SUSTAINABLE PACKAGING COMMITMENTS
OUR STRATEGY FOR DELIVERING SUSTAINABLE PACKAGING
We use over one million metric tonnes of packaging every year to protect, present and deliver our products to consumers. The manufacture and delivery of these bottles and cans requires energy, water and raw materials. By designing packaging efficiently and sustainably, we can help to conserve these increasingly scarce natural resources.

The majority of our drinks come in primary packaging made from glass, aluminium, PET or steel. We also use secondary packaging such as cardboard boxes and cartons to package drinks containers including bottles and cans.

High performance, sustainability, safety and affordability are essential in our choice of packaging. As well as adding value to our products and brands, quality sustainable packaging can have a positive impact on the environment – by, for example, helping to reduce product waste.

Clear commitments and an innovative approach will guide us on our journey towards delivering sustainable packaging.

“Great packaging is essential for our products. Consumers expect our packs to look beautiful, be functional, and sustainable. Failure to deliver any of these is not an option. That’s why we will drive year on year improvements towards the smallest environmental footprint by 2020.

The commitments in this document are stretching and will require deep collaboration with our suppliers. Work is needed across the whole industry. Truly innovative solutions and holistic thinking will be essential.

We are resolved to sustainably source all of our paper and board, to increase the average recycled content, to reduce total packaging weight and to ensure that all of our packaging is recyclable by 2020. It’s all part of making Diageo one of the best performing, most trusted and respected consumer goods companies in the world.

We look forward to your contribution to these critical goals.”

Syl Saller, Chief Marketing Officer
David Cutter, President Global Supply and Procurement
We will contribute to a circular economy by making all our packaging more sustainable – minimising its environmental footprint while fulfilling its purpose to protect, deliver and present our products.

Our commitment to sustainable packaging is rooted in our performance ambition and Sustainability and Responsibility targets (see box for more detail). Our goal is simple: to create a closed-loop, sustainable system for all our packaging materials. That means finding innovative ways to minimise our environmental impact and thinking holistically across the entire life of our products.

We know this will be challenging. Packaging is intrinsic to the essence of our brands and we will not compromise on quality or function. The journey to create premium packaging that is more sustainable will require tenacity, innovation and education, not just for Diageo but for our suppliers, customers and consumers.

**WHAT IS A CIRCULAR ECONOMY?**

The Ellen MacArthur Foundation states that a circular economy is one that is restorative and regenerative by design and aims to keep products, components, and materials at their highest utility and value at all times. This new economic model seeks to ultimately decouple global economic development from finite resource consumption.

The circular economy rests on three principles, each addressing several of the resource and system challenges that industrial economies face.

- **Principle 1:** Preserve and enhance natural capital by controlling finite stocks and balancing renewable resource flows.
- **Principle 2:** Optimise resource yields by circulating products, components, and materials at the highest utility at all times in both technical and biological cycles.
- **Principle 3:** Foster system effectiveness by revealing and designing out negative externalities.

**2020 SUSTAINABILITY AND RESPONSIBILITY TARGETS**

Our sustainability and responsibility targets for 2020 focus on the areas that are most material to our business and that will contribute to long-term impact and success, delivering value for Diageo and our stakeholders.

Four targets relate to packaging:

- Sustainably source 100% of our paper and board packaging to ensure zero net deforestation
- Increase average recycled content to 45%
- Reduce total packaging weight by 15%
- Ensure 100% of packaging is recyclable
We endeavour to make our packaging more sustainable at every stage of its life cycle – from sourcing raw materials to manufacturing to recycling when it has fulfilled its purpose. This approach is set out in our three-step strategy for sustainable packaging:

- **Source**: We aim to select packaging materials with the smallest practicable environmental footprint, including those from recycled or sustainable sources that do not cause deforestation and those that can be recycled after use.

- **Design**: We use cutting edge technologies and design techniques to minimise the volume of packaging needed to protect and present our products.

- **Reuse**: We consider what will happen to packaging after use, right from the start of our design process as we strive to create closed-loop cycles.

Our brand and packaging teams implement this strategy across Diageo, working closely with packaging suppliers to understand the relevant sustainability characteristics of materials, and use these to make the right decisions early in the design process.

**Source**
- Choosing materials from the most sustainable sources.

**Design**
- Using resources as efficiently as possible in the design and manufacturing process.

**Reuse**
- Contributing to the circular economy by ensuring packaging is recyclable and encouraging end-of-life solutions.
INCREASING RECYCLED GLASS CONTENT

Currently more than a third of the glass in our bottles is from recycled sources and our aluminium cans contain 50% recycled metal. Glass is infinitely recyclable, and using recycled glass, known as ‘cullet’, reduces the environmental impact of our bottles by:

• Reducing the amount of virgin raw materials that need to be extracted
• Requiring less energy – and related carbon emissions – to make the bottles.

The quality and availability of cullet heavily influences the percentage that can be reused. Clear glass, or ‘flint’, is easily contaminated by different colours – so while our green Tanqueray® or Gordon’s® bottles can contain up to 80% recycled glass, the recycled content of colourless bottles like those used for Smirnoff® tends to be much lower.

Shared sustainability objectives and a desire to reduce our environmental impacts mean we partner closely with our strategic glass suppliers. We have been working on ways to secure reliable supplies of high quality flint, and have developed a way to make flint that contains nearly 30% recycled content. Over two years we avoided extracting 25,000 tonnes of virgin materials, not to mention the resources, energy and water needed to obtain and process these materials. This has prevented more than 7,500 tonnes of carbon being emitted – the same as driving the average car around the world 1,500 times.

1 Source: UK Government statistics, 2015. Average CO2 emissions of cars registered for first time in 2015 was 122.1g CO2/km

SOURCE

Selecting the right packaging materials can have a significant effect on the overall environmental impact of our products. The challenges we face depend on the type of raw materials required. For example, we must ensure that virgin paper and board comes from sustainably managed forests, or that the manufacturing process for glass is as resource-efficient as possible.

Our aim is to advance the use of recycled content in packaging – both for Diageo and the wider industry – and, whenever we use virgin materials, to ensure they are sustainably sourced.

Recycled materials
Using recycled materials to make our packaging is an important part of the closed-loop approach. Although materials like cardboard and glass can be recycled relatively easily, the availability of some recycled materials remains limited in many countries. We are engaging consumers and governments to increase this supply by promoting recycling and recycling infrastructure (see page 7 for more detail).

To avoid the unnecessary depletion of precious resources, we have set a target for 45% of our packaging content to come from recycled materials by 2020.

Sustainable paper and board
We also aim to ensure that 100% of our paper and board packaging is sourced from sustainably managed forests with zero net deforestation. Deforestation is one of the major contributors to climate change, and reversing the decline of forests can benefit societies, biodiversity and the environment. Where appropriate, we source certified materials from schemes such as the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC), and encourage brand teams to include relevant symbols on our packs.

1 Source: UK Government statistics, 2015. Average CO2 emissions of cars registered for first time in 2015 was 122.1g CO2/km
DESIGN

From simple solutions to high-tech innovations, designing packaging to be more efficient has always been part of Diageo’s history. In 1860, Alexander Walker – son of Johnnie Walker himself – introduced the iconic square bottle that still holds the whisky today. Making the bottles square instead of round made loading and transporting much more efficient, with more bottles fitting in the same space, and fewer broken bottles.

Today, we are constantly exploring new opportunities to improve our pack designs, and by 2020, our target is to reduce total packaging weight by 15% compared to 2009. By optimising the amount of material and energy we use, we want packaging to be sustainable at the same time as providing the high quality, form and function that our consumers know and expect.

Using less material is one option – our goal is to ‘right-weight’, achieving a fine balance between lighter, more efficiently made packaging and the need to maintain a strong, high quality pack that safely delivers the product and expected experience to the customer.

‘RIGHT-WEIGHTING’ OUR BOTTLES

Our innovative designers use the latest techniques to minimise packaging materials and apply new lightweight technologies. Baileys® and Johnnie Walker Blue Label® are just two examples.

In 2016, we introduced a new design for our Baileys® bottles, reducing each bottle’s weight by up to 28 grams. In just one year this weight reduction of nearly 4% will save us around 1,230 tonnes of glass and reduce our carbon emission by 1,200 tonnes – equivalent to 400 UK homes’ annual energy-related emissions. The new design of our Johnnie Walker Blue Label® bottles distributes the glass weight more efficiently and reduces packaging weight by nearly 16%. The first 1.6 million bottles alone used 370 fewer tonnes of glass. This means less energy and water were used to extract raw materials, and almost 730 tonnes less carbon was emitted over the bottles’ life cycle.
SUSTAINABLE PACKAGING COMMITMENTS
SUSTAINABLE PACKAGING: REUSE

REUSE
It is our responsibility to make it as easy as possible for consumers to recycle packaging once they have purchased and used our products.

Packaging made from glass, aluminium, PET or steel is completely recyclable, and our target is to ensure 100% of our packaging is recyclable by 2020. We do this in a number of ways:

- **Designing for recyclability:** Simplifying the number and combination of materials we use, for example with safety closures and outer cartons, and applying bio-degradable or lower environmental impact options.

- **Changing behaviour:** Encouraging consumers to recycle more (by including the Mobius recycling symbol on all our product labels) and to recycle better - for example, by properly segregating their used glass to make it easier and more efficient to recycle, and to produce higher quality material.

- **Transforming infrastructure:** Recycling infrastructure varies worldwide and we know that some markets don’t have all of the facilities needed to recycle our packaging. We are committed to participating in industry-wide initiatives to encourage recycling and improve recycling infrastructure (see more about how we work with others on page 8).

Bulk packaging systems, such as the steel beer kegs and refillable beer bottles we offer in some markets, are reusable by consumers and customers. In Africa, we rely more heavily on refillable glass bottles for delivering our packaged beer volumes, providing greater affordability to consumers, extending the life of glass bottles and avoiding waste.

‘GLASS IS GOOD’
Diageo’s Glass is Good® programme in Brazil is taking a novel approach to recycling. The programme encourages bars, restaurants and other customers to sign up to have their glass packaging collected after consumption. The sorted glass is then transported to Glass is Good grinding sites, set up and run by local cooperatives, who grind and store it. Recycled glass is then sent to glass producers, who recycle it and turn it into new bottles. Diageo buys these bottles, made out of our own packaging, and uses them to package new products. This programme is exciting because it’s a truly closed-loop system based on simple reverse logistics. From humble beginnings, the project has gained significant momentum in five years – over 150 customers in six cities across Brazil are involved, thirteen cooperatives directly employ nearly 300 people to pick and grind the glass, and more than 9,000 tonnes of glass has been collected and recycled. We’re now partnering with other global beverage companies to scale up the project even further.

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1 This is a mandatory requirement detailed in our Diageo Consumer Information Standards (DCIS).
Wouldn’t it be great if the waste from manufacturing a drink could be reused to package the same drink? That’s exactly what our Ypióca business in Brazil is doing. Ypióca makes cachaça, a distilled spirit made from sugarcane juice. When the juice is extracted from the sugarcane, it leaves a material called bagasse that is fibrous and well-suited for making packaging boxes. One of our suppliers provides 100% recycled paper, some of which is made from the bagasse left over from the production of Ypióca drinks. Not only does the project use sustainably sourced raw materials, it cuts waste and indirectly creates employment in local communities.

Collaborating with suppliers
Working with suppliers will be vital to achieve our sustainable packaging targets, and we expect our packaging suppliers to align themselves to our 2020 targets, or equivalent. Our ‘Partnering with Suppliers’ document sets out our supplier sustainability and responsibility standards. We expect and encourage our suppliers to achieve high ethical and environmental standards and demonstrate consistent progress in these areas. With our more strategic suppliers we develop long term plans, allowing for investments and dedicated resources that enable us to drive sustainable improvements.

Working with industry
More broadly, Diageo is a member of industry groups such as INCPEN (the Industry Council for research on Packaging and the Environment), and a founding member of the US Glass Recycling Coalition. These organisations enable us to learn from similar companies, share best practice and develop new approaches to sustainable packaging. By working with industry partners and retailers we can define common approaches and aligned goals to improve recycling across our markets.