

Diageo Canada Inc.

## Report Under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act of Canada 2024* for the Financial Year ended 30 June 2023

This report describes the activities being undertaken by Diageo Canada Inc. ("DCI") and its affiliates worldwide ("Diageo") to prevent slavery and human trafficking in our business operations and supply chain. This report focuses on the requirements under Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act of Canada 2024* (the "Act"). For Diageo's global Modern Slavery Statement, please visit: <https://www.diageo.com/en/esg/doing-business-the-right-way/modern-slavery-statement/>

DCI's is an indirect subsidiary of Diageo Plc, its ultimate controlling parent company incorporated in the UK. Diageo Plc is a publicly listed (LSE and NYSE) multinational alcoholic beverage company, incorporated in the United Kingdom with its corporate headquarters located at 16 Great Marlborough Street, London W1F 7HS. Further details of Diageo's business organisations, global operations centres and worldwide subsidiaries can be found in its latest Annual Report, <https://www.diageo.com/en/investors/annual-report/>. You can find out more about where we operate here: <https://www.diageo.com/en/our-business/where-we-operate/global/>

While this report has been published and submitted by DCI in compliance with the Act, this report may at times speak to the Diageo group of companies as a whole. Diageo has a common coordinated approach to human rights risk identification, risk assessments and due diligence taken to address human rights, including modern slavery risks.

### Diageo's Business

Diageo is a global leader in alcoholic beverages with an outstanding collection of brands across spirits and beer. With over 200 brands sold in nearly 180 countries, including Crown Royal, Bulleit, Johnnie Walker, Smirnoff, Ketel One, Cîroc, Captain Morgan, Baileys, Don Julio, Tanqueray, and Guinness.

It is our ambition to be one of the best performing, most trusted and respected consumer products companies in the world. We know that we will only achieve this ambition if we conduct business sustainably and responsibly.

Diageo produces its brands from more than 100 manufacturing sites globally and in fiscal year 2023 we directly employed over 30,000 people around the world. Our partners employ many more, supporting our global manufacturing, distribution, sales and marketing operations. We have interdependent relationships throughout our supply chain, from the farmers who grow our ingredients, to our employees and contractors, to the consumers who buy our brands. Throughout our extended value chain, from grain to glass, we are connected to many communities. We want to make sure that throughout that chain - wherever we live, work, source and sell - we are making a positive contribution.

Society 2030: Spirit of Progress is Diageo's action plan to help create a more inclusive and sustainable world. It is our commitment to grow as a business in the right way from grain to glass - building on the legacy of our founders to create a positive impact in our company, with our communities and for society. A fundamental part of Society 2030: Spirit of Progress is doing business the right way from grain to glass. We believe that doing business the right way contributes to a fair and just society. For additional information on Society 2030: Spirit of Progress, please see our website: <https://www.diageo.com/en/society-2030>

We know that modern slavery (which term includes both forced labour and child labour) is a global issue and is linked in part to the rapid rise in global migration and trade. It exists in every region in the world and

in most types of economy, whether industrialized, developing or transitional. No sector or industry can be considered immune or be complacent.

Diageo has a zero-tolerance approach to modern slavery. This report describes what we are doing to prevent modern slavery in our business operations and our supply chain.

### **DCI's Structure and Operations**

DCI is responsible for the marketing, sales and distribution of Diageo's brands and products in Canada. DCI does not have any subsidiaries, though two of its affiliates (Diageo Ireland Quebec Distribution Inc. and Diageo Americas Supply Quebec Distribution Inc.) are also based in Canada but do not meet the requirements for reporting under the Act.

DCI is a major producer of spirits in Canada, with the following three production facilities:

- Gimli, Manitoba (distilling, maturing);
- Amherstburg, Ontario (blending and bottling); and
- Valleyfield, Quebec (distilling, maturing, blending, and bottling).

Construction of a fourth production facility (distilling and maturing) in St. Clair, Ontario has been announced and will be built in the coming years.

These facilities produce 12 million cases of spirits across over 200 SKUs every year. Canada is the home of Diageo's Crown Royal Canadian Whisky. DCI is responsible for all aspects of these facilities, including hiring and remuneration of staff and contractors.

DCI has its head office located in Toronto, Ontario. It is responsible for marketing, innovation, commercial and corporate functions. DCI has small satellite office locations in Richmond, British Columbia; Edmonton, Alberta; and Montreal, Quebec. DCI also has a beer distribution warehouse in Mississauga, Ontario. In Canada, DCI employs approximately 745 employees.

### **Our Approach**

We are a signatory to the United Nations Global Compact and committed to acting in accordance with the UNGPs. We fully endorse and support the principles enshrined in the International Bill of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

Diageo has an embedded policy framework that addresses human rights, and specifically the risk of modern slavery. This framework details our commitment to acting ethically and with integrity in all our business dealings, and to implementing and enforcing systems and controls to prevent modern slavery in our business and in our value chain. We are also committed to ensuring there is transparency in our approach to tackling modern slavery in our own business and throughout our value chain.

We expect these same high standards from all our contractors, suppliers and business partners. We require our contractors and suppliers to comply with our policies and codes to combat the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children. We expect our suppliers in turn to cascade these principles and hold their own suppliers to the same high standards.

We maintain regular contact and utilize several mechanisms to engage with our trading partners and seek assurance that they are committed to adopting best practice in relation to the rights of their workforce and contractors, aligning our approach with the UN Guiding Principles Human Rights Due Diligence Model.

## Our Policies and Training

Our policy framework addresses human rights, and specifically the risk of modern slavery, and is supported by on-going training programmes.

### Our Policies

Our **Code of Business Conduct** (our Code) embodies our purpose and values. It sets out our collective and individual commitment to conducting business in accordance with them, and with all relevant laws, regulations and industry requirements, as well as with a high standard of ethics and responsibility. Our Code also sets out our headline expectations on human rights, which are further detailed in our **Human Rights Global Policy**. Our Code is available in 18 languages. You can read about our Code here <https://www.diageo.com/en/our-business/corporate-governance/our-code-of-business-conduct/>. We have reviewed our Code to ensure it remains in line with our policies (which are reviewed annually) and our business practices. Our Human Rights Global Policy details Diageo's position on our core human rights principles: valuing diversity; preventing harassment, discrimination, child labour and forced labour; expectations on wages and working hours; and enabling freedom of association to trade unions. You can read about our Human Rights Global Policy here: [https://media.diageocms.com/diageo-corporate-media/media/y4ppriww/global\\_human\\_rights.pdf](https://media.diageocms.com/diageo-corporate-media/media/y4ppriww/global_human_rights.pdf)

Our **Partnering with Suppliers Standard** – our code for suppliers – was refreshed at the start of fiscal year 2023 to help drive higher standards in our supply chain. It sets out the minimum standards we require of our suppliers, along with the wider sustainability aspirations we expect our suppliers to be working towards in areas such as inclusion and diversity, water stewardship and reductions in carbon emissions. The standard is structured around the following five focus areas of engagement with our suppliers: Business Integrity and Ethical Standards; Human Rights and Labour Standards; Health and Safety; Environmental Impact; and Sustainable Agricultural Supply Chains. You can read more about our Partnering with Suppliers Standard here: <https://media.diageocms.com/diageo-corporate-media/media/balpqe4e/partnering-with-suppliers-2022.pdf>

Our **Global Brand Promoter Standard** establishes the principles and guidelines for the deployment of brand promoters. It is based on our values and our commitment to respect and protect the rights of all our employees, and those who work with us. We recognize our responsibility to protect the rights of our Brand Promoters, and we expect our third-party suppliers, business partners, as well as the outlets that we partner with, to hold themselves to the same standard. You can read more about our Brand Promoter Standard here: <https://media.diageocms.com/diageo-corporate-media/media/1e5hzaxo/global-brand-promoter-standard-nov-2021.pdf>

We are committed to embedding a culture that encourages our people to raise concerns freely and without retaliation, where we listen to what they say and then act upon compliance issues. Our **Breach Management Standard** gives clear direction on how we manage a response to an allegation of a breach of our Code, global policies or global standards. Although this standard is globally applicable, local regulatory or legal requirements may take precedence. See further information here: <https://www.diageo.com/en/our-business/corporate-governance/code-of-business-conduct/policies-and-standards>

### Who these policies apply to

The above policies apply to all of our employees and/or suppliers worldwide, as applicable, regardless of their role or seniority.

## **Training on these policies**

Diageo understands the importance of building compliance capability across our business and we are working hard to engage our employees.

Our Code training is our way of ensuring that all employees fully understand what is expected of them and is delivered predominantly by e-Learning, with an integrated Annual Certification of Compliance (ACC) requirement. Annual Code training is mandatory and assigned to every employee in every market and covers all areas of our Code, with specific emphasis on key topics reinforced by scenario-based videos. Employees can complete it through e-Learning modules in their chosen language on their desktop, laptop, tablet or smartphone, with a face-to-face classroom training option delivered at sites where employees do not use computers. All new joiners are required to complete the training within 30 days from their joining date. We regularly review our training and communications material, and methods for delivery, to ensure they remain relevant to the risks our employees face in their roles.

## **Dedicated Modern Slavery Training**

### **Internal**

Key employees in Procurement and Sustainability who have direct responsibility for our Human Rights, Responsible Sourcing or Supply Governance programmes are required to be trained on modern slavery, with external input to build awareness of possible risks in key geographies and supply networks. Our training is designed both to educate employees on the principles of human rights – with a specific emphasis on modern slavery – and to empower staff to recognize the potential signs of forced labour occurring and the mechanisms they could utilize to challenge these practices and intervene. Training is rolled out to both Procurement staff and a selection of key stakeholder and influencing functions within Diageo.

We also provide training to our Procurement teams on our Responsible Sourcing programme and our Partnering with Suppliers Standard, which includes guidance on how we manage human rights and labour standard risks within our supply chain. All Category Managers have access to our internal Responsible Sourcing Toolkit, which provides detailed end-to-end guidance on taking suppliers through each step of the responsible sourcing journey.

For our supply sites specifically, we provide Security Standards and Awareness training to ensure the integrity of our supply chain and to reduce the risk of human trafficking.

### **External**

Diageo is committed to ensuring that it continually supports the capability building of our supply chain aimed at increasing awareness of modern slavery risks and their indicators. We have developed an online learning module for our suppliers with the objective of upskilling them on human rights issues that may take place within their own operations and their supply chain, so that they are sufficiently prepared to be able to identify and mitigate potential and actual human rights risks. The online module contains scenarios and proposes different methods of response according to how to identify salient human rights risks, conducting further due diligence and options for remediation. Our aim is to roll-out this training globally during fiscal year 24.

## **Whistleblowing and Breaches**

We have a Global Breach Management Standard for managing allegations of breaches, providing guidance to those involved in the process to ensure our investigations are handled fairly and effectively across all markets.

This includes breaches raised through our confidential whistleblowing line, SpeakUp, which is available for all Diageo employees or business partners to use in order to raise concerns about a potential or actual breach of our Code, global policies or standards, or when something doesn't feel right or live up to our Diageo values. SpeakUp is managed by a company independent of Diageo and is available to employees and business partners in 21 languages.

Where appropriate, we share anonymous case studies of breaches of different areas of our Code with employees so that they can learn from them. Our general approach is to 'communicate what we can, where we can, as soon as we can' with regard to closed breach cases, regardless of level, length of service and record of those involved. We achieve this via the dedicated Breach Management Case Study section available on our internal Business Integrity homepage.

In fiscal year 23, 35 human rights allegations were raised via SpeakUp. Of these 35 cases, one related to Child / Forced Labour which was investigated and addressed appropriately, and three related to failure to pay wages adequately, in respect of which corrective action was taken.

To assist in ensuring we have an effective grievance mechanism for both our own employees and for workers in our supply chain, we have joined the Grievance Mechanism Activation Working Group through Aim-Progress. Membership of this group helps us build and enhance our governance through improving the effectiveness of our grievance process and supporting potential victims of modern slavery, enabling them to voice concerns and access remedy.

## **Governance**

Diageo plc's Board of Directors is responsible for setting the company's purpose, values and strategy, and for ensuring that the company's culture is aligned with these. Our Code and Human Rights Global Policy are an integral part of ensuring that Diageo's culture is aligned with our purpose and values. Our Code of Business Conduct is approved by our Board of Directors and our Human Rights Global Policy is approved by our Chief Executive. Our human rights strategy is reviewed on a periodic basis by the Audit Committee of the Board of Directors and by Executive's Audit and Risk Committee (ARC).

We measure the effectiveness of our human rights governance through our internal assurance framework and global audit and risk team, in addition to monitoring allegation and breach trends and root causes. From fiscal year 24, human rights audits will be completed by external experts for high-risk direct operations (Diageo owned or controlled sites within high-risk locations), including an assessment of our governance procedures. We continue to enhance our risk mitigation plans based on lessons learned.

We support our employees to embed human rights in their work through an annual training plan including general awareness for all employees, as well as detailed training for functions directly related to managing human rights risks. We communicate our Code and Human Rights Global Policy throughout our business and, alongside our Partnering with Suppliers Standard, to all our suppliers around the world where applicable. Our suppliers are also invited to training and engagement events such as our annual Pathway of Pride programme in Africa.

## **Our Supply Network and Risk Identification Process**

Around 29,000 direct suppliers from more than 100 countries provide us with the raw materials, expertise and other resources that help us make great brands and products. All the products we make rely on high-quality agricultural raw materials and the people who grow them. Just a few key raw materials go into

many of our well-known brands – from barley in Johnnie Walker and wheat in Smirnoff, to molasses in Captain Morgan and cream in Baileys.

These agricultural raw materials are drawn from farms all over the world, ranging from large, highly mechanized farms over thousands of hectares in Europe and the United States, to family-owned smallholdings in Africa which may be less than two hectares in size.

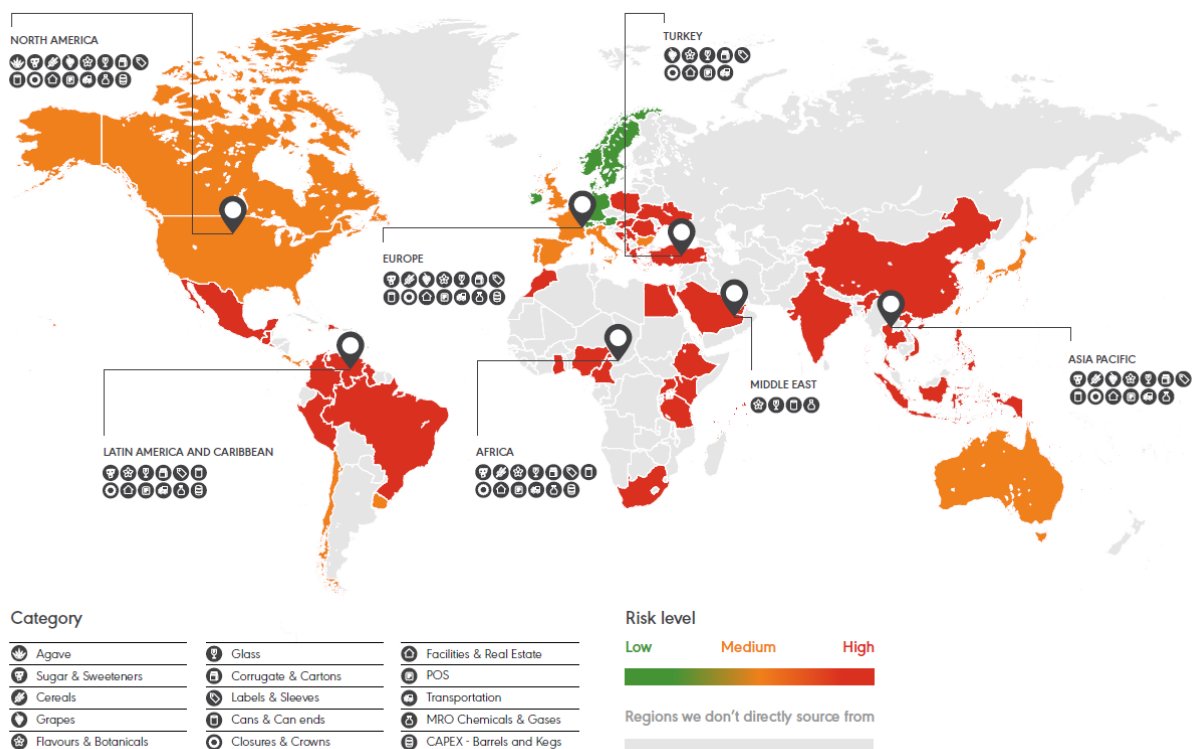
We recognize that different farm types and locations, involving a wide variety of types of employee (permanent, temporary, contract and seasonal), pose different risks in terms of modern slavery. We adapt our approach to assessing standards and managing issues accordingly, working with major international suppliers and, in some cases, directly with smallholder farmers.

*Supply Chain Overview Map*

This map shows 15 of our priority sourcing categories from a human rights perspective and where they are being sourced from globally. The colour coding of each country is derived from third-party risk data that comes through the Sedex Radar risk assessment tool, which is updated regularly and informed by a number of external sources that specialize in sustainability data. This data allows us to prioritize further due diligence as an indicator of potential risk which looks at labour standards, health and safety, business ethics and environmental impact.

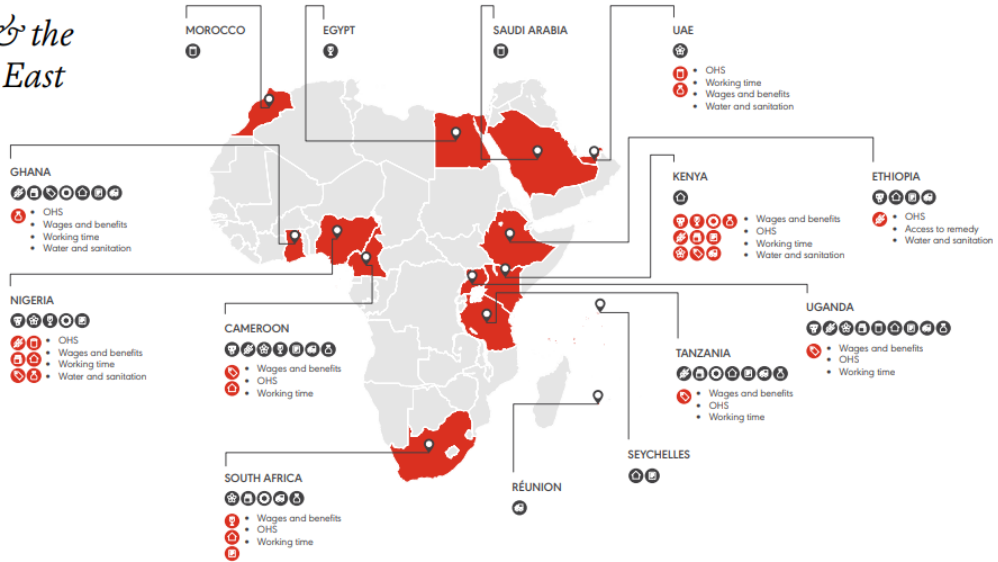
We have created overviews of identified salient human rights risks by region which includes Africa, North America, Latin America as well as Europe and Asia-Pacific. The risks identified here at country level have been determined as high priority for Diageo. This determination is based on the inherent risk level of the country from third-party data, data we have gathered from suppliers in that region and for the particular commodity based on previous risk assessments, our ability to mitigate the risk given the supply chain model and how connected we are to those stakeholders which are impacted.

# DIAGEO



# DIAGEO

## Africa & the Middle East



### Category

Agave	Glass	Facilities & Real Estate
Sugar & Sweeteners	Corrugate & Cartons	POS
Cereals	Labels & Sleeves	Transportation
Grapes	Cans & Can ends	MRO Chemicals & Gases
Flavours & Botanicals	Closures & Crowns	CAPEX - Barrels and Kegs

### Risk level

Low Medium High

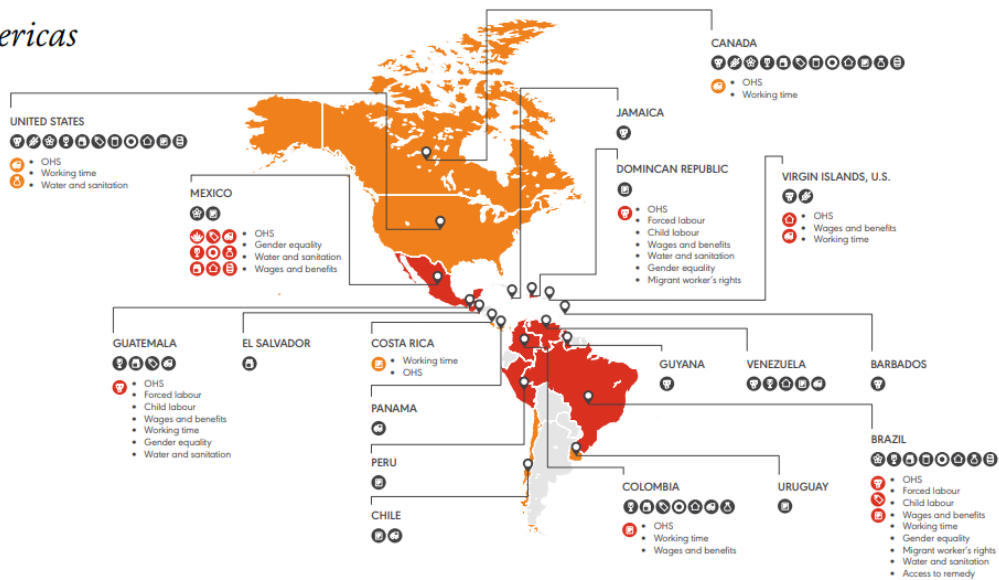


Regions we don't directly source from



# DIAGEO

## Americas



### Category

Agave	Glass	Facilities & Real Estate
Sugar & Sweeteners	Corrugate & Cartons	POS
Cereals	Labels & Sleeves	Transportation
Grapes	Cans & Can ends	MRO Chemicals & Gases
Flavours & Botanicals	Closures & Crowns	CAPEX - Barrels and Kegs

### Risk level

Low Medium High

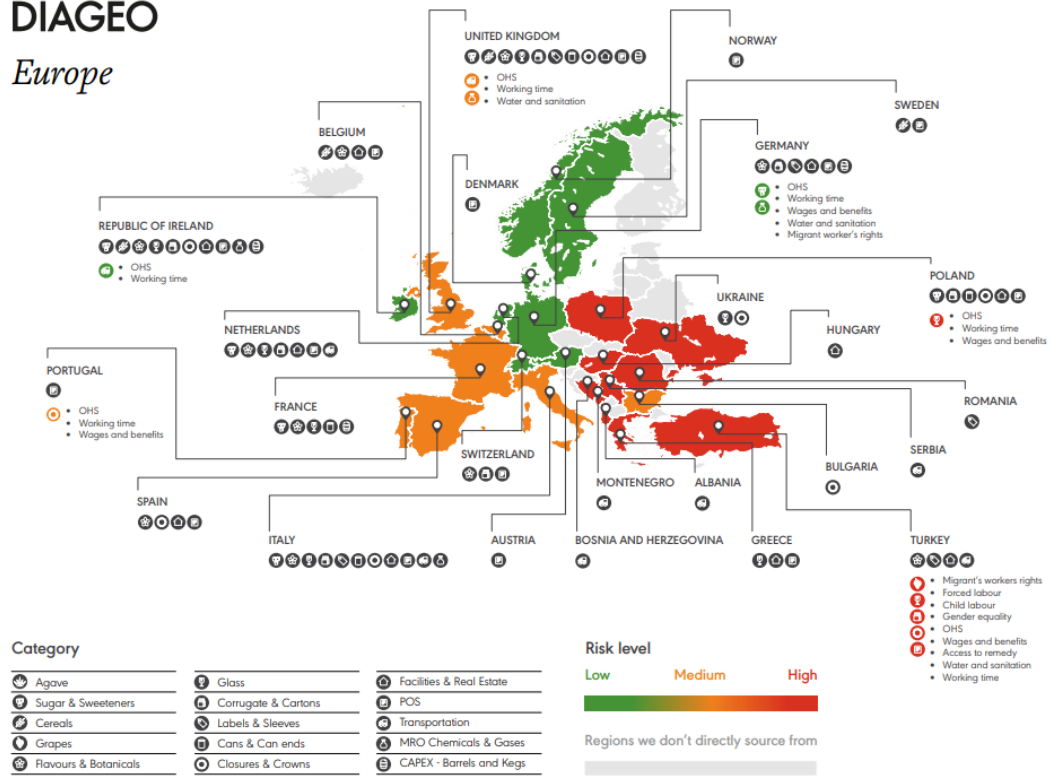


Regions we don't directly source from



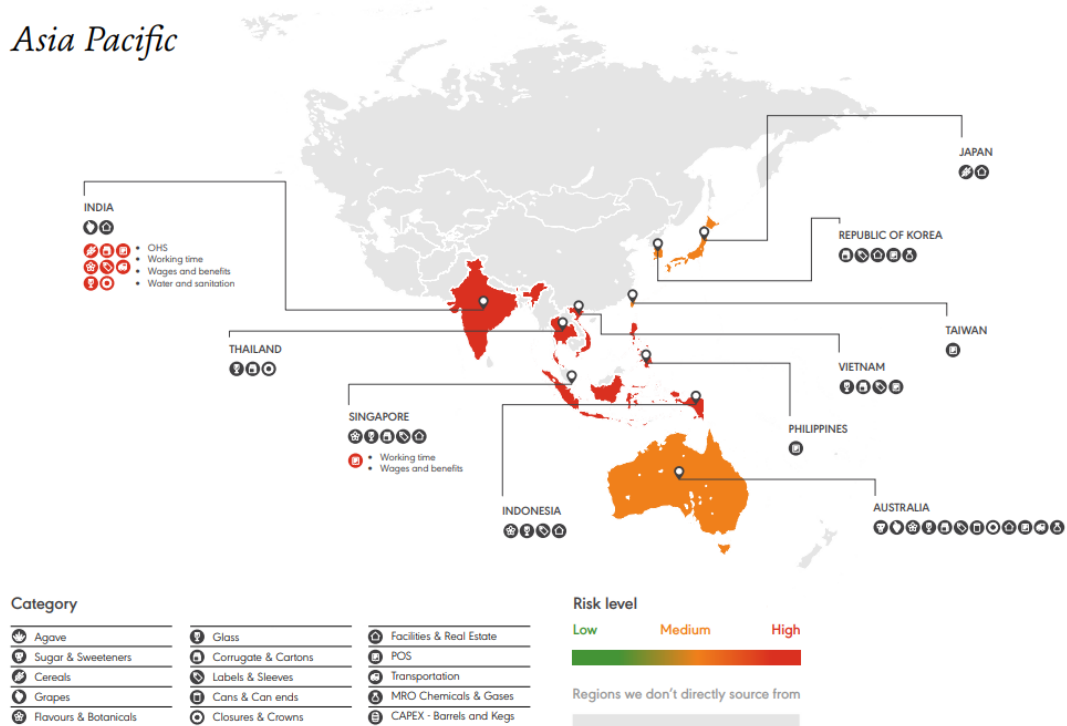
# DIAGEO

## Europe



# DIAGEO

## Asia Pacific



More details of the key crops we use, and their various origins, are contained in our Sustainable Agriculture Guidelines, which can be found here:



[https://www.diageo.com/PR1346/aws/media/6282/sustainableagriculture\\_guidelines\\_pdf-final.pdf](https://www.diageo.com/PR1346/aws/media/6282/sustainableagriculture_guidelines_pdf-final.pdf)

In fiscal year 2023, we designed and piloted a new Third-Party Risk Management (TPRM) programme. This allows us to manage human rights risks (alongside several other commercial areas of risk management) when onboarding new suppliers against a set criteria mapped to our Partnering with Suppliers Standard. The Human Rights risk assessment involves screening of suppliers to provide an initial risk level. These suppliers are then required to answer questions and demonstrate evidence related to their working practices and policies focused on key risk areas like harassment, discrimination, forced labour, child labour, working hours etc. If gaps or potential risk areas are identified, then suppliers are asked to take corrective actions that are then monitored and tracked to closure.

To date, 3,063 suppliers have been approved through the TPRM assessment and out of these 1,018 (33%) suppliers have been identified as high risk for human rights, requiring them to answer the human rights questionnaire. 925 (90%) suppliers have successfully completed the human rights Third Party Questionnaire assessment and out of these, around 117 (12%) suppliers have committed to remediation actions. 14 suppliers (1% of total suppliers identified as high risk for human rights) in total are currently blocked from engaging in business with Diageo, as they have failed to action their remediation commitments.

### *Diageo Canada Inc.'s Supply Chains*

For this reporting period, DCI sourced direct and indirect materials and services from approximately 561 suppliers. Local Canadian production relies on raw materials and packaging largely sourced from Canadian based suppliers. In this reporting period, about 76% of suppliers (including of raw materials, such as rye and corn, packaging materials such as glass and plastic, logistics services and general contractors) were locally sourced. Materials sourced internationally (including rum) were imported from established suppliers operating in countries from within the Caribbean, China, within Europe and the United States.

### **DCI Human Rights Impact Assessment**

The North America HRIA was undertaken between October and December 2019. The assessment focused on Diageo's manufacturing operations in Ontario and Illinois, interviewing staff and workers as well as key suppliers. Site visits were complemented with phone interviews.

The HRIA found that human resources is well managed, robust health and safety procedures are in place, women are well represented and significant improvements have been made on worker-management relationships. The assessment did uncover that communication between management and workers can be challenging, training is limited to new workers and oversight of labour and working conditions of key business partners and contractors could be improved.

DCI's country risk data is provided through the Sedex Radar Tool and indicates Canada to be a low-risk region. This should be considered in the context of Diageo operating in nearly 180 countries and with supply chains in many countries with higher levels of modern slavery risks than Canada.

### **Identifying and Remediating Risks**

In line with the UNGPs, as a direct result of carrying out HRIAs from 2015-21, we identified three risks as particularly salient to our global business:

- labour rights, including the risk of child labour, especially in agricultural supply networks.
- labour standards for contract workers.
- sexual harassment in the hospitality sector.

These issues are external risk factors in the places where we operate, and we recognize the challenges they pose in our value chain. We are particularly aware of these risks in our supply chain and when carrying out HRIAs.

Having identified these risks, we developed a child protection programme for our work with smallholder farmers, where we have trained key functions and business partners on our local sourcing programme in seven countries in Africa to prevent child labour. We commissioned an independent study into contracted labour. We also developed initiatives aimed at preventing sexual harassment in the hospitality sector and, as part of this, we launched a Global Brand Promoter Standard which establishes principles and guidelines to protect the rights of Brand Promoters. In fiscal year 2023 we further strengthened our approach through the launch of our Brand Promoter training website designed to increase accessibility, target promoters directly and increase our ability to track training completion. You can read about our standard here: <https://media.diageocms.com/diageo-corporate-media/media/1e5hzaxo/global-brand-promoter-standard-nov-2021.pdf>

To refresh and enhance our assessment of salient issues, high risk markets and vulnerable groups in fiscal year 2023 we have:

- 1) reviewed current and emerging laws and regulations alongside our internal processes to assess our operational, commercial and reputational risk in priority jurisdictions;
- 2) completed our first Self-Assessment Questionnaires for all countries with direct employees;
- 3) assessed salient risks for third-party suppliers in priority supply chains.

This will inform our updated human rights strategy and action plans from 2024.

### **Understanding Salient Risks in the Supply Chain**

During fiscal year 2023, we worked on a project to understand where our salient risks sit across our full value chain in order to allow us to prioritize our actions and enable us to drive social impact where it is needed most. We have worked to establish best-practice processes for the identification, management, reporting and remediation of human rights issues, with focus on integrating the UNGPs in our approach.

We worked through 15 prioritized supply chains and across 15 human rights issue areas. These were then scored on their attribution to Diageo and our leverage to address and remediate each of the issues in each of the particular supply chains. These findings allow us to focus on particular regions where we're sourcing certain products and services from, either directly or through our supply chain partners. It allows us to focus and address particular issues and use due-diligence tools which are designed to identify specific human rights issues.

*Methodology:* According to the UNGPs, the saliency of a human rights issue is determined by its significance and importance to stakeholders who may be affected by company's activities. Using the below framework of defining saliency scores, we are able to identify and prioritize human rights issues based on their potential severity as well as likelihood.

	Severity			Likelihood (probability of occurring in the future, recognizing that these are often, though not limited to, those impacts that have occurred in the past)
	Scope (the number of individuals that are or could be affected)	Scale (the gravity of the impact on the human right(s))	Remediability (the ease with which those impacted could be restored to their prior enjoyment of the right(s))	
1 - Low	Limited number of rightsholders could be affected	Could have a <b>limited</b> detrimental impact on physical or mental health & wellbeing	The impact can be <b>easily remediated</b>	<b>Unlikely</b> - there is low/no inherent risk and/or controls are not in place to mitigate
2 - Medium	Moderate number of rightsholders could be affected	Could have a <b>serious detrimental impact</b> on physical or mental health & wellbeing	The impact <b>can be remediated but would require significant resource or time</b>	<b>Likely</b> - there is some inherent risk and/or no or limited controls are in place to mitigate
3 - High	Large number of rightsholders could be affected (potentially in multiple tiers of the supply chain)	Could <b>result in death</b>	It's possible the impact <b>cannot be remediated</b>	<b>Very Likely</b> - there is high inherent risk and/or controls to mitigate are limited or not in place

We are also factoring in our response to adverse human rights impacts when we consider our prioritisation criteria. This is determined according to **attribution** of impacts (i.e. the extent to which Diageo has 'caused', 'contributed to' or is 'directly linked to' the impact) and our **leverage** in addressing the impact.

### Enhanced Due-Diligence and Remediation

This project on salient risk identification is in place to allow us to prioritize our actions so we can deliver positive social impact throughout the full value chain. Using the salient risk prioritisation criteria above, we will continue to develop and roll-out an enhanced human rights due-diligence and remediation strategy in fiscal year 24.

Our enhanced due diligence process follows a 4-step approach (Identify > Integrate > Track > Report) as per the UNGPs. This allows us to review priority human rights issues for suppliers within a specific category and deploy the most effective due-diligence tool which includes the entire value chain. Our enhanced due diligence approach will consider five categories across supplier assessment, supplier capability building and incentives, stakeholder engagement, supply chain transparency and collaboration.

### Responsible Sourcing Programme

We manage social and ethical risks in our supply chain through our Responsible Sourcing programme, which is embedded across our procurement function. Our programme starts with our Partnering with Suppliers standard, which sets out our commitment to acting in accordance with the UNGPs and the international standards set out by the eight core ILO conventions and recommendations. The Partnering with Suppliers standard states:

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

Our Responsible Sourcing programme follows a risk-based approach to assessing adherence to our Partnering with Suppliers standard. Suppliers are risk-assessed against the following three criteria: location of supplier site, category of product or service and spend. Suppliers assessed as potential risk are required to register with Sedex and complete a Self-Assessment Questionnaire (SAQ). Sedex is an online platform used to manage and improve working conditions in global supply chains and help businesses source responsibly. Suppliers who are assessed as high risk are also required to undertake an independent third-party Sedex Members Ethical Trade Audit (SMETA) or an equivalent four-pillar ethical audit. As of the end of fiscal year 2023, 1,196 suppliers have completed the latest version of the SAQ in Sedex. This is one of several Responsible Sourcing factors internally monitored at a market and global level.

Our ethical audit programme of suppliers remains a key part of our due diligence process to identify and manage ethical risks in our supply chain, including modern slavery. Suppliers are independently audited against the SMETA Four Pillar Audit Protocol or equivalent. These audits are carried out by independent third-party audit bodies which are qualified by Sedex as Affiliate Audit Companies and member of the Association of Professional Social Compliance Auditors. During fiscal year 2023, we have 443 such suppliers, of whom 340 (77%) were independently audited during the last three years (audits are valid for three years); 304 audits were commissioned by Diageo, and 36 were accessed through Sedex and Aim-Progress. Another workstream we participate in as part of Aim-Progress is the mutual recognition of supplier audits commissioned by other members, thereby reducing audit burden that allows suppliers to instead focus on continuous improvement of working conditions.

3,005 issues of non-compliance have been raised during fiscal year 2023 through these audits, with 49% relating to health, safety, and hygiene issues, 10% relating to wages and benefits, 8% relating to management systems, 10% relating to working hours; and the remaining 23% to other categories. Where required, we are arranging follow-up audits to verify the issues have been identified and resolved. Over 77% of all instances of non-compliance raised during the year (2,307) have been closed, positively impacting 72,383 workers from 255 sites. We are following up with the relevant suppliers through corrective action plans and are working together to resolve all remaining open issues.

Our review of all high-risk supplier audits raised 23 issues of non-compliance related to the SMETA audit section 'Employment is freely chosen'. Nine of these issues relate to the lack of a formal policy at the supplier's facility on employment freely chosen/modern slavery & human trafficking/bonded/prison labour, eight relate to the practice of compulsory overtime, one relates to restricted toilet and rest breaks, one relates to compulsory probation contrary to law, two relate to migrant workers being required to pay for return travel to their home country, one relates to monetary deposits or wage deductions made for work-related items that employer should pay and takes wages below minimum and one relates to unlawful deductions from wages without workers' consent. We have followed up with the relevant suppliers with corrective action plans. At the time of writing, 15 of these issues of non-compliance have been verified as closed whilst we are following up with corrective action plans on the remaining open issues.

Our review of all high-risk supplier audits raised 18 issues of non-compliance under the category of 'children and young workers'. 12 issues relate to the lack of a formal policy at the supplier's facility in relation to working age, recruitment of young workers, child labour or underage labour, and remediation of individuals employed under the minimum working age or young people under improper conditions, four relate to the lack of or inadequate records or process in place to verify workers' age, one relates to inadequate child care facilities and one relates to inadequate risk assessment conducted regarding child and young workers. At the time of writing, 15 issues of non-compliance have been verified as closed. We are following up with the suppliers as part of their corrective action plans to ensure the other issues are resolved.

When we consider modern slavery risk beyond our tier 1 supply chain, merchandising materials remains one of our highest-risk categories. This is because they are frequently made in higher-risk countries and are often purchased through intermediaries. 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, our key merchandising suppliers have audited over 55% of factories in our supply chain.

We have not identified any instances of loss of income of the vulnerable families as a result of the steps DCI has taken to eliminate risks of forced labour or child labour, and remediation has therefore not been necessary.

## Assessment of effectiveness

Diageo plc and its subsidiaries, including DCI, use various methods of assessing the effectiveness of the actions taken to assess and address modern slavery risks. We are continually reviewing our approaches both through internal and external measures to ensure the risk of exploitation in our operations and supply chain is reduced through our practices.

Diageo takes several approaches to reviewing our risk and controls environment, which are also reported up to our Executive's Audit and Risk Committee and to the Audit Committee of the Board of Diageo plc, and include:

- Global governance of modern slavery is managed through our Human Rights Steering Group. This group reviews the effectiveness of our practices across the business including our own operations, our supply chain and how we work comply with global legislation. Our Global Procurement Function has an embedded governance process to oversee the global supply base including using risk management dashboards, reviewed monthly by our leaders across all countries and markets concerning modern slavery risks. The performance of our procurement professionals and leaders is monitored through a balanced scorecard of key performance indicators reviewed each month, and a component directly focusses on mitigation of modern slavery risks to ensure we drive prompt action and remediation where necessary. In addition, we have invested in dedicated Global and Local Risk and Governance Procurement Management resources and Business Integrity resources that monitor our performance across all markets. Responsible Sourcing (including how we manage Modern Slavery risks) is part of our company set of business controls.
- Our Human Rights and Responsible Sourcing Controls measure compliance and are tested as part of our Diageo annual testing cycle. This involves a process by a team outside the Global Procurement organisation to test performance in an impartial way. As part of this cycle, we have a measurement in place to ensure leaders are focussed on reducing control failures and net deficiencies. Functional performance on net deficiencies is reported up to our Audit and Risk Committee and ultimately to the Audit Committee of the Board of Diageo plc.

## Review and approval

**This report was approved pursuant to section 11(4)(a) of the Act.**

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Nicholas Saint-Martin  
General Counsel & Secretary, Canada

May 7, 2024



I have the authority to bind Diageo Canada Inc.