

# DIAGEO



## **ANTI-MONEY LAUNDERING**

### **Global Policy**

## We don't condone, facilitate or support the laundering of dirty money

### Our commitment

Our Code of Business Conduct includes a commitment to being one of the world's most trusted and respected companies. This is why we have this policy and comply with all money laundering laws and regulations to which our activities are subject.

### Scope of this policy

Compliance with this policy is mandatory for all directors and employees of Diageo, our subsidiaries and joint ventures where Diageo has a controlling interest. This policy does not apply to sales directly to consumers. For guidance on how this policy applies to private clients, please contact the Diageo Legal team. This policy reflects Diageo's global anti-money laundering requirements and local management should apply a risk based approach to determine whether more stringent safeguards are necessary, as well as ensuring they are complying at all times with local laws and regulations.

### Context

#### What is money laundering?

Money laundering is a process by which individuals or organisations attempt to hide the profits obtained through their illegal activities by making those profits appear to be legitimate.

#### How is money laundering relevant to Diageo?

Whilst we are not regulated in the same way as a financial institution, Diageo is subject to a number of anti-money laundering laws and regulations. Penalties for breach of such laws and regulations can be severe and can include fines, confiscation of property involved in the activity and in extreme cases, criminal charges against individuals convicted of money laundering. To mitigate the risk of breaching applicable laws and regulations, Diageo must be able to demonstrate to regulators that it maintains an adequate system of internal controls to address money laundering concerns.

### Principles

#### Know Your Customer (KYC)

The first defence against money laundering and the key to our Anti-Money Laundering Policy is our ability to know with whom we are doing business. We have developed our KYC processes to assist us in this.

We should never establish a relationship with a customer until we have followed these processes and we are reasonably certain that we know the customer's true identity.

KYC isn't a one-time-only process. We need to be alert to changes in customer details, circumstances, and profiles and to refresh data as necessary to keep it up to date. Local management should determine the frequency of reviewing KYC forms with customers according to your market's risk profile.

KYC diligence supports the Know Your Business Partner toolkit when applied to medium / high risk customer screening under our Anti-Corruption Global Policy.

## Q&A

We've received four separate orders from a customer which are for delivery in the same month. The customer wants to pay cash for the orders. Although they add up to about \$30,000, each one is less than the \$10,000 limit, so am I allowed to accept the cash?

*Because the orders are all for delivery so close together, the law will assume they are all related to the same transaction – it doesn't matter that they were placed separately. Together they add up to more than \$10,000, so you should not accept payment in cash. The customer should pay Diageo by cheque or electronic transfer. Remember that cash limits can be set lower than this in some markets by your Regional President, so check with the Global Risk & Compliance team*

A small customer does not have a bank account due to legitimate local reasons (e.g. a local history of uninsured bank failures) and buys from Diageo less than US\$ 10,000 equivalent every month. May the customer pay in cash?

*Yes: up to US\$ 10,000 cash from the customer is acceptable for a single sales transaction or a series of related sales transactions*

## Our customer screening process

To help our KYC efforts and screen out any potentially risky transactions, we have put the following customer screening procedures in place:

### (a) Customer identification

The need for KYC due diligence means that we need to use practical and effective means to determine the identity of our customers. We must establish, maintain and keep up to date, satisfactory documentary evidence of what we've done to confirm the identity of our new and existing customers. The scope of information that needs to be collected as part of the KYC process and a sample of a form that may be used to collect such information is available on Mosaic in the Anti-Money laundering section under Codes & Policies.

Please note that in some instances the information you require from customers may be available from other sources (for example websites or publicly available share registers) and we should try and collect the information if available from other sources before requesting it from our customers. When deciding on the scope of information required, always balance our needs against the principles for data collection set out in our Data Privacy Global Policy.

Always ensure that when you ask for or receive any personal information about customers that you do so in line with our Information Management and Security Guidelines and Data Privacy Global Policy. Consult with your Diageo internal lawyer for guidance on data privacy.

### (b) Blocked Persons clearance

Before accepting a new customer it is mandatory for the Finance team to use the World-CheckOne tool, operated by Thomson Reuters (our outsourced sanctions check provider), to perform online blocked persons and global sanctions list checks to ensure that the potential customer, and in the case of corporate customers, the immediate owners of the business as well, do not appear on any of the following:

- the US Treasury Department's Office of Foreign Asset Control (OFAC) list of 'Specifically Designated Nationals and Blocked Persons' (SDN List) (See the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac));
- the consolidated list of asset freeze targets designated by the United Nations, European Union and United Kingdom (EU Sanctions List) (available at: [http://www.hm-treasury.gov.uk/fin\\_sanctions\\_index.htm](http://www.hm-treasury.gov.uk/fin_sanctions_index.htm)); and
- relevant blocked persons list published by the national government in the market.

Existing customers with an annual spend of more than \$10,000 in the immediately preceding financial year (and in the case of corporate customers their immediate owners) should also be checked against the lists through WorldCheck One Tool. These checks will be carried out and monitored by Thomson Reuters on a continuous basis. If there are any changes that affect the customer's data, Diageo will receive an automatic notification to action that change.

Where relevant liaise with your local CC&E Manager to determine if customers should be checked against your market's local lists. In some instances on a risk-based approach it may be appropriate to identify ultimate owners of a corporate customer and check them against the above lists.

## Q&A

How often do we have to check all of our customers and their owners against Blocked Persons lists? What do I do if one of my customers shows up on it? Do I have to stop trading with them, even if they've been a good customer in the past?

*You should check the list for all new customers before accepting any orders, and then again every two years for customers with an annual spend of over \$10,000. If one of your existing customers shows up on it, you must immediately suspend trading with them and inform the Legal team.*

What is required as KYC when making sales to a border shop operator?

*If your customer makes Duty Free sales check with your local legal counsel whether additional verification of customer identity may be required. For border shops we may require the customer to identify all owners, including ultimate individual owners taking a risk-based approach and depending on local context*

The market Financial Controller\* is responsible for ensuring that the KYC process is completed and for recording their approval of the customer and the check of Blocked Persons and relevant sanctions lists.

## (c) Order processing, payment methods and other documentary requirements

The following guidelines apply to order processing and accounts receivable:

- We should be alert to the use of third party cheques for payments over \$10,000 US Dollars.
- Actively verify that payments received in connection with a single or series of related transactions of over \$10,000 in markets that are identified by the Financial Action Task Force as having strategic AML deficiencies (High risk jurisdictions) (list available at: <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>) are made from an account in the name of the contracted customer.
- Any payment we make to a vendor, supplier or other third party should be made to a bank account titled in the name of the contracted third party. Payments to any alternative named account may be permitted but require pre-approval in writing from the Diageo Legal team.
- We should not accept more than \$10,000 in cash or cash equivalents for the payment of outstanding invoices, either for a single sales transaction or a series of related sales transactions (a lower value can be specified by the market's General Manager).  
\* Any delegation of authority from the Financial Controller must be in writing.
- Order, shipping and invoice documentation must use customer data as it appears on our system.

## (d) Compliance with local requirements

Local management, with the local Legal team, need to consider whether there are any additional requirements arising out of local anti-money laundering regulations in a particular jurisdiction. For example, US authorities require us to report to the IRS (Internal Revenue Service) any receipt of currency or currency equivalents (such as traveller's cheques) which add up to more than \$10,000 in a single or a series of related transactions. Local management is responsible for making sure that Diageo conducts business in accordance with all such local legal requirements.

Local management, with the local Diageo Legal team, need to consider whether certain customers, such as free trade zone customers, border shops and certain local business operations or activities merit additional verification checks taking a risk-based approach.

Any variations to these guidelines will require the prior written approval of the Legal team and our Diageo subject matter expert and must be notified to the General Manager.

Customers not deemed to pose a potential risk of corruption under our KYBP Programme must complete the KYC Form as part of their due diligence; those deemed to pose such risk, must complete the KYBP Form as part of their due diligence process

## Q&A

If I sell to a corporate customer in a High risk jurisdiction, can I accept payment for a transaction over \$10,000 from an account that is held in the name of one of their affiliate companies? The affiliate handles all their accounts payable.

*You may be able to accept the payment, with pre-approval in writing from the Legal team. The Legal team will check that they do have the same ownership and that it's normal for the affiliate to make payments on behalf of the customer. You'll also need to obtain written confirmation from an appropriate officer of the corporate customer affirming that they abide by all laws and regulations to which they are subject, including those related to the payment of taxes and duties. This due diligence must be kept in the customer's file. No payments from individuals should be allowed in this situation.*

I am responsible for managing a free trade zone customer. Are the KYC requirements any different?

*A free trade zone customer is a general re-export customer to whom Diageo sells product only for re-export outside of the zone where the customer is located. For KYC, we require the customer to identify all owners, including all ultimate individual owners.*



## Red flags

We should always be alert to warnings signs or 'red flags' – activities that can be indicators of potential money laundering. The following 'red flags' should be considered as you get to know and do business with your customers:

- A customer who unreasonably refuses to provide personal or business background information or any other information that Diageo requires to initiate a transaction.
- A customer who presents unusual or suspicious identification documents.
- A customer who wishes to engage in a transaction in a way that lacks business or financial sense.
- A customer who shows unusual concern for secrecy.
- A customer who is unconcerned with price, commissions or other costs. Losses on resale goods are known to be an accepted cost of money laundering.
- A customer who has difficulty explaining the nature of his or her business.
- A customer who, for no apparent reason, wishes to receive or pay out funds into or from multiple accounts or offshore accounts.
- A customer who wishes to pay with large amounts of cash (i.e. in excess of \$10,000), third party cheques, traveller's cheques, or money orders.
- A customer who wishes to engage in a transaction that is not in keeping with the customer's normal business activity



Not all customers are the same: Border Shop operators, who run Duty Free Shops, may be subject to slightly different 'Know Your Customer' processes. Seek advice from local Diageo Legal team.

## Record keeping

It is very important that we maintain adequate customer and transactional records. One of the main reasons for keeping records in the context of this Policy is to provide an audit trail with easily retrievable evidence in the event that Diageo is required to provide information to a government body.

## Data privacy

Data collected through the KYC process is confidential and may be considered sensitive personal data in many jurisdictions and we should therefore follow the requirements of the Global Data Privacy Policy.

You should apply adequate technical and organisational security standards to safeguard data against loss, theft or damage throughout its lifecycle. Physical records should be kept under lock and key, electronic copies should be held on encrypted systems and devices and appropriate access controls should exist. Before sending personal information

outside its country of origin, we should consult the Legal team to make sure the transfer can take place legally. Please refer to the 'Handling Customer Data' guidance document for further information.

## Reporting

Report any 'red flags' raised during the course of a transaction to the Legal team, to review the situation before we proceed with the transaction. Employees can also use the SpeakUp service where complete confidentiality is assured.

## Responsibility

If you manage people, you are expected to ensure that the individuals who report to you receive the guidance, resources and training they need to work in compliance with this Policy. Speak to your Diageo internal lawyer or CC&E Manager to request training.

## Monitoring & Contacts

Any breach of this Policy is also considered to be a breach of the Diageo Code of Business Conduct. Always report any actual or suspected breach to Diageo's Legal Team. Breaches of this Policy will be dealt with under the Breach Management Global Standard, Diageo Investigations Guidelines and local disciplinary policies.

## Checklist

- We should make sure that KYC data is collected for each new customer and that it is reviewed and approved by your local Financial Controller before we carry out any business with them.
- We should update the KYC information as necessary and carry out the Blocked Persons and sanctions lists check on an ongoing basis on all our existing customers (and immediate owners of corporate customers) with an annual spend of over \$10,000.
- We must be able to identify 'red flags' and report them to our line manager, or the Legal team before we proceed.
- We should maintain documentary evidence of the actions we have taken to check customer ID.
- We should comply with Diageo's Global Data Privacy Policy and any applicable local data privacy laws.
- We should exercise extra diligence for customers in High risk jurisdictions and verify that payments over \$10,000 for a single transaction or a series of related transactions are from an account in the name of the customer.
- We should make payments to vendors only to bank accounts titled in the name of the contracted vendor.
- We should check if there are any additional local laws or regulations that apply in a particular jurisdiction and comply with any resulting requirements.
- See our Anti-Corruption Global Policy to understand how the KYBP ("Know Your Business Partner") programme may apply in addition to KYC to make appropriate checks on our customers.
- Remember it is Diageo's policy not to accept as payment for goods cash traveller's cheques, third party cheques, or money orders in excess of \$10,000..
- Any local variations to this Policy require written approval of the Legal team and this policies subject matter expert with notification to the relevant General Manager.