



ENVIRONMENT POLICY

UPDATED JUNE 2021
GLOBAL POLICY

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:

1. **Preserve Water for Life**
2. **Accelerate to a Low Carbon World**
3. **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.

Within all markets where we operate, we aim to comply with the spirit as well as the letter of the law. We regard this as a minimum level of performance, which we strive to go beyond. In locations with less regulation we are proactive, and adhere to our own Global Environmental Standards, our rigorous requirements for day to day environmental management. As a minimum, we expect our suppliers and partners to be compliant with all applicable environmental laws, have a clear environmental policy in place, and be able to provide evidence of environmental performance and impact risk management.

All our brands, markets and supply locations will aim to limit negative impact on the Environment and seek opportunities in every decision to drive environmental sustainability.

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

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

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

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.

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 whole 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 of 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 support the Alliance for Water Stewardship, affirming

our commitment to sustainable water management practices in our operations and supply chain. We consider water stewardship as being integral to managing climate risk.

The **Diageo Preserve Water for Life Strategy** defines our strategic approach to water stewardship for the environmentally sustainable, socially equitable, and economically beneficial use and treatment of water. We deliver targeted water programmes in our operations and supply chain and to our employees, suppliers, and communities.

OUR COMMITMENTS TO PRESERVE WATER FOR LIFE

- [Ambitious targets](#) through to 2030 to improve water use efficiency in our operations.
- Work towards replenishing all direct consumptive water used in water stressed areas.
- Sites located in priority water basins will engage in collective action to improve water security, and will aim to be certified to the Alliance for Water Stewardship Standard.
- Deliver significantly improved water availability and quality in our local communities in water-stressed areas.

Examples of our initiatives to deliver these commitments include:

- Continuously prioritise water-use efficiency across all our brands and locations by means of our Water Stewardship Management Standard including through continuous improvement, operational efficiency projects, behavior change programmes, collaboration and partnerships
- Monitor water sources, consumption, and effluent at all production sites.
- Invest in water recycling and reuse, prioritising sites in water stressed areas.
- Invest in improving access to clean water, sanitation, and hygiene (WASH) in communities near our sites and local sourcing areas in 100% of our water-stressed markets.
- Engage with key suppliers to encourage adoption of best practice water stewardship and to meet our Water Stewardship Management Standard.

Where we operate in water stressed areas, we seek to replenish more water than we use for our operations through more than 150 community water projects such as planting trees, rainwater harvesting, wetland restoration and desilting dams, as well as improving water quality and access to clean water, sanitation and hygiene (WASH) projects. In priority water stressed basins we participate in collective, multi-stakeholder action to support a net positive water impact, and certify our sites in these basins to the Alliance for Water Stewardship Standard.



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 degrees Celsius, compared to pre-industrial level. 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 Science Based Targets initiative (SBTi) accredited targets 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.

The **Diageo Emissions Reduction Strategy** sets out our ambitious goals to further reduce carbon emissions across our brands, operations and supply chain. Delivery of this strategy is supported by our internal Global Environmental Standards.

OUR COMMITMENTS TO ACCELERATE TO A LOW CARBON WORLD

- [Ambitious targets](#), accredited by the Science Based Target initiative, to achieve emissions reduction in our direct operations, and supply chain (scope 3) in line with pathway to 1.5°C future.
- Be powered by renewable energy use across all our own operations.
- Prioritise carbon reduction with change and innovation, striving for consumer and industry leading positions.

Examples of our initiatives to deliver these commitments include:

- Promoting energy efficiency measures across all locations through our internal Global Environmental Standards.
- Creating low carbon, resilient supply chains through sustainable procurement practices.
- Driving innovations in low-carbon, circular, packaging design.
- Partnering with suppliers on renewable energy solutions and regenerative agricultural practices.
- Sourcing raw materials locally wherever practicable.
- Minimising business-related travel, offsetting emissions from all corporate air travel, optimising our logistics network and seeking low carbon transport options.



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. We commit to applying circular economy thinking in the way we do business, including the renovation of our brands. In becoming sustainable by design, our chief focus is to reduce, reinvent, and restore.

We know that today's consumers are increasingly conscious of the environmental impact of the brands they choose, and are looking for information to help them make informed decisions. Our [series of life cycle assessments](#) aim to help people better understand the environmental footprint of some of our most popular brands.

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 and reduce waste and carbon emissions. We continually strive to improve the sustainability of our brands, including innovative and circular design. The **Diageo Sustainable Packaging Strategy** sets out our approach to packaging across our brands, products and supply chain.

Agriculture is central to our business, and we aim to collaborate with farmers to regenerate landscapes and create innovative solutions to grow sustainably. We aim to deliver a positive impact on farmers' livelihoods, quality of life, soil enhancement, biodiversity protection, carbon sequestration and water conservation. 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 COMMITMENTS TO BECOME SUSTAINABLE BY DESIGN

- Ambitious targets through to 2030 for [packaging, waste reduction](#), and [regenerative agriculture](#).
- Achieve zero waste in our direct operations and zero waste to landfill in our supply chain.
- Design all our packaging to be widely recyclable, reusable, or compostable in countries where we operate.
- Reduce total packaging weight and increase recycled content in packaging.
- Provide local sourcing communities with agricultural skills and resources, building economic and environmental resilience .
- Develop regenerative agriculture pilot programmes in 5 key sourcing areas.
- Understand the key environmental impacts of our brands across their lifecycle and provide consumers with information on the environment footprint of our most popular brands.

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.
- Implementation of a programme to support 150,000 smallholder farmers in Africa, Latin America, North America, Asia and Europe, providing training on regenerative agriculture and providing local sourcing communities with agricultural skills and resources.
- Work with suppliers towards eliminating waste to landfill in our supply chain.
- Incorporate environmental risks and opportunities into investment analysis and decision-making.

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 environmental integrity, manage and reduce environmental risk, assess compliance with applicable environmental legislation and Diageo's Global Environmental Standards, and define expectations for meeting and going beyond legislative compliance.

As part of our Business Integrity Programme 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 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.

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.

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 policy and environmental standards at each operation. Internal key performance indicators, established as appropriate within each tier of the business, are monitored on a monthly basis, to manage our trajectory towards our stated goals and targets, and 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 measurement and transparency in reporting. We take all reasonable steps to ensure reported environmental data and information represents a true and fair account of the company's performance and 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, including progress against our Society 2030: Spirit of Progress ambitions, is included in Diageo's Annual Report and ESG Reporting Index and is independently assured as part of our management 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, and Taskforce for Climate Related Financial Disclosures (TCFD) Recommendations. We are also listed on the Dow Jones Sustainability Index and included in the FTSE4Good and CDP assessments to benchmark our broader sustainability performance.

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, and an increasing frequency of extreme weather events, alongside slower, incremental changes. We are committed to understanding the impact of climate 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 for 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.
- 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 low-carbon transition trends 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 Expert 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
Executive Committee	Ultimate policy oversight and approval. Overall accountability for performance against Society 2030: Spirit of Progress goals, including environmental targets.
Chief Sustainability Officer/ President Global Supply & Procurement	Policy ownership, responsible to ExCom for policy content and implementation. Responsible for group environmental strategy, standards, performance, and direction.
Global Audit & Risk Committees Diageo Supply chain and Procurement Risk Management Committee (RMC)	Responsible for corporate environmental governance and risk management, and corporate policy compliance.
Sustainability Director	Responsible to Chief Sustainability Officer to advise policy content and strategic sustainability direction. Driving implementation of policy.
Sustainability Programme Managers Global Governance	Strategic subject matter experts responsible for environmental policy content and strategy, and annual policy review. Group environmental performance evaluation and strategy review, including responsiveness to stakeholder expectations and marketplace conditions. Identification of environmental opportunities, risks and interventions.
All Category directors and senior managers	Leading by example. Integrating the policy and related standards into functional areas, and ensuring adequate understanding by personnel.
All employees, suppliers, and contractors	Observation of policy expectations and reporting any observed concern, breaches, or incidents.

POLICY GOVERNANCE (CONT)

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.

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 "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.



WHERE TO GET MORE INFORMATION

For more information, please email: Sustainability@Diageo.com