

DIAGEO



Quality

GLOBAL POLICY

UPDATED JUNE 2022

Who does this apply to?

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



Our commitment

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

Quality is at the heart of our brands. It is derived from the heritage of the brands themselves and the skills of our people, both past and present. The continuous improvement of quality and the enhancement of customer and consumer confidence in our brands is a key determinant in the long term success of Diageo.

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

Context

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

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

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



Core principles of the policy

All Diageo business leaders are expected to know the requirements of the Diageo Quality Policy and are responsible for motivating and training staff to ensure that employees are able to discharge their responsibilities in relation to product and process quality.

As well as fully complying with any legal and global quality standards in respect of product quality, business leaders are required to have in place; systems and frameworks (including relevant Key Performance Indicators) that support Diageo's intent to continuously improve the quality of our brands.

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

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

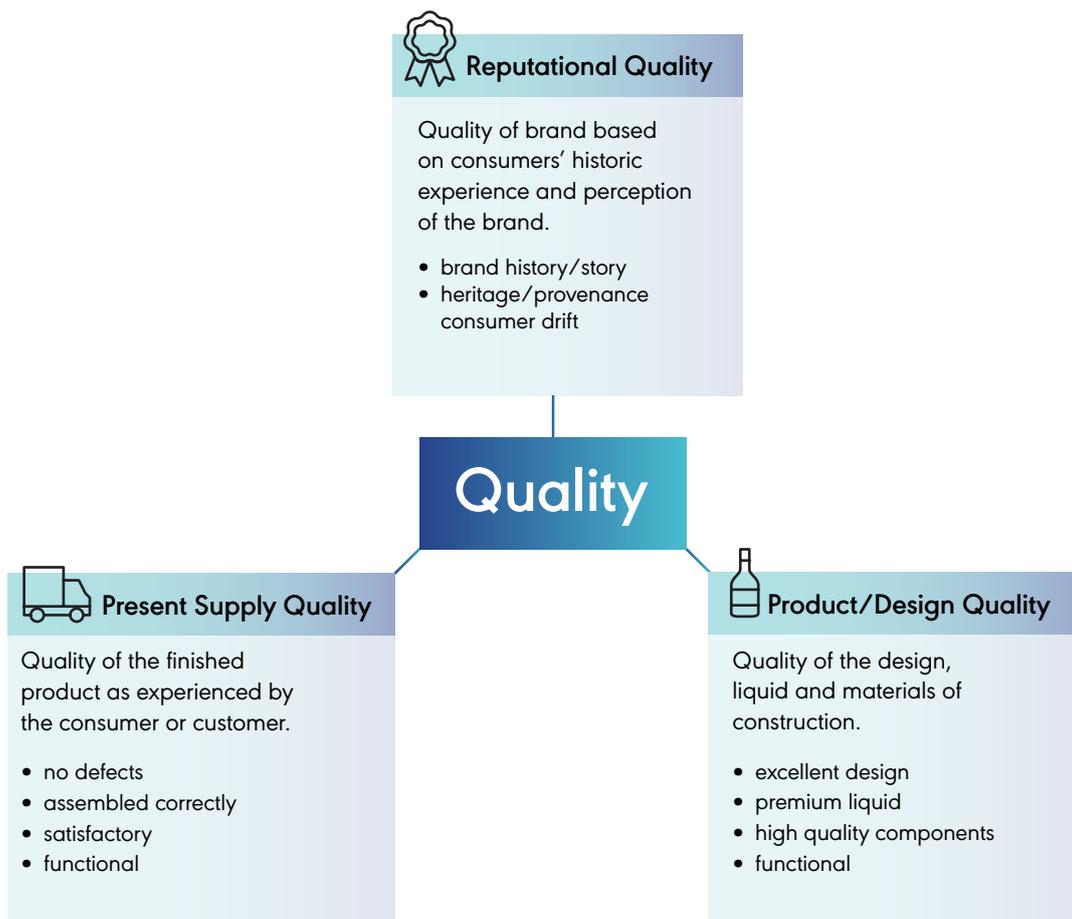
Brand & reputational quality

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

We can directly influence reputational quality in two key dimensions:

Design Quality: packaging and liquid design should be aligned with the brand values and aspirations. The components and ingredients used should be of a quality commensurate with both the brand reputation and selling price.

Supplied Quality: the quality of each individual finished product as experienced by customers and consumers (at the point of purchase or consumption).



Core principles of the policy (cont)

Design quality and product change control

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

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

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

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

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

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

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

Component quality

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

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

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

Shelf life

The shelf life of the liquid should be determined through a combination of experience of similar product types and through empirical testing.

The shelf life may be coded onto the packaging, depending on the nature of the product (e.g. RTD or Spirit) and the prevailing customer and regulatory requirements. The shelf life of packaging should be determined by climatic testing and the design/treatment of the materials modified accordingly to accommodate consumer and market requirements.

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

Food safety and compliance

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

- Undergo an annual product safety risk assessment for due diligence purposes and undergo analytical appraisal where this is deemed necessary. Documentary evidence of the risk assessment and any findings must be retained.
- Conform to the regulations and customer requirements specified in both the country of manufacture and the intended markets of sale e.g. regulatory category definitions, labelling or coding requirements.
- Be coded in such a way as to be fully traceable to the first customer Diageo sells to.
- Product coding and recording systems must meet Diageo Global Quality Standards.
- Be produced in a manufacturing unit that has an internationally recognised (GFSI) food safety system such as FSSC 22000.

Core principles of the policy (cont)

Manufacturing and distribution quality

All our manufacturing and distribution operations must operate to the following standards:

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

Markets, customers and consumers

A regular formalised dialogue should occur between major markets and customers to ascertain their quality needs and level of satisfaction.

- Improvement programmes should be in place to improve customer satisfaction in relation to quality.
- Diageo and contracted third party logistics providers should store Diageo brands in conditions that do not adversely affect the quality of the product, whilst protecting it from physical damage and soiling. The product should be stored in cool, dry conditions and be protected from direct sunlight.
- Systems and processes should be in place to assess the quality of our brands at the point of sale. For example on shelf in a retail outlet or in a bar or on trade setting.
- All business areas shall operate a process for capturing, investigating and responding appropriately to customer and consumer complaints. There shall be clearly identified root cause analysis, followed by corrective and preventive actions. Data shall be recorded and records kept. Complaints data shall be reported and reviewed at market level and reported globally via Enablon each month. Annual improvement targets shall be set.

Crisis management

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

- We should comply with all product and quality legislation relevant to our markets.
- We should understand and follow all the Quality Standards and quality management processes that apply to our work.
- We must ensure that our partners in the supply chain are informed of and meet the relevant our quality standards.
- We should be vigilant about quality to ensure that our brands and associated products are consistently safe for our consumers.



Where to get more information

- ✓ For further information and advice on Quality, please contact the Quality lead in your market, Technical centre or central Quality team, or speak to the Global Business Integrity team.



How to report a breach

Any breach of this Policy is also considered to be a breach of the Diageo Code of Business Conduct and should be reported promptly.



You can report a compliance concern or any actual breach to your line manager or



Breaches of this Policy will be dealt with under the Breach Management Global Standard, the Diageo Investigation Guidelines and local disciplinary policies.

Policy governance

Specific accountability for this policy lies with the President of Global Supply and Global Procurement and with the Global Marketing Director as the nominated Executive sponsors of the Diageo Quality Global Policy. The primary accountability for deployment of the policy lies with Global Brand Directors (for design) and with Supply Chain Directors (for manufactured and delivered quality).

Responsibility for the maintenance of the Quality Systems and frameworks (e.g. Brand Technical Manuals, and compliance to Global Risk Management Standards) lies with the Technical Directors.

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

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





Key things to remember

- ✓ **Brand quality** is the most critical dimension of our brand reputation
- ✓ **The appearance and taste** of our products should meet or exceed our consumers' expectations
- ✓ **All our brands** must be safe to use and consume
- ✓ **Quality should be designed in** to our brands from the start
- ✓ **Quality should be managed and monitored** at every stage in the sourcing, production, distribution and sales process



*Quality should be
designed in to our brands
from the start*



Q and A

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

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

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

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

