

**DIAGEO**



**Diageo in Society Highlights 2019**

# How we measure performance

We use the following five key performance indicators (KPIs) to measure our non-financial performance.

## Non-financial Positive drinking

Number of young people, parents and teachers educated about the dangers of underage drinking



Number of pledges collected never to drink and drive through #JoinThePact



Number of people reached with moderation messages from our brands



### Definition

We report against three indicators for positive drinking.

### Why we measure

We support the World Health Organization's (WHO) goal of reducing harmful drinking by 10% across the world by 2025 and we put resources and skills into a range of programmes around the world that aim to reduce harm and change behaviour. We have set ourselves stretching targets to measure our contribution to this area, focusing on tackling underage drinking and drink driving, in addition to promoting moderation.

### Performance

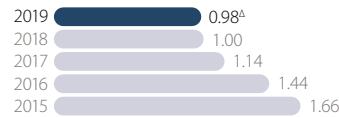
We launched a new Positive Drinking strategy last year and this is the first year we have reported against these targets for 2025.

More detail on pages 5-7

## Non-financial Health and safety

(lost-time accident frequency per 1,000 full-time employees)

0.98<sup>Δ</sup>



### Definition

Number of accidents per 1,000 full-time employees and directly supervised contractors resulting in time lost from work of one calendar day or more.

### Why we measure

Health and safety is a basic human right: everyone has the right to work in a safe and healthy environment, and our Zero Harm philosophy is that everyone should go home safe and healthy, every day, everywhere.

### Performance

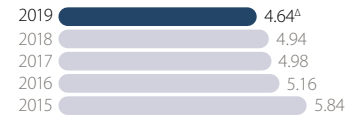
We achieved a milestone safety performance level of 0.98 lost-time accidents (LTAs) per 1,000 employees, our lowest rate ever. This represents a 7% reduction in LTAs compared with 2018. We continued to focus on markets in particular need of support, delivering improvements by increasing compliance with our core standards and programmes. We also maintained strong performance in our more established markets.

More detail on page 18

## Non-financial Water efficiency<sup>(i)</sup>

(l/l)

4.64<sup>Δ</sup>



### Definition

Ratio of the amount of water required to produce one litre of packaged product.

### Why we measure

Water is the main ingredient in all of our brands. We aim to improve efficiency, and minimise our water use, particularly in water-stressed areas. This will ensure we can sustain production growth, address climate change risk and respond to the growing global demand for water, as scarcity increases.

### Performance

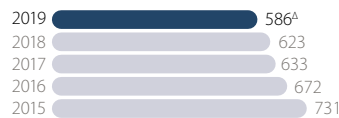
Water efficiency improved by 6% compared to 2018, and 43.8% versus our 2007 baseline.

More detail on pages 12-17

## Non-financial Carbon emissions<sup>(ii)</sup>

(1,000 tonnes CO<sub>2</sub>e)

586<sup>Δ</sup>



### Definition

Absolute volume of carbon emissions, in 1,000 tonnes.

### Why we measure

Carbon emissions are a key element of Diageo's, and our industry's, environmental impact. Reducing our carbon emissions is a significant part of our efforts to mitigate climate change, positioning us well for a future low-carbon economy, while creating energy efficiencies and savings now.

### Performance

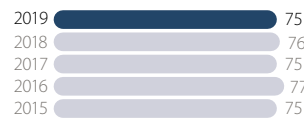
Carbon emissions reduced by 5.9% in 2019, and cumulatively by 44.7% against the 2007 baseline, despite increased production volume.

More detail on pages 12-17

## Non-financial Employee engagement index

(%)

75%



### Definition

Measured through our Your Voice survey; includes metrics for employee satisfaction, loyalty, advocacy and pride.

### Why we measure

Employee engagement is a key enabler of our strategy and performance. The survey allows us to measure, quantitatively and qualitatively, how far employees believe we are living our values. The results inform our ways of working, engagement strategies and leadership development.

### Performance

94% of our people participated in our Your Voice survey (22,615 of the 24,129 invited). 75% were identified as engaged, a decrease of 1% on last year. 89% declared themselves proud to work for Diageo, down 1% on 2018. Despite this small shift, we have maintained a strong engagement score in line with best in class benchmarks.

More detail on page 20

(i) In accordance with Diageo's environmental reporting methodologies, data for each of the four years in the period ended 30 June 2018 has been restated where relevant.

(ii) In accordance with Diageo's environmental reporting methodologies and WRI/WBCSD GHG Protocol, data for each of the four years in the period ended 30 June 2018 has been restated where relevant.

Δ Within PwC's limited assurance scope. Please see page 173 of our Annual Report for further details.

# Diageo in Society Highlights 2019

**Our ambition is to be one of the best performing, most trusted and respected consumer products companies in the world. Playing a positive role in society is at the heart of this.**

We are proud to support the Sustainable Development Goals (SDGs), which were launched by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Our work to support the SDGs is summarised here and described in the following pages.

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Cover image: Two members of the Kerwa-Nduma community at a water project in Kenya, which Diageo supported as part of our focus on water, sanitation and hygiene (WASH) and in line with UN SDG 6.

For more information about Diageo, our people and our brands, visit [www.diageo.com](http://www.diageo.com).

Visit Diageo's global responsible drinking resource, [www.DRINKiQ.com](http://www.DRINKiQ.com), for information, initiatives and ways to share best practice.

In addition to the social and environmental disclosures in this document, Diageo has prepared a Sustainability & Responsibility Performance Addendum 2019, in line with the Global Reporting Initiative Sustainability Reporting Standards, the Sustainability Accounting Standards Board and the United Nations' Global Compact advanced reporting criteria. It is available at [www.diageo.com](http://www.diageo.com).

SDG	Promoting positive drinking	Building thriving communities	Reducing our environmental impact	Our people
1 NO POVERTY		●		
2 ZERO HUNGER		●		
3 GOOD HEALTH AND WELL-BEING	●			
4 QUALITY EDUCATION		●		
5 GENDER EQUALITY		●		●
6 CLEAN WATER AND SANITATION		●	●	
7 AFFORDABLE AND CLEAN ENERGY			●	
8 DECENT WORK AND ECONOMIC GROWTH		●		●
9 INDUSTRY INNOVATION AND INFRASTRUCTURE				
10 REDUCED INEQUALITIES				●
11 SUSTAINABLE CITIES AND COMMUNITIES				
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	●			
13 CLIMATE ACTION			●	
14 LIFE BELOW WATER				
15 LIFE ON LAND			●	
16 PEACE, JUSTICE AND STRONG INSTITUTIONS				
17 PARTNERSHIPS FOR THE GOALS	●	●	●	●

## Our role in society

We are proud to be the stewards of some of the most iconic brands in the world, built over generations by people who understood the importance of creating value for the long term, not just the present. We too have a responsibility to think about the future – and we are determined to build a business that continues to make a positive impact on the issues that matter most to our stakeholders and to wider society.



### How we are contributing to the UN Sustainable Development Goals



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Diageo's purpose is to celebrate life every day, everywhere. We are proud that bringing people together to enjoy our brands creates value for millions of people around the world. Our commercial success depends on us creating a positive impact on society, wherever we live, work, source and sell.

Our ambition is to be among the best performing, most trusted and respected consumer product companies in the world. This requires us to harness our entire business, including our brands and our 28,400 diverse and talented employees, to ensure we promote inclusive growth and support the UN Sustainable Development Goals (SDGs).

This long-term approach to environmental, social and corporate governance issues reflects the values of our founders and the people who make Diageo thrive today. It also makes our business stronger. By deepening our brands' relationships with consumers, earning the trust of stakeholders, attracting

and empowering the best and most diverse talent, boosting our resilience and productivity and mitigating risk, our Sustainability & Responsibility (S&R) Strategy will ensure our business creates value for generations to come.

### **A responsibility – and an opportunity – to build our business sustainably**

We take a holistic approach to S&R, building on our brands' connections with consumers, leading the way in promoting positive drinking and attracting, empowering and retaining the best talent. We must ensure

Doing business with integrity and winning trust require a robust and transparent approach to governance and ethics. Our rigorous global risk and compliance framework is set out in our Annual Report on pages 20-21.

that our operations and networks meet the highest social and environmental standards and that they contribute to inclusion, diversity and the promotion of human rights.

The relationships we have throughout our value chain are also critical. We connect with millions of people – with the farmers who grow our raw materials, with our many suppliers and contractors, and with the retailers and distributors who link us to our consumers. Our approach aims to ensure all these relationships create value and promote sustainable growth.

**Ambitious targets driving progress**

In 2015 we set targets for 2020 across each pillar of our S&R Strategy and we have since set additional targets for renewable electricity and plastic packaging. We believe they are among the most ambitious and stretching in our industry. We were an early adopter of absolute, rather than relative, reductions in our environmental impact, in line with the principles of the Science Based Targets initiative. Our targets for supporting communities, encouraging moderation and reducing alcohol-related harm, and improving health and safety have helped to drive positive impacts for millions of people within and beyond our business.

In many areas we have made rapid progress – but we are not complacent. We achieved our 2020 targets to promote positive drinking ahead of schedule. So last year we launched a more ambitious strategy that will reach millions more people with our core aims of promoting moderation and reducing alcohol misuse.

By focusing on inclusion and diversity we reached our 2020 target of having 30% of leadership positions held by women in 2017. We then stretched the target to 35% – a figure we exceeded this year. Similarly, in 2018 we achieved our health and safety target of one lost-time accident (LTA) per 1,000 employees and no work-related fatalities two years early. So this year we started developing an expanded global strategy with further stretching targets to help drive our safety performance towards our ultimate aim of zero harm. Our environmental programmes have achieved a cumulative reduction of 44.7% in our greenhouse gas emissions, improved our water efficiency by 43.8%, and made 98.7% of our packaging recyclable.

We know we face challenges in some areas. We need to work more with partners to improve recycling infrastructure if we are to meet all our ambitious packaging targets. We have also made slower progress than we expected on our target to improve our wastewater performance. While we meet all regulatory requirements for wastewater at our sites, we need to embrace new technologies and solutions to reach the next level.

Overall, we are making good progress across our S&R Strategy. We report against each of our targets in the following pages, with supporting data and commentary in our Sustainability & Responsibility Performance Addendum and our submissions to CDP (formerly known as the Carbon Disclosure Project) on climate change and water.

We are also developing our ambition and objectives beyond 2020, including our role in supporting the delivery of the UN SDGs. Our new commitments will reflect our increasing understanding of our risks and opportunities, including those highlighted by our work on implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), discussed further on page 21 of our Annual Report and page 16 of this document.

*“We are pleased to see Diageo’s focus on making a positive contribution to society. Businesses will play a vital role in creating the better, fairer world envisioned by the Sustainable Development Goals. And it makes business sense – because the only way companies will thrive in the long term is by making a positive impact across their value chains.”*

**Steve Kenzie**  
Executive Director, UN Global Compact Network UK



## Highlights of 2019

The value we create goes far beyond our brands. We are proud of the work we have done this year to strengthen communities and encourage sustainable growth, to build our inclusive and diverse culture, and to act as good stewards of the environment.

# 12th

in the Gartner Supply Chain Index

# 232,000+

people gained access to safe water, sanitation and hygiene in Africa and India through our Water of Life programme

Ranked in the Dow Jones Sustainability World Index

# 4th

in the Thomson Reuters Global Diversity and Inclusion Index

# 6.0%

improvement in water efficiency, as part of a 43.8% improvement since 2007

Signatory to the United Nations Global Compact

Awarded **Double A status** by CDP for our carbon and water performance, putting us in the top 1% of global companies

# 36%

of our senior managers are women, up from 26% in 2015

# 66.02m

people reached with moderation messages from our brands

# £12.6m

invested in community initiatives in 35 countries

# 5.9%

reduction in carbon emissions from our direct operations, as part of a 44.7% improvement since 2007

Leading FTSE 100 company for the representation of women on boards, as recognised by the Cranfield School of Management

A constituent of the FTSE4GOOD index

# 10,300

people benefited from skills and empowerment programmes

# 82%

of our agricultural raw materials used in our African markets are sourced from within Africa

# 72,000

smallholder farmers in Africa who supply our brands are supported by our sourcing programmes

# 632,000

young people, parents and teachers educated about the dangers of underage drinking

Named as Britain's Most Admired Company by Management Today

# 16.88m

pledges to never drink and drive collected through #JointhePact

## Promoting positive drinking

Our brands have been part of people's celebrations for generations. We make them with pride, and we want them to be enjoyed responsibly. That means our goal is for people to drink better, not more – an approach that both supports our social values, and aligns with our commercial interests as a business making premium drinks. We are committed to promoting moderation, tackling misuse, and improving laws and standards, while respecting the fact that many people choose not to drink alcohol at all.

### Our work contributes to the following UN Sustainable Development Goals:



We are proud of the heritage, authenticity and taste of our brands. We are also proud that millions of people around the world enjoy our brands responsibly as part of a balanced lifestyle. At the same time we know that harmful drinking causes significant issues for individuals and for society. Everyone at Diageo recognises the importance of promoting positive drinking, encouraging moderation and tackling the misuse of alcohol. If we do not, we damage our reputation and make it harder to create value. That is why we focus on quality, while also promoting moderation. We want people to 'drink better, not more', which makes commercial sense as consumers choose to trade up to higher-quality, better-tasting drinks.

### Promoting moderation, reducing harm and improving standards

We have long supported the World Health Organization's (WHO) goal of reducing harmful drinking by 10% across the world by 2025. We work with partners from within and beyond our industry on initiatives that advance that goal. We have also taken a clear stand on key issues – we were the first to put nutritional information and alcohol content onto our labels – while supporting a range of programmes around the world that aim to reduce harm and change behaviour.

Globally, we have focused our efforts on three core pillars – promoting moderation, campaigning to reduce harmful drinking, and improving laws and industry standards – and we have set ourselves stretching targets to reach by 2025.

**"The private sector is a key partner in implementing measures that improve road safety. The United Nations Institute for Training and Research (UNITAR) and Diageo joined forces to launch a capacity-building initiative with a special focus on countries with the highest death rates related to road traffic. Between 2017 and 2018, the initiative reached 1,896 officials from national and local governments from 38 countries, as well as representatives from the private sector, academia and NGOs."**

#### **Nikhil Seth**

United Nations Assistant Secretary-General and Executive Director, UNITAR

## Our targets for 2025

### EDUCATE

# 5m

young people, parents and teachers about the dangers of underage drinking

### COLLECT

# 50m

pledges never to drink and drive through #JoinThePact

### REACH

# 200m

people with moderation messages from our brands

### PROGRESS TO DATE

# 632,000

# 16.88m

# 66.02m

## HOW WE WILL ACHIEVE OUR TARGETS

### PILLAR 1 Promoting moderation

For most people who drink alcohol, drinking responsibly is common sense. We want to reinforce that understanding of moderation in everything we do.

#### Brand action

We are using our brands to carry a strong moderation message and combat heavy episodic drinking (see spotlight on page 7).

#### Providing information to consumers

DRINKIQ.com, our dedicated responsible drinking website, is available in 25 languages and 38 countries. It gives consumers access to a wide range of training and resources on the effects of drinking.

Labels and packaging also help us reach consumers, and our Diageo Consumer Information Standards provide benchmarks for the mandatory minimum information to be included on labels and packaging on all our brands, wherever they are legally permitted.

### PILLAR 2 Campaigning to reduce harmful drinking

We focus resources on global programmes that address our priorities for reducing harmful drinking in line with the WHO's goal.

#### Preventing drink driving

Our global #JoinThePact programme aims to encourage 50 million people to never drink and drive through signing a global pact.

Partnerships with police, local authorities and other agencies support enforcement, provide education for drivers and law enforcers, and support safe rides and public transportation.

A new three-year partnership with UNITAR focuses on high-visibility enforcement in Latin America, Asia and Africa, all identified as high-risk regions.

#### Addressing underage drinking

Our flagship theatre-based 'Smashed' education programme informs young people about the dangers of underage drinking.

Our 'Ask, Listen, and Learn' programme in the Caribbean, developed and delivered by the Foundation for Advancing Alcohol Responsibility (FAAR), has been introduced to over 20,000 schools.

Our underage programmes have reached more than 632,000 people in the last two years across 20 countries.

#### Tackling heavy episodic (or binge) drinking

Brand campaigns and night-time economy city demonstration pilots work with a coalition of partners to reduce alcohol-related problems in entertainment districts. We adopted this approach in Toronto, Dublin and Cancún in 2019.

#### Industry collaboration

We worked with our peers to implement the Global Beer, Wine and Spirits Producers' Commitments to reduce harmful drinking from 2013. A final progress report was issued in September 2018 and can be found at [www.producerscommitments.org](http://www.producerscommitments.org).

### PILLAR 3 Improving laws and industry standards

We comply with all laws and regulations wherever we operate, as a minimum requirement. We advocate sensible new regulation based on evidence, including legal purchase age laws and blood-alcohol volume driving limits in countries where these do not exist.

#### Support for the global focus on reducing the harmful use of alcohol

Our Chief Executive is Chairman of the CEO group at the International Alliance for Responsible Drinking (IARD).

As an IARD member, we are committed to delivering positive change, and we are fully aligned with the whole-of-society approach to addressing non-communicable diseases (NCDs), as outlined in the 2018 UN Political Declaration on NCDs.



**Responsible marketing**

The Diageo Marketing Code (DMC) and Digital Code are our mandatory minimum standards for responsible marketing, and we review them every two years to ensure they represent best practice. We published an updated DMC in July 2019, shortly after the financial year 2019 covered by this document.

The DMC supports our approach to innovative marketing and the entrepreneurial spirit of our marketers, while at the same time ensuring we stay true to our core values and market responsibly. At the heart of the DMC is our commitment to ensuring all our activities depict and encourage only responsible and moderate drinking, and never target those who are younger than the legal purchase age for alcohol.

Across many of our markets, advertising monitoring and industry bodies publicly report breaches of self-regulatory alcohol marketing codes. We report these in our Annual Report.

This year, a complaint was upheld by Australia’s ABAC Responsible Alcohol Marketing Scheme about an advertisement for Johnnie Walker on the digital TV channel 9Now in November 2018.

The advert appeared during a programme showing the Adelaide Christmas Pageant, and the grounds of the complaint were that this was a children’s programme. While data on viewing of the programme in previous years showed that it was reasonable to expect 75% or more of viewers to be over 18, the ABAC adjudication panel reviewed the programme and concluded that it was primarily focused

on families and children. The panel noted that Diageo did not make a specific marketing decision to target the broadcast of the Pageant, but upheld the complaint with the advice that Diageo should take more care in ensuring the ABAC placement rules are satisfied. We have since worked with all free-to-air broadcast partners to implement further content categorisation, and the broadcasters have created a new ‘family’ category of content.

**Complaints about advertising upheld by industry bodies that report publicly<sup>(i)</sup>**

Country	Body	Industry complaints upheld	Complaints upheld about Diageo brands
Australia	ABAC Scheme	21	1
Ireland	Advertising Standards Authority – for Ireland (ASAI)	1	0
United Kingdom	The Portman Group	11	0
	Advertising Standards Authority (ASA)	4	0
United States	Distilled Spirits Council of the United States (DISCUS)	1	0

(i) From 1 July 2018 to 30 June 2019.

**SPOTLIGHT**

**Sometimes less is more: Guinness Clear**

Made to a time-honoured recipe, 100% H<sub>2</sub>O, and available from all good taps, nationwide: Guinness Clear.

Our Guinness Clear initiative took a fresh approach to an important issue – raising awareness of the effects alcohol has on the body and encouraging moderate drinking. It brought together some of the most famous names in sport to highlight the importance of staying hydrated and in control – and it was a core pillar of one of our biggest and most exciting campaigns of 2019.

As title sponsor of the Guinness Six Nations Rugby Championship, and Official Sponsor of the Women’s Six Nations Championship, we knew we had a platform to reach the millions of people engaged by Europe’s premier international rugby tournaments.

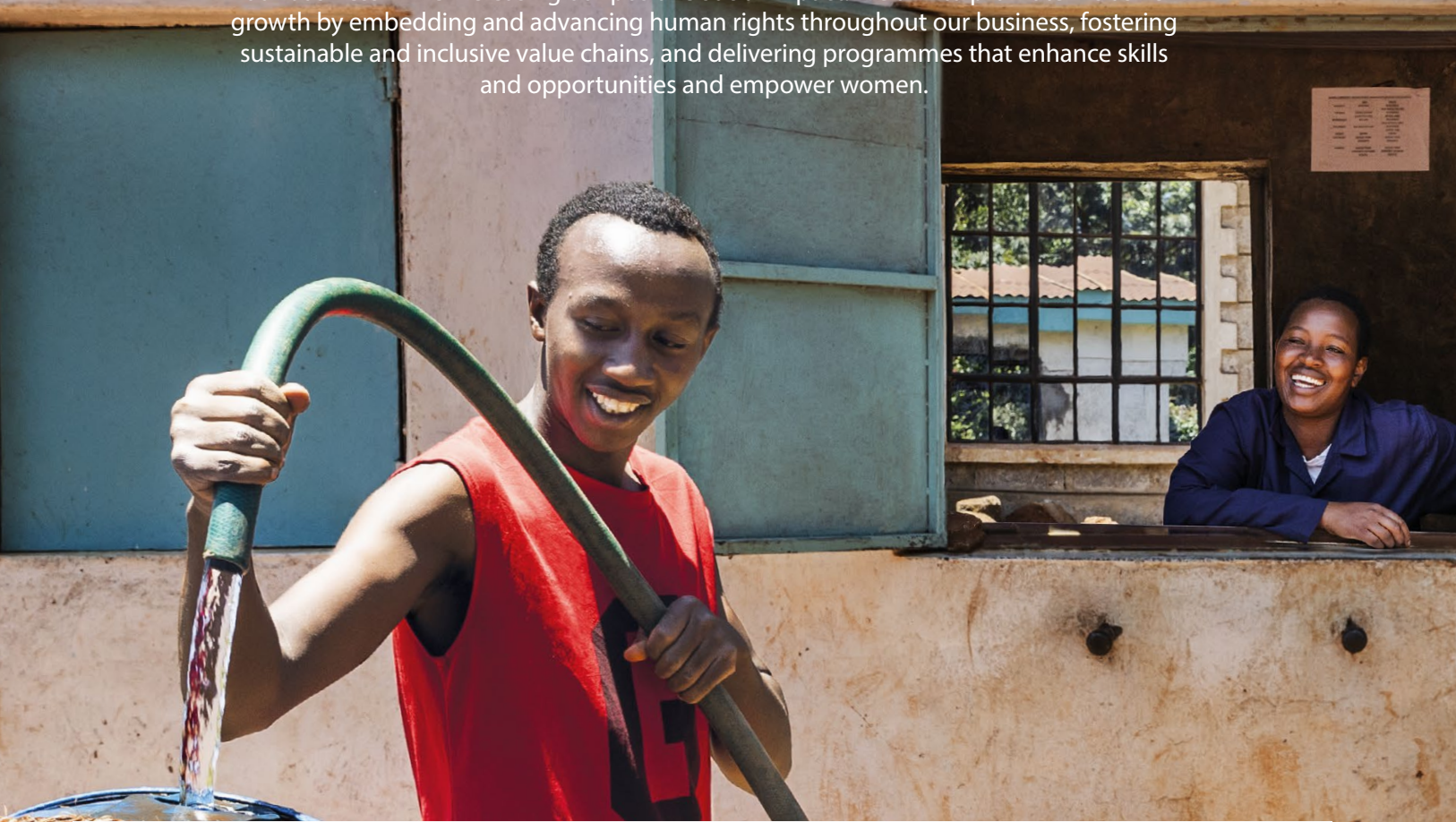


We used a significant proportion of our marketing investment to encourage adult fans to drink responsibly. Launched with a 30-second television ad that went on to win a Gold award at the Cannes Lions festival, Guinness Clear had a prominent presence at stadiums, including through teams giving water to fans. It reached over 21 million people in the UK and Ireland.

The campaign was a perfect example of our approach. Put simply, we do not see marketing campaigns and responsible drinking campaigns as two separate channels. We invest significant time and money in training our marketers so that all our campaigns deliver responsible drinking messages – because we believe it is both socially and commercially essential for consumers to ‘drink better, not more’.

## Building thriving communities

Supporting the communities where we live, work, source and sell allows us to strengthen our business while increasing our positive social impact. We aim to promote inclusive growth by embedding and advancing human rights throughout our business, fostering sustainable and inclusive value chains, and delivering programmes that enhance skills and opportunities and empower women.



### Our work contributes to the following UN Sustainable Development Goals:



#### Our principles

We do not tolerate discrimination, harassment, bullying or abuse; we comply with wage and working time laws; we respect our employees' decisions to join or not join a trade union; and we do not tolerate forced labour. Our Modern Slavery Statement describes our activities to prevent slavery and human trafficking in our business operations and supply chain in line with the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act 2010. The statement and further details of our policies are available on [www.diageo.com](http://www.diageo.com).

### Respecting human rights throughout our business

Diageo is built on long-term relationships of trust and shared value, underpinned by respect for human rights. We aim to embed respect for human rights into the way we do business in every country and function. We have a well-developed policy framework that addresses human rights and our commitment to integrity, and this year we refreshed the human rights elements of our Code of Business Conduct, which we will launch next financial year.

Respect for human rights also informs the core principles of our supplier code, Partnering with Suppliers. Our commitments apply throughout our entire value chain – we will not work with anyone who does not align with these standards.

We have been signatories to the UN Guiding Principles on Business and Human Rights (UNGP) since 2014. We continue to embed human rights in line with the UNGP, using our comprehensive human rights impact assessment (HRIA) process, which

considers our entire value chain. Based on localised risk assessments, we develop mitigation plans for addressing specific human rights risks in order to strengthen our processes and prevent risks arising.

We have identified three external risks as particularly salient to our business: labour rights, including the risk of child labour, especially in agricultural supply networks; labour standards for contract workers; and sexual harassment in the hospitality sector.

We have responded to these risks in a number of ways, such as awareness programmes focused on child protection. As part of this work, in 2018, we developed and rolled out training for a variety of internal and external stakeholders including, in some countries, selected suppliers and aggregators. This year, we commissioned an independent study into contracted labour, which we will use to develop key mitigation strategies for next year and beyond. We also developed new standards and training aimed at protecting brand promotion teams from harassment.

“Through the roll-out of comprehensive human rights assessments across its value chain worldwide, Diageo is able to address its human rights impacts and identify where it can further promote the advancement of human rights in the industry. As we work with companies to embed human rights as part of their business strategy, we see opportunities for companies to support systematic respect for human rights in the communities in which they operate.”

**Aron Cramer**

President and CEO, Business for Social Responsibility

**TARGET**

Act in accordance with the UN Guiding Principles on Business and Human Rights.

**KPI**

Number of markets in which we have carried out human rights impact assessments (HRIAs).

**PROGRESS**

We aim to conduct HRIAs in all markets by 2020. This year, we finalised HRIAs in South Africa and Nigeria, bringing our total since 2015 to 14. Both markets have developed action plans to address specific salient risks. The findings of our HRIAs since 2015 have informed the work to address these risks described on page 8.

**Creating impact in our supply chains**

We rely on resilient, thriving supply chains for the raw materials in our brands. Collaborating with our suppliers also provides a vital opportunity for us to contribute to sustainable development and the UN SDGs. We aim to build our suppliers’ capabilities while advancing respect for human rights, so they can be our partners in providing responsibly-sourced goods and services, and to source locally where appropriate.

Our Partnering with Suppliers standard sets out the minimum social, ethical and environmental standards we require suppliers to follow as part of their contract with us, and sets targets for our long-term partners to improve.

We also work through SEDEX, a not-for-profit organisation that allows suppliers to share assessments and audits of ethical and responsible practices with multiple customers, and AIM-PROGRESS, a forum of leading consumer goods companies which promotes responsible sourcing and sustainable supply chains. These platforms allow us to work with suppliers to create action plans that address areas for improvement.

**TARGET**

Deliver our responsible sourcing commitments with suppliers to improve labour standards and human rights in our supply chains.

**KPI**

% of potential high-risk supplier sites audited.

**PROGRESS**

This year, 1,260 of our supplier sites assessed as a potential risk completed a SEDEX self-assessment. Of these, 413 were assessed as a potential high risk, with 89% independently audited over the past three years. Of these audits, we commissioned 224 and 143 came through SEDEX or AIM-PROGRESS mutual recognition audits. 146 of these audits were conducted in the past year.

**Focus on sustainable agriculture**

We have a Building Sustainable Supply Chains strategy supported by our Sustainable Agriculture Guidelines (SAG). These set out the agriculture-specific standards we expect of suppliers of raw materials, and how suppliers should work towards sustainable farming. These include treating farmers and workers fairly, reducing negative environmental impacts while protecting natural resources, and supporting wider economic benefits for farming communities. Both documents are published on [www.diageo.com](http://www.diageo.com).

Wherever we work, we aim to promote sustainable agricultural practices that meet our standards, while avoiding process duplication for our suppliers.

**Driving progress through Farm Sustainability Assessments**

We use the Sustainable Agriculture Initiative (SAI) Platform’s Farm Sustainability Assessment (FSA) tool. In 2018 we set the minimum compliance level to meet our SAG requirements as FSA Bronze – a level which must be verified through third-party assurance, either directly, or using a benchmarked standard.

More than 80 global, regional, company or crop-specific standards have now been benchmarked against the FSA, so suppliers that already comply with an equivalent scheme can demonstrate that they meet our requirements.

We hold ourselves to the same standards. This year, for example, our agricultural team in Mexico assessed our own practices against FSA. After implementing an action plan to address gaps, our practices were independently verified as 100% FSA Gold, and Don Julio Agavera has been issued with an FSA Gold attestation.

**Partnering with farmers**

We also work directly with suppliers at farm level to help them meet our standards. This year in Turkey, for example, we began a project intended to help small-scale aniseed farmers build their climate resilience and improve their livelihoods, including through providing inputs and commissioning research into the best seeds to improve yields. In Africa, where our longstanding connection with farmers has resulted in some of our most developed programmes, we continued to support groups of smallholder farmers through a selection of training, access to seeds and fertilisers, access to capital through micro-loans, and engagement with NGOs and other stakeholders to build financial resilience.

**TARGET**

Source 80% of our agricultural raw materials locally in Africa by 2020.

**KPI**

% of agricultural raw materials sourced locally in Africa.

**PROGRESS**

We sourced 82% of agricultural materials locally within Africa for use by our African markets, compared with 78% last year. We support this target through a range of farmer capacity-building programmes, described above.

**TARGET**

Establish partnerships with farmers to develop sustainable agricultural supplies of key raw materials.

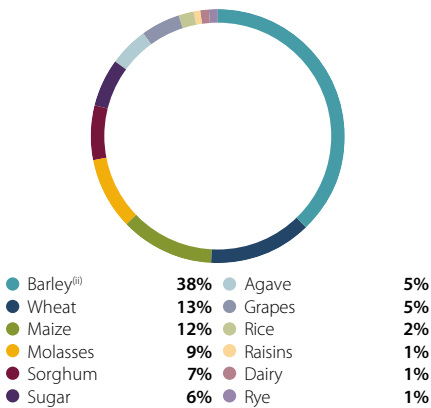
**KPI**

Number of smallholder farmers supported.

**PROGRESS**

We support more than 72,000 farmers in Africa. We buy from a further 39,000 farmers. Our work with farmers is described in ‘Partnering with farmers’, above.

## Global raw materials<sup>(i)</sup> by volume (Total – 1.5 million tonnes)



(i) Figures represent raw materials we buy directly, and exclude raw materials used to make the neutral spirit we purchase. Other global raw materials (including aniseed, cassava and hops) are less than 0.5% of the total.

(ii) Includes malted barley.

## Empowering communities where we live, work, source and sell

Our distilleries and breweries are at the heart of their communities. Through our full value chain, from grain to glass, we are connected to many more. We are committed to programmes that support the communities around us while at the same time strengthening the commercial aims and sustainability ambitions of our core business. This year Diageo invested £12.6 million or 0.3% (2018 – 0.3%) of operating profit in community initiatives.

**“We all have a role to play in creating a fairer, more sustainable world, and businesses are crucial in bringing about change on a global scale, benefiting people, planet and profit. Diageo has successfully developed a model that allows them to create a thriving business while also helping improve access to clean water, decent toilets and good hygiene across the world.”**

### Tim Wainwright

Chief Executive,  
WaterAid UK

## TARGET

Our community programmes enable those who live and work in our communities, particularly women, to have the skills and resources to build a better future for themselves. We will evaluate and report on the tangible impacts of our programmes.

## KPI

Number of women empowered by our programmes.

## PROGRESS

**Women’s empowerment** is a priority everywhere we work. We know that every value chain contains barriers to women’s equal participation, and that removing these barriers is essential to unlocking the wider economic growth on which a business like ours depends.

As well as aiming to build a truly inclusive and diverse business (see Our People on pages 18-20), our programmes aim to address the root causes of inequality through a combination of research, community programmes and advocacy. We are working in a global partnership for women’s empowerment with the NGO CARE International UK.

To date, our programmes have empowered around 400,000 women with access to training and skills.

## KPI

Number of people reached through skills and empowerment programmes.

## PROGRESS

**Skills development** programmes help people in communities around the world overcome barriers and build skills that enhance their employability and help them advance in their careers, while strengthening our value chain. Our largest global programme, Learning for Life, which focuses on hospitality, retail and entrepreneurship, has reached more than 140,000 people since its launch in 2008, with typically more than 70% gaining permanent jobs. Through our range of skills programmes, we helped more than 10,300 people around the world this year.

## KPI

Number of people reached through Water of Life programmes.

## PROGRESS

**Water of Life** helps build thriving communities by providing access to water, sanitation and hygiene, typically in rural areas that supply our raw materials and support our core business. It has reached more than 10 million people in India and in Africa since 2006, including 232,000 this year.

An example of how we are combining water programmes with women’s empowerment and skills to create a holistic impact can be found on page 21.

## SPOTLIGHT

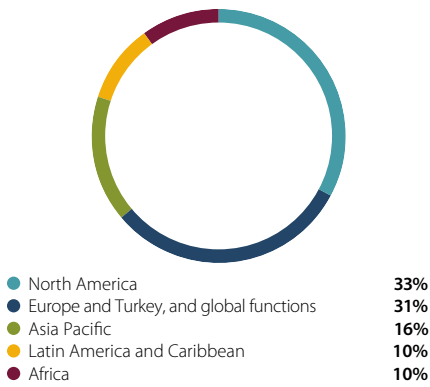
### A holistic approach delivers far more to villages in Cameroon

Guinness has a big presence in Cameroon – and we see ourselves as both part of and an important contributor to local communities. Our Water of Life programme has already brought clean water to a number of communities in Cameroon, and this year we brought it to 15,000 people living in and around the villages of Moinam and Marouaré. But this latest programme has gone much further than just clean drinking water.

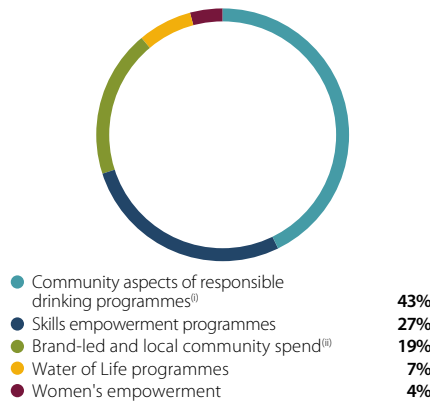
Bringing together the core themes of all our community programmes – WASH (water, sanitation and hygiene), skills development and women’s empowerment – into one holistic approach can achieve far more than a single programme on its own. So, in these two villages, as well as installing borehole wells with manual pumps to provide safe drinking water, we invested in awareness sessions about child labour and positive drinking, and encouraged women to take part in a hygiene session. This session covered menstrual hygiene and, as part of it, we distributed reusable sanitary towels to the girls and young women. Lack of access to sanitary products is a big factor in preventing girls getting an education and women entering employment, so this kind of educational effort is fundamental to women’s empowerment.

In May, the community held an official handover ceremony, marking the completion of the project, attended by Andrew Ross, Managing Director of Guinness Cameroon and Astrid Bembone, Regional Sales Manager, Center Region. Ndinga Guiwa Jeremie, Chief of Moinam village, expressed the community’s gratitude for Diageo’s investment, commenting that the clean water had eradicated water-borne diseases, while the awareness programme around positive drinking had helped people make better choices.

Community investment by region



Community investment by focus area



(i) This is a sub-section of the total responsible drinking budget.  
 (ii) Category includes cause-related brand campaigns, local market giving and disaster relief.

“At CARE we know that we cannot overcome poverty until all people have equal rights and opportunities. When you empower a girl or a woman, she becomes a catalyst for positive change, whose success benefits everyone around her. Diageo’s value chain approach to tackling the root causes of gender inequality is an example of the kind of inclusive business models that are critical for tackling poverty.”

**Laurie Lee**  
 Chief Executive,  
 CARE International UK

SPOTLIGHT

**Learning for Life and empowering people through skills**

We want to create opportunities for people around the world to overcome barriers, boost their skills and build a better life for themselves and their families, and since 2008 our flagship Learning for Life (L4L) programme has been leading the way.

From its origins in our Latin America and Caribbean markets, L4L’s aim of finding talented people and supporting them to reach their full potential now spans more than 40 countries. At its core, L4L focuses on giving people the tools, training and skills they need to succeed in sectors including hospitality, retail, entrepreneurship and bartending.

After over a decade of programmes, L4L is always looking to break new ground. This year, for example, we ran our first ever L4L initiatives in Greece and Italy, while in Ireland we completed the second year of a L4L programme which aims to create opportunities for refugees through skills and education.

L4L is not our only programme to provide skills empowerment opportunities. In Kenya, for example, Project Heshima provides vocational



training to thousands of young people and women at risk of consuming or producing illicit brews. In India, our safe drinking ‘water ATM’ programmes include training for 287 women entrepreneurs so they can maintain and run the facilities, as described on page 21. We are proud that these initiatives have reached around 140,000 people to date, including 10,300 this year alone. We believe that by empowering disadvantaged people

through enhanced skills and employability, our programmes support UN Sustainable Development Goal 8, focused on decent work and economic growth. We are sure it makes Diageo stronger – by helping to create thriving communities where we live, work, source and sell.

## Reducing our environmental impact

We are a business which relies on the careful stewardship of natural resources for our long-term success. From the fields in which our raw materials are grown, to the water and energy we use to make our brands, we depend on resources that we share with the communities around us – just as we also share the impacts that result from these resources becoming constrained.



### Our work contributes to the following UN Sustainable Development Goals:



Climate change, water scarcity, soil degradation and the loss of biodiversity threaten the prosperity of our communities and the environment, as well as our business. For our own benefit, as well as for the future of those around us, we must use natural resources efficiently across our whole value chain and, wherever possible, have a positive impact on the environment.

This is not new for us – our brands have relied on responsible environmental stewardship for generations. Nonetheless, we need to make sure we keep building on our longstanding commitment to preserving the natural environment, to ensure the continuing viability of the resources and communities that help us create value.

### Addressing our most material issues

In 2015 we set ambitious targets for 2020 to reduce our environmental impacts and build resilience in critical areas. We have periodically added new targets to push performance, such as prioritising renewable electricity and addressing plastics. To stretch ourselves and ensure our efforts have a material impact on tackling climate-related issues, many of our targets are absolute, rather than relative reductions. Diageo is part of a pioneering group of companies with approved science-based targets for carbon reduction. In areas such as greenhouse gas emissions or waste to landfill, we believe the most responsible approach is to decouple our impacts from business growth. We report on all our targets in the following pages.

### Climate and water: at the heart of our strategy

The need for businesses to act is compelling. We continue to see some of the impacts of climate change and water stress in our supply chain and operations. Drought has affected raw material supplies in Africa, India and Brazil. Hurricanes impacted our business in the Caribbean in 2017, while the extreme summer

in Scotland in 2018 led to high water temperatures and the temporary closure of two distilleries. Water availability is inevitably a key consideration in our planning and investments in water-stressed areas.

These impacts reinforce our support for global action on climate change. As members of the UN Global Compact, the CEO Water Mandate and the We Mean Business coalition, we are also making progress on a range of initiatives, including our science-based carbon emissions reduction targets and the elimination of commodity-driven deforestation. To reduce our climate impacts further, we are committed to procuring 100% of our electricity from renewable sources by 2030 and reducing emissions from short-lived climate pollutants such as HFCs.

We also know the importance, both ethical and commercial, of responsible water stewardship. Water is a strategic priority for us and our Water Blueprint provides the framework to reduce our overall impact, especially in sites in water-stressed areas in Africa, India and Brazil, which account for approximately a third of our total production by volume. In 2018 we carried out water

risk assessments of all our third-party manufacturing sites and identified 18 in water-stressed areas. This year we began working with these sites to better understand their water performance and to roll out our water stewardship toolkit.

Our Water Blueprint is delivered through a four-pillared strategic approach and is driven by our key targets for improving water efficiency in our own and third-party operations, replenishing water in water-stressed areas and supporting community water programmes. We continue to advocate for greater collaboration and impact in water management.

**Understanding the challenges and looking beyond 2020**

We have seen significant, long-term progress against most of our targets. We have reduced absolute greenhouse gas emissions from our direct operations by 44.7% against our 2007 baseline and from our entire supply chain by 27.1%. In the same period, waste to landfill was down by 96.2% and we have improved our water efficiency by 43.8%.

We have made slower progress in some areas, notably the quality of wastewater we discharge and our efforts to reduce the overall weight of our packaging. Although we comply with regulations on wastewater everywhere we operate, for wastewater and packaging the solutions we have explored so far have not produced the improvements in performance we need to meet our stretching 2020 targets. They will continue to be a focus beyond 2020, and, in the next two to three years, we plan to address them through a range of solutions, including further investments in wastewater treatment.

We remain committed to our 2020 targets and we have identified investments that will help us continue our progress. We have also started work to define our ambition and targets for environmental sustainability beyond 2020, which we will share during the next financial year.

“As the severity of environmental risks to business becomes ever more apparent, companies showing environmental leadership are positioning themselves to provide solutions, seize new market opportunities and thrive in the transition to a sustainable economy. I congratulate Diageo on their inclusion in CDP’s A List for Climate and Water in 2018, and for joining the Supplier Engagement 2018/9 leader board. We need to urgently scale up environmental action at all levels to meet the goals of the Paris Agreement and the UN Sustainable Development Goals.”

**Paul Simpson**  
Chief Executive Officer,  
CDP

**Diageo sites located in water-stressed areas**







**Sites**




- |  |                                  |                                      |                            |                           |                         |
|--|----------------------------------|--------------------------------------|----------------------------|---------------------------|-------------------------|
| 1 Kenya Brewing, Nairobi, Kenya        | 7 Khangela Brewery, South Africa | 15 IDU, Kampala, Uganda              | 23 Meta Abo, Ethiopia      | 30 Kumbalgodu, Karnataka  | 38 Sovereign, Karnataka |
| 2 East Africa Maltings, Nairobi, Kenya | 8 Isithebe, South Africa         | 16 Accra, Achimota, Ghana            | 24 Marracuene, Mozambique  | 31 Malkajgiri, Telangana  | 39 Tern, Andhra Pradesh |
| 3 Seybrew, Seychelles                  | 9 Tlokwe, South Africa           | 17 Kumasi, Kaasi, Ghana              | <b>India</b>               | 32 Meerut, Uttar Pradesh  | 40 Udaipur, Rajasthan   |
| 4 SA Cider, South Africa               | 10 Ispingo, South Africa         | 18 Ogba, Lagos, Nigeria              | 25 Alwar, Rajasthan        | 33 Nacharam, Telangana    |                         |
| 5 Phelindaba Brewery, South Africa     | 11 Moshi, Tanzania               | 19 Paraiapaba, Ceará, Brazil         | 26 Aurangabad, Maharashtra | 34 Pathankot, Punjab      |                         |
| 6 Butterworth Brewery, South Africa    | 12 Dar es Salaam, Tanzania       | 20 Agricultural lands, Ceará, Brazil | 27 Baddi, Himachal Pradesh | 35 Pioneer, Maharashtra   |                         |
|  | 13 Mwanza, Tanzania              | 21 Messejana, Brazil                 | 28 Baramati, Maharashtra   | 36 Rosa, Uttar Pradesh    |                         |
|  | 14 UBL, Kampala, Uganda          | 22 Maracanaú, Brazil                 | 29 Hospet, Karnataka       | 37 Serampore, West Bengal |                         |

## Performance against 2020 targets<sup>(i)</sup>

### Water stewardship


2020 target	KPI	Performance	Progress
<b>Reduce water use through a 50% improvement in water use efficiency</b>	% improvement in litres of water used per litre of packaged product	6.0% <sup>Δ</sup> 2019 <b>43.8%</b> cumulative	 <p>We have made significant further progress this year at our sites, driven by continuous improvement and innovation projects in brewing, maltings and distilling operations worldwide.</p> <p>This year, 16,442m<sup>3</sup> of water were used for agricultural purposes on land under our operational control. We report this separately from water used in our direct operations.</p> <p>The volume of water we recycled or reused in our own production was 1,029,305m<sup>3</sup>, representing 5.2% of total water withdrawals.</p>
<b>Return 100% of wastewater from our operations to the environment safely</b>	% reduction in wastewater polluting power measured in BOD ('000 tonnes)	13.6% <sup>Δ</sup> 2019 <b>36.0%</b> cumulative	 <p>While we met all regulatory requirements on wastewater at our sites and have made good progress this year, we recognise we will not achieve our full target by 2020.</p> <p>Over 80% of our sites have achieved the 2020 target. We are now concentrating on our remaining cluster of sites. As part of a range of solutions, we are planning further investment in wastewater treatment together with the use of new technologies to create value from our by-products.</p>
<b>Replenish the amount of water used in our final product in water-stressed areas</b>	% of water replenished in water-stressed areas (m <sup>3</sup> )	11.8% 2019 <b>60.5%</b> cumulative	 <p>This year we replenished 11.8% of the total water used in our final product, and cumulatively 60.5% of the water used in water-stressed locations is now replenished. Significant progress will be required in Nigeria, Ghana and Kenya in 2020 to ensure we achieve our ambitious target.</p>
<b>Equip our suppliers with tools to protect water resources in our most water-stressed locations</b>	% of key suppliers engaged in water management practices	86% 2019	 <p>We engaged 128 suppliers to disclose their water management practices through CDP's Supply Chain Water Programme, with an 86% response rate. We prioritised more than 100 third-party operators for more in-depth water risk assessment and support, and have begun mapping site water performance and rolling out our water guidance for the most water stressed.</p>

### Carbon





2020 target	KPI	Performance	Progress
<b>Reduce absolute greenhouse gas emissions from direct operations by 50%</b>	% reduction in absolute GHG (kt CO <sub>2</sub> e)	5.9% <sup>Δ</sup> 2019 <b>44.7%</b> cumulative	 <p>We made important progress this year, achieving a 5.9% decrease in carbon emissions. In addition to continuous improvement at our operations and fuel switching, we have purchased energy attribute certificates to support our decarbonisation strategy.</p> <p>As a signatory to RE100, we aim to source 100% of our electricity from renewable sources by 2030. This year 45.4% of electricity at our production sites came from renewable sources such as wind, hydro and solar (2018 – 18.5%). In the United Kingdom, 100% of our electricity came from renewable sources.</p> <p>We use the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol as a basis for reporting our emissions, and we include all facilities where we have operational control for the full financial year.</p> <p>Diageo's total direct and indirect carbon emissions (location/gross) this year were 785,545<sup>a</sup> tonnes (2018 – 782,294 tonnes), comprising direct emissions (Scope 1) of 620,573<sup>a</sup> tonnes (2018 – 620,608 tonnes), and indirect (Scope 2) emissions of 164,971<sup>a</sup> tonnes (2018 – 164,971 tonnes). The intensity ratio for this year was 185 grams per litre packaged (2018 – 186 grams per litre packaged).</p>
<b>Achieve a 30% reduction in absolute greenhouse gas emissions along the total supply chain</b>	% reduction in absolute GHG (kt CO <sub>2</sub> e)	5.9% 2019 <b>27.1%</b> cumulative	 <p>Our total supply chain carbon footprint this year was 3.165 million tonnes, a 5.9% improvement and important progress towards our target.</p> <p>We engaged suppliers directly on measuring and managing their carbon emissions and made further data analysis improvements. This year we received responses from 86% of the 224 suppliers we engaged through the CDP, and 50% of these suppliers reported that they had emissions reduction targets.</p>
<b>Ensure all our new refrigeration equipment in trade is HFC-free, with a reduction in associated greenhouse gas emissions from 2015</b>	% of new equipment sourced HFC-free from 1 July 2015	99.5% 2019	 <p>Eliminating HFCs plays a role in reducing our overall carbon footprint. 99.5% of the 48,000 new fridges we have purchased since July 2015 were HFC-free.</p>



## Waste

2020 target	KPI	Performance	Progress
<b>Achieve zero waste to landfill</b>	% reduction in total waste to landfill (tonnes)	75.7% <sup>Δ</sup> 2019 <b>96.2%</b> cumulative	 Following a setback in 2018 caused by hurricanes in the Caribbean, we achieved significant progress this year. Over 80% of our sites have now achieved our 2020 target of zero waste to landfill. We continue to focus on our residual volumes and sites.



## Packaging

2020 target	KPI	Performance	Progress
<b>Reduce total packaging by 15%, while increasing recycled content to 45% and making 100% of packaging recyclable</b>	% of total packaging by weight	1.4% 2019 <b>10.8%</b> cumulative	 We made significant progress this year in reducing total packaging by weight, predominantly through initiatives to optimise glass and carton weight in India. However, despite recent improvements, delivery of this target in full will stretch beyond 2020.
	% of recycled content by weight	0% 2019 <b>40.5%</b> cumulative	 Our commitment to increase recycled content in our packaging, set in 2009, has resulted in a 19% improvement against our baseline. We continue to work with suppliers and other partners to improve recycled content.  We reuse returned glass bottles in parts of our business, but do not currently include them in our reported recycled content data. We are reviewing our reporting boundaries for recycled content so that we can consider including returned glass in our recycled content data from 2020.
	% of recyclable packaging by weight	0% 2019 <b>98.7%</b> cumulative	 As we approach our target, we are finding challenges in the areas of recycling infrastructure and technology solutions. We plan to carry out a review of the options available in order to achieve the final 1.3% to meet our target.
<b>Sustainably source all of our paper and board packaging to ensure zero net deforestation</b>	% of sustainably sourced paper and board packaging	94% 2019	 We define sustainably sourced as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified, or recycled fibre. To date we have engaged over 280 suppliers, with 93% responding. Collectively these suppliers have self-reported that 94% of the paper and board packaging they supply meets our sustainable sourcing criteria, and we continue to work with our suppliers to deliver our goal of 100% by 2020.

(i) Baseline year is 2007 except for packaging which is 2009 and water replenishment which is 2015.  
 Δ Within PwC's limited assurance; see page 173 of our Annual Report for further details.

## Performance against 2025 targets<sup>(ii)</sup>

### Packaging (plastic)

2025 target	KPI	Performance	Progress
<b>Achieve 40% average recycled content in all plastic bottles (and 100% by 2030)</b>	Tonnes (metric) of recycled content/ total tonnes of plastics used	0.02% 2019 cumulative 0.02%	 In our first year of reporting against this target, we have identified opportunities to increase the use of recycled content in plastic (PET) bottles, particularly in North America. Although only 2% of our packaging is made from plastic (PET), we nonetheless consider this an important target.
<b>Ensure 100% of our plastics will be designed to be recyclable, reusable or compostable in countries where we operate</b>	Tonnes (metric) plastics widely recyclable (or reusable/ compostable)/ total tonnes of plastic used	81% 2019 <b>81%</b> cumulative	 We continue to work with our suppliers and other partners to remove non-recyclable plastics from our products and to promote better recycling infrastructure in selected markets.

(ii) These targets were introduced in 2018.

**Understanding and responding to climate-related risks and opportunities**

As part of our drive to increase our understanding of the financial aspects of climate-related risks, and in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have carried out Sustainability Value Assessments (SVAs) in three key markets.

Water scarcity is our most material risk, and our SVAs examined the potential impact of climate-related water scarcity over a five- and ten-year horizon.

The insights provided by our SVAs feed into our overall approaches to both water stewardship and climate adaptation. This year, we formed a new cross-functional working group, with representatives from our Compliance and Risk, Strategy, Investor Relations, Environment, Procurement, Security, Corporate Relations, and Treasury functions. This group will manage climate risk and provide regular updates to the Executive Committee and the Board.

**HIGHLIGHT**

**Executive oversight of climate risk**

David Cutter was appointed Chief Sustainability Officer in November 2018, in addition to his role as President, Global Supply and Procurement. He sits on Diageo's Executive Committee, and chairs the Executive Environment Working Group.

Board oversight of environmental performance is described on page 74 of our Annual Report.

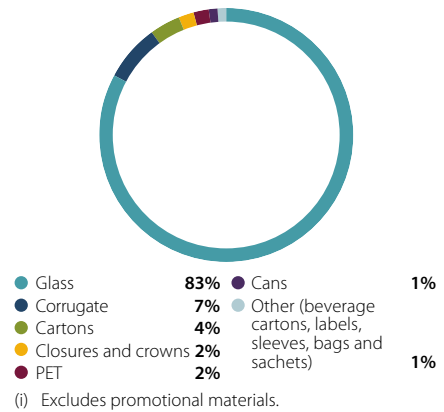
Our processes for identifying, assessing and managing climate-related risks are described further on page 21 of our Annual Report.

**HIGHLIGHT**

**Collaborating on climate adaptation**

We share knowledge and expertise through the Beverage Industry Environmental Roundtable (BIER), a technical coalition of leading global beverage companies working together to advance environmental sustainability. We are supporting BIER's work exploring options to develop a consistent approach to TCFD scenario planning for the beverage sector.

**Global packaging materials<sup>(i)</sup> by volume**  
(Total – 1.5 million tonnes)



**SPOTLIGHT**

**Working with others to transform recycling**

Our long-term commitment is to make our packaging as sustainable as possible at every stage of its life cycle. Increasing our use of recycled materials – and making it as easy as possible for consumers to recycle our packaging after use – is vital to achieving our packaging ambitions, described on page 15.

But with any material, our ability to contribute to a recycling culture is heavily influenced by the available local infrastructure. In some of the places where we operate, consumers have few options to recycle, or none. The only way to change this is to work with others, which makes our partnerships very important.

The Glass is Good initiative in Brazil is a great example. It brings together the entire glass production chain, from glass packaging manufacturers to commercial establishments to major beverage companies, to support the work of local recycling cooperatives. Since 2010, it has

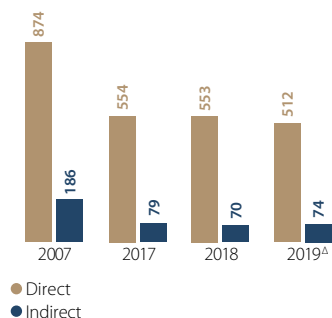


enabled 27,000 tonnes of glass to be recycled – equivalent to approximately 50 million one-litre vodka bottles. We are very pleased that this year, other alcohol companies joined us in this effort.

It is this sort of collaborative thinking that we want to expand elsewhere, and to other materials. So in 2019 we co-founded the Africa Plastics Recycling Alliance, which aims to drive collective action by some of the biggest consumer goods businesses to address plastics

waste, while creating economic opportunities through better recycling and reprocessing infrastructure. It is early days, but by sharing knowledge, encouraging innovation, and collaborating on technical and other solutions appropriate for Sub-Saharan Africa, we believe we can make a real impact – and ensure that our products are not just enjoyable, but sustainably packaged.

**Direct and indirect carbon emissions by weight (1,000 tonnes CO<sub>2</sub>e)<sup>(i),(ii)</sup> (market-/net-based)**



**Carbon emissions by weight by region (1,000 tonnes CO<sub>2</sub>e)<sup>(i),(ii)</sup>**

Region	2007	2017	2018	2019
North America	211	50	44	54
Europe and Turkey	399	264	279	233
Africa	271	234	225	225
Latin America and Caribbean	8	15	18	19
Asia Pacific	151	58	49	47
Corporate	20	12	8	8
<b>Diageo (total)</b>	<b>1,060</b>	<b>633</b>	<b>623</b>	<b>586<sup>A</sup></b>

- (i) CO<sub>2</sub>e figures are calculated using the WRI/WBCSD GHG Protocol guidance available at the beginning of our financial year, the kWh/CO<sub>2</sub>e conversion factor provided by energy suppliers, the relevant factors to the country of operation, or the International Energy Agency, as applicable.
- (ii) 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2018, have been restated where relevant and in accordance with the WRI/WBCSD GHG Protocol and Diageo's environmental reporting methodologies.
- △ Within PwC's independent limited assurance scope. Please see page 173 of our Annual Report for further details.

**Environmental data by region**

**Water efficiency by region, by year (l/l)<sup>(i),(ii)</sup>**

Region	2007	2017	2018	2019
North America	6.88	5.73	5.55	5.26
Europe and Turkey	7.94	5.78	6.02	5.37
Africa	8.48	4.32	4.28	4.16
Latin America and Caribbean	34.84	3.88	4.66	4.58
Asia Pacific	7.06	4.31	3.63	3.36
<b>Diageo (total)</b>	<b>8.27</b>	<b>4.98</b>	<b>4.94</b>	<b>4.64<sup>A</sup></b>

**Wastewater polluting power by region, by year (BOD/t)<sup>(i)</sup>**

Region	2007	2017	2018	2019
North America	214	240	343	835
Europe and Turkey	22,610	17,617	23,502	18,353
Africa	9,970	183	151	1,609
Latin America and Caribbean	10	34	14	10
Asia Pacific	92	64	2	2
Corporate	-	-	1	1
<b>Diageo (total)</b>	<b>32,896</b>	<b>18,138</b>	<b>24,013</b>	<b>20,810</b>
<b>Total under direct control</b>	<b>32,070</b>	<b>17,936</b>	<b>23,751</b>	<b>20,531<sup>A</sup></b>

- (i) 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2018, have been restated where relevant and in accordance with our environmental reporting methodologies.
- (ii) In accordance with our environmental reporting methodologies, total water used excludes irrigation water for agricultural purposes on land under the operational control of the company.
- △ Within PwC's independent limited assurance scope. Please see page 173 of our Annual Report for further details.

**Total waste to landfill by region (tonnes)<sup>(i)</sup>**

Region	2007	2017	2018	2019
North America	39,857	146	12,177 <sup>(ii)</sup>	276
Europe and Turkey	19,898	1,252	169	195
Africa	37,062	3,937	3,108	2,545
Latin America and Caribbean	243	379	106	84
Asia Pacific	8,583	380	504	549
Corporate	604	719	461	372
<b>Diageo (total)</b>	<b>106,247</b>	<b>6,813</b>	<b>16,525</b>	<b>4,021<sup>A</sup></b>

- (i) 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2018, have been restated where relevant and in accordance with our environmental reporting methodologies.
- (ii) In September 2017, damage caused by Hurricane Maria meant that by-products from our distillery in St Croix in the US Virgin Islands, which are usually recycled as animal feed, were diverted to landfill. We took remedial action, including upgrading equipment, to minimise the risk of this reoccurring.
- △ Within PwC's independent limited assurance scope. Please see page 173 of our Annual Report for further details.

## Our people

We aim to create a trusting, respectful and inclusive culture, where people are proud of their work, empowered to succeed, and know that their health, safety and other human rights are respected.

### Our work contributes to the following UN Sustainable Development Goals:



### Health and safety

The health, safety and wellbeing of our employees is our highest priority. Our recently revised global Health and Safety strategy aims to take a holistic approach to the wellbeing, as well as the safety, of our people. Our global Zero Harm programme is designed to ensure that everyone goes home safe and healthy, every day – and it has driven industry-leading progress.

This year, we exceeded our 2020 target of achieving less than one lost-time accident (LTA) per 1,000 employees, and no fatalities, for the second consecutive year. In 18 markets, we operated without any LTAs for the year.

We are proud of this progress, but we

know that there is no acceptable level of accidents, and we want to continue to drive our performance. We have started to adopt a new primary safety KPI, total recordable accidents (TRA). This gives us a broader lens on different types of incidents and means we can apply the same rigorous root cause investigations to them, giving us a greater ability to predict and prevent more serious accidents. We are also starting to adopt more advanced technology systems, which will help us gather richer health and safety data insights. We are confident these changes will help the business achieve further step-changes in performance and create an even stronger Zero Harm culture. Our ambition is to develop a new health and safety target using a leading indicator by 2025, but in the shorter term we will report on the new TRA metric from next year.

Sustaining and improving our best practice culture and growing our people's capabilities continue to be core areas of

focus. We aim to ensure these are embedded across all areas of our organisation, from supply sites to office and commercial team environments. We are also working to ensure our third-party operations are aligned with our Zero Harm values.

### TARGET

Keep our people safe by achieving less than one lost-time accident (LTA) per 1,000 employees and no fatalities.

### KPI

Number of LTAs; number of fatalities.

### PROGRESS

There were 0.98 LTAs per 1,000 employees this year, compared with 1.00 in 2018. There were also no work-related fatalities. This is the second year we have met our 2020 target of less than one LTA per 1,000 employees. From next year we will report on total recordable accidents as a new KPI (see above).

### Inclusive, diverse and high-performing culture

Celebrating our inclusive and diverse culture is core to our purpose, and maintaining and growing that culture is a critical business priority. Everyone should have the freedom to succeed, irrespective of their gender, race, religion, disability, age or sexual orientation. We firmly believe that an inclusive and diverse business is a better place to work – and a better-performing business. As just one example of our commitment, in 2019 we were proud to sign the BITC Race at Work Charter, a new initiative designed to improve outcomes for black, Asian and minority ethnic (BAME) employees in the UK, by providing practical help to tackle racial barriers in the workplace.

This year, we continued to develop our policy framework to make sure we give people the opportunity to be the best they can be. In Europe, our new Dignity at Work policy is helping build a culture where everyone feels free and comfortable to discuss anything that has an impact on their health, safety, wellbeing, or ability to do their job effectively. The policy is available in 11 languages, and our new eLearning course is mandatory for all employees

and new starters. In May 2019, we announced our new Family Leave Policy, which supports employees through global standards (see highlight below).

#### HIGHLIGHT

##### Tackling the barriers to career progression: our industry-leading Family Leave Policy

From May 2019, we began rolling out our global family leave policy, which provides fully-paid 26-week maternity leave for all female employees, and a global minimum standard of four weeks' paternity leave on full rate of pay in all markets. Since April 2019, parents employed by Diageo in the UK have been eligible for the same fully-paid 26 weeks leave, retaining benefits and bonuses regardless of gender and sexual orientation, whether they become parents biologically, via surrogacy or by adoption. A range of other markets have either moved, or are moving, to a standard of 26 weeks' fully-paid paternity leave.

#### TARGET

Build diversity, with 35%<sup>(i)</sup> of leadership positions held by women by 2020 (40% by 2025) and measures implemented to help female employees attain and develop in leadership roles.

#### KPI

% of leadership positions held by women.

#### PROGRESS

This year, 36% of leadership roles were held by women. At the most senior level, 44% of our Board members and 40% of our Executive Committee members are women.

(i) We increased the 2020 target from 30% to 35% in 2017.

At the same time, we have continued our drive to make our business more diverse, and more gender equal. We want to be the employer of choice for women in the UK, and globally we are focusing on developing a strong pipeline of female talent for all roles. Currently, 40% of our Executive Committee and 44% of our Board are women. Women currently hold more than 36% of leadership positions, and each of our 21 markets has a strategy in place to foster greater inclusion and diversity. We also seek to promote inclusion, gender balance and equality through our brands and programmes.

#### Lost-time accident frequency rate per 1,000 full-time employees<sup>(i)</sup>

Region	2014	2015	2016	2017	2018	2019
North America	0.84	1.83	0.37	0.7	0.0	1.76
Europe and Turkey	2.08	2.51	1.28	1.46	1.58	1.00
Africa	0.56	1.2	0.77	1.26	1.35	1.19
Latin America and Caribbean	4.7	0.66	2.27	1.79	0.36	1.13
Asia Pacific	1.62	1.21	2.01	0.81	0.66	0.57
<b>Diageo (total)</b>	<b>1.66</b>	<b>1.66</b>	<b>1.44</b>	<b>1.14</b>	<b>1.00</b>	<b>0.98<sup>A</sup></b>

(i) Number of accidents per 1,000 employees and directly supervised contractors resulting in time lost from work of one calendar day or more.

Δ Within PwC's independent limited assurance scope. Please see page 173 of our Annual Report for further details.

#### Number of days lost to accidents per 1,000 full-time employees<sup>(i)</sup>

	2014	2015	2016	2017	2018	2019
<b>Diageo (total)</b>	<b>49.7</b>	<b>89.4</b>	<b>57</b>	<b>36</b>	<b>45</b>	<b>67.3</b>

Fatalities	2014	2015	2016	2017	2018	2019
<b>Diageo (total)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

(i) While the number of lost-time accidents decreased this year, the severity of the injuries sustained unfortunately increased. The introduction of our new total recordable accident metric will ensure more accidents will be investigated with the same rigour as lost-time accidents, helping to prevent more serious injuries in the future.

### Engaged, empowered and proud of what we do

We want our people to be the 'best they can be'. That means working to make sure they are engaged and empowered, so they can be passionate about our strategy, connected to our values and purpose, and motivated to perform at their best as advocates of our brands.

Communications and leadership interventions across the business bring our strategy and purpose to life for employees throughout the year, while a range of campaigns also engage employees on their part in promoting positive drinking. We have a framework of clear policies, competitive reward programmes, coaching and

development, and health and wellbeing initiatives, to make sure our people have the opportunity to develop themselves, and their performance.

We report employee engagement on the inside front cover of this booklet as one of the overarching KPIs that measure the progress of our business. We use our annual Your Voice survey to help us understand how engaged employees are, as well as to listen to their feedback on the business – and this year we enhanced the survey to give employees more opportunities to make their voices heard. This year's results show that engagement remains high, and employee satisfaction has increased. Most employees have a favourable view of Diageo's culture and a strong relationship with their line manager.

#### TARGET

Increase employee engagement to 80%, becoming a top quartile performer on measures such as employee satisfaction, pride and loyalty.

#### KPI

Employee satisfaction, loyalty, advocacy and pride, measured through our Values Survey.<sup>(i)</sup>

#### PROGRESS

94% of our people participated in our annual Your Voice survey (22,615 of the 24,129 invited). 75% identified themselves as being engaged, compared to 76% last year. This remains a strong engagement score, on a par with best-in-class benchmarks. 89% said they were proud to work for Diageo, and 77% agreed with the statement "I am extremely satisfied with Diageo as a place to work".

(i) In 2019 we introduced Your Voice, an enhanced survey to capture deeper insights into employee experiences of working for Diageo.

For more information please see the [Sustainability & Responsibility Performance Addendum 2019](#)

which contains detailed disclosures against the GRI Standards, the UN Global Compact and the Sustainability Accounting Standards Board.

#### Average number of employees by region by gender<sup>(i)</sup>

Region	Men	%	Women	%	Total
North America	1,667	61	1,080	39	2,747
Europe and Turkey	6,337	60	4,158	40	10,495
Africa	3,167	74	1,103	26	4,270
Latin America and Caribbean	1,594	64	899	36	2,493
Asia Pacific	6,345	75	2,070	25	8,415
<b>Diageo (total)</b>	<b>19,110</b>	<b>67</b>	<b>9,310</b>	<b>33</b>	<b>28,420</b>

#### Average number of employees by role by gender

Role	Men	%	Women	%	Total
Senior manager <sup>(ii)</sup>	361	64	205	36	566
Line manager <sup>(iii)</sup>	2,373	69	1,072	31	3,445
Supervised employee <sup>(iv)</sup>	16,376	67	8,033	33	24,409
<b>Diageo (total)</b>	<b>19,110</b>	<b>67</b>	<b>9,310</b>	<b>33</b>	<b>28,420</b>

#### New hires by region by gender<sup>(i)</sup>

Region	Men	Women	Total	% of headcount
North America	249	125	374	13.6
Europe and Turkey	660	642	1,302	12.4
Africa	280	166	446	10.4
Latin America and Caribbean	296	183	479	19.2
Asia Pacific	525	375	900	10.7
<b>Diageo (total)</b>	<b>2,010</b>	<b>1,491</b>	<b>3,501</b>	<b>12.3</b>
Percentage of total new hires	57.4%	42.6%		

#### Leavers by region by gender<sup>(i)</sup>

Region	Men	Women	Total	% of headcount
North America	299	198	497	18.1
Europe and Turkey	880	803	1,683	16.0
Africa	438	175	613	14.4
Latin America and Caribbean	228	186	414	16.6
Asia Pacific	1,219	379	1,598	19.0
<b>Diageo (total)</b>	<b>3,064</b>	<b>1,741</b>	<b>4,805</b>	<b>16.9</b>
Percentage of total leavers	63.8%	36.2%		

(i) Employees have been allocated to the region in which they reside.

(ii) Top leadership positions in Diageo, excluding Executive Committee.

(iii) All Diageo employees (non-senior managers) with one or more direct reports.

(iv) All Diageo employees (non-senior managers) who have no direct reports.

## Our strategy in action

### PROMOTING POSITIVE DRINKING: GLOBAL



Chase Carey, CEO and Chairman of the Formula One Group, pledges to never drink and drive

#### #JoinThePact races to 16.88 million pledges

We believe that a single accident caused by drinking and driving is one too many. Reducing drink driving is a core part of our commitment to reducing alcohol-related harm and to promoting positive drinking. Our flagship programme, #JoinThePact, is recruiting millions of people to the cause.

When people sign up to #JoinThePact, they pledge never to drink and drive. And with support from a wide range of our brands, the campaign has collected more than 16.88 million signatures since 2008.

Johnnie Walker's sponsorship of Formula 1 partnerships has played a major part in raising awareness and helping us pass our initial target of five million pledges back in 2017. Based on that success, we expanded our ambition to 50 million pledges by 2025, running the campaign in more than 40 countries across five continents.

The connection with Formula 1 is still driving results. At the Formula 1 2018 Johnnie Walker Belgian Grand Prix in Spa-Francorchamps alone, we collected 1,169,338 commitments.

Our #JoinThePact campaign runs alongside multi-agency drink driving programmes that address education and enforcement. Our collaborations with governments and enforcement agencies, as well as our programmes to tackle underage drinking and binge drinking, are described on pages 5-7.

**1.17m**

**Pledges never to drink and drive collected at the Formula 1 2018 Johnnie Walker Belgian Grand Prix.**

### BUILDING THRIVING COMMUNITIES: INDIA

#### Clean water and fresh opportunities for women entrepreneurs

Access to clean drinking water can transform communities. In fact universal, affordable access to what is known as WASH – water, sanitation and hygiene – is a critical public health issue and the focus of UN Sustainable Development Goal 6.

As a business that relies on water, we have a clear responsibility to contribute – and our Water of Life programme has reached more than 10 million people in India and Africa since 2006. But we also see providing access to clean water as an opportunity to broaden our positive social impact in other ways too.

Across India, for example, we have been supporting an innovative programme to install 'water ATMs'. Inspired by cash-vending machines, water ATMs enable people to buy clean, low-cost drinking water, typically provided by a solar-powered borehole and treatment plant. Our 25 ATMs in Nagpur alone have given 45,000 people access to water this year.



Official opening ceremony of one of the 25 water ATMs installed across Nagpur, run by women in the community

And the ATMs create further benefits. In Nagpur and Bhopal, we have trained 287 women entrepreneurs so they can maintain and run the facilities – increasing their incomes, while ensuring the ATMs are at the heart of their communities. For more details of our focus on skills training, gender equality and WASH, see pages 10-11.

### REDUCING OUR ENVIRONMENTAL IMPACT: AFRICA



Water treatment technology at one of our facilities in Kenya

#### Investing £180 million in a climate-resilient future for Africa

Reducing our carbon footprint and improving our water efficiency are core elements of our global environmental programme – and of our long-term commitment to addressing climate change.

In May 2019, we announced a £180 million commitment to sustainable energy and water infrastructure in one of our key regions – Africa.

Through investment in equipment and ongoing maintenance and supply, we are bringing new solar energy, renewable biomass power and water efficiency initiatives to breweries in seven African countries.

New biomass boilers at three breweries in Kenya and Uganda will produce renewable energy, replacing heavy fuel oil. At the same time, we are installing solar power at 12 breweries. Each will produce up to 20% of the brewery's electricity demand.

To improve our water efficiency, we are installing new water recovery and reuse facilities across five sites in Africa, which will save more than a billion litres of water a year.

The investments in Africa are part of our wider approach. We are committed to sourcing 100% of our electricity from renewable sources by 2030. Since 2007, globally we have reduced our greenhouse gas emissions from our operations by 44.7%, and we have improved our water efficiency by 43.8%.

# DIAGEO

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