

# DIAGEO

## 08-10-2002



### *THE DIAGEO PLC EUROPE FORUM (DEF) AGREEMENT*

#### **INTRODUCTION**

Following the formation of Diageo in December 1998 the Diageo Europe Forum Agreement was amended in a number of areas to reflect the restructuring of the company. These amendments followed a number of joint working party meetings, which took place throughout 1998 and 1999. These were subsequently ratified at an extraordinary meeting of the DEF held in London on Friday 14 May 1999. The five areas affected, which have been included in this document, are as follows:

1. The establishment of a Co-ordination Committee to deal with procedural and constitutional issues.
2. Treatment of matters arising between Diageo Europe Forums.
3. The increase in the number of employee representatives to reflect the increased number of employees and businesses in the European Economic Area.
4. The replacement of Spanish with Italian as a recognised language of the DEF.
5. The adoption of the company statement of best practice on handling matters relating to redeployment, redundancy and outplacement. (See section 6).

Further changes to the Agreement were made in October 2002 consequent upon:

1. The change in the Company name to Diageo plc, from previous names such as Guinness plc and UDV.
2. The disposal of Pillsbury to General Mills effective November 2001.
3. The sale of Burger King announced in July 2002.

This explanatory note, therefore, is intended to provide background to the development of the attached revised Diageo Europe Forum Agreement.

#### **1. AIM AND SCOPE OF AGREEMENT**

This agreement defines the scope, role, membership and operation of the Diageo plc Europe Forum (DEF).

In accordance with the above, this Agreement provides an agreed operating framework which governs the DEF and fulfils the Company's obligations in the EU Council Directive 94/45 on The Establishment of a European Works Council in Community-Scale Undertakings and Community-Scale Groups of Undertakings for the Purposes of Informing and Consulting Employees ("the Directive"). It is the intention and belief of the parties to the agreement that it fully meets all the requirements of Article 13 of the Directive.

It is entered into in the spirit of co-operation by the Management and (~ Representatives of Employees of the European operations of Diageo plc.

The members of the DEF are committed to acting in the best interests of Diageo and its employees.

## **2. DIAGEO PLC OPERATIONS COVERED**

This Agreement covers the entire workforce of Diageo operations in the European Economic Area.

Companies where Diageo plc or one of its subsidiary companies has more than 50% of the shares or where Diageo is a controlling undertaking will be represented at meetings of the DEF.

The parties agree that the applicable Community-scale group of undertakings for the purpose of the Directive comprises Diageo plc operations in the EEA Countries ("Diageo European operations").

In the event of substantial changes to the nature of employment and organisation in Europe in the Diageo European operations, the DEF will agree a redefinition of the constituencies in this Agreement. Whilst the review is undertaken, the structure of the DEF will continue unchanged.

## **3. ROLE OF THE DEF**

The DEF is an information and consultation forum of Management and Representatives of Employees who meet to engage in a dialogue on the business performance and prospects of the Diageo European operations. The DEF is not a forum for collective bargaining.

The DEF neither replaces, nor duplicates, nor supersedes in any way the established procedures for informing, consulting and involving employees or their representatives at other appropriate levels in Diageo's European operations, including local, regional and/or national structures.

In its meetings, the DEF will concentrate first and foremost on the performance of Diageo (and especially with its activities in Europe), Diageo's general strategy orientation, its commercial and financial situation, as well as the employment situation and its likely development; it will also concentrate on investments, basic changes in the organisation, the introduction of new working and production methods, the relocation of production, amalgamations, downsizing or closure of companies, or plant or important parts of these units, and on significant redundancies. The DEF may agree to discuss other subjects.

Issues applicable for consultation at another and more appropriate level in Diageo's European operations will not be unnecessarily duplicated at the DEF.

Consultation will be meaningful and in good time.

### **Definition of consultation**

Consultation is an exchange of views and establishment of a dialogue. It is agreed that in view of the above, consultation must provide for employee representatives views to be heard and for management to respond to these in a timely manner. It is agreed that for consultation to be meaningful and in good time it must occur as early as possible and prior to a final decision being made so that the employee representatives have the possibility of their comments being taken into account.

To ensure that consultation is meaningful it is agreed that employee representatives will be given the opportunity to propose properly formulated responses which can be taken into account by management when finalising decisions.

It is also agreed that many of the issues that fall within the scope of the DEF are also likely to be subject to consultation at local level in line with local law and practices. Where issues fall in scope of both local processes and the DEF it is agreed that the DEF's duties appropriately cover the European dimension. The purpose of the DEF is however not to cut across or duplicate local consultation where local or national Issues are most appropriately addressed even if it is part of the same overall issue.

Issues relevant for DEF information and consultation are those issues defined in Clause 3 of the DEF agreement. Further issues for consultation will be consistent with the obligations both parties have to meet the requirement of Article 13 of the European Directive. Therefore the DEF cannot involve itself in consultation on matters which are specific to one country. However, if the employees of two or more countries to whom this Agreement applies are affected to a significant extent by a decision to transfer activities between countries who are party to this Agreement, then the matter will be deemed appropriate for discussion within the Forum. In order to proactively address such issues the Diageo Co-ordination. Committee will be convened to discuss the implications for such transfers.

#### **4. MEMBERSHIP OF THE DEF MANAGEMENT**

##### **Management**

The Management representatives on the Forum will be those members of Management nominated by the Company and will be supported by relevant management who will attend for specific agenda issues to contribute to the discussion. See Appendix 1 for a current list of management representatives.

##### **Representative of Employees**

Appendix 2 shows the list of employee representative for the Forum. Each country where Diageo has operations is represented by a delegate(s) from the business.

These representatives may be:

- Nominated and / or selected from the body of permanent employees of the Company.
- Trade Union officials who are involved in information, consultation or negotiating fora at local level.

The representatives (or their deputies) of employees will be nominated and selected according to local law and custom and practice.

The selected deputy will only attend the DEF annual meeting when the usual "Representative of Employees" is unable to attend.

Any additional attendee to the DEF for specific agenda items will be permitted with the agreement of both Chairpersons. Any request will be made at the meeting to set the agenda one-month prior to the DEF. The joint decision of the Chairpersons will not be the subject of challenge or debate at the DEF.

#### **5. CO-ORDINATION COMMITTEE**

A Co-ordination Committee will be established to deal with constitutional and procedural issues which may arise. This committee shall co-ordinate the business of the DEF between annual meetings. The composition of the group shall include the employee chairperson, and five (5) other Representatives. The Co-ordination Committee representatives will aim to ensure appropriate representation of Demand, Supply and Global functions. Management representatives will be determined by the issue for discussion.

Minutes of these meetings will be distributed to all DEF Representatives immediately following the meetings.

#### **6. STATEMENT OF BEST PRACTICE IN REDEPLOYMENT REDUNDANCY OR OUTPLACEMENT**

Diageo has a statement of best practice guidelines on redeployment, redundancy and outplacement which will be adopted by all its European enterprises in such circumstances. See Appendix 3 for its content.

## **7. DEF OPERATING FRAMEWORK**

### **7.1 Terms in Office**

The normal term of office for Employee Representatives will be four years.

In the event of a Representative of Employees leaving the company or resigning from the DEF before completing their term of office, the deputy representative will complete the term of office as the Representative of Employees. However, an election will be held for the selection of a new deputy.

In all instances local election procedures for the appointment of representatives will be repeated.

### **7.2 Operation of the Meeting**

Only those elected members defined in 4 above will attend the annual meeting of the DEF.

The company and the Employee Representatives will each select a chairperson. The joint meetings of the DEF will be co-ordinated and facilitated by the company Chairperson. Additional meetings may occur should the Company and Employee Representative Chairpersons agree that there are matters of sufficient significance to warrant such meetings.

There will be one meeting per year, convened by the Company and the Employee Representative Chairpersons, which will normally coincide with the Diageo Annual results announcement.

During the course of the year, Management will use the established mechanisms (outside the DEF) for employee communication at national and / or local levels to ensure that employees and their representatives are informed and consulted on issues that relate to their undertaking. This does not preclude the recalling of the DEF on significant issues.

The date and venue of the meeting above will be confirmed at least three months in advance.

The Company and the Employee Representative Chairperson will publish the agenda at least one month before the date of the annual meeting.

The company will appoint a secretary to the DEF who will be responsible for producing a record of the meeting and a brief for onward communication to all employees within Diageo's European operations which will be agreed with the Company and Employee Representative Chairpersons.

The company will arrange and finance all travel, accommodation, interpretation and translation costs associated with the annual joint meeting, the employee representatives pre-meeting and any other agreed meetings with or without management.

The Representatives of Employees will not suffer financial loss as a result of attending agreed meetings of the DEF.

Upon appointment of the DEF Chairperson, and at intervals thereafter, the Company will discuss with the Employee Representative Chairperson the type and level of facilities needed for the effective functioning of the role.

The chairperson of the Employee Representatives will act as the co-ordinator of those representatives and will deal with ad hoc issues as they arise in consultation with the representatives of the relevant countries.

### **7.3 Language of the DEF**

The meetings will be conducted in English. There will be simultaneous translation facilities in other languages as appropriate.

All supporting documentation will be forwarded with appropriate translation to arrive one week in advance of the meeting.

### **7.4 Confidentiality**

The Company will provide Employee Representatives with the information necessary for the efficient running of the DEF. Each member of the DEF will maintain the security of information marked as confidential, as appropriate.

Confidentiality remains binding even after such time as an individual ceases to be a member of the DEF or to be employed by the company.

Any breach in confidentiality may result in the immediate removal from the DEF of the person(s) responsible. Additionally, serious breaches of confidentiality will be dealt with through the Company disciplinary procedure and / or regulations set down in National law. Any alleged breaches in confidentiality will be discussed by the two Chairpersons before any action is taken.

Under no circumstances will any member of the DEF communicate confidential items from the DEF with the Press or any other outside agency without prior agreement from the Management Chairperson and the Employee Representatives Chairperson of the DEF.

A joint statement will be issued within two weeks of each meeting to all employees in Diageo.

### **7.5 Protection of Members of the DEF**

The members of the DEF will not be treated less favourably than any other employee on account of carrying out their duties. They will not be subject to disciplinary action or coercion arising from responsibilities they have to employees whilst carrying out their legitimate DEF duties.

### **7.6 Training of DEF Members**

The training of Employee Representative members of the DEF will be discussed and agreed at the DEF.

## **8. DURATION OF THE AGREEMENT**

This Agreement will last for 5 years from the date of signing by both parties. Subsequent to review in 4th year of the currency of the agreement, the parties will meet to consider its renewal and / or extension.

## **9. LEGAL BASIS FOR THE AGREEMENT**

This Agreement is intended by the parties to be legally binding.

The Agreement will be governed by and construed in accordance with the laws of the Republic of Ireland.

Whilst the parties agree and believe that this Agreement complies in full with all the requirements of Article 13 of the Directive, in the event that its compliance with Article 13 is challenged by any party, the central Management of Diageo plc (being the controlling undertaking for the purposes of the Directive and located in the UK) hereby formally nominates and appoints Diageo plc in the Republic of Ireland as its representative within the "Member States" (as defined in the Directive) for all purposes (including but not limited to Articles 3.6 and 4.2 of the Directive).

8th October 2002

## Appendix 1

### Management Representation of the Diageo Europe Forum

The following represents the core Management representation of the Diageo Europe Forum. However, this list will be supplemented on a needs basis by other Management representatives appropriate for the subject topic at the Forum meeting.

### Management Representation

Chairman of the Diageo Europe Forum

I Meakins

Secretary of the Diageo Europe Forum

K Chapman

Representatives from Demand, Supply and Global functions will attend meetings to address specific subjects.

## Appendix 2

### Employee Representation of the Diageo Europe Forum

The following list of employee representatives was discussed at the 2002 Diageo Europe Forum. Recognising the spirit of this Agreement Diageo Management and the Diageo Co-ordination Committee agreed to extend the purpose of this Agreement to all countries where Diageo had representation within the current and proposed European Community Area.

Therefore whilst some of the countries listed are not part of the European Community in 2002 they are all countries within the European Economic Area, and hence it is appropriate to involve their representatives in the strategic issues impacting Diageo.

Member State	Number of Representatives
Austria	1
Belgium	1
Czech Republic	1
Denmark	1
France	1
Germany	1
Greece	1
Hungary	1
Italy	2
Netherlands	1
Norway	1
Poland	1
Portugal	1
Slovakia	1
Republic of Ireland	7
Spain	1
Sweden	1
Switzerland	1
United Kingdom	10
<b>Total</b>	<b>35</b>

## Appendix 3

### DIAGEO STATEMENT OF BEST PRACTICE GUIDELINES ON REDEPLOYMENT, REDUNDANCY AND OUTPLACEMENT

#### Background

Diageo is committed to ensuring that its treatment of those affected by redundancy will be sensitive, fair and constructive.

Ideally, if the redundancy and outplacement process works well, each individual leaving the company will feel pride in having worked for Diageo, will feel they have been treated fairly and equitably and would want to re-join the company if ever presented with a future opportunity to do so.

These are basic guidelines for managing the process which will need to be tailored for use within each business region or market, reflecting local legislation and practice.

#### The Decision

The decision to make a job redundant is an unpleasant and difficult one in any circumstances. For the employee concerned, the decision that he/she is not to be a part of the new structure can be a traumatic one. It is therefore essential that the entire process is handled in the most professional and sensitive manner.

The process begins with the decision that a job is to be made redundant, resulting in a person being made redundant. This should be after all alternative options have been explored through the internal resourcing process.

#### The Communication

The individual should be informed as soon as possible following the decision, that their job is redundant and that no other opportunities exist for them in the new structure.

#### The Terms

The individual should be informed as soon as possible of the terms of their leaving including information on:

- leave dates
- payments due,
- treatment of pension and other benefits
- outplacement support
- who to ask for further clarification

This information should be confirmed in writing.

#### Outplacement .

The Company aims to support each leaver in ways which help to equip individuals to address/achieve their personal goals.

The actual support will vary from individual to individual and between parts of the organisation.