

DIAGEO



# *Environment* Policy

GLOBAL POLICY  
UPDATED SEPTEMBER 2022

# Who does this apply to?

## Who our Policy applies to:

- ✓ All Diageo management and employees.  
All third-party organisations, including suppliers and contractors.

## Why this Policy is important:

- ✓ This policy sets out and affirms our commitments for managing environmental issues, risks, and impacts.

## What our Policy covers:

- ✓ All operations, business activities and capital projects.  
Joint ventures in which Diageo has a controlling interest. Across all global operations and offices.



## Our commitment

This global environment policy forms part of Diageo's Code of Business Conduct framework and sets out our obligations and expectations for managing impacts on, and from, the environment.

We are committed to preserving the natural resources on which we all depend, working in partnership to tackle key environmental issues such as climate change, water stress and biodiversity loss, and helping to create a more sustainable world.

Framed by our Society 2030: Spirit of Progress action plan, and our Pioneering Grain to Glass Sustainability strategic targets. Our Grain to Glass strategy is supported by three pillars of commitment:



Preserve Water  
for Life



Accelerate to  
a Low Carbon  
World



Become  
Sustainable  
by Design

Our interaction with the natural world is complex and these three sustainability pillars are inter-related. We will continue to develop a holistic approach to sustainability, underpinned by our commitment to Doing Business the Right Way from Grain to Glass (G2G).

Recognising the interdependencies between our use of natural resources and potential impacts on communities, our ambition is to improve human and social capital whilst delivering our G2G sustainability programme. We plan to do this by fostering local community ownership of the projects that we support, by ensuring these projects empower women and are inclusive of underrepresented groups, and by building environmental and economic resilience within our smallholder communities through local capability building and sustainable procurement decisions.

We aim to comply with all applicable legislation, in all regions in which we operate. We regard this as the minimum level of performance, which we strive to go beyond. We are proactive, supplementing legal compliance with adherence to our own Global Environmental Standards (a set of rigorous environmental management requirements), even when this sees us operating beyond minimum legal requirements. As a minimum, we expect our suppliers and partners to be compliant with all applicable environmental laws and to have a clear environmental policy in place. We also ask them to provide evidence of environmental performance, impact and dependency risk assessments and management processes in order to drive improvement towards our common goals.

All our brands, markets and supply locations aim to limit negative impacts on the environment and look for opportunities to further improve our environmental sustainability, with every decision.

Essential to realising our commitments are our partnerships with industry bodies, suppliers, peers, NGOs and government, which support the delivery of symbiotic industrial projects that benefit not only Diageo but the entire system that we form part of.

Our commitments are based on prevailing scientific opinion and technical understanding, and we set ourselves high standards to respond to the environmental issues which are most material to our stakeholders and to our business.



## Context



**Society 2030: Spirit of Progress** is Diageo's 10-year action plan to help create a more inclusive and sustainable world. This builds on the legacy of our founders to create a positive impact in our company, with our communities, and for society.

The Society 2030: Spirit of Progress strategic priorities are to Promote Positive Drinking, Champion Inclusion and Diversity, and Pioneer Grain to Glass Sustainability. This policy aligns with Pioneering Grain to Glass Sustainability and summarises the associated key commitments and expectations.

To lead our business through the next decade, we have set ourselves ambitious **Society 2030 Targets**, aligned to the United Nations' Sustainable Development Goals.

## Grain to glass sustainability



Our continued long-term success depends on the people and planet around us. Our primary ingredients are sourced directly from natural resources, and our business success is inextricably linked with the natural environment.

We recognise that poverty, inequality, climate change, water stress, biodiversity loss and other challenges threaten the environment and the prosperity of communities.

We have a responsibility to ensure that our people, our suppliers, the communities where we operate, our customers and consumers, and society at large all thrive as a result of our business.

That means enhancing the sustainability of our brands, reducing and reinventing the impact of our products and working with our entire value chain - the people, resources and environment, that contribute to our success, from grain to glass.





## Core principles of the policy

### 1. Preserve water for life



Water is the most important ingredient in our products and is a precious shared resource under increasing pressure in many parts of the world. We support the United Nations Global Compact CEO Water Mandate, Water

Resilience Coalition and the Alliance for Water Stewardship, affirming our commitment to sustainable water management practices in our operations and supply chain. We consider water stewardship as integral to managing climate risk.

Our **Preserve Water for Life Water Stewardship Strategy** defines our strategic approach to water stewardship for the environmentally sustainable, socially equitable, and economically beneficial use and treatment of water.



#### Our 2030 Targets to Preserve Water for Life

- Reduce water use in our operations, with a 40% improvement in water use efficiency in water-stressed areas and a 30% improvement across the company.
- Replenish more water than we use for our operations for all our sites in water-stressed areas by 2026.
- Invest in improving access to clean water, sanitation, and hygiene (WASH) in communities near our sites and local sourcing areas in all our water stressed markets
- Engage in collective action in all our Priority Water Basins to improve water accessibility, availability and quality and contribute to a net positive water impact.

#### Examples of our initiatives to deliver these commitments include:

- Continuously prioritise water-use efficiency across all our locations by means of our Water Management Standard including through continuous improvement, operational efficiency projects and behavioural change programmes.
- Monitor water sources, consumption, and discharge at all production sites.
- Invest in water recycling and reuse, prioritising sites in water stressed areas.
- Replenish water in water stressed areas through community water projects such as reforestation, rainwater harvesting, wetland restoration and desilting dams.
- Invest in improving access to clean water, sanitation, and hygiene (WASH) in communities near our sites and local sourcing areas
- Engage key suppliers to encourage adoption of best practice water stewardship and to meet Diageo water management expectations.
- Deliver targeted water campaigns with our employees, customers and supply chain and actively participate in global and local multi-stakeholder water stewardship initiatives

To find out more about these, and other initiatives, please visit our [website](#).

Recognising the interdependencies between our use of water and impacts on communities, our 'grain to glass' approach to water stewardship aims to support farmers (especially smallholders), improve water use in operations, replenish water in water stressed catchments, provide clean water to our communities, and strongly advocate for more collective action on the water crisis.



## Core principles of the policy (cont)

### 2. Accelerate to a low carbon world



We fully support the international Paris Agreement to limit global warming to 1.5°C, compared to pre-industrial levels. The planet needs significant science-based action to create a sustainable low-carbon future.

We are participants of the UN Global Compact's Business Ambition for 1.5°C and have set targets\* accredited by Science Based Targets initiative (SBTi) in line with a 1.5°C future. In doing this we are committed to decarbonising our own operations and those of our supply chain to achieve full net zero by 2050 or earlier.

We have set out ambitious goals to further reduce carbon emissions across our brands, operations and supply chain. Delivery of our net zero strategy will be supported by our internal Global Environmental Standards.



#### Our 2030 Targets to Accelerate to a Low Carbon World

- Net Zero carbon in our direct operations (scope 1 & 2).
- Reduce our value chain (scope 3) carbon emissions by 50%.
- Be powered by 100% renewable energy across all our direct operations.

*\*Our 2030 emission reduction targets have been approved by Science Based Targets initiative (SBTi) as meeting a 1.5°C mitigation pathway. These near term, science based targets put us on track to meet our longer-term full net zero commitment in this important decade of action.*



Our main focus areas (shown below) underpin the delivery of our carbon targets. In partnership with others, we can create a sustainable low carbon future.

#### Reducing energy consumption

*Conserving energy, improving efficiency, recovering & reusing energy.*

- Improving insulation, installing variable speed drives and low-energy lighting systems, optimising compressed air and steam systems.
- Implementing technologies that recover heat for reuse in our brewhouses, our distillery condensers, maltings kilns and boilerhouses

#### Converting energy sources to renewables & reducing absolute GHG Emissions

*Generating renewable energy on our sites and switching to renewable supplies directly adjacent or indirectly through the supply network*

- Investing in on-site solar generating renewable electricity and bioenergy plants to generate renewable heat
- Using 100% locally sourced, zero emission renewable electricity to run operational sites and electrifying heat wherever feasible

#### Minimising impacts in our supply chain through our own action and by partnering with suppliers

*Creating low carbon, resilient supply chains through sustainable procurement practices and driving innovations in low-carbon, circular design.*

- Collaborating with suppliers on renewable energy solutions to decarbonise packaging materials (e.g. glass bottles)
- Partnering to deliver regenerative agriculture programmes.
- Minimising transport & logistics emissions through optimisation of routes, local sourcing of materials and choosing not to travel or selecting lower carbon transport alternatives.

To find out more about these and other initiatives, please visit our [website](#).

**The planet needs  
significant science-based  
action to create  
a sustainable  
low-carbon future**



## Core principles of the policy (cont)

### 3. Become sustainable by design



We all have a responsibility to protect and restore the natural world on which life depends and we commit to applying circular thinking in the way we do business, including the renovation of our brands.

To us, becoming sustainable by design means developing solutions to reuse materials, caring for land and resources, eliminating waste from our value chain and creating innovative solutions to grow sustainably.



#### Our 2030 Targets to Become Sustainable by Design

- Achieve zero waste in our direct operations and zero waste to landfill in our supply chain.
- Ensure 100% of our packaging is widely recyclable (or reusable/compostable).
- Continue our work to reduce total packaging and increase recycled content in our packaging (delivering a 10% reduction in packaging weight and increasing the percentage recycled content of our packaging to 60%).
- Ensure 100% of our packaging is widely recyclable (or reusable / compostable)
- Ensure 100% of our plastics is designed to be widely recyclable (or reusable / compostable) by 2025
- Achieve 40% average recycled content in our plastic bottles by 2025 (and 100% by 2030)
- Provide local sourcing communities with agricultural skills and resources, building economic and environmental resilience (supporting 150,000 smallholder farmers).
- Develop regenerative agriculture pilot programmes in 5 key sourcing landscapes

The manufacture of packaging for our products requires energy, water and raw materials, and generates waste. By designing packaging efficiently and sustainably, we can help to conserve resources, reduce waste and carbon emissions. We continually strive to improve the sustainability of our brands, through innovative and circular design as well by performing life cycle assessments that inform the development of sustainability strategies for our key brands.

**We know that today's consumers**  
*are increasingly conscious of*  
**the environmental impact**  
*of the brands they choose*

The [Diageo Sustainable Packaging Strategy](#) sets out our approach to packaging across our brands, products and supply chain. Our approach focused on three core areas: reduce, reuse, and recycle.

A resilient agriculture system is central to our business. We aim to collaborate with farmers to regenerate landscapes and create innovative solutions to grow sustainably. Through our agriculture programmes, we aim to create a positive impact on rural economies and farmer livelihoods, whilst integrating nature-based solutions to enhance soil health and soil carbon, water stewardship, and both below ground & above ground biodiversity.

Our [Sustainable Agriculture Guidelines](#) outline our approach to sustainable agriculture, and define our expectations for farmers, including use of pesticides and fertilisers, soil management, biodiversity, and animal welfare.

Our internal global Waste Management Standard outlines our approach to applying waste reduction and reuse principles to our waste streams.

#### Examples of our initiatives to deliver these commitments include:

- Inform brand renovation and packaging design using environmental footprinting and/or life cycle assessments (LCAs).
- Reinvent packaging to reduce weight, increase recycled content and recyclability. Substantive investment in packaging innovation and research including working with external partners and suppliers on cutting edge packaging manufacturing technology that reduces the carbon footprint of our brands.
- Sustainably source all paper and board packaging to ensure zero net deforestation. Our [Deforestation Guidelines](#) set out our approach to achieving net-zero deforestation across our supply chains
- Programmes to provide our local sourcing communities with agricultural skills and resources, building economic and environmental resilience, supporting 150,000 smallholder farmers.
- Collaborating with our suppliers and agronomic partners to develop on-the-ground programmes. Working with farmers to test and integrate regenerative and low-carbon practices in crop production systems, . Work with suppliers towards eliminating waste to landfill in our supply chain.
- Incorporate environmental risks and opportunities into investment analysis and decision-making.

To find out more about these and other initiatives, please visit our [website](#).

## Core principles of the policy (cont)

### 4. Doing business the right way



While pursuing our ambitious goals as part of Society 2030: Spirit of Progress we continue to focus on day-to-day, foundational environmental governance across our operations and value chain.

Our underlying environmental governance structure is designed to embed a culture of environmental integrity, to manage and reduce environmental risk, to assess compliance with all applicable environmental legislation and Diageo's Global Environmental Standards, and to define expectations for meeting and going beyond legislative compliance.

As part of our Business Integrity and Responsible Sourcing Programmes we have a rigorous compliance audit programme for assessing compliance to all our policies and standards at our sites and in our supply chain. As part of our integrated enterprise risk management process, we review and evaluate environmental risk and associated mitigation, annually.

Our internal Global Environmental Standards define our approach and expectations for the management of environmental aspects including water use, wastewater, energy use, greenhouse gas emissions reduction, waste management, emissions to air, hazardous substances, biodiversity, environmental incidents, and environmental data and performance reporting. All our production facilities are required to implement an **Environmental Management System (EMS)** aligned with ISO 14001, and comply with these corporate standards.

## We want to *do business* with suppliers *who share our values*

As part of these site-based environmental management systems, compliance is expected to be achieved by ongoing training and awareness, monitoring and measurement, incident investigating and preventative action, and emergency response plans. All owned operations are audited for compliance against our Global Environmental Sustainability Standards at least once every three years.

We want to do business with suppliers who share our values. We require all suppliers to comply with specific environmental standards as part of our contractual agreement, and support improved environmental stewardship. We include an outline of requirements in the **'Partnering with Suppliers'** standard, our code of business conduct for suppliers. Minimum environmental requirements cover legal compliance, maintenance of an environmental policy, pollution prevention, minimising energy and water use, and responsible waste management. Where possible, we provide training and capacity building to support suppliers in their compliance to this standard.

**We also assess environmental impacts at the planning stage of all major capital projects – including expansion, refurbishment, new developments, and acquisitions – to enable early intervention and mitigation of adverse impact, for better sustainable outcomes.**





## Core principles of the policy (cont)

### Monitoring

The Executive Committee is responsible for ensuring policy compliance is measured and monitored, through delegation to our Global Sustainability & Governance teams. Our internal governance assurance process monitors compliance to environmental standards & policies, regulations and environmental permits at each operation. Internal key performance indicators, established as appropriate within each tier of the business, are monitored on a monthly or quarterly basis, to manage our trajectory towards our stated goals and targets, and to inform decision making to keep us on track.

We are also committed to monitoring compliance and performance in our supply chain, so that we can continue to refine and improve our approach and focus areas.

### Reporting

We understand the importance of transparent and meaningful reporting, both in our direct operations and across our total value chain. We take all reasonable steps to ensure reported environmental data and information represents a complete and accurate account of the company's performance and impact and is consistent with external standards and reporting guidance.

Our internal environmental data and performance reporting standards provide our employees with the framework to report Diageo's environmental impacts and outline the mandatory management controls and activities that must be applied to maintain the accuracy and completeness of our environmental data.

**Our Partnering with Suppliers** standard informs suppliers of our expectations with regards to monitoring and reporting. These requirements are further stipulated in our contractual agreements. We also ask key contracted suppliers to commit to Science Based Targets (SBT) and the associated performance and reporting requirements, in order to help drive our Scope 3 efforts.

## We understand the importance of *transparent and meaningful* reporting

Our aim is to report the issues that are most material to Diageo's stakeholders. Key reported data, including progress against our Society 2030: Spirit of Progress ambitions, as well as our reporting methodologies, is included in Diageo's Annual Report and ESG Reporting Index. Many of our environmental KPIs receive limited external assurance, (independently) as part of our management year end reporting processes.

We also share information on our environmental performance via our company website and intranet. Should they occur, we would report environmental fines and penalties within our annual report.

We provide disclosures in line with the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) Standards Comprehensive Index, GHG Protocol and Taskforce for Climate Related Financial Disclosures (TCFD) Recommendations. We are also listed in the FTSE4Good and participate in CDP assessments to benchmark our broader sustainability performance.

The non-financial reporting space is evolving quickly. We are committed to continual evaluation and improvement of our approach and to actively tracking emerging ESG frameworks and good practice. We are on a journey to evolve our environmental data and reporting capabilities, across our total value chain. This will help us drive greater insight, prioritise key opportunity areas, support delivery of our 2030 grain to glass sustainability goals and ensure the continued completeness, consistency, accuracy and transparency of our reported information.





## Core principles of the policy (cont)

### 5. Climate adaptation and resilience

The world is already experiencing changes in average temperature, shifts in seasonal weather patterns, escalating water stress and an increasing frequency of extreme weather events, alongside slower, incremental changes. We are committed to understanding the impact of climate change on our business, by assessing and monitoring changes in climate projections, policy and regulation, and impacts on our value chain, and to implementing adaptive measures to support greater climate resilience.



#### Our commitments on climate adaptation and resilience

- Secure business longevity by assessing material climate risks and securing resilience in our supply chains, based on a systematic approach to Climate Change Risk Assessment and Scenario Analysis.
- Strengthen the level of climate resilience and adaptation across our value chain.
- Work with our suppliers, particularly farmers, to enhance adaptation and climate resilience of their activities.
- Deliver climate related non-financial disclosures, in line with the Taskforce for Climate related Financial Disclosure (TCFD) Recommendations.

#### Examples of our initiatives to deliver these commitments include:

- Maintenance of effective business continuity plans and emergency response plans across all locations and functions.
- Assessment of physical climate risks and transition climate risks over the short, medium, and long term.
- Integration of climate risks and opportunities with potential substantive impact into our enterprise risk process and management structures.
- Evaluation of the efficacy of existing risk controls and responses.
- Consideration of emerging climate adaptation and resilience measures, such as nature-based solutions.
- Use of climate-related scenario analysis to inform strategy and financial planning.

### Governance

The Diageo Board and Executive Committee are responsible for managing climate change risks and opportunities, with Executive responsibility shared jointly between the President of Global Supply Chain and Procurement and the Corporate Relations Director. At an operational level, they are supported by our cross functional Climate Risk Steering Group.



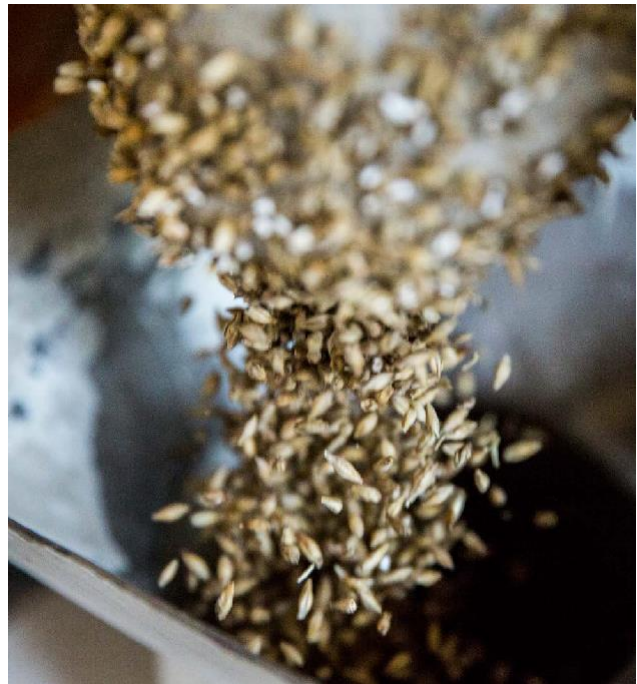
## Policy governance








### Roles & responsibility

This policy has been approved by the Executive Committee. The policy owner with overall responsibility to the Executive Committee for Diageo's environment strategy is the President of Global Supply and Procurement and Chief Sustainability Officer.

The policy is reviewed annually by the Policy Subject Matter Experts as outlined in the **Corporate Ethical Framework**.

Management is responsible for leading by example, integrating the policy and related standards into their functional areas, and ensuring adequate understanding by their personnel. All managers, employees and contract workers should feel empowered to make a difference to reducing our environmental impact and accept personal responsibility for complying with all stated commitments in the policy. This includes the reporting of any observed accidents and incidents.



Function/individual	Responsibilities
 <b>Executive Committee</b>	<ul style="list-style-type: none"> <li>• Ultimate policy oversight and approval.</li> <li>• Overall accountability for performance against Society 2030: Spirit of Progress goals, including grain to glass sustainability targets.</li> </ul>
 <b>Chief Sustainability Officer/ President Global Supply &amp; Procurement</b>	<ul style="list-style-type: none"> <li>• Policy ownership, responsible to ExCom for policy content and implementation.</li> <li>• Responsible for group environmental strategy, standards, performance, and direction.</li> </ul>
 <b>Global Audit &amp; Risk Committees Diageo Supply chain and Procurement Risk Management Committee (RMC)</b>	<ul style="list-style-type: none"> <li>• Responsible for corporate environmental governance and risk management, and corporate policy compliance.</li> </ul>
 <b>Supply Sustainability Director</b>	<ul style="list-style-type: none"> <li>• Responsible to Chief Sustainability Officer to advise policy content and strategic sustainability direction.</li> <li>• Driving implementation of policy.</li> </ul>
 <b>Sustainability Programme/Sourcing Managers &amp; Global Governance</b>	<ul style="list-style-type: none"> <li>• Strategic subject matter experts responsible for environmental policy content and strategy, and annual policy review.</li> <li>• Group environmental performance evaluation and strategy review, including responsiveness to stakeholder expectations and marketplace conditions.</li> <li>• Identification of environmental opportunities, risks and interventions.</li> </ul>
 <b>All Category directors and senior managers</b>	<ul style="list-style-type: none"> <li>• Leading by example. Integrating the policy and related standards into functional areas and ensuring adequate understanding by personnel.</li> </ul>
 <b>All employees, suppliers, and contractors</b>	<ul style="list-style-type: none"> <li>• Familiarity with and observation of policy expectations and reporting any observed concern, breaches, or incidents.</li> </ul>



## Policy governance

### Communication & engagement

Via the Diageo MyLearning Hub and our 'Partnering with Suppliers' programme, we engage with employees, suppliers, and business partners to share this Global Environmental Policy and inform them of their responsibilities for compliance and opportunities to positively contribute. The policy is published on our company website and intranet, along with supporting standards and guidelines.

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 content on the Diageo MyLearning Hub we encourage engagement with Diageo's environmental initiatives to help employees act in a more environmentally responsible way at home and work.

### Innovation and research

Being ambitious is a catalyst for innovation. We purposefully set our Spirit of Progress Grain to Glass targets with an innovation gap; we understand that collaboration and new technologies will be required to achieve them. The technical teams in our Innovation and Research and Development functions partner with universities to undertake research towards turning sustainability concepts into reality. Through our **Diageo Sustainable Solutions programme** we collaborate with market place innovators and our suppliers on consortium- led breakthroughs in sustainable technologies, investing in pilot projects that will accelerate our efforts to decarbonise, mitigate water stress, increase circularity, and deliver truly sustainable brands.



### Our commitments as Diageo employees

- We will adhere with the commitments set out in this Global Environmental Policy in everything we do.
- We will challenge any unsustainable activities.
- We will report concerns, conflicts, or breaches with policy commitments.
- We will work with our suppliers to ensure they maintain environmental management systems and practices to uphold our commitments and reduce the environmental impact of our supply chain.



### Where to get more information

- ✓ For more information, please email us at: [Sustainability@Diageo.com](mailto:Sustainability@Diageo.com)



### How to report a breach

We want our employees to **feel empowered** to **help create an environmentally responsible business** and confident to raise any concerns.

A good starting point to raise concerns about environmental issues, both big and small, is via your line manager. It is important we report any conduct or incident believed to be a violation of Diageo policy or procedures, government law or regulation, so we can investigate and make sure we resolve.

Our management team has an "open-door" policy regarding employee questions and will support any employee who comes forward to discuss an issue or report a potential violation. Every reported concern will be investigated with confidentiality protection.



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



Our confidential whistleblowing helpline, SpeakUp, is available via phone or web portal, enabling anyone in or beyond Diageo to report a concern.