extinction, C.I. Biodiversity Hotspot			●		
St Croix, USVI	Distilling	C.I. Biodiversity Hotspot	●				Terrestrial, 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				●	
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 I-IV, Natura 2000			●		Terrestrial, Freshwater
		Key Biodiversity Area				●	

How we have met each indicator

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

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

How we have met each indicator

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Aspect – biodiversity, continued

<p>G4-EN12 ◆</p>	<p>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</p> <p>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.</p> <p>Omissions: impact of products.</p>	<p>G4-EN13 ◆</p>	<p>Habitats protected or restored.</p> <p>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 10,000 trees. On a smaller scale, Diageo employees around the world take part in volunteer-led beach and park clean-ups, including this year in Dublin, Ireland (Bridgefoot Street Dublin Garden Project), Connecticut, and US Virgin Islands (beach clean-ups in support of the Ocean Conservancy’s International Coastal Clean-up Day), and Nairobi, Kenya (tree planting).</p> <p>Omissions: total size and location of all habitats restored/protected; methodologies and assumptions.</p>	<p>G4-EN14 ◆</p>	<p>Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</p> <p>Critically endangered: 1</p> <p>Endangered: 3</p> <p>Vulnerable: 3</p> <p>Near threatened: 3</p> <p>Least concern: 11</p> <p>See table at EN11 for list of locations.</p>
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Aspect – emissions

<p>G4-DMA ◆</p>	<p>Emissions.</p> <p>□ Managing emissions is a key part of our environment strategy; carbon is one of our most significant impacts, and we have a target of halving our absolute carbon emissions by 2020, including a 30% emissions reduction in our total supply chain. For more details see our website.</p>	<p>G4-EN15 and G4-EN16 ◆</p>	<p>Direct greenhouse gas (GHG) emissions (Scope 1). Energy indirect GHG emissions (Scope 2).</p> <p>Our total direct location-based GHG emissions were 656,000 tonnes CO₂e; our total indirect location-based GHG emissions were 189,000 tonnes CO₂e (i.e. applying grid average emissions factors).</p> <p>Direct and indirect GHG emissions (market-based) (1,000s tonnes CO₂e)^{1,2}</p> <table border="1"> <caption>Direct and indirect GHG emissions (market-based) (1,000s tonnes CO₂e)</caption> <thead> <tr> <th>Year</th> <th>Direct</th> <th>Indirect</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>878</td> <td>190</td> </tr> <tr> <td>2014</td> <td>739</td> <td>84</td> </tr> <tr> <td>2015</td> <td>658</td> <td>80</td> </tr> <tr> <td>2016^a</td> <td>595</td> <td>86</td> </tr> </tbody> </table> <p>■ Direct ■ Indirect</p> <p>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 2015, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies.</p> <p>For reporting methodologies, please see pages 75–79 of this Performance Addendum.</p>	Year	Direct	Indirect	2007	878	190	2014	739	84	2015	658	80	2016 ^a	595	86				
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<p>G4-EN17 ◆</p>	<p>Other indirect greenhouse gas (GHG) emissions (Scope 3).</p> <table border="1"> <thead> <tr> <th>Sources of Scope 3 GHG¹ emissions</th> <th>Metric tonnes CO₂e (fiscal year 2015)²</th> </tr> </thead> <tbody> <tr> <td>Purchased goods and services</td> <td>1,737,450</td> </tr> <tr> <td>Capital goods</td> <td>272,570</td> </tr> <tr> <td>Fuel- and energy-related activities (not included in Scope 1 or 2)</td> <td>90,938</td> </tr> <tr> <td>Upstream transportation and distribution</td> <td>414,165³</td> </tr> <tr> <td>Waste generated in operations</td> <td>4,361</td> </tr> <tr> <td>Business travel</td> <td>24,653</td> </tr> <tr> <td>Employee commuting</td> <td>92,606</td> </tr> <tr> <td>Downstream transportation and distribution</td> <td>187,476</td> </tr> <tr> <td>End-of-life treatment of sold products</td> <td>21,130</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. 3. PwC were engaged to provide limited assurance over this figure in our Scope 3 Logistics GHG Report for the year ended 30 June 2015. This figure has been reproduced here.</p>		Sources of Scope 3 GHG ¹ emissions	Metric tonnes CO ₂ e (fiscal year 2015) ²	Purchased goods and services	1,737,450	Capital goods	272,570	Fuel- and energy-related activities (not included in Scope 1 or 2)	90,938	Upstream transportation and distribution	414,165 ³	Waste generated in operations	4,361	Business travel	24,653	Employee commuting	92,606	Downstream transportation and distribution	187,476	End-of-life treatment of sold products	21,130
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- ◇ Not considered material to our business at this time

Aspect – emissions, continued

<p>G4-EN18 ◆</p>	<p>GHG emissions intensity.</p> <p>The market-based (net) intensity ratio of our GHG emissions was 164g CO₂e per litre of packaged product^Δ (2015 – 186g/l) and the location-based (gross) intensity ratio of our GHG emissions was 203g CO₂e per litre of packaged product^Δ (2015 – 227g/l). For reporting methodologies, including methods of calculation, please see pages 75–79 of this Performance Addendum.</p> <p><small>Δ Within PwC's limited assurance scope, see pages 83–84.</small></p>	<p>G4-EN19 ◆</p>	<p>Reduction of GHG emissions</p> <p>☞ This year we reduced GHG emissions by 7.7% compared with 2015. For more details, see the Environment section of the Annual Report, pages 46–48. For reporting methodologies, please see pages 75–79 of this Performance Addendum.</p>																								
<p>G4-EN20 ◆</p>	<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>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>CFC</td> <td>4,586</td> <td>4</td> <td>19</td> </tr> <tr> <td>HCFC</td> <td>51,322</td> <td>918</td> <td>1,662</td> </tr> <tr> <td>HFC</td> <td>22,944</td> <td>1,192</td> <td>2,480</td> </tr> <tr> <td>SF₆</td> <td>22</td> <td>0</td> <td>0</td> </tr> </tbody> </table>			Present (kg)	Emitted (kg)	Emissions CO ₂ e (tonnes)	Halons	0	0	0	CFC	4,586	4	19	HCFC	51,322	918	1,662	HFC	22,944	1,192	2,480	SF ₆	22	0	0
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<p>G4-EN21 ◆</p>	<p>NOx, 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 2016, we emitted 1.035kt of nitrogen oxides (NOx) and 0.947kt of sulphur oxides (SOx). NOx and SOx are calculated based on fuel usage and standard emission factors.</p> <p>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>2014</th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>NOx</td> <td>1.192</td> <td>1.143</td> <td>1.035</td> </tr> <tr> <td>SOx</td> <td>1.143</td> <td>1.049</td> <td>0.947</td> </tr> </tbody> </table>				2014	2015	2016	NOx	1.192	1.143	1.035	SOx	1.143	1.049	0.947											
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How we have met each indicator

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Aspect – effluents and waste

G4-DMA
◆

Waste.

□ Our aim was to eliminate waste to landfill from our operations and we remain committed to doing so by 2020. Our strategy is based on five platforms: eliminating materials where possible; reducing materials; finding agricultural uses for waste; recycling packaging and other materials; and recovering waste for energy. For more details, see [our website](#).

G4-EN22
◆

Total water discharge by quality and destination.

In 2016, total effluent volume was 14,265,826m³ and total BOD was 20,401 tonnes of which 20,123^a tonnes were under Diageo’s direct control.

The immediate receiving medium after leaving Diageo site	As a % of total Diageo effluent volume	% of the final BOD to the environment
Lake	3.0	0.0
Third-party municipal	44.5	1.6
Land	2.7	1.5
River	21.5	1.9
Sea	26.3	94.9
Wetland	2.0	0.1
Diageo (total)	100	100

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

	2007	2014	2015	2016
North America	242	15	13	101
Europe, Russia and Turkey	22,927	35,851	31,543	19,494
Africa	9,970	2,727	670	460
Latin America and Caribbean	11	22	50	48
Asia Pacific	92	489	489	298
Corporate	0	0	0	0
Diageo (total)	33,242	39,081	32,765	20,401
Total under direct control	32,412	39,104	32,535	20,123 ^a

1. 2007 baseline data and data for each of the intervening years in the period ended 30 June 2015 have been restated in accordance with Diageo’s environmental reporting methodologies.

Δ Within PwC’s limited assurance scope, see pages 83–84.

For standards and methodologies, see pages 75–79 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 2016, 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. 26% of sites also sent wastewater to offsite treatment facilities, and this represents less than 1.4% of final BOD to the environment.

Treatment method	% of sites using treatment method	Volume (m ³) of effluent by treatment method
Aerobic treatment	32	3,648,742
Anaerobic treatment	22	1,939,971
pH balance	27	1,208,678
Filtration	16	1,052,012
Reverse osmosis	5	50,677
Settling area	13	1,704,004
Stabilisation ponds	10	1,093,678

How we have met each indicator

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Aspect – effluents and waste, continued

G4-EN23 ◆	Total weight of waste by type and disposal method.	Total weight of waste by type and disposal method¹ (tonnes)				
		Region	Total waste used or recycled	Total waste to landfill	Total waste	
		North America	73,234	148	73,382	
		Europe, Russia and Turkey	455,919	2,974	458,893	
		Africa	192,666	6,080	198,754	
		Latin America and Caribbean	31,254	155	31,409	
		Asia Pacific	120,610	703	121,313	
		Corporate	3,680	894	4,574	
		Diageo (total)	877,363	10,954 ^Δ	888,325	
		<small>1. This information is collected both by Diageo and by our waste disposal contractors. Δ Within PwC's limited assurance scope, see pages 83–84.</small>				
G4-EN24 ◆	Total number and volume of significant spills. There were 14 spills or incidents during the reporting year, totalling approximately 130,000 litres of spilled material. In all cases regulators were informed and were satisfied with our response and follow-up. There were no significant spills; as such none were reported in our financial statements.	G4-EN25 ◇	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention index I, II, III and VIII, and percentage of transported waste shipped internationally. Waste deemed hazardous under the terms of the Basel convention is not relevant to our business.			
				Hazardous waste, reused, recycled and sent to landfill (tonnes)		
				Region	Hazardous waste reused or recycled	Hazardous waste to landfill
				North America	255	1
				Europe, Russia and Turkey	513	2
				Africa	586	198
				Latin America and Caribbean	31	6
				Asia Pacific	75	0
				Corporate	1	0
				Diageo (total)	1,461	207
G4-EN26 ◇	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff. None of our operations have 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 indicator

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Aspect – products and services

<p>G4-DMA ◆</p>	<p>Products and services. □ See our Environment Policy, which sets out our approach to managing the impacts of our products and services as a whole.</p>	<p>G4-EN27 ◇</p> <p>Extent of impact mitigation of environmental impacts of products and services.</p> <p>We use life cycle assessments (LCAs) as a primary means to evaluate the impacts that our products have on the environment. This year, we completed an ISO-compliant, peer-reviewed LCA on our Smirnoff vodka and are using the results to identify and communicate opportunities to mitigate environmental impacts along the entire value chain. These include practical things we can do ourselves, such as increasing the recycled content of packaging to reduce energy and natural resource consumption, and encouraging consumers to recycle our packaging whenever they can.</p>	<p>Omissions: quantification of impacts.</p>																												
<p>G4-EN28 ◇</p>	<p>Percentage of products sold and their packaging materials that are reclaimed by category.</p>	<p>Recycling/recovery rates¹ for primary packaging categories²</p> <table border="1"> <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>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><small>1. Estimated consumer recycling of primary packaging. 2. Primary packaging categories include glass, aluminium, paper and board.</small></p> <p>Omissions: primary packaging is not broken down by category.</p>		Market	Recovery rate %	North America	33	Great Britain	61	Kenya	No published data	Nigeria	No published data	Ireland	75	Brazil	47	South Africa	25	Germany	81	Greece	24	Australia	44	Italy	74	Venezuela	25	Spain	57
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Aspect – compliance

<p>G4-DMA ◆</p>	<p>Compliance.</p> <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.</p>	<p>G4-EN29 ◆</p>	<p>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.</p> <p>There were seven incidents of non-compliance with environmental consents this year, resulting in a total of £34,488 in fines. No cases were brought through dispute resolution mechanisms.</p>
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Aspect – transport

<p>G4-DMA ◆</p>	<p>Transport.</p> <p>□ In 2016, the carbon emissions associated with distribution and logistics of finished product were fully aggregated and independently assured by the external provider, PwC. We now have comprehensive data, for a three-year period, on carbon emissions associated with distribution and logistics, to derive streamlining opportunities and improvement.</p> <p>For more details about our approach, see our Environment Policy.</p>	<p>G4-EN30 ◆</p>	<p>Significant environmental impacts of transporting products and other goods and materials for the organisation’s operations, and transporting members of the workforce.</p> <p>Environmental impacts of transport</p> <table border="1"> <thead> <tr> <th>Impact activity</th> <th>Significant environmental impact</th> <th>Estimated emissions (fiscal year 2015¹ tonnes CO₂e)</th> <th>Mitigation activities</th> </tr> </thead> <tbody> <tr> <td>Transportation of finished goods to first paying customer</td> <td>Greenhouse gas emissions</td> <td>414,165²</td> <td>Optimising logistics and distribution routes with key suppliers</td> </tr> <tr> <td>Employee business travel</td> <td>Greenhouse gas emissions</td> <td>32,989</td> <td>More widespread use of technology wherever possible to minimise travel</td> </tr> <tr> <td>Employee commuting</td> <td>Greenhouse gas emissions</td> <td>63,836</td> <td>Promote use of public transport, and cycle to work schemes</td> </tr> </tbody> </table> <p>1. Latest data available. 2. PwC were engaged to provide limited assurance over this figure in our Scope 3 Logistics GHG Report for the year ended 30 June 2015. This figure has been reproduced here.</p>	Impact activity	Significant environmental impact	Estimated emissions (fiscal year 2015 ¹ tonnes CO ₂ e)	Mitigation activities	Transportation of finished goods to first paying customer	Greenhouse gas emissions	414,165 ²	Optimising logistics and distribution routes with key suppliers	Employee business travel	Greenhouse gas emissions	32,989	More widespread use of technology wherever possible to minimise travel	Employee commuting	Greenhouse gas emissions	63,836	Promote use of public transport, and cycle to work schemes
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How we have met each indicator

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Aspect – overall

G4-DMA ◆	<p>Overall.</p> <p>□ See Diageo's Environment Policy for our overall approach to managing our impacts on the environment.</p>	G4-EN31 ◇	<p>Total environmental protection expenditures and investments by type.</p> <p>Environmental protection expenditure was primarily concentrated on improvement to wastewater treatment and discharge facilities, elimination of waste material, energy efficiency and emissions reduction, and improving water use efficiency and conservation. The total expenditure during the year was approximately £20 million, which was largely spent on wastewater handling, recovery of biogas and upgrades to effluent treatment plant.</p> <p>Omissions: other costs beyond capital expenditure are not tracked as environmental expenditure.</p>
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Aspect – supplier environmental assessment

G4-DMA ◆	<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) supply chain programme and by promoting sustainable agriculture. For carbon emissions and water management we have developed a scorecard for each supplier in our CDP programme to track and assess performance. This year we also began assessing our paper and board packaging suppliers against our 2020 target to sustainably source all paper and board packaging to ensure zero net deforestation.</p> <p>For more details on our approach to environmental management with suppliers, see Diageo's Partnering with Suppliers Standard, revised this year to include our expectations of suppliers on carbon and water management.</p>	G4-EN32 ◆	<p>Percentage of new suppliers that were screened using environmental criteria.</p> <p>□ 100% of procurement-managed spend goes through the screening process outlined on our website. Whilst this screening doesn't look specifically at environmental issues, any suppliers considered to have potential risks are then required to join SEDEX and complete a questionnaire which contains environmental elements.</p>
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How we have met each indicator

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Aspect – supplier environmental assessment, continued

<p>G4-EN33 ◇</p>	<p>Significant actual and potential negative environmental impacts in the supply chain and action taken.</p> <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 have set a target to achieve a 30% reduction in GHG emissions along the total supply chain by 2020, and are working with our key suppliers to track and manage our carbon footprint through the CDP supply chain programme.</p>	<p>This year we partnered with 145 suppliers through this programme, which accounts for approximately 80% of our global spend in the categories we identified as having the highest impact. These are: logistics, packaging, raw materials, IS (information services), and third-party operations (other businesses that make our brands under licence). Of these 145 suppliers, 85% responded to the CDP questionnaire, with 48% of those reporting that they have an emissions reduction target in place. We continue to actively engage our suppliers to improve their performance in this area, and to date no relationships have been terminated due to negative impacts that surfaced as a result of our reviews.</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 the most water-stressed locations. In partnership with the CDP, this year we asked around 40 of our largest suppliers to disclose their water management practices through the CDP water supply chain programme. Of the 62% of suppliers that responded, 79% reported having a reduction target in place. In the coming year we will scale up this programme to cover 80% of spend in raw materials, packaging and third-party operations, and will use what we learn to identify where we should focus our efforts to protect water resources in our supply chain.</p> <p>Omissions: percentage of suppliers with which improvements were agreed as a result of assessments.</p>
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Aspect – environmental grievance mechanisms

<p>G4-DMA ◆</p>	<p>Environmental grievance mechanisms.</p> <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>G4-EN34 ◆</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 13 were resolved through formal grievance mechanisms. There were 13 grievances about environmental impacts filed last year that were resolved this year.</p>
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How we have met each indicator

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CATEGORY – SOCIAL

Aspect – employment

G4-DMA
◆

Employment.

□ At Diageo, we employ 32,078 talented people to grow our business and nurture our brands. Our guiding purpose – to celebrate life, every day, everywhere – permeates our work ethos. We want our people to thrive at Diageo and we are strongly committed to their professional and personal wellbeing and development. We know that it is only with the right people, with the right capabilities, that we will be able to deliver our Performance Ambition. We abide by all local labour laws and regulations and we express this commitment through our **Code of Business Conduct** and global policies.

How we have met each indicator

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Aspect – employment, continued**G4-LA1**
◆

Total number and rates of new employee hires and employee turnover by age group, gender and region.

↪ In total we hired 4,123 new people this year. A table showing the breakdown by region by gender is included in the Our people section of the Annual Report, page 44.

New hires by region by age¹

Region	Under 30	30-50	50+	Total	% of regional headcount
North America	100	182	23	305	10.5
Europe, Russia and Turkey	859	678	107	1,644	15.3
Africa	245	283	27	555	10.5
Latin America and Caribbean	426	310	18	754	23.9
Asia Pacific	315	502	48	865	8.7
Diageo (total)	1,945	1,955	223	4,123	12.9
% of total new hires	47.2%	47.4%	5.4%	N/A	N/A

Leavers by region by age¹

Region	Under 30	30-50	50+	Total	% of regional headcount
North America	122	430	358	910	31.4
Europe, Russia and Turkey	410	737	260	1,407	13.1
Africa	150	779	224	1,153	21.9
Latin America and Caribbean	308	613	99	1,020	32.3
Asia Pacific	250	663	198	1,111	11.1
Diageo (total)	1,240	3,222	1,139	5,601	17.5
% of total leavers	22.1%	57.6%	20.3%	N/A	N/A

Leavers by region by gender¹

Region	Men	Women	Total	% of regional headcount
North America	568	342	910	31.4
Europe, Russia and Turkey	828	579	1,407	13.1
Africa	899	254	1,153	21.9
Latin America and Caribbean	646	374	1,020	32.3
Asia Pacific	817	294	1,111	11.1
Diageo (total)	3,758	1,843	5,601	17.5
% of total leavers	67.1%	32.9%	N/A	N/A

1. Employees have been allocated to the region in which they reside.

G4-LA2
◇

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

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.

G4-LA3
◇

Return to work and retention rates after parental leave, by gender.

We do not currently collect this data at a global level.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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Aspect – labour relations

<p>G4-DMA ◆</p>	<p>Labour relations.</p> <p>□ We respect our employees’ choice to join or not join a trade union or other organisations 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>For more details on our approach to labour relations, see our Human Rights Policy.</p>	<p>G4-LA4 ◆</p>	<p>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.</p> <p>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 full 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.</p>
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Aspect – occupational health and safety

<p>G4-DMA ◆</p>	<p>Occupational health and safety.</p> <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>	<p>G4-LA5 ◆</p>	<p>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.</p> <p>Diageo’s Global Risk Management Standards (GRMS) mandate the use of employee consultation forums (i.e. safety committees) at the 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.</p>
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How we have met each indicator

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Aspect – occupational health and safety, continued

G4-LA6
◆

Type of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.

Fatalities

↗ We are saddened to report that this year a contractor was fatally injured at work in Nigeria.

For more details, see the Our people section of the Annual Report, pages 43–44.

Lost-time accident (LTA) frequency rate

↗ Our global LTA frequency rate was 1.44, a reduction of over 13% compared with 2015. This rate is represented 76% by men and 24% by women. For rates by region and year since 2011, see the Our people section of the Annual Report, page 44.

Safety data by region and gender

	Employee LTA rate	Fatalities ¹	Days lost per 1,000 FTEs	Independent contractor LTAs ²
North America	0.37	0	23	2
Europe, Russia and Turkey ³	1.94	0	110.3	7
Africa	0.77	1	20.2	2
Latin America and Caribbean	2.27	0	154.4	4
Asia Pacific	2.01	0	51.1	2
International Supply Centre	0.42	0	28.5	2
Diageo (total)	1.44 ⁴	0	56.2	19

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. In the Annual Report 2016, we include International Supply Centre in this region, hence the difference in the reported LTA rate.
 4. Within PwC's limited assurance scope, see pages 83–84.

Types of injury (employee)



- Vehicle impact 29%
- Slipped, tripped or fell on the same level 24%
- Entanglement in moving parts 9%
- Fall to lower level <2m 6%
- Manual handling 6%
- Burn (non-chemical) 5%
- Cut 5%
- Other repeated motion/overexertion 3%
- Struck/trapped by other than vehicle or falling object 3%
- Struck by falling object 3%
- Struck against 3%
- Chemical splash/burn 2%
- Other 2%

Types of injury (contractor)



- Vehicle impact 26%
- Fall to lower level <2m 16%
- Struck/trapped by other than vehicle or falling object 16%
- Slipped, tripped or fell on the same level 11%
- Cut by knife/razor/other 11%
- Chemical splash/burn 5%
- Struck against 5%
- Foreign body in eye 5%
- Entanglement in moving parts 5%

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

Regional breakdowns by injury type are not included since, given the low LTA numbers, the trends are not statistically significant.

We do not include absenteeism rates since we do not collect this data at a global level.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – occupational health and safety, continued

<p>G4-LA7 ◆</p>	<p>Workers with high incidence or high risk of diseases related to their occupation.</p> <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 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 team has now been put in place, with a plan to embed globally consistent programmes and KPIs for occupational health in 2017.</p>	<p>G4-LA8 ◆</p>	<p>Health and safety topics covered in formal agreements with trade unions</p> <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>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – training and education

<p>G4-DMA ◆</p>	<p>Training and education.</p> <p>As a business, we invest heavily in learning and development. We strongly believe that learning and capability building for our people is vital to business growth and to making Diageo a great place to work where our people are empowered to be their best.</p> <p>We have designed our programmes in such a way so that our employees benefit from obtaining 70% of their learning through on-the-job activities, 20% from coaching conversations and 10% through formal training activities.</p> <p>All our new learning programmes have been designed incorporating this combination approach. Through this we aim to provide different stimuli, learning formats, experiences and interventions to suit various learning styles, thereby ensuring greatest impact.</p> <p>We currently offer a Learning Suite consisting of the following components:</p> <ul style="list-style-type: none"> • Learning Portal (Academy Mosaic), within our intranet site that houses our core learning programmes for all functions and for various leadership levels • Academy LMS, a learning management system through which employees are able to register for classroom sessions and complete different online training sessions. They can also access the capability diagnostics tool, iDevelop, which allows employees to evaluate their leadership and functional capabilities against the ones required for their function and role and form development plans accordingly • Academy TV, a video learning platform that provides easy access to more than 400+ learning videos to different functional and leadership topics. 	<p>G4-LA9 ◇</p>	<p>Average hours of training per year, per employee, by gender, and by employee category.</p> <p>A new measurement control system was launched in September 2015 that enables markets to track and capture training hours of employees (from both global and local programmes) within the Diageo Academy LMS.</p> <p>This year the system recorded 480,528 hours in total, an average of approximately 22 hours per full-time employee eligible to complete training online (21,802).</p> <p>Omissions: our system is not set up to record training hours per employee by gender.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
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Aspect – training and education, continued

G4-LA10
◆

Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

We have designed and developed a range of learning initiatives to enhance the effectiveness of our employees. These initiatives aim to provide our employees the requisite skills to excel in their roles and develop leadership capabilities for future roles.

In addition to the Diageo Leadership Performance Programme (DLPP) which is our flagship leadership development programme, we have developed a number of other leadership programmes targeting employees across different levels and stages of their career at Diageo.

Training and development programmes and interventions that we provided in 2016 include:

- 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 supports People Managers with resources and tools to inspire their teams and drive results.
- Commercial programmes, such as Licence to Sell, Licence to Coach, 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 instilling rigour to work with clear and achievable targets.

We also offer assistance in managing career endings, such as pre-retirement seminars, to assist employees moving into retirement.

G4-LA11
◇

Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.

In 2016, 83% of our employees across the world received regular performance reviews.

Omissions: data by gender and by employee category.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – diversity and equal opportunity

<p>G4-DMA ◆</p>	<p>Diversity and equal opportunity.</p> <p>□ Valuing diversity is one of the core principles set out in our Human Rights Policy.</p>	<p>G4-LA12 ◇</p> <p>Composition of governance and ethics bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</p> <p>↪ Women make up 28% of our senior management across the Company,¹ 47% of our Executive Committee and 42% of our Board.</p> <p>Further employee profile information by gender is included in the Our people section of the Annual Report, page 44.</p> <p><small>1. Top leadership positions in Diageo below our Executive Committee.</small></p>	<p>The global nature of our business encourages diversity in leadership and we believe in supporting local communities. We estimate that 79% 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>
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Aspect – equal remuneration for women and men

<p>G4-DMA ◇</p>	<p>Equal remuneration for women and men.</p> <p>We do not currently collect this data at a global level.</p>	<p>G4-LA13 ◇</p> <p>Ratio of basic salary and remuneration of women to men by employee category, by significant location of operation.</p> <p>We do not currently collect this data at a global level.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – supplier assessment for labour practices

<p>G4-DMA ◆</p>	<p>Supplier assessment for labour practices.</p> <p>We manage social and ethical risks in our supply chain through a four-stage programme: 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; and independent audits of suppliers who represent the highest risk. The breakdown of our audit compliance data in this report relates only to the 70 audits directly requested by Diageo, to ensure that our reporting reflects matters under our direct control.</p> <p>☐ See our Partnering with Suppliers Standard, which sets out the minimum social, ethical and environmental standards required of suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards. We revised it this year to include additional clarity on minimum requirements relating to labour practices, and the inclusion of an 'end-to-end' responsibility requirement, setting the expectation of our suppliers to promote the principles of our supplier code down their own supply chain.</p>	<p>G4-LA14 ◆</p>	<p>Percentage of new suppliers that were screened using labour practices criteria.</p> <p>☐ For procurement-managed spend, 100% of new suppliers went through an initial screening process as described on our website.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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Aspect – supplier assessment for labour practices, continued

<p>G4-LA15 ◆</p>	<p>Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.</p> <p>All suppliers determined to be a potential risk are required to register with SEDEX, and to complete the SEDEX self-assessment questionnaire. To date, 1,181 of the company’s supplier sites assessed as a potential risk have registered with SEDEX, down from 1,298 last year. Of these, 1,061 have fully completed a SEDEX self-assessment questionnaire, down from 1,170 in 2015. The slight fall in numbers is in part a result of removing suppliers from our SEDEX database that no longer have a commercial relationship with Diageo.</p>	<p>Suppliers who represent a potential high risk (318) are flagged to be independently audited against the SEDEX Members Ethical Trade Audit (SMETA) ‘4 pillar audit protocol’ or equivalent. Of these, 150 (47%) were independently audited during the last three years; audits were commissioned by Diageo (70), or accessed through SEDEX and AIM-PROGRESS (80). With regard to the 70 audits commissioned by Diageo, a total of 640 issues of non-compliance were raised, with the majority relating to health, safety, and hygiene issues. Of the 640 issues of non-compliance, around 6% were rated as critical, and we are working with our suppliers to resolve them, and, where required, arrange follow-up audits to verify the issues have been resolved.</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>
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Aspect – labour practices grievance mechanisms

<p>G4-DMA ◆</p>	<p>Labour practices grievance mechanisms.</p> <p>↪ Employees 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. Read more about our approach to managing the issues collected through this and other grievance mechanisms in the Governance and ethics section of the Annual Report, page 49.</p>	<p>G4-LA16 ◇</p>	<p>Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms.</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 on labour practices either internally or externally to protect employee confidentiality.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – investment

<p>G4-DMA ◆</p>	<p>Investment.</p> <p>We manage social and ethical risks in our supply chain through a four-stage programme: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process where potentially high-risk suppliers are required to register with SEDEX; and independent audits of suppliers who represent the highest risk.</p> <p>□ See our Partnering with Suppliers Standard, which sets out the minimum social, ethical and environmental standards we require suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards.</p>	<p>G4-HR1 ◆</p>	<p>Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.</p> <p>□ 100%, 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.</p>	<p>G4-HR2 ◇</p>	<p>Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.</p> <p>All middle manager employees and above are required to complete an Annual Certification of Compliance. 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. The Executive Committee were trained on ‘unconscious bias’.</p> <p>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.</p>
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Aspect – non-discrimination

<p>G4-DMA ◆</p>	<p>Non-discrimination.</p> <p>□ All our employees have the right to expect that their basic human rights are fully respected in the workplace. We do not discriminate or tolerate harassment based on grounds such as race, religion, colour, ethnicity, national origin, disability, sexual orientation, gender, gender identity, gender expression or marital status. We treat everyone with dignity and respect. For more details, see our Human Rights Policy.</p>	<p>G4-HR3 ◇</p>	<p>Total number of incidents of discrimination and corrective actions taken.</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 either internally or externally.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – freedom of association and collective bargaining

<p>G4-DMA ◆</p>	<p>Freedom of association and collective bargaining.</p> <p>□ We have a strong commitment to dialogue, and in 2016 46% 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>	<p>G4-HR4 ◆</p> <p>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.</p> <p>Operations We are not aware of any operations that have violated, or are at significant risk of violating, people’s rights to exercise freedom of association and collective bargaining. We will investigate allegations as and when they come up and will take appropriate remedial action, involving relevant local agencies as appropriate.</p> <p>Suppliers Our review of Diageo-commissioned supplier audits (70) raised seven issues of non-compliance related to the category of freedom of association and collective bargaining. Five of these issues concerned the lack of a worker representative committee; one related to the lack of training for worker representatives; and another to workers not being aware of their representatives. At the time of writing, these issues of non-compliance were outstanding, and we are following up with the suppliers to resolve them.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – child labour

<p>G4-DMA ◆</p>	<p>Child labour.</p> <p>□ We do not permit exploitation of children. We will not employ anyone under the age of 16. Employees under the age of 18 will not perform any hazardous work. We respect all relevant local laws regarding voluntary employment and minimum age for employment.</p> <p>For more details, see Diageo's Human Rights Policy.</p> <p>In addition, our Partnering with Suppliers Standard lays down the following minimum expectations of suppliers.</p> <p>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.</p>	<p>G4-HR5 ◆</p> <p>Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.</p> <p>Operations Our due diligence approach focuses on child labour and is one of the areas that our human rights impact assessment robustly investigates. We 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.</p> <p>Suppliers Our review of Diageo-commissioned supplier audits (70) raised three issues of non-compliance under the category of children and young workers. All three issues concerned the lack of a policy at the supplier's facility in relation to child labour. At the time of writing two of these issues of non-compliance had been confirmed as resolved, and we are following up with the supplier to resolve the remaining one.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – forced or compulsory labour

<p>G4-DMA ◆</p>	<p>Forced or compulsory labour.</p> <p>□ We do not tolerate exploitation or involuntary servitude of our employees, suppliers or business partners.</p> <p>We do not permit forced or compulsory labour in any form – be it of our employees, suppliers or business partners. We respect all relevant local laws regarding voluntary employment.</p> <p>For more details, see Diageo’s Human Rights Policy and the Human Rights and Core Labour Standards section of our Partnering with Suppliers Standard.</p>	<p>G4-HR6 ◆</p>	<p>Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.</p> <p>Operations 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>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 Our review of Diageo-commissioned supplier audits (70) raised four issues of non-compliance related to the SMETA audit section ‘employment is freely chosen’. Two of these issues related to suppliers keeping original documents belonging to employees rather than photocopies; and two related to employees being required to pay for uniforms. At the time of writing, these issues of non-compliance were outstanding, and we are following up with the suppliers to resolve them.</p>
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Aspect – security practices

<p>G4-DMA ◆</p>	<p>Security practices.</p> <p>□ 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. We take a targeted, risk-based approach to the training of Diageo security personnel, ensuring it is appropriate for the location(s) where they operate. It is our intention that everyone goes home safe, every day, everywhere. For more details, see Diageo’s Code of Business Conduct.</p>	<p>G4-HR7 ◇</p>	<p>Percentage of security personnel trained in the organisation’s human rights policies or procedures that are relevant to operations.</p> <p>We do not record this data since our security staff contracts vary by market, some being direct employees, and others, third-party contractors.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – indigenous rights

<p>G4-DMA ◆</p>	<p>Indigenous rights. We do not believe this is material to our business.</p>	<p>G4-HR8 ◆</p>	<p>Total number of incidents of violations involving rights of indigenous peoples and actions taken. We do not believe this is material to our business.</p>
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Aspect – assessment

<p>G4-DMA ◆</p>	<p>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. Beyond this we have developed a comprehensive human rights impact assessment approach. For more details, see the human rights section of our Annual Report, page 42.</p>	<p>G4-HR9 ◆</p>	<p>Total number and percentage of operations that have been subject to human rights reviews or impact assessments. ↪ As described above all of 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 this year developed a comprehensive human rights impact assessment approach and conducted our first assessment using this approach in Kenya. For a list of all our markets, see the Our global reach section of the Annual Report, page 3.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – supplier human rights assessment

<p>G4-DMA ◆</p>	<p>Supplier human rights assessment.</p> <p>□ We manage social and ethical risks in our supply chain through a four-stage programme: 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; and independent audits of suppliers who represent the highest risk.</p> <p>For more details on human rights, see the Human Rights and Labour Standards section of our Partnering with Suppliers Standard. It was revised this year to include reference to the UN Guiding Principles on Human Rights, additional clarity on our minimum requirements, and additional requirements for suppliers relating to land rights and providing workers access to remedy.</p>	<p>G4-HR10 ◆</p>	<p>Percentage of new suppliers that were screened using human rights criteria.</p> <p>100% of new suppliers for procurement-managed spend went through the screening process described in the supplier human rights assessment DMA (left). This process includes screening for human rights.</p>	<p>G4-HR11 ◆</p>	<p>Significant actual and potential negative human rights impacts in the supply chain, and actions taken.</p> <p>We commissioned 70 and obtained 80 audits for 150 of our direct suppliers this year, representing 47% of suppliers assessed as a potential high risk. With regards to the 70 audits commissioned by Diageo (which consider human rights), a total of 640 issues of non-compliance were raised, with the majority relating to health, safety, and hygiene. Of the 640 issues of non-compliance, around 6% were rated as critical, and we are working with our suppliers to resolve them and, where required, arrange follow-up audits to verify the issues have been resolved.</p>
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Aspect – human rights grievance mechanism

<p>G4-DMA ◆</p>	<p>Human rights grievance mechanism.</p> <p>We have a global standard for managing breaches that provides guidance to those involved in the process to ensure it is managed effectively. A part of this includes our confidential whistleblowing line, SpeakUp.</p>	<p>G4-HR12 ◇</p>	<p>Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.</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>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – local communities

<p>G4-DMA ◆</p>	<p>Local communities.</p> <p>☑ Playing a positive role in society is at the heart of what we do. Operating in a responsible and sustainable way every day, everywhere means that we can support our communities, protect and preserve natural resources and ensure alcohol plays a positive role in society.</p> <p>Our strategic priorities are guided by the issues that are most material to our business and our value chain. 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.</p>	<p>Our strategy has been designed to focus our efforts on our three strategic priority areas – the role of alcohol in society, building thriving communities, and the environment, while also allowing local businesses the flexibility to refine their approach to focus on the issues that are most important to their local stakeholders and truly create shared value for the communities in which they operate.</p> <p>Our 2020 targets are designed to create shared value and contribute broadly to the UN's Global Goals. Metrics for each target will evaluate the impacts of our initiatives. This reflects a renewed focus on co-ordinating our efforts to achieve outcomes that bring the maximum possible value for our stakeholders, and for us. Our new Social Impact Framework is a critical tool for evaluating impact and focusing investment, described further in the Building thriving communities section of our Annual Report, pages 42–43.</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>
<p>G4-SO1 ◆</p>	<p>Percentage of operations with implemented local community engagement, impact assessment, and development programmes.</p> <p>We have local community engagement, impact assessment and/or development programmes in 54 of the 180 countries in which we operate, representing 33% of our operations.</p>	<p>G4-SO2 ◆</p>	<p>Operations with significant actual and potential negative impacts on local communities.</p> <p>☑ The social impacts of our operations and community investment are discussed in the S&R review section of the Annual Report, pages 40–49.</p>

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – anti-corruption

<p>G4-DMA ◆</p>	<p>Anti-corruption.</p> <p>□ We have an internal Anti-Corruption Global Policy, whose core principles are included in our Code of Business Conduct.</p>	<p>G4-SO3 ◇</p>	<p>Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.</p> <p>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.</p> <p>Omissions: risks related to corruption identified through risk assessment.</p>	<p>G4-SO4 ◇</p>	<p>Communication and training on anti-corruption policies and procedures.</p> <p>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.</p> <p>Omissions: specific numbers and percentage of employees receiving training.</p>
<p>G4-SO5 ◇</p>	<p>Confirmed incidents of corruption and actions taken.</p> <p>↪ Public legal cases are reported in Note 18 to the Financial Statements of the Annual Report, entitled Contingent liabilities and legal proceedings, pages 137–141.</p> <p>Omissions: any non-public incidents are not reported.</p>				

Aspect – public policy

<p>G4-DMA ◆</p>	<p>Public policy.</p> <p>□ 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.</p> <p>Our position on specific issues related to alcohol policy is included in the Market Dynamics section of the Annual Report, page 15.</p>	<p>G4-SO6 ◆</p>	<p>Total value of political contributions by country and recipient/beneficiary.</p> <p>↪ During the year, Diageo Great Britain Limited (a wholly-owned subsidiary of the Company) helped, with others, defray the costs of an economists’ dialogue (and associated report) hosted by the independent think-tank, the Centre for European Reform, in the EU referendum context. These costs totalled £2,500 (2015: nil). During the year also, Diageo Germany GmbH (a wholly owned subsidiary of the Company) helped, with others, to support a dialogue between key German media and influencers called ‘CDU Media Night’ hosted by the political party CDU. These costs totalled approximately £1,000 (2015: nil).</p>	<p>Otherwise, 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.</p> <p>The group made contributions to non-EU political parties totalling £0.4 million during the year (2015: £0.5 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.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – anti-competitive behaviour

<p>G4-DMA ◆</p>	<p>Anti-competitive behaviour.</p> <p>□ We have an internal competition and antitrust policy, the core principles of which are included in our Code of Business Conduct.</p>	<p>G4-SO7 ◇</p>	<p>Total number of legal actions for anti-competitive behaviour.</p> <p>We do not disclose details of regulatory investigations or sanctions.</p>
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Aspect – compliance

<p>G4-DMA ◆</p>	<p>Compliance.</p> <p>□ Diageo has a sound corporate governance structure and a robust risk and compliance programme, with our Code of Business Conduct at its centre.</p> <p>For more details see our website.</p>	<p>G4-SO8 ◇</p>	<p>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</p> <p>We were not required to pay any fines that would individually be considered material to Diageo’s financial statements.</p> <p>Omissions: non-monetary sanctions.</p>
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Aspect – supplier assessment for impacts on society

<p>G4-DMA ◆</p>	<p>Supplier assessment for impacts on society.</p> <p>□ We manage social and ethical risks in our supply chain through a four-stage programme: 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; and independent audits of suppliers who represent the highest risk. See our Partnering with Suppliers Standard, which sets out the minimum social, ethical and environmental standards we require suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards.</p>	<p>G4-SO9 ◆</p>	<p>Percentage of new suppliers that were screened using criteria for impacts on society.</p> <p>100% of new suppliers of procurement-managed spend went through the screening process described in the supplier assessment for impacts on society DMA (left).</p> <p>This process includes screening for impacts on society.</p>	<p>G4-SO10 ◇</p>	<p>Significant actual and potential negative impacts on society in the supply chain and actions taken.</p> <p>We continue to gather data in priority markets but are not yet in a position to report on a global basis.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – grievance mechanisms for impacts on society

<p>G4-DMA ◆</p>	<p>Grievance mechanisms for impacts on society.</p> <p>We advertise our third-party helpline, SpeakUp, to suppliers.</p>	<p>G4-SO11 ◇</p>	<p>Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.</p> <p>There were 752 suspected breaches of our Code reported this year, of which 340 were subsequently substantiated. Of the suspected breaches, 311 were reported through SpeakUp, compared with 386 in 2015.</p> <p>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 49.</p> <p>Omissions: we do not disclose how each individual grievance is resolved.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – customer health and safety

<p>G4-DMA ◆</p>	<p>Customer health and safety.</p> <p>□ 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 DNVGL (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 75% of our sites are now certified, so our focus now is on the balance, which are more recent acquisitions.</p> <p>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.</p>	<p>G4-PR1 ◆</p>	<p>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.</p> <p>100%: all our products are subject to sampling which includes inspections for defects. These include critical defects which relate to product safety and legislative requirements.</p> <p>We continue to see significant improvement in critical defects with a circa 40% reduction in 2016. This excludes USL whose data we began to collect in July 2015. Between 1 July 2015 and 30 June 2016 we recorded a 65% improvement at USL.</p>	<p>G4-PR2 ◆</p>	<p>Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.</p> <p>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.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – product and service labelling

<p>G4-DMA ◆</p>	<p>Product and service labelling</p> <p>□ We meet all legal and regulatory requirements for labelling in all the markets. Our Diageo Consumer Information Standards, launched 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.</p> <p>For more details about labelling and information, see Diageo’s Marketing Code, our Quality Policy and the Diageo Consumer Information Standard.</p>	<p>G4-PR3 ◆</p>	<p>Type of product and service information required by the organisation’s procedures for product and service information and labelling.</p> <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> <ol style="list-style-type: none"> 1. 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. 2. 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. □ 3. Safe use of the product or service: as required by the Global Beer, Wine and Spirits Producers’ Commitments (see our website), we are reviewing all our products to ensure that, by 2017, they will carry at least one but up to three responsible drinking symbols. 	<p>4. 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> <p>Percentage of significant product and service categories subject to such information requirements.</p> <p>All our products are covered by and assessed for compliance with the procedures set out in points 2-4 above.</p>
<p>G4-PR4 ◆</p>	<p>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.</p> <p>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.</p>	<p>G4-PR5 ◇</p>	<p>Results of surveys measuring customer satisfaction.</p> <p>We cannot report this since we do not capture this data at a global level.</p>	

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – marketing communications

<p>G4-DMA ◆</p>	<p>Marketing communications.</p> <p>□ 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.</p> <p>Our Diageo Consumer Information Standards, launched 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.</p> <p>For more details about labelling and information, see Diageo's Marketing Code, Quality Policy and the Diageo Consumer Information Standard.</p>	<p>G4-PR6 ◆</p>	<p>Sale of banned or disputed products.</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>	<p>G4-PR7 ◆</p>	<p>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.</p> <p>↪ This year, Diageo received two substantiated complaints about advertising standards. For more details, and for industry complaints as a whole, see the Annual Report, page 41.</p>
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Aspect – customer privacy

<p>G4-DMA ◆</p>	<p>Customer privacy.</p> <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.</p> <p>For more details, see the data privacy section in our Code of Business Conduct.</p>	<p>G4-PR8 ◇</p>	<p>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</p> <p>This issue did not surface in our materiality assessment.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – compliance

<p>G4-DMA ◆</p>	<p>Compliance.</p> <p>□ Diageo has a sound corporate governance structure and a robust risk and compliance programme, with our Code of Business Conduct at the heart of our business. For more details, see our website.</p>	<p>G4-PR9 ◆</p>	<p>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</p> <p>As disclosed in SO8, we were not required to pay any fines that would individually be considered material to Diageo's financial statements.</p>
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UNITED NATIONS GLOBAL COMPACT (UNGC) INDEX

The following index is structured along the UNGC advanced level reporting criteria. Our annual Communication on Progress (COP) 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. While the section 'How we will deliver our performance ambition' on page 16 of the Annual Report describes our sustainability and responsibility imperatives, there are sections throughout that Report that show how each department or region is addressing social and environmental issues.</p> <p>Additionally, the GRI general standard disclosures on pages 6–22 of this Performance Addendum explain how our Sustainability & Responsibility Strategy is managed.</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 grains 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 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. Finally, our sustainable supply chains programme is entirely focused on third-party partnerships – including working with suppliers to uphold high standards of ethics, and partnering with farmers to support them with crop rotation and with soil and crop management. You can read about our performance across all these areas in the Sustainability & Responsibility Review in the Annual Report, pages 40–49.</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	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 .
4	Effective management systems to integrate human rights principles	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. Our well-developed management systems such as the global framework for compliance training 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. In addition, this year we developed a comprehensive human rights impact assessment (HRIA) approach. For more information please see page 40 of our Annual Report.
5	Effective monitoring and evaluation mechanisms of human rights integration	<p>Through our recently developed HRIA approach we take a robust view of monitoring the impact of our business on human rights. 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>In addition, our comprehensive risk and compliance programme is outlined on pages 48–49 of the Annual Report. It includes risk management, monitoring auditing and reporting, enforcement and incentives, and controls. The Sustainable supply chains section on page 45 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 43–45, which discusses how we manage issues such as diversity, health and safety, and engagement. The Sustainable supply chains section on Page 45 explains how we manage labour issues in our supply chain.
7	Effective management systems to integrate the labour principles	Our risk and compliance programme, explained in Criterion 4 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 43–45.
8	Effective monitoring and evaluation mechanisms of labour principles integration	Our risk and compliance programme, explained in Criterion 5 above, also applies to labour issues. Beyond this, we set targets for health and safety, which we monitor closely.
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. Read more on pages 46–48 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. Read more 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, pages 48–49, 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, pages 48–49, sets out our monitoring and evaluation mechanisms. Our internal Global Audit and Risk (GAR) programme audits 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	<p>Diageo is committed to contributing to many goals of the United Nations (UN) as well as those of other affiliated, specialised agencies, such as the World Health Organization (WHO) and the International Labour Organization. Following a UN political declaration on the prevention and control of non-communicable diseases, the WHO set a target of reducing alcohol-related harm by 10% across the world by 2025.</p> <p>Diageo shares this goal: every one of our responsible drinking programmes, partnerships, and campaigns are in service of this. Additionally, many of our responsible drinking programmes include working with expectant mothers and midwives to educate them of the risks of drinking while pregnant, which supports the UN Global Goal to improve maternal health care. Our Water of Life programme, which aims to provide access to clean water, supports the UN Global Goal to eradicate extreme poverty and hunger. Our Plan W community investment programme aims to empower women, in support of the UN Global Goal to promote gender equality and empower women. Finally, our environmental programme supports the UN Global Goal to ensure environmental sustainability.</p>
16	Strategic social investments and philanthropy	You can read about our strategic community investment programmes on page 43 of the Annual Report, and our website .
17	Advocacy and public policy engagement	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, a joint initiative of the UN and the UN Global Compact. For more information, see our website .
18	Partnerships and collective action	We believe partnership with others is the best way to make progress against our Sustainability & Responsibility Strategy and goals. The most significant initiative we take part in is the Global Beer, Wine and Spirits Producers’ Commitments – the largest ever industry-wide initiative to implement effective ways to address harmful drinking. For more information on the Global Beer, Wine and Spirits Producers’ Commitments and other significant partnerships, see our website .

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 outline 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 or NGOs. More information can be found on our website .

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 2016. 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.
- Safety data for 2016 excludes United National Breweries in South Africa, over which we have recently acquired control.
- SEDEX self-assurance and supplier audit data excludes our USL business in India.
- 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 133–116, 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

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 page 83-84 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, 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, since they are considered immaterial to the company's overall impacts. We review this approach annually to assess the data and extent of impacts to ensure it continues to be appropriate.

The environmental data includes newly acquired businesses as soon as practical and no later than one year after we have assumed operational control. The environmental data in the Sustainability & Responsibility Review in the 2016 Annual Report and Accounts includes the environmental impacts associated with Don Julio in Mexico and United National Breweries in South Africa, which were incorporated during the current year. The environmental data associated with any divestments is removed from the baseline, from intervening years and from the current year to ensure comparisons are relevant and that we can track performance against targets consistently.

We collect data on key measures of environmental performance every year. It is collated and analysed using a web-based environmental management system. For the reporting period 1 July 2015 to 30 June 2016, 201 sites in 45 countries reported environmental impact data.

Baseline

Diageo's baseline year, set as the financial year ended (FY) 30 June 2007, applies to all environmental targets with the exception of packaging, which has a baseline of FY 30 June 2009. The continued relevance of 2007 as the baseline year is reviewed annually. The baseline data is used as the basis for calculating progress against Diageo's targets for CO₂e emissions, water use, BOD and waste to landfill. The baselines have been established as set out here.

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 2016, the baseline year environmental impacts and the impacts for the intervening years were restated due to the acquisitions of Don Julio in Mexico and United National Breweries in South Africa, and the divestments of Red Stripe in Jamaica and the wines

businesses in California and Argentina. 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.

In the current financial year, the environmental impacts associated with acquisitions and divestments resulted in minimal changes to Diageo's baseline year. These changes have been absorbed and do not affect our 2020 environmental sustainability targets.

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, and in December 2014 we announced a new set of sustainability and responsibility targets to be achieved by 2020, against which we would report from 2016 onwards. Since setting these targets and reporting our performance against them, we have incorporated a number of acquisitions and have reset the 2007 baseline data accordingly. The impacts of these acquisitions

on 2020 environmental targets have 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 the Intergovernmental Panel on Climate Change (IPCC) methodology relating to ozone-depleting substances and fluorinated gases. A summary of the key elements of these standards and their application to Diageo's business is outlined below.

Scopes

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.

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.

The CO₂e emissions data is calculated on the basis of a direct measurement of energy use (e.g. meter readings/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; 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 following the principles of the WRI/WBCSD Protocol Scope 2 amendment made in January 2015. We began reporting on location (gross) emissions in 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).

Diageo's absolute CO₂e reduction targets (Scope 1 and Scope 2) and reporting protocols since 2007 follow the principles of the GHG Protocol based on market emissions, applying emissions factors specified in energy attribute certificates, contracts, power purchase agreements and supplier utility emission statements.

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.
- Total volume of water withdrawn, in cubic metres, by site in the year.

Diageo prepares and reports water withdrawal data from the sites over which it has operational control, using internally developed reporting methodologies based on the GRI G4 Guidelines. 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

We use the World Resource Institute Aqueduct tool, UN Definitions and internal survey information to determine the number of our sites that are located in water-stressed areas. In the current financial year, we designated 39 production sites as being in water-stressed locations, identifying them as higher risk in terms of a 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 our water use efficiency calculation for production operations. The volume of water used at Diageo-operated agricultural lands (in Brazil and Turkey) is quantified and reported separately.

Water withdrawals are measured primarily on the basis of meter readings and invoices for the majority of sites. In some limited instances estimates 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 1,000s 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. The BOD load to the environment, (1,000s tonnes) that is attributable to Diageo's owned and operated wastewater treatment facilities, is covered by external independent assurance. 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 to 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 G4 Guidelines.

The definition of waste to landfill includes all hazardous waste 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 sludges, and materials that a site has been unable to reclaim, reuse, or recover.

Calculation methodology and assumptions

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

5. Sustainable packaging

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

- Packaging weight
- Recycled content
- Recyclability.

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

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

Litres of packaged product

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

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

Calculation methodology and assumptions

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

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

Empowering and enabling communities

Here we explain the basis of calculation for:

- Setting baseline data and targets
- 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 2016. 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 2016.

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.

We are aware that each partner has its own methodology and, with the help of an independent organisation, we are conducting a review in an effort to improve the quality and consistency of our data.

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. This year we developed a global Social Impact Framework for all programmes of £25,000 and over. It is being rolled out across our community programmes 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.

Donations to the Thalidomide Trust in the UK and The Thalidomide Foundation Ltd in Australia are not included in our community investment total.

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 2016. 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 2016 the safety data included United Spirits Ltd (USL) in India for the first time, and the Don Julio business in Mexico. Safety data associated with United National Breweries in South Africa has not yet been included as we continue to integrate the business. 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 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 assumption

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 97% of those able to participate (24,843 of 25,712) compared with 94% in 2015.

In 2014 we reviewed our approach to measuring engagement and revised our index. The new index allows us to compare survey results with best-in-class organisations and sets a more challenging benchmark for employee engagement. The index includes measures of employee satisfaction, loyalty, advocacy, and pride.

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.

Setting baseline data and targets

All performance figures against targets are for the period from 1 July 2015 to 30 June 2016.

Exclusions

SEDEX self-assurance and supplier audit data, and 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 2016, 73% of agricultural materials used in our operations were sourced locally, compared to 70% in 2015.

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-assurance

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

Audits are conducted by independent third-party auditing companies, trained to SEDEX Members Ethical Trade Audit Protocols or equivalent. Of the total audits reported, 70 were requested directly by Diageo, and 80 were requested directly 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 70 audits directly requested by Diageo, 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.

The total number of audits reported reduced this year to 150 from 253 in 2015 as a result of changes we made to our process of assessing and reporting on potential high-risk supplier sites (although Diageo commissioned audits increased to 70, from 34 in 2015). A supplier is assessed as a potential high risk by considering location, industry type and spend; this year 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. As explained above, our audit data also excludes USL in India.

Governance and ethics

Here we explain the basis of calculation for:

- Annual Certification of Compliance
- SpeakUp.

Annual Certification of Compliance

The Annual Certification of Compliance covers lower level and above managers. It is administered through the global online training tool, Diageo Academy, which holds a record of participation and responses for all employees. These are then reported to market and function leadership teams, and reviewed by control, compliance, and ethics managers.

SpeakUp

Our SpeakUp whistleblowing line is communicated across our markets. Calls are received by external parties and reviewed by a three-person triage team on behalf of 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.

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: 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 2016.

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 2016 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 2016 and Diageo's Annual Report 2016 (Annual Report 2016), the 'Selected Information'.

We assessed the Selected Information using Diageo's Reporting Methodologies (the 'Reporting Criteria') as set out on pages 74 to 82 of the S&R Performance Addendum 2016. Our assurance does not extend to information in respect of earlier periods or to any other information included in the S&R Performance Addendum 2016.

Selected Information

Carbon emissions by weight (Scope 1 & 2 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 2016.

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 14 out of over 200 sites, 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 14 sites including the corporate head office 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 2016 and the Annual Report 2016.

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 2016 and online¹ at <http://www.diageo.com/en-row/csr/pages/our-reporting.aspx> for the year ended 30 June 2016, 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 of Diageo for our work on this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

27 July 2016

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 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 2016. Our work has not extended to an independent audit of the data.

Commentary

We are 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. These include initiatives such as preventing under-age drinking, excessive drinking and drink driving.

Diageo rightly distinguishes between three classifications (motivations) of community activity – community investment, commercial initiative and charitable gift. While its activities are largely correctly classified, we encourage Diageo to continue its effort in ensuring the motivations for community contributions are accurately captured.

Significantly, in previous assurance assignments, we have recommended that Diageo should more systematically measure the outputs and impacts of its activities. We are encouraged in this respect that Diageo has developed a 'Social Impact Framework' comprising a toolkit of measures, tools and supporting guidance to drive a consistent approach to impact measurement across its operations. We look forward to seeing how the implementation of this framework enables Diageo to more effectively report the outputs and impacts of its activities.

Corporate Citizenship
www.corporate-citizenship.co.uk
July 2016