



ENVIRONMENT POLICY

WHO DOES THIS APPLY TO?

- Our environmental standards apply to all employees, locations and aspects of our business.
- Joint ventures in which Diageo has a controlling interest.
- This policy equally applies to acquisitions and the design and build of new facilities, such as breweries, distilleries and office locations.
- As a minimum, we expect our suppliers and partners to have a clear environmental policy statement in place and to be committed to developing and applying appropriate environmental management systems and set associated targets.



OUR COMMITMENT

We recognise that our management of environmental issues is important to our stakeholders and fundamental to the long-term growth of Diageo.

Our vision is to achieve and maintain environmental sustainability – a condition where our business causes neither long-term critical depletion of natural resources nor lasting damage to species, habitats, biodiversity or the climate. Where possible we will work to improve the environment in which we operate.

This policy sets out the commitments we have made to achieve this aim. It covers all Diageo businesses and operations. Our leaders are responsible for fully integrating the policy elements into their functional management. Recognising that some sites and offices have different environmental impacts from others, parts of this policy are more relevant to particular locations than others.

Environmental performance is a shared responsibility and it is only by working together that we will make the necessary progress on our journey to becoming truly sustainable.

CONTEXT

We recognise that our management of environmental issues is important to our stakeholders and a key determinant to the long-term success of Diageo. We have set a series of challenging environmental targets to be achieved by 2020 which drive our environmental strategy. We take a precautionary approach to such issues, which are consistent with prevailing scientific and technical understanding, and do not depend on having full scientific proof of specific environmental damage.

We aim to comply with the spirit as well as the letter of the law in the markets in which we operate, which we regard as representing a minimum level of performance. In locations where no or less regulation exists, we also set ourselves appropriately high standards.



CORE PRINCIPLES OF THE POLICY

STANDARDS AND GUIDELINES

Supporting this policy, detailed requirements and guidance are to be found in the Diageo Global Environmental Management Standards, Sustainable Packaging Commitments, Sustainable Agricultural Sourcing Guidelines, and other documented guides for our ways of working.

IMPACT ASSESSMENT

We assess and aim to minimise environmental impacts before starting a major new activity or project, before decommissioning a facility or process, and as part of our due diligence process for acquisitions.

EMPLOYEE ENGAGEMENT

We actively promote and encourage environmentally sustainable practices for our employees, ensuring they contribute to reducing their own and the company's environmental impact. Through our GREENiQ programme we encourage a high level of engagement with Diageo's environmental initiatives to help employees act in an environmentally responsible way, both at work and at home.

ENVIRONMENTAL MANAGEMENT

All our production sites are required to have a documented Environmental Management System, which is based on ISO14001, to ensure that their performance is monitored, improvements are made and progress against targets is reported. Every site is audited internally at least once every two years. Our operational excellence programmes assess compliance with legislation and with our own rigorous Global Environmental Management Standards. All Diageo sites and offices should monitor and manage their environmental impacts, to deliver reductions and comply with the environmental policy and report progress against targets.

ENERGY AND GREENHOUSE GASES

In response to climate change, we aim to minimise our direct and indirect greenhouse gas emissions. We monitor our use of fuels, promote awareness of the need to increase energy efficiency, implement programmes of energy use reduction, favour electricity from renewable sources, look to generate our own renewable energy using by-products from our manufacturing processes, aim to ensure all our new refrigeration equipment is HFC-free, and work with suppliers to help them reduce their emissions. We do not offset emissions in our direct operations, although where there are exceptions (for example business travel) we apply strict guidelines. We have set ambitious targets for greenhouse gas emission reductions and report on progress against these annually.

WATER MANAGEMENT

The [Diageo Water Blueprint](#) defines our strategic approach to integrated corporate water stewardship. We are committed to promoting and supporting water stewardship in our supply chain including across all our operations where we focus on water efficiency, water quality, and wastewater. Our Water of Life programme provides access to clean water in many countries and in water stressed areas our sites provide community access to water. A number of production sites are categorised as being located in water stressed areas and we are very aware of the effects of our operations on local watersheds. We monitor water sources, destinations and flows through our sites to understand their water balance, promote awareness of the need to increase water efficiency and share best practice on ways to improve.

As a company, we seek to comply with consent limits on abstraction and discharges or with appropriate Diageo standards where there is no regulation for water and waste water discharge. We look for alternative uses for wastewater via recycling and reuse where appropriate. We set targets for reducing water use and wastewater discharge, setting more challenging water use and replenishment targets in areas of water scarcity.

MATERIALS AND SOLID WASTE

In procuring materials used in our operations, we aim to favour those from renewable or recycled sources and those that in manufacture, delivery or use have a lower environmental impact. We monitor waste streams, promoting awareness of the need to increase materials efficiency. To minimise the waste we send to landfill, we operate a hierarchy of actions: omit, reduce, reuse, recycle and dispose. We monitor levels of waste recycling and waste to energy recovery, and have set a target for achieving zero waste sent to landfill at all sites.

HAZARDOUS SUBSTANCES

We regularly review the need for using hazardous substances, reducing volume and toxicity where feasible. We handle and dispose of hazardous substances in accordance with regulations or with Diageo standards where these are more stringent.

CORE PRINCIPLES OF THE POLICY (CONT)

BRANDS, PACKAGING AND INNOVATION

Just like the manufacture of the product, our packaging also has an environmental impact throughout its life. In designing and renovating brands, we aim where possible to minimise their environmental impact in manufacture, distribution, use and disposal. Using our commitments on sustainable packaging and closed-loop design, we aim where appropriate to deliver our brands in packaging with the smallest environmental footprint, looking to improve recyclability and to eliminate any element of our packaging material that poses a risk to the environment. We prioritise and we understand that part of the journey involves informing our consumers. We have set targets for improvement and report progress against these annually, including our use of plastics. For more information on the environmental footprint of our brands see [Diageo Environmental Footprints](#).

SUPPLY CHAIN MANAGEMENT

We understand the need for stewardship of the entire environmental footprint of our brands, from the sourcing of ingredients to the disposal of packaging after use. We aim to use our influence at each stage of our supply chain to encourage suppliers and other business partners to adopt standards similar to our own. See our [Partnering with Suppliers](#) for further details.

LOGISTICS AND BUSINESS TRAVEL

We seek to minimise the impacts of owned and contracted logistics by encouraging a more environmentally sustainable approach to: selecting modes of transport; vehicle efficiency; fuel type; driving style and journey planning. We monitor business travel by employees and aim to minimise its impacts. We always try to consider the need for travel when we organise meetings and, where possible, endeavour to find means of communication that minimise travel and use video conferencing facilities.

RESEARCH AND TRANSFER OF TECHNOLOGY

We define the environmental impacts of our operations and supply chains and assess and evaluate the means of minimising them. We encourage the development and adoption of environmentally sustainable technologies – internally, through programmes such as GREENiQ and through our knowledge sharing and, externally, where we seek to work collaboratively with other companies and research organisations to advance and share best practice.

EMERGENCY RESPONSE

Where significant hazards exist, we maintain emergency response plans with suitable containment measures (where appropriate in conjunction with local authorities and communities) to reduce the possibility and severity of accidental spills, releases or other events that may cause environmental damage.

MONITORING

In 2014, we set ourselves a refreshed series of environmental targets for 2020 which allow us to drive improvements and measure progress. We aim to deliver environmental improvement through a series of operational and behaviour changing projects and will report on our progress in the annual report. These targets are centred on those areas of the product lifecycle where we have most direct environmental impact.

We are also listed on the FTSE4Good, CDP and Dow Jones Sustainability Europe Index to benchmark our sustainability performance.

The Environmental Executive Working Group, through the Environmental Leadership Team, will ensure compliance is measured and monitored.

COMMUNICATIONS

We will ensure that all employees, contractors and suppliers are aware of the company's Environment Global Policy and are aware of their own responsibilities. It is important that we publish information externally on our environmental performance including reporting progress against our targets. We also aim to provide information and advice on our environmental impacts to our customers and consumers and other stakeholders.

ACCOUNTING AND REPORTING

We take all reasonable steps to ensure reported environmental information represents a true and fair account of the company's impact, and is consistent with external standards on reporting guidance. Our aim is to report on relevance which allows consideration for the issues that are of highest concern to Diageo's stakeholders. Key reported data is included in Diageo's Annual Report and Sustainability Performance Addendum and is independently assured as part of our management processes for completeness, consistency, transparency and accuracy.



WHERE TO GET MORE INFORMATION

Detailed requirements and guidance are to be found in the Diageo Global Environmental Management Standards, and other documented guides to ways of working. Our annual report contains details of the company's latest achievements and environmental performance.

To understand more about how employees can reduce their environmental impact both at home and at work join our global employee engagement platform [myGREENiQ](#). Please also refer to current strategy and guidelines available at [Diageo.com](#), including:

[Diageo Water Blueprint](#)

[Diageo's Sustainable Packaging Commitments](#)

[Diageo Supplementary Guideline on Plastics](#)

[Diageo Partnering with Suppliers](#)

[Diageo Consumer Information Standards](#)

[Diageo Sustainable Agriculture Strategy](#)

[Diageo Sustainability & Responsibility 2020 Targets](#)

For the latest information about Diageo's Environmental agenda, please visit [MyGREENiQ](#) or contact Michael Alexander (michael.alexander@diageo.com)

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.



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

POLICY GOVERNANCE

Sponsored by the President of Global Supply & Procurement, this policy and the execution of its objectives is the responsibility of every manager and employee in Diageo.

The Environmental Executive Working Group reviews and improves our environment policy regularly and ensures compliance is measured and monitored and reported.

These reviews take into account technical developments and changing stakeholder expectations.

We expect our leaders to be responsible for implementing the elements of the policy relevant to their own sites and business units and for integrating them into their functional management.

KEY THINGS TO REMEMBER

1. We must all demonstrate a commitment to the environmental standards outlined in the Diageo Environmental Global Policy. We should support local sites' and offices' environmental sustainability initiatives such as energy saving or waste reduction programmes;
2. We will challenge unsustainable activities if they occur;
3. We must report breaches of Environment Global Policy to relevant line management and internal stakeholders;
4. We must work with our suppliers to help them to develop appropriate environmental management systems which reflect Diageo's commitment to reducing the environmental impact of our supply chain.



ENVIRONMENT

Q If water is in such short supply in some areas, why are we still operating sites there? Why don't we just set up somewhere else?

A The decision to locate our sites in certain places takes account of a great many factors, including the positive impact of providing employment to local communities and of working with local suppliers.

Water scarcity is something that we are very concerned with and we prioritise our focus on sites located in water stressed areas. We have gathered detailed water source, flow and use information at all of our sites in water stressed areas to identify where we can make the best improvements.

We are investing in water treatment and recovery systems along with more targeted water conservation efforts and employee engagement. We have made good progress. In India, waste water is treated and returned to a potable quality at the principal distilling and packaging facilities and reused or recycled. In Kenya we are also focusing on technological solutions on water reuse.

All sites offer different solutions and possibilities to reach our target, and reduce our impact on already water stressed areas.

Q I heard about the way you're "light-weighting" the Smirnoff Ice bottle by 10% in Venezuela and saving 1600 tonnes of glass. Why don't we just lightweight all our packaging?

A Lightweighting is just one of the ways we can reduce the environmental impact of our packaging – there's no one-size-fits-all solution. We are also working on improving recyclability, using recycled materials, and while lightweighting is the smart choice for some brands, we prefer to think of it as "rightweighting".

For example, we don't want to increase the number of breakages in transport because the bottles are too fragile – that would defeat the objective. In Africa, where we use returnable bottles, each bottle is cleaned and reused on average 12-15 times, so this can provide a big benefit.

Ultimately the objective is to ensure our bottle weight is optimum and that the glass is recycled at the end of consumer use and we actively encourage consumers in all markets to recycle all packaging matter where viable.

Have a look at [MyGREENiQ](#) for more information about how we're improving the sustainability of our packaging.

Q We're investing a lot of time and money in this, but we're just one company. Is this really going to make a difference? What about everyone else?

A Our contribution will make a small difference – in its own right, and because we are leaders in an agenda that involves many other businesses and stakeholders.

One way we try to use our influence is through our supply chain. We spend £6.5bn with goods and services suppliers each year and through our Partnering with Suppliers Standards, we define our expectations of this group. As a minimum, we expect our suppliers to have a clear environment policy and a commitment to developing appropriate environment management systems.

We have begun by engaging our suppliers with the largest environmental impacts – our raw ingredients producers, energy and packaging suppliers. As well as engagement, we are reviewing our suppliers' performance. We also engage with our major customers, such as Walmart, and participate in government initiatives such as SmartWay, a scheme in the US which works to identify cleaner, more efficient transportation options.