---------------------------------------------------------------------------------------------------- Diageo 2004

Investing in sustainability

**This second Diageo corporate citizenship report, which has been prepared for everyone with a stake or interest in our business, has a number of key aims. First, it shows how we have invested resources in ensuring that our business continues to prosper sustainably and responsibly within society and the environment. Secondly, it affirms our commitment to corporate citizenship leadership in our industry and gives examples of the actions we have taken in supporting this position. And thirdly it sets out the importance we place on the involvement of stakeholders in our business – indeed the report itself is a contribution to our engagement with stakeholders and to the public debate on the whole area of corporate responsibility.**

Being a good corporate citizen is an ambition enthusiastically embraced at all levels within Diageo. Our board fully supports our actions in working towards sustainability goals – in particular those contained in the UN Global Compact – and endorses the future priorities and specific targets we set out in our report last year. In this publication we have summarised the progress we have made against each of these priorities – in blue ‘future priority’boxes throughout the report – and we will continue to follow them up in future reports. For Diageo as a whole, we will report on our corporate citizenship commitments and performance annually.This will be supported by reports focusing on our businesses in important markets around the world, in which we can respond directly to local stakeholder concerns and set out our impacts at a country level.

The response to our first report, published last year, was very positive. Many who shared their views with us appreciated the comprehensive scope of the document and the example it set in our industry by openly discussing the dilemmas we face. For us, the feedback we received was one of the main benefits of publishing the report. It is part of the active conversation with our stakeholders which allows the important issues to be aired, our impacts to be openly reported and the thinking behind our actions to be clearly understood.The work we have been doing to promote and extend this dialogue is described on page 6 of this report.

We have prepared this report in accordance with the 2002 Guidelines of the Global Reporting Initiative and believe it represents a balanced and reasonable presentation of Diageo’s social, environmental and economic performance.We hope it shows progress against our objectives and urge you to share with us your views on our report and on the issues it raises.

Lord Blyth of Rowington

Chairman

Paul S Walsh

Chief executive

---------------------------------------------------------------------------------------------------- Diageo 2005

KNOWING WHAT’S IMPORTANT

Ask anyone in Diageo and they will tell you that being a good corporate citizen is vital to the long-term success of our business. Its inclusion as an element in all our major business initiatives has the support of the whole organisation. It is enshrined in our own Diageo values and reinforced through our continuing commitment to the ten principles of the UN Global Compact. That commitment identifies Diageo as a company willing to be judged against international standards for its performance as a corporate citizen.

For Diageo, corporate citizenship means acting responsibly in everything we do – where our business impacts on society and the environment, how we govern our company and conduct

ourselves in business. As with individual citizenship, we believe such responsibility confers rights – to trade freely and be treated fairly. Clearly, this balance is essential to the sustainability of our business.

During the year Diageo was assessed as one of the world’s 100 most sustainable corporations (www.global100.org). These were defined as those ‘that produce an overall positive impact on society and the environment’ and that stand the best chance of being around in 100 years because of their demonstrated performance and strategic ability to manage social, economic and environmental issues. We appreciate the recognition from this and other independent surveys, but we do not feel our task is anything like complete. Although we have made good progress during the year and list opposite the main highlights from across our business, we still have a lot to do.

We are often asked what the main citizenship issues are that face Diageo and how we know our stakeholders share our priorities. We put a lot of effort into talking and listening to people with an interest in our business – our stakeholders. This process is explained in more detail in this report. It is vital for us. It confirms what’s important and helps us concentrate our efforts where we can do the most good. Many of the big issues are similar to those facing any large consumer products business – for example, providing fulfilling employment, supporting our communities and managing our environmental impacts. Our efforts in these areas are all covered in this report.

But one topic dominates – you only have to follow the news to know that the issue most important to the future of our business is the role of alcohol in society. We are certain that alcohol beverages have a sustainable future, but we know that it is inappropriate consumption which most attracts criticism of our industry. Diageo alone cannot put a stop to irresponsible drinking, but we are committed to join others and lead the industry in finding ways of addressing inappropriate consumption and promoting responsible drinking.

Community actions are another strong theme of this report. Our history of partnership with Tomorrow’s People, the daring interventions of teams under the Spirit of the Americas programme and the response of Diageo colleagues from across the world to the South-East Asian tsunami disaster are all testament to the meaning we place on the idea of responsibility. They are also evidence that our people really do know and care about what’s important.

This third report has been prepared in accordance with the 2002 Guidelines of the Global Reporting Initiative and we believe it represents a balanced and reasonable presentation of Diageo’s social, environmental and economic performance. We have prepared the report for the widest stakeholder readership possible, attempting to address all the material issues which interest and concern them. We welcome your views on our coverage of your concerns, our priorities and our performance.

Lord Blyth of Rowington Paul S Walsh

Chairman Chief executive

---------------------------------------------------------------------------------------------------- Diageo 2006

VALUE VERSUS VALUES?

At Diageo, we don’t measure success solely in terms of financial return. We take a holistic view of our company’s performance, including our progress against social and environmental policy commitments. We don’t believe we have to choose between financial success and being a good corporate citizen. Creating value and living our values are both essential requirements for the continuing prosperity of Diageo and its development as a truly sustainable business.

Our focus on quality, innovation, seeking out the best talent, driving down costs and beating the competition is behind our achievement of financial success. Equally, we take steps to address the pressing social, environmental and economic issues we face in the communities in which we trade.

Our approach has attracted much independent recognition this year. Diageo earned seventh place among the world’s most admired UK companies, as published by *Fortune* magazine, and was rated fourth of the world’s most admired UK innovators. For the second year, we were included as one of the world’s 100 most sustainable corporations– those judged to have the best-developed ability to manage the environmental, social and governance risks and opportunities they face. And in a survey published in *Management Today*, Diageo headed the list of Britain’s most admired consumer products companies and was ranked seventh overall. We were also judged to be at the top of the quality of goods and services category.

A key factor in our continued commercial success is the strength of our brands. In a recent study of 10,000 spirits and wine brands, Smirnoff, Johnnie Walker and Baileys were judged among the ten most powerful in the world for their ability to generate value. The study, conducted by *Intangible Business*, named Diageo as the world’s number one brand owner overall.

Financial results are readily quantified and ours can be examined in our published accounts. Measuring progress in social responsibility is a less developed science, but one in which we have made advances. This year we have updated our table of priorities, refined our range of performance indicators and further developed our methods of data collection. As a result, we hope this report will provide all our stakeholders with a clear and complete picture of Diageo’s performance as a corporate citizen. As in previous years, we have prepared the report in accordance with the 2002 Guidelines of the Global Reporting Initiative and believe it represents a balanced and reasonable presentation of Diageo’s social, environmental and economic performance.

We were the first alcohol beverage company to sign the UN Global Compact and have a continuing commitment to the compact’s ten principles. In our UNGC communication on progress on page 35, we give examples of actions we have taken to support that commitment. This year we contributed to the establishment of a new Foundation for the Global Compact to help further its aims.

This report contains many examples of how we bring our values to life – for example, through our employees volunteering time in their communities, and through choosing to do the right thing in our work even when it means going beyond what is required by legislation.

A clear message to emerge from these examples is just how far we have come since we began reporting our progress in corporate citizenship four years ago. Our major policies are now embedded in the way we do business day to day. For example, responsible marketing practice is integral to promoting our brands; human rights standards are a regular part of our procurement process; and diversity is an essential theme of employee policy. In summary, our values are brought to bear throughout our value-creating processes.

We welcome your views on our report and its coverage of your concerns, our priorities and our development and performance as a sustainable business.

Paul S Walsh Lord Blyth of Rowington

Chief executive Chairman

---------------------------------------------------------------------------------------------------- Diageo 2007

A decade to celebrate

After Diageo’s formation, we quickly established the structures our young company needed to develop not just as a business dedicated to delivering returns for shareholders, but as an industry-leading corporate citizen with an holistic approach to the long-term aims of sustainability. Within the first six months, we agreed our set of company values and adopted a code of business conduct, responsible marketing code and employee alcohol policy. The environmental working group was set up, the Diageo Foundation created and 1% of operating profit committed to community investment. Further achievements quickly followed.

When we address the range of sustainability issues, our aim is to achieve the continuing success of our business within healthy, prosperous communities and a stable environment. Our first priority, which developed strongly over the last decade, remains to ensure a sustainable place in society for alcohol beverages by taking strong and effective action to reduce the harm that occurs when alcohol is misused. The largest section of this report is rightly devoted to the work we have done to build on our notable track record on this central issue.

The other aspects of our corporate citizenship agenda are also vital to our continuing success. In this, our tenth anniversary year, we have advanced strongly in two such areas.

First, we have directed attention to community involvement. Diageo has long been celebrated for supporting projects that tackle social issues within our communities. This year our International division made its community programme a central part of business strategy. And within this region, Africa has been a particular focus. There, we have set ourselves the goal of providing access to clean water for one million people.

Second, the environment, too, has moved higher on the corporate citizenship agenda. Increasingly concerned about new estimates of the speed and gravity of human impacts on the climate, during the year we reconstituted our environmental working group to formulate an effective response to the threats and opportunities presented by this issue.

In our programme to invest £100 million in new and expanded distilling capacity in Scotland, announced this year, we hope to incorporate environmental features to significantly reduce our impacts there.

Where we can, we work to support external initiatives which share or extend our aims. Our One Million Challenge and HIV/Aids programmes in Africa are a significant contribution to achieving the UN’s Millennium Development Goals. In July, we signed a high-level business declaration that calls on companies to use their resources to help achieve the Goals.

Our approach has earned much recognition. In an assessment of the 120 largest companies in Europe, Diageo was placed in the top ten of the *Good Company Ranking 2007* which selects businesses whose employee policies and forward- looking approaches to environmental and social issues have had a positive effect on their governance and profitability.

As befits the start of our second decade, we are continually looking to set stretching objectives for our employees in the areas of performance, innovation, relationships, reputation, our role in society, our people, culture and values. A revised Diageo leadership standard is already being applied to equip our managers for their role in leading our business through the challenges of achieving our ambitious plans.

We can report progress this year on each of our priority areas and against the ten principles of the UN Global Compact. Our continuing commitment to these principles ensures that we advance on all aspects of sustainability for the continuing benefit of everyone with a stake in our business. We hope this report, which for the first time we have prepared by applying the new G3 guidelines of the Global Reporting Initiative, will provide all such stakeholders with a compelling picture of Diageo as a good corporate citizen.

We welcome your views on our report and its coverage of your concerns, our priorities and our development as a sustainable business.

Lord Blyth of Rowington Paul S Walsh

Chairman Chief executive

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We see our tenth anniversary as a time for looking forward, drawing on our decade of achievement as one business to provide the context for tackling the challenges ahead.

---------------------------------------------------------------------------------------------------- Diageo 2008

GOOD BUSINESS

It is a truism, but one worth repeating, that a business cannot survive in isolation. That it needs employees, customers and suppliers has always been obvious. What has happened in more recent years is that businesses have realised that there are other occupants of their world – their broader stakeholders. And it is also dawning on humanity generally that the earth itself is more finely balanced and prone to damage and that the resources on which we all depend are more fragile than we thought.

This dependency on our stakeholders, communities and environment means we have a strong interest in their future. We benefit from working with our stakeholders, from the prosperity of our communities and from the stability of the environment. Contributing to these ends is an investment in our own continuing success and the sustainability of our business.

The most powerful way for a business to do good is to do good business. Conducting our operations responsibly and with integrity, our activities around the world bring pleasure to consumers and opportunities to employees and business partners. A good example of how growing our own business leads directly to development in our communities is given on page 29 of this report. There, we review our encouragement of grain cultivation locally in Africa, the most recent example of which, in Cameroon, was showcased by the UK government this year as part of its Business Call to Action.

Knowing that we cannot change the world on our own, we aim to lead by example – for instance, through our continuing support for the principles of the UN Global Compact detailed on page 35, the huge ambition of our Water of Life One Million Challenge described on page 14 and the big improvements we have made and plan to make in relation to the environment (starting on page 21). There are times too when it is appropriate to lead by exhortation and this year we endorsed the World Economic Forum’s challenge to business to help strengthen public governance (see page 27), the Bali Communique on climate change (page 21) and the CEO Water Mandate

(page 4).

This approach of setting a good example and encouraging others is of particular importance in

the area of responsible drinking, the issue that impacts most directly on the sustainability of our business.

As in previous reports, the section covering this topic abounds with examples of our responsible marketing activities and our efforts to reduce harm by encouraging consumers and others to adopt responsible attitudes to alcohol.

We hope these examples show that, for us, responsibility isn’t merely a bolt-on function, but an attitude which we bring to the way we do business. It’s what helps define our business because it’s what ensures our sustainable future.

We intend this report, which we have prepared by applying the G3 guidelines of the Global Reporting Initiative, to paint a compelling picture of Diageo as a good corporate citizen. We welcome your views on the report and its coverage of your concerns, our priorities and our development as a sustainable business.

Dr Franz B Humer Paul S Walsh

Chairman Chief executive

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An astute modern business doesn’t treat responsible behaviour as a tick-box process or a marketing exercise; rather it is a driver of long-term growth and an essential component of a company’s all-round success.

‘The most powerful way for a business to do good is to do good business.’

**PAUL WALSH, CHIEF EXECUTIVE**

‘We benefit from working with our stakeholders, from the prosperity of our communities and from the stability of the environment.’

**DR FRANZ HUMER, CHAIRMAN**

---------------------------------------------------------------------------------------------------- Diageo 2009

Committed to our values

When we are faced with a challenging business climate, this is not the time for panic measures. Rather, it is an opportunity to reaffirm our commitment to our values. These fundamental principles guide us in setting policy, our ways of working and our dealings with others – in good times and in bad.

The sustainability of a business is rightly a matter of concern to its stakeholders. Employees put a high price on job satisfaction, investors look for dependable returns, while communities and governments value a stable and supportive business presence in their economies. Such stakeholders often ask whether the work we do in support of sustainability – for example, encouraging responsible drinking, making environmental improvements or supporting our communities – will be cut back in times of financial uncertainty.

The answer is that all business decisions – including those that involve investing in these areas – must be made in the light of available resources, and these are inevitably more stretched when economic growth falters. Nevertheless, such pressures will not deafen us to stakeholders’ concerns, compromise our values, divert us from our policies or commitments or undermine our principles of responsible business. At the core of this report is an account of these values and the actions we have taken, and continue to take, to support the sustainability of our business through whatever economic conditions we encounter.

We know that we cannot change the world on our own. Through our participation and continuing support for the UN Global Compact and its CEO Water Mandate, we can both learn from others and show leadership – for example, through the huge ambition of our Learning for Life programme and 1 Million Challenge described on pages 11–12 and the big strides we have made and plan to make in relation to the environment (starting on page 18).

We know the power of acting with others. Our community investment and responsible drinking programmes benefit hugely from the expertise that NGO, industry, government and other partners can bring. And this year we endorsed a number of business declarations that called on world leaders to take action. These included one to mark the 60th anniversary of the Universal Declaration of Human Rights and two on climate change – the Poznan Communiqué and Caring for Climate.

That challenging times are an opportunity to reaffirm a commitment to fundamental values is as true for governments as it is for companies. We recently joined with others to urge the leaders of the G20 nations, meeting in London in April 2009, to renounce protectionist measures and instead to stimulate world trade which, for six decades, has done so much to reduce poverty and create the conditions in which the Millennium Development Goals might be achieved.

In total, we hope this report paints a compelling picture of Diageo as a good corporate citizen. We welcome your views on the way we’ve reported the issues that interest or concern you, and on our development as a sustainable business.

Dr Franz B Humer, Chairman

Paul S Walsh, Chief executive

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Our values

*We are passionate about consumers*

Our curiosity and consumer insights drive our growth. We cherish our brands; we are creative and courageous in pursuing their full potential. We are innovative, constantly searching for new ideas.

*We value each other*

We seek and benefit from diverse people and perspectives. We strive to create mutually fulfilling relationships and partnerships.

*We give ourselves the freedom to succeed*

We trust each other, we are open and seek challenge, and we respond quickly to the opportunities this creates.

*We are proud of what we do and how we do it*

We act responsibly with the highest standards of integrity.

*We strive to be the best*

We are always learning, always improving. We set high standards, we stretch to exceed them and we celebrate success.

‘We know the power of working with others’

---------------------------------------------------------------------------------------------------- Diageo 2010

CEO msg 없음

---------------------------------------------------------------------------------------------------- Diageo 2011

Chief executive’s introduction

**This has been a year of progress for Diageo. Our business is strong and becoming stronger. We are on track with the majority of our sustainability and responsibility targets. We also instituted a significant reorganisation of the business and our new configuration reflects our strategic focus on high-growth opportunities in traditional and emerging markets.**

**Supporting our commercial strategy**

Creating value for shareholders must be a principal concern of any business. At Diageo, we also recognise that our business must be sustainable in every sense – an important pre-condition for our commercial success. This year’s financial results illustrate performance that is both successful and enduring. For the tenth consecutive year we grew our organic top and bottom lines. Our net sales were over £9.9 billion, and we had an operating profit of £2.6 billion. We continued to deliver operating margin improvement.

**Sustainability performance: a driver of growth**

This performance demonstrates an inherent strength in our business and a sustainable model for value creation, and I am sure that our focus on our social and environmental impacts gives us a competitive edge.

Diageo does not operate in a vacuum. To succeed we require the goodwill of many stakeholders, from investors and employees, to governments and our communities.

We have pursued this approach in good times but also in more challenging circumstances. We aim to manage our business with an eye to the long as well as to the short term. That means, for instance, being prepared to continue to make bold investments which will create a longer-term return.

**Long-term investment in water and the environment**

Our decision to build a state-of-the-art bioenergy plant at our Cameronbridge distillery in Scotland is an illustration of this point. I am proud that we invested significant capital in efficient, new, green technologies for a long-term environmental gain that aims to remove virtually all effluent discharge from the site, recycle almost a third of its water and, crucially, supply 85% of its power from an on-site renewable source.

We make such investments to preserve the resources that our company, and the communities in which we operate, rely on. As a beverage company, this is particularly true for water. We have set challenging operational targets to reduce water wasted in water-stressed regions and complement this work with programmes such as ‘Water of Life’ that has brought clean water to millions of people since it launched in 2006. I am particularly proud of the contribution of our employees to these programmes.

**Our role as a global beverage alcohol company**

As a responsible company, we want to ensure that drinking alcohol continues to play a positive role in society – core to Diageo’s purpose to celebrate life every day, everywhere. We recognise that different cultures and religions have a range of views about alcohol’s role. This dictates that we work in partnership with stakeholders in our communities to tackle alcohol misuse.

We also contribute to the economic development of these communities, for example through our Learning for Life programme which, since 2008, has helped over 50,000 people gain valuable skills and find jobs.

**Sustainability in a changing market**

In the years to come there will be a shift in the balance of economic power from the developed world – principally North America and Western Europe – to the emerging markets of Africa, Latin America, Asia and those in Eastern Europe. Growth in these regions in the next decade is likely to outstrip that in our traditional markets, and very soon

I expect them to represent at least half of our business.

This shift will benefit Diageo and our stakeholders over the long term, and in May 2011 we announced a reorganisation to position ourselves to take advantage of this opportunity. In the immediate future the changes we have made will have difficult consequences for a number of our people, particularly in Western Europe and North America. We will support our employees through this change. Above all our aim is to ensure that stakeholders old and new will always value doing business with Diageo.

Paul Walsh

Chief executive

Read more: go to [www.diageoreports.com/sr/ceo-statement/](http://www.diageoreports.com/sr/ceo-statement/)



---------------------------------------------------------------------------------------------------- Diageo 2012

Chief executive’s introduction

That commitment is important for many reasons. It is closely aligned to our company values and it creates long term value for the business.

It helps build our reputation with stakeholders and protects our licence to operate. It delivers business efficiencies and security of supply.

It helps us engage suppliers, customers, consumers and employees. Very significantly, it drives competitive advantage with key stakeholders in the emerging markets which are increasingly important for our business.

Our purpose is ‘celebrating life, every day, everywhere’. We are proud that our brands are a part of celebrations around the world, but our purpose goes broader.

It is underpinned by respect for all those our business touches.

Much of my time is spent in our businesses in market. I have the chance to see first-hand the beneficial impact our work has had on our stakeholders around the world. For example,

I have talked to small-scale farmers in Africa who are part of the network of tens of thousands that supply our business. I have seen first-hand how our partnerships – which combine commercial contracts and financial support and training – have improved livelihoods and secured the resources we need for our business to grow.

In Nottingham, England I saw the success of a programme that we support to create a responsible night- time economy. Today, the number of programmes that we support to tackle alcohol misuse totals more than 300 in 49 countries.

I’ve visited many of our operations where we drive our environmental targets – which are among the most challenging in the consumer goods sector. This year we recorded progress on all our operational targets. In particular, our work to reduce greenhouse gas emissions by nearly

10% while increasing production year on year is a significant achievement.

Other highlights include our Water of Life programme in Africa, where we aim to bring water to eight million people by 2015; our Learning for Life programme in Latin America,

where we have trained more than

63,000 people to enter the job market; and the Diageo Bar Academy in Asia Pacific, where we have trained almost 20,000 bartenders how to serve alcohol responsibly.

Of course, we have also had some disappointments. For example, while we have made progress in promoting a Zero Harm culture, I am saddened

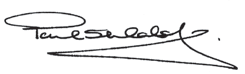
to report that one of our employees died following a road traffic accident in Nigeria. One death is one too many. Our sympathies go to his family and our efforts to stop any recurrence are redoubled. We will place even more emphasis on preventing accidents in the workplace: our people’s safety is our number one priority.

As our business grows, making a positive contribution to local communities demands a clear understanding of the differing needs of each of those communities.

This year we completed the reorganisation of our business, devolving operational decision- making and responsibility to 21 business units. We will now sharpen

our focus on a local approach to sustainability and responsibility. Our global strategy remains the same – along with our commitments to important international frameworks such as the UN Global Compact and CEO Water Mandate. We are increasingly geared to ensure greater responsiveness and flexibility, prioritising those issues that are most important to our local businesses and their diverse stakeholders.

I am proud of what we have accomplished to build a responsible and sustainable company, though I recognise that there are many opportunities and challenges ahead of us. We will continue to drive these efforts and look for solutions that benefit both Diageo and the many communities in which we work and live around the world.



Paul S Walsh, Chief executive

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**Diageo is a strong business, growing stronger. In what remain most challenging economic conditions, I am proud that we have delivered excellent growth. We have built a business which is increasingly recognised for the strength of its brands, its growing focus on high-growth markets and its agility in managing resources.**

**As detailed throughout this report we are also known for our strong commitment to sustainability and responsibility.**

**“Driving strong performance in sustainability and responsibility is in the long term interests of our company. It helps ensure that we can both deliver returns to shareholders and benefit the communities whose lives we touch. It is my firm belief that the most genuinely strategic and forward-looking businesses treat sustainability as a core component of business delivery.” Paul S Walsh, Chief executive**