

Preserve Water for Life

This document describes our commitment and approach to preserving water for life, and details how we plan to achieve our ambitions and monitor our progress.

Context

Water is our most important ingredient. It is also a precious shared resource which is under pressure in many parts of the world. Managing our impact on water, and being good stewards of this essential resource, is a business and sustainability priority.

We also recognise the role that climate change has in disrupting the water cycle and we consider water stewardship as being integral to managing climate risk. We aim to create a water resilient value chain and work towards a net positive water impact in our water-stressed supply chains and beyond.

Our strategy to Preserve Water for Life is one of three core pillars of commitment upholding Diageo's strategic aim of 'Pioneering Grain to Glass Sustainability'. Grain to Glass Sustainability is a key priority of 'Society 2030: Spirit of Progress' – our 10-year action plan for building a more inclusive and sustainable world, which sits at the very heart of our business strategy and performance ambition. For more information on our

Society 2030 priorities and commitments, and how they fit with and support our broader business agenda, please [visit our webpage](#).

Diageo has adopted the Alliance for Water Stewardship's definition of Water Stewardship. "The use of water that is socially and culturally equitable, environmentally sustainable and economically beneficial, achieved through a stakeholder-inclusive process that includes both site and catchment-based actions."

We have a strong track record in water stewardship and have been working to preserve water resources for many years.

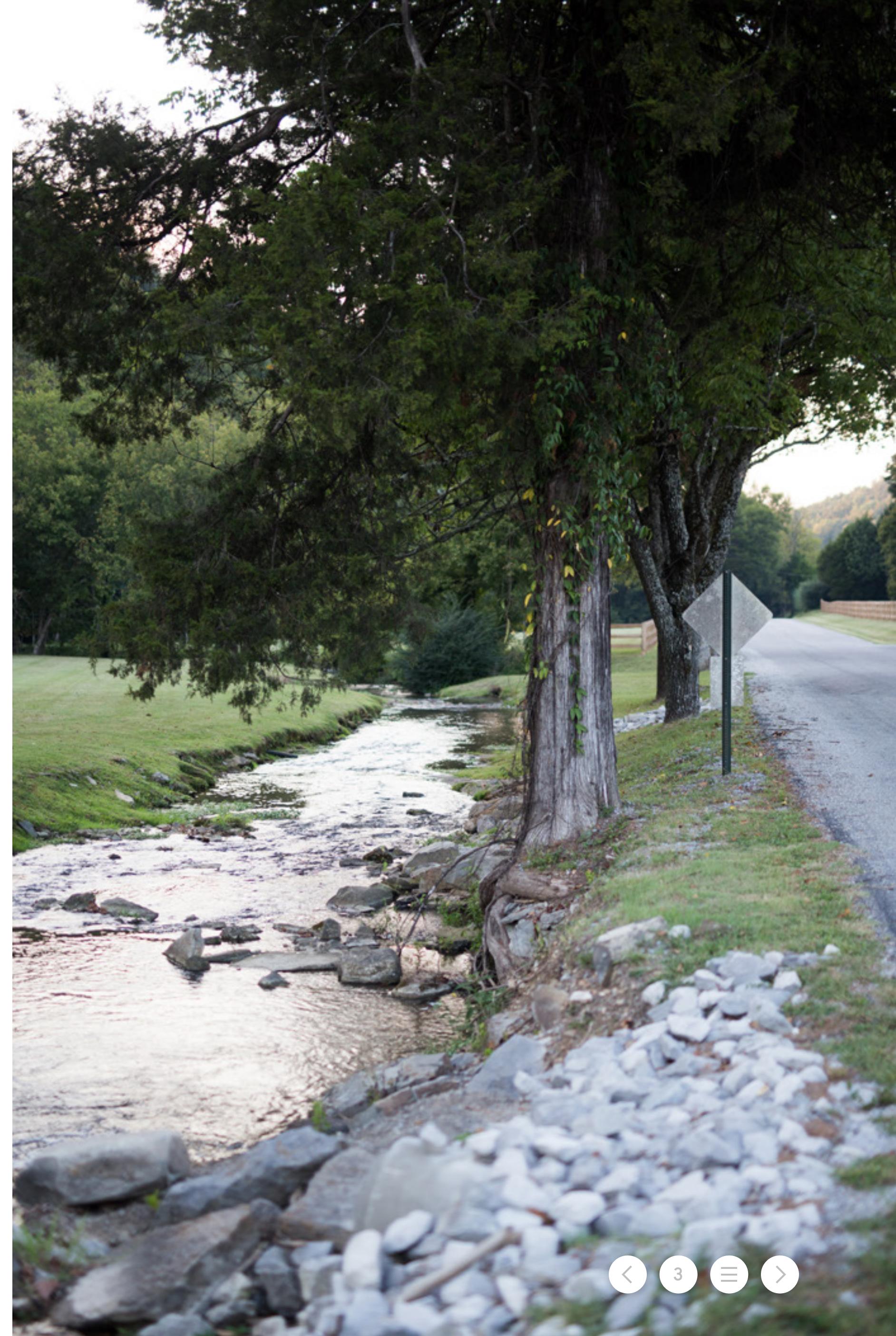
To date, our water stewardship programme has more than halved the normalised water consumption at our operations¹, and in water-stressed areas we aim to replenish more water than we use in direct operations.

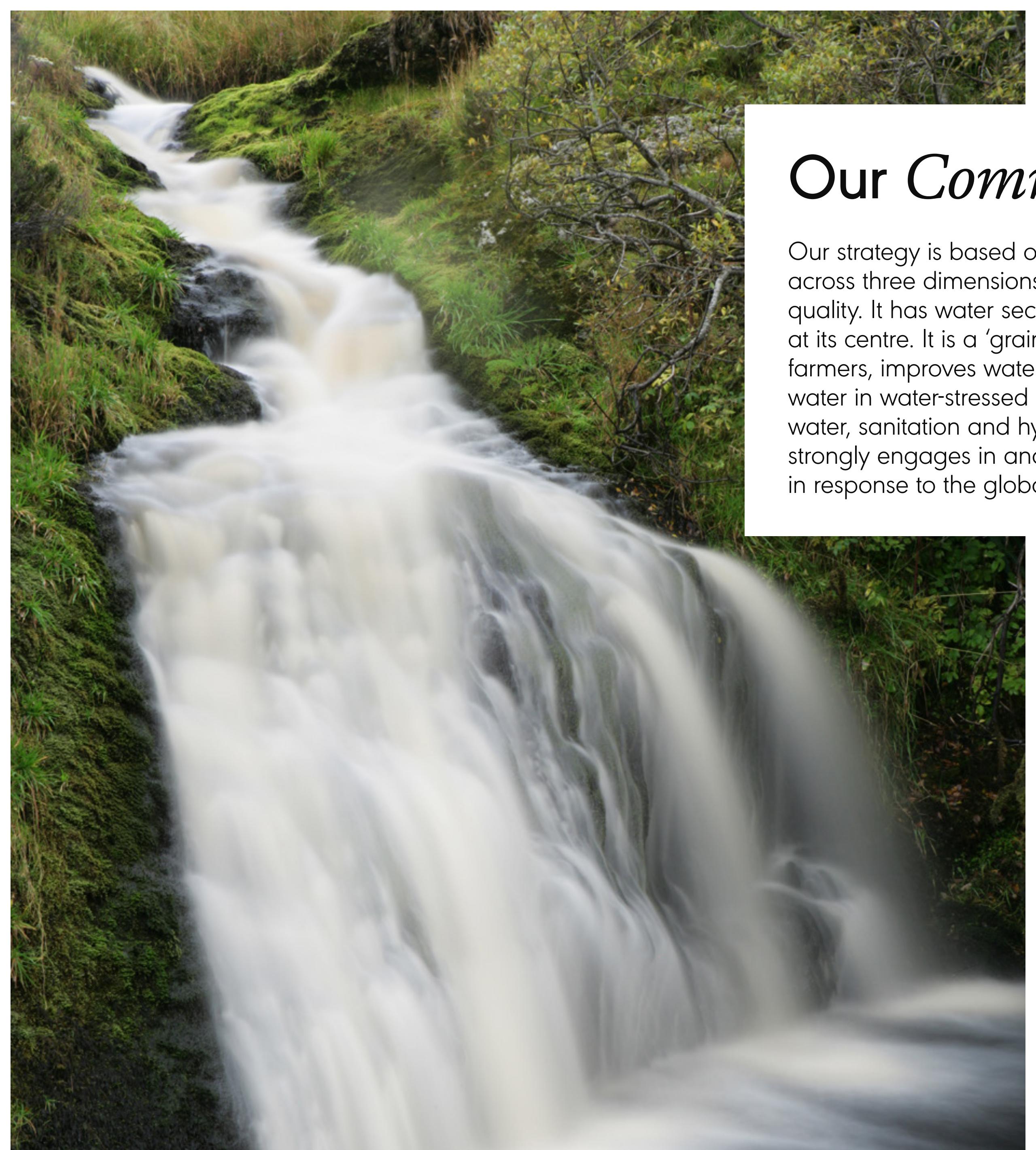
Our Direction Of Travel

Our Water Blueprint, first published in 2011, and subsequently updated, outlined how we planned to protect and manage our water resources globally, particularly as we expanded into new markets. Since then we have made significant improvements in the water efficiency of our operations and increased our understanding of water management and security in our supply chain.

We have also replenished water in vulnerable catchment areas through, for example, reforestation, wetland restoration, pond desilting, water capture, and water sanitation and hygiene (WASH) programmes.

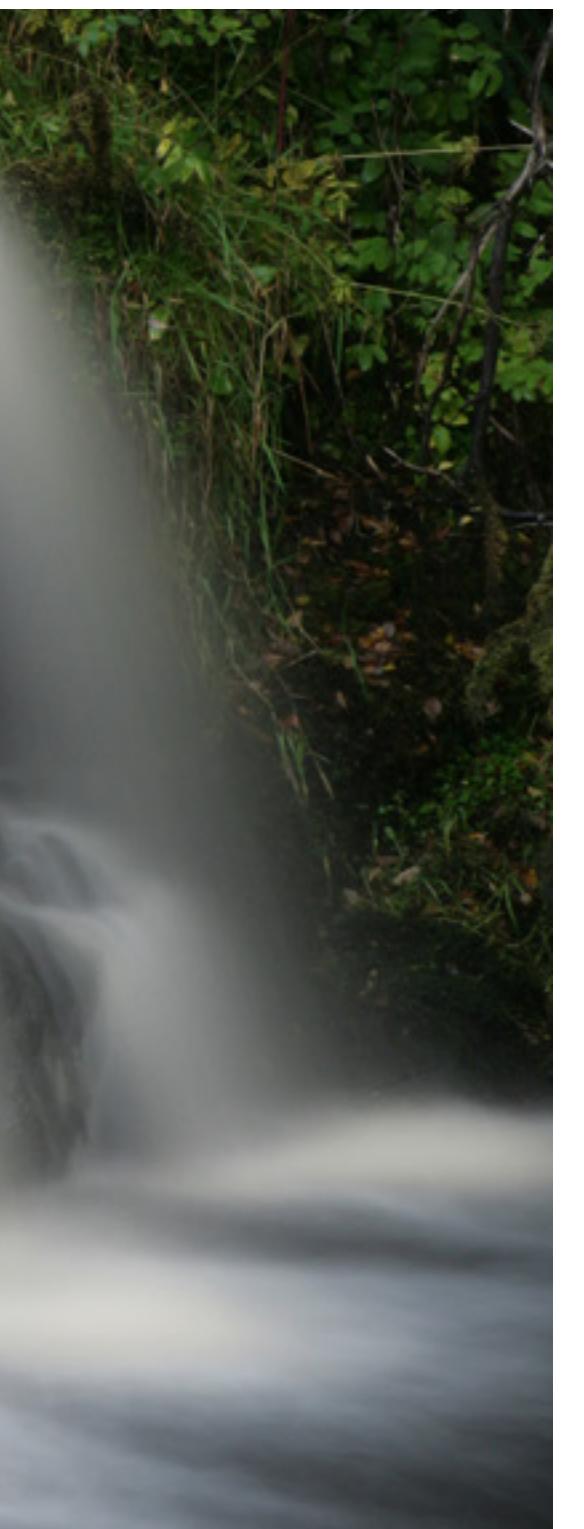
Building on the progress made, and lessons learned so far, this strategy outlines how we will continue to prioritise water stewardship across our value chain, especially in the water-stressed communities and supply chains in which we operate.





Our Commitment

Our strategy is based on best practice water stewardship across three dimensions: water accessibility, availability and quality. It has water security and the health of local watersheds at its centre. It is a 'grain to glass' approach which supports farmers, improves water use in our operations, replenishes water in water-stressed catchments, provides access to clean water, sanitation and hygiene for local communities and strongly engages in and advocates for more collective action in response to the global water crisis.



We also recognise that good water stewardship is an integral part of our climate, nature and sustainable agriculture strategies due to the critical inter-relationship between water, climate, biodiversity and agriculture.

Partnership, collective action, and collaboration underpin our strategy and are key aspects of our commitment to contribute to achieving UN Sustainable Development Goal (SDG) 6: Clean Water and Sanitation for All.

We are committed to meeting all regulatory requirements pertaining to water use and management within all markets that we operate. We regard this as a minimum level of performance, which we strive to go beyond. Our expectations for all sites are set out in our internal Water Management Standard² and expectations for our suppliers are defined in our 'Partnering with Suppliers' Standard.

Diageo is a long-standing member of the UN Global Compact and endorses the UNGC CEO Water Mandate, a global commitment platform for corporate water stewardship.

We are also founding members of the Water Resilience Coalition, created in 2020 to elevate global water-stress to the top of the corporate agenda. As members of the coalition, Diageo supports the following WRC pledge which aims to achieve the below by 2050, through both individual and collective actions:

- **Net positive water impact:** Achieve a measurable and net positive impact in water-stressed basins on availability, quality and accessibility through industry-leading water operations and basin initiatives
- **Water-resilient value chain:** Develop, implement, and enable strategies to support leading impact-based water resilience practices across the global value chain
- **Global leadership:** Raise the global ambition of water resilience through public and corporate outreach.

Diageo is also an active member of the Alliance for Water Stewardship (AWS) the WASH4Work initiative and is a signatory to the UNFCCC's Race to Resilience initiative.

These global memberships and alliances, which are supplemented with many local partnerships, affirm and inform our commitment to sustainable water management practices in our operations and supply chain.



Our 2030 Targets

As part of our Society 2030: Spirit of Progress plan, our water targets are:

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

Water in Our Supply Chains

Pioneer sustainable water management in our supply chain

Water stewardship in our supply chain is fundamental to our strategy given the overall impact of water use by suppliers – particularly by farmers, with agriculture typically contributing 80-90% to our brands' water footprints³ – as well as by our third-party packaging and manufacturing sites.

We will work with key suppliers⁴ to encourage water stewardship through improved efficiency and better management, and we will work towards building resilience in our agricultural raw material supply chains, a significant majority of which are rain-fed, and therefore susceptible to changing climates and weather patterns.

To understand the direct and indirect impacts of climate change and water-stress on our business and supply chain, we undertake assessments of physical and transition climate risks in the areas where we operate and use climate scenarios to help us develop detailed mitigation and adaptation plans.

We also conduct regular water-stress assessments of our operational footprint to identify water-stressed areas where we operate, and their associated supply chains, where materials are sourced local to our operations.

These assessments help us prioritise water basins that are business critical and will focus our work to increase the climate and water resilience of our supply chain.

Our strategic actions for water in our supply chains include:

Support raw material suppliers in meeting Diageo water stewardship expectations

Our 'Partnering with Suppliers' Standard requires that our suppliers understand their water usage in the context of local availability and quality and manage it appropriately to support sustainable water stewardship. Suppliers identified as having high water risk will be required to adopt best practice stewardship – reporting water use, risks and management, and improving performance and reducing impact across their value chains.

Our Sustainable Agriculture Guidelines provide support to these requirements including guidance regarding water stewardship. We will continue to enhance these guidelines in line with best industry practice, including as outlined by the Alliance for Water Stewardship standard.

Support smallholder farmers within water stressed areas to build improved economic and environmental resilience

We have committed to supporting 150,000 smallholder farmers in water-stressed areas with agricultural skills and resources, building economic and environmental resilience.

This includes equipping smallholder farmers in our supply chain with skills and knowledge to protect water resources in our most water-stressed locations. Where appropriate, we also source local agricultural raw materials well adapted to their local conditions, such as sorghum and cassava which are more drought tolerant.

Support suppliers of irrigated agricultural crops in achieving best possible water efficiency.

Although a significant majority of our suppliers practice rainfed agriculture, we encourage suppliers of irrigated agricultural commodities to report regularly on their water use, water management measures, and progress against targets by means of the CDP Supply Chain Water Programme.

Our ambition is that 50% of all irrigated agricultural commodities purchased by us, from water stressed areas, have best in class water efficiency.



Water in Our Operations

Deliver best-in-class water stewardship in our sites & operations

Water is essential for our products; over 90% of beer and 60% of spirits we produce is water. We also use water in the production process to clean, cool, lubricate, convey heat, pasteurise, germinate, and steep grain. It is our ambition to deliver pioneering water stewardship throughout these processes, and across our sites.

We will continue to prioritise water-use efficiency across all our sites and aim to improve efficiency across the business, by 30%, by 2030. Continued day-to-day water improvements at our facilities will be achieved by implementing our stringent Internal Water Management Standards.

We aim to assess our operations every two years to identify areas of water-stress across our portfolio of sites. We do this by using the WRI Aqueduct tool, site surveys, and local third-party expertise. This helps us to prioritise our water-related action where it is most needed. Our most recent assessment identified that approximately one third of our sites are located in water stressed areas. Every year, we publish the most up to date map of water-stressed locations in our annual report⁵.

We also prioritise certain water basins for specific, focused intervention. We do this by identifying business critical sites which are located in high-water-stress areas.

Improve water use efficiency

To achieve greater water efficiency, we will continue to prioritise water use by means of operational efficiency projects, behavioural change programmes, and investment in water recycling and re-use technology. Our focus will be on sites located in water-stressed areas, where we aim to reduce water consumption by 40% from our 2020 baseline. To help achieve this, all our sites in water-stressed areas will need to reuse or recycle water. Across the business as a whole, we aim to improve efficiency by 30%, by 2030.

Discharge wastewater safely and in compliance with all regulatory and Diageo water quality requirements.

Our internal Water Management Standard sets stringent criteria for water use and wastewater discharge in order to meet or exceed regulatory requirements, including returning wastewater in a state that does not harm the receiving water body or ecosystem and, where there is opportunity, maximises circularity solutions. We use water quality indicators to manage performance and to drive

further innovation and improvements in our effluent management. As water management relates to local catchments and ecosystems, we adopt a holistic, context-based water stewardship approach to managing wastewater, based on robust scientific assessment. This includes commissioning Environmental Impact Assessments at priority sites to inform specific, local watershed solutions.

Certify all Diageo sites in priority water basins to the Alliance for Water Stewardship Standard

Implementing this standard to certification level means that sites in priority water basins are independently verified as acting in accordance with global best practice water stewardship.

Conduct source vulnerability assessments and develop climate mitigation plans

We will undertake source vulnerability assessments in our water-stressed operations to improve understanding of catchment level water risk, develop mitigation plans for water security, and target investment where required.

We will assist all our sites in water-stressed areas in developing a climate mitigation and adaptation plan, which will include water resilience measures.

Undertake life cycle water footprints for our top brands

We carry out detailed, data-driven assessments of our impact on water throughout our operations and supply chain, considering the water embedded in our products, through to water used to grow our raw materials. These assessments provide an analysis of both the carbon and water impact for brands and drive interventions to improve water performance.

Facilitate innovation and new technology

Innovation and new technology will be necessary to meet our water efficiency targets. We will do this through our own R&D as well as through collaboration with other innovators via our [Diageo Sustainable Solutions](#) programme.



Through the Diageo Sustainable Solutions programme, we invite innovators to collaborate on sustainable technology and practices.

Water will be an integral part of the challenges that the Sustainable solution programme tackles on our 2030 journey.



Water in Our Communities

Achieve an overall positive impact on catchment water resources

We have a long tradition of investing in local communities. For the last two decades, we have worked with local NGOs to improve access to clean water, sanitation and hygiene (WASH) and, since 2015, have implemented a comprehensive water replenishment programme where our sites are located in water-stressed areas.

It is an important contributor, together with our collective action commitment, to our ambition to contribute to an overall net positive impact on catchment water resources, particularly in priority water basins.

We have extended our replenishment programme and aim to replenish, in local catchments, all our consumptive water used at sites located in water-stressed areas. This requires working closely with expert local partners and NGOs to ensure our projects deliver measurable improvements and solutions to local water issues, and that they engage and empower local communities, particularly women.

Our strategic actions for water in our communities include:

Replenish more water than we use for our operations for all of our sites in water-stressed areas

Our replenishment programme is based on the World Resources Institute's Volumetric Water Benefit Accounting method⁶ and includes projects such as reforestation, wetland restoration, desilting ponds, rainwater harvesting, aquifer recharge, and water sanitation and hygiene (WASH) programmes. Replenishment targets are calculated based on all consumptive water used per site; tracked and reported by site; and consolidated into a market target. All projects are implemented in the relevant water stressed catchment.

Invest in improving access to clean water, sanitation, and hygiene (WASH) in communities near our sites and local sourcing areas in all of our water-stressed markets

In areas where we source agricultural raw materials and in areas where our sites are located, we will continue to work to reduce water-stress and water poverty, including contributing towards local infrastructure improvements.

This work is underpinned by our support for the human right to water and sanitation, as stated in United Nation's Sustainable Development Goal SDG 6: 'Clean Water and Sanitation for All'

Engage in collective action with communities in our priority water basins, to improve water accessibility, availability and quality and contribute to a net positive water impact

We are committed to active collaboration in our priority water basins. This commitment is demonstrated by joining existing, and helping establish new, basin-wide, multi-stakeholder collaborations. This collective action aims to address the broader systemic water risks in these areas that, combined with our replenishment programme, contribute to achieving a net positive water impact.

We are signatories to the WASH4Work "WASH at the Workplace" pledge and implement its commitments in our own operations, ensuring appropriate access to safe water, sanitation and hygiene for all our employees, and encourage suppliers to do the same.

We foster community ownership of the projects that we support, in order to facilitate broad and lasting impact. Exploring innovative models and incorporating cost recovery and capacity-building elements into these projects, can help sustain their long-term operation. An added benefit is to encourage broader socio-economic development and social inclusion.

Water Advocacy

Advocate as global water pioneers to lead the business community

We are dedicated to addressing the global water crisis and accelerating the progress needed to achieve UN SDG 6: 'Clean Water and Sanitation for All'. Strong advocacy is needed to drive increased recognition and action on the water crisis, in local, national, and international forums.

We are committed to working with businesses, governments, NGOs, civil society and other stakeholders to support and advocate for a global call to action to address global water challenges and to promote meaningful co-ordination of policy, priorities, and interventions.

We will continue to invest in industry and multi-stakeholder initiatives, actively participate and constructively influence the development of best practice in water stewardship, and campaign for more organisations to take tangible action on the global water crisis. We are long-standing members of the UNGC CEO Water Mandate, Alliance for Water Stewardship, Beverage Environment Industry Roundtable, and Water Resilience Coalition.

We are also proud of our long term strategic partnership with WaterAid, supporting our strong advocacy programme and implementation of WASH in water stressed countries.

We also participate in the UNFCCC's Race to Resilience initiative, which aims to build the resilience of 4 billion people from vulnerable groups and communities to climate risks. We will continue to seek out new opportunities, locally and globally, to use our leadership and experience on water stewardship to create positive change.

As part of this advocacy:

Delivery of targeted water campaigns with our employees, customers and supply chain partners

We will mobilise positive action at a local level to address the water crisis, using World Water Day and other key dates as a focus for activity.



Diageo are a member of WASH4WORK:

An initiative to mobilise business to improve access to water, sanitation and hygiene (WASH) in the workplace, communities where workers live, and across supply chains. The initiative, a response to the UN deputy Secretary-General's 'Call to Action on Sanitation', will

enable partners to align, coordinate and expand existing efforts in this area, while serving as a means for greater private sector engagement in efforts to achieve the new Sustainable Development Goals. Collaboration via WASH4WORK will help to improve health outcomes, stimulate economies, contribute to business growth, and help people realize their human rights to water and sanitation.



Our Preserve Water for Life Strategic Approach & 2030 Targets

Our strategic approach is built across four pillars:



Water In Our Supply Chain

Pioneer sustainable water management in our supply chain



Water in Our Operations

Deliver best-in-class water stewardship in our sites & operations



Water in our Communities

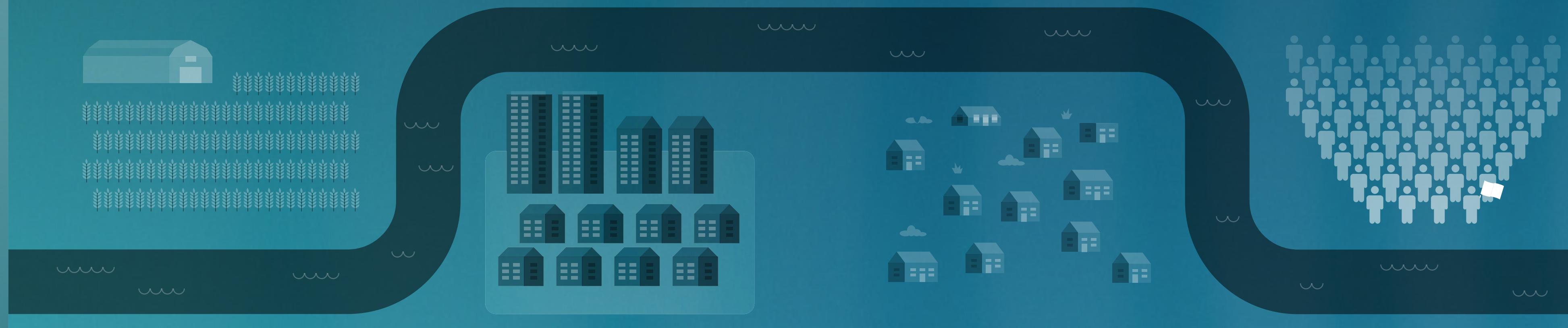
Achieve an overall positive impact on catchment water resources



Water Advocacy

Advocate as global water pioneers to lead the business community

Our approach focuses on where water action is needed most. We undertake regular assessments to understand which of our sites are located in water-stressed areas and prioritise our water commitments accordingly.



Water in Our Supply Chain

- All raw material suppliers achieve Diageo water management standards.
- 150,000 smallholder farmers in water stressed areas, supported with agricultural skills and resources, building economic and environmental resilience.
- 50% of all irrigated agricultural commodities in water stressed areas have best in class water efficiency.

Water in Our Operations

- Reduce water use in our operations, with a 40% improvement in water use efficiency in water-stressed areas and 30% improvement across the company.
- All sites return discharged water safely and meet Diageo Water Management Standard.
- All our sites in our Priority Water Basins are certified to the Alliance for Water Stewardship Standard.

Water in Our Communities

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

Water Advocacy

- All our water stressed markets have water issues embedded in public policy planning.
- Deliver targeted water campaigns with our employees, customers and supply chain.
- Actively participate in global and local multi-stakeholder water stewardship initiatives, campaigning for tangible action on the global water crisis.



Accelerating to a Low Carbon World

The global climate is already changing, with governments and scientists across the world declaring that humanity is in a **climate emergency**. We need significant science-based action to create a sustainable low carbon future and limit the damaging effects of **climate change**.

Context

Diageo fully supports the [Paris Agreement](#), the [COP 26 Glasgow Climate Pact](#) and we are a proud signatories to the [Business Ambition for limiting global warming to 1.5°C above pre-industrial levels](#) and the [High Level Climate Champions Race to Resilience](#).

Ensuring we meet this pathway is vital for mitigating our impact and reducing the damaging changes to people and our planet, that climate change can bring.

Our approach to achieving our ambitious emission reduction targets, as set out in this strategy, highlights our commitment to acting with urgency and decisiveness. Core to our strategy is prioritising direct action to reduce greenhouse gas emissions and getting as close to absolute zero as possible, only neutralising residual emissions.

Accelerating to a low carbon world is part of Society [2030: Spirit of Progress - our 10-](#)

[year ESG action plan](#) for creating a more inclusive and sustainable world. Society 2030 encompasses our goal to mitigate and adapt to climate change through our commitment to pioneer 'Grain to Glass' sustainability. In the communities where we live, work, source and sell we are committed to supporting a just transition, underpinned by our inclusivity & diversity goals, to ensure we improve human and social capital whilst meeting our decarbonisation goals.

Our emission reduction strategy recognises the inherent linkages between moving to a low carbon world and our other priorities such as protecting water resources, enhancing biodiversity and driving innovation throughout our supply chain to reduce emissions and our reliance on the earth's finite resources.

We acknowledge that this net zero strategy supports a wider business approach to managing climate impacts. By prioritising both mitigation (reducing our contribution

to climate change) and adaptation (proactively responding to a changing climate and its impact on our business and the farming communities we depend on for our raw materials and ingredients), we aim to find a resilient and equitable pathway to a low carbon world. Reporting our climate related progress publicly every year against recognized frameworks such as [CDP](#) and [TCFD](#) demonstrates our ongoing commitment.

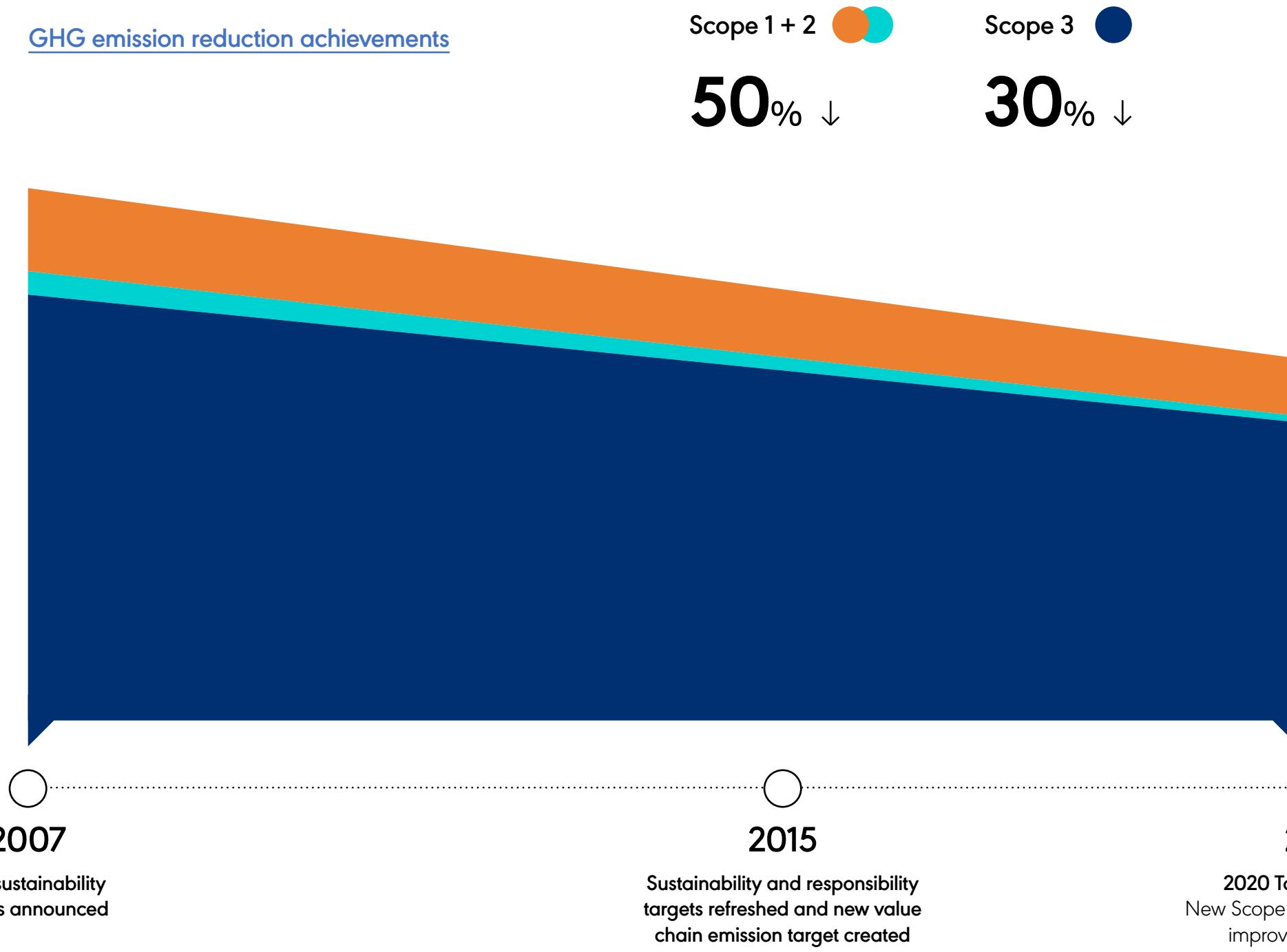
We have taken steps over many years to understand and address climate change impacts through our work on championing sustainability. Our approach to becoming a more sustainable business is framed by the [UN Sustainable Development Goals](#), with Goal 7 'Affordable and Clean Energy', and Goal 13 'Climate Action' being a particular focus area for accelerating to a low carbon world.



Our Progress

Diageo 2007 to 2020

GHG emission reduction achievements



We have made significant progress in tackling our greenhouse gas emissions. Since 2007 we have halved our GHG emissions across direct operations and achieved a reduction of one third in absolute GHG emissions across our total value chain, achieving our ambitious 2020 sustainability & responsibility emission reduction targets.

To make sure we can measure and monitor future progress against our ambitious targets, we are addressing climate change in a detailed and systemic way. We have worked hard to improve the way we collect data on GHG emissions and are actively encouraging our suppliers to do the same.

Better data has allowed us to set more stretching targets on a new baseline year of financial year 2020, that are grounded in science and will stimulate change.

Our emissions data collection, accounting, and target setting is undertaken in accordance with the [WRI/WBCSD Greenhouse Gas Reporting](#) and [Diageo's reporting methodologies and protocols](#).

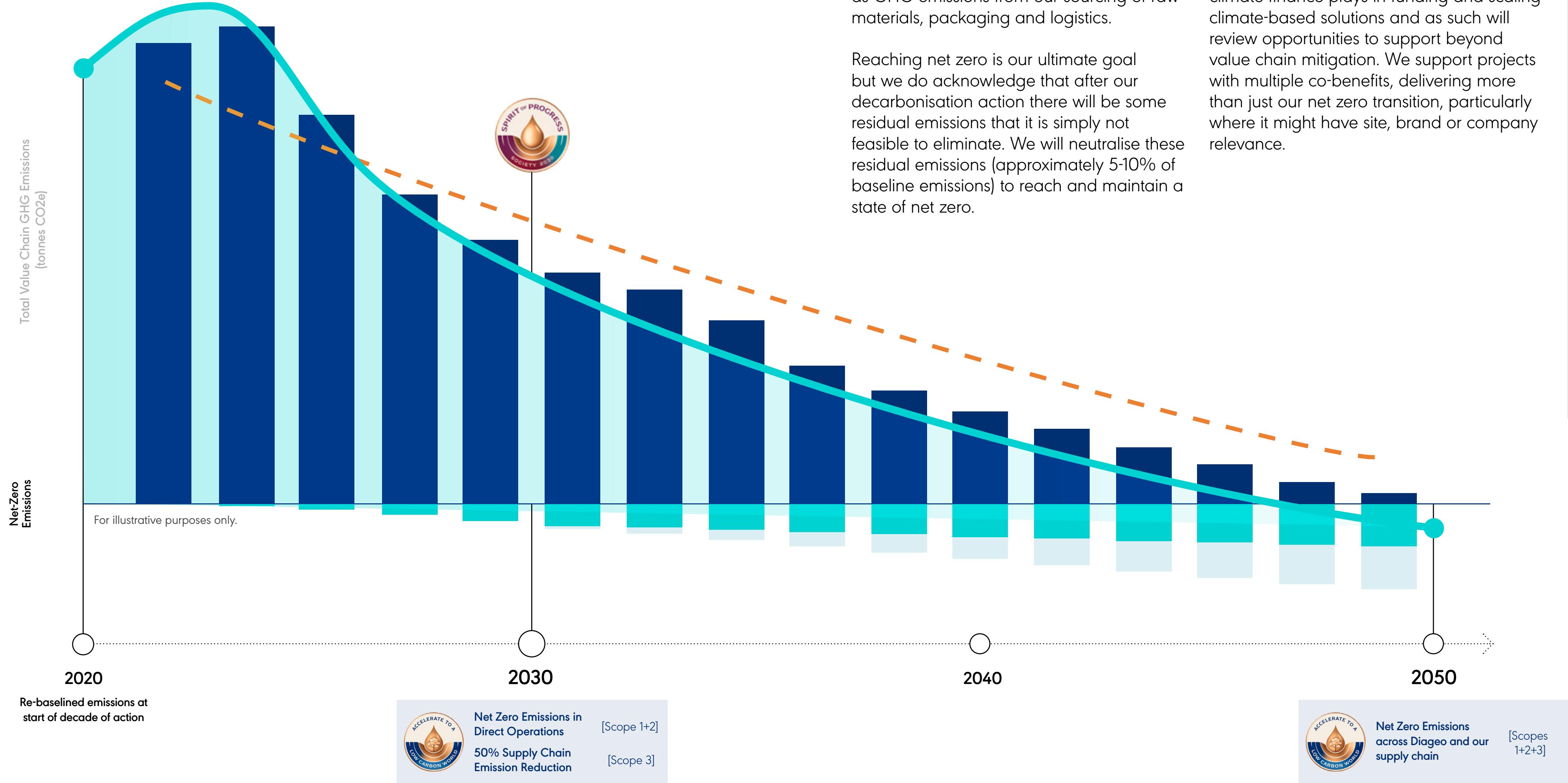
We have already made a considerable reduction in our Scope 1 GHG emissions (emissions from on-site energy consumption and owned vehicles relating to our direct operations), as well as our Scope 2 emissions (emissions from the electricity, steam, heating and cooling that we purchase), by reducing our energy demand, and by increasing our use of renewable energy.

We've also partnered with our suppliers to reduce our Scope 3 GHG emissions (emissions related to our supply chain activities), including through reducing emissions from raw materials and packaging, in concert with our sustainable packaging targets.

Our 2020 emissions footprint encompasses the impact of our products across our value chain, providing us with an accurate understanding of where we are now, and more importantly, what we need to focus on going forwards.



Our Pathway to Net Zero



Carbon Removals

Our approach is to directly abate GHG emissions but it will also be necessary to neutralize residual emissions and also to compensate emissions on our journey to net zero and beyond.

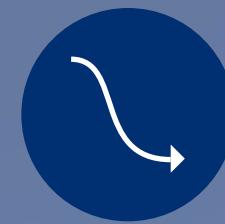
Taking action in this area is based on best practice guidance, focusing on high-quality, nature-based solutions that don't just remove carbon from the atmosphere, but also have wider co-benefits. Prioritising emission removals in our own value chain is also important as we continue to support a number of projects in our Society 2030: Spirit of Progress action plan.

While the number of voluntary carbon credits we buy is relatively small, we use recognised standards such as the [Gold Standard](#) or [Verra](#), who aim to ensure that projects that remove carbon from the atmosphere also deliver benefits for people and the planet in line with the UN Sustainable Development Goals. This is an evolving space - we are committed to keeping up to date and following the most credible route for carbon removal.

- 1.5°C Paris Aligned Pathway
- Net Value Chain Emissions (incl. Offsets)
- Total Value Chain Emissions (incl. Scopes 1, 2 & 3, and no offsets)
- Allowable Removal Credits/Offsets to meet Science Based Targets
- Voluntary Compensation Credits/Offsets

Our Commitment

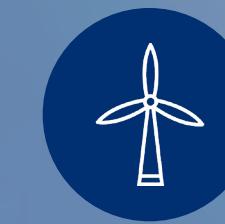
As part of our 2030: Spirit of Progress ambitions, our emissions reduction targets for 2030 are:



Net Zero Emissions Across Direct Operations (Scope 1 & 2)

We are aiming high, to achieve Net Zero GHG Emissions across our entire business and value chain by 2050 or sooner. This means that the greenhouse gases we emit as a business and those that we remove from the atmosphere balance out to zero, and we only neutralise residual emissions.

Our target to achieve Net Zero emissions across our Direct Operations (Scopes 1+2) is an acceleration on our full net zero journey where we have the most control and the ability to make significant reductions quickly.



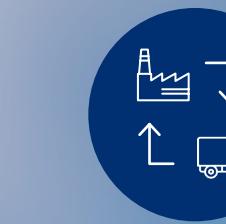
100% Renewable Energy for Own Operations

Making a 95%+ absolute GHG Emission reduction on our 2020 baseline is a significant undertaking but this is the science-based path needed in this decade of action.

Core to our approach is innovation to help influence the changes needed to create and develop tomorrow's low-carbon solutions. Find out more [here](#).

Our commitments are deliberately bold to prompt us to act decisively, to give us the credibility to be an advocate for global climate action.

To help us achieve our net zero target, we will need to use 100% renewable energy. This means moving away from fossil-fuels such as oil and natural gas to protect the earth's natural and finite resources, as well as protecting the atmosphere from the damaging greenhouse gases that burning fossil fuels releases. We've already phased out the use of coal in our operations and are progressing quickly to using only renewable energy everywhere we operate, building on our successes to achieve 83% of electricity from renewable sources and a total of 41% renewable energy overall. In 2016 we joined [RE100](#) and are well on our way to achieving our 100% renewable electricity target by 2030. We commit to prioritising energy reductions and embedding efficiencies into the way we work.



50% Reduction in Supply Chain Emissions (Scope 3)

Our biggest opportunity to take climate action is through our whole 'grain to glass' value chain, focusing not only on the emissions that we have direct control over but also playing a role in helping to reduce emissions across our supply chain (Scope 3) by half by 2030. Our supply chain emissions are by far the biggest part of our carbon footprint.

Halving our supply chain absolute emissions from a 2020 baseline year is certainly ambitious and it is also aligned to a science based 1.5oC pathway too.

We will partner with our suppliers on renewable energy solutions, innovative design and regenerative agriculture to help drive efficiencies and emissions reductions.

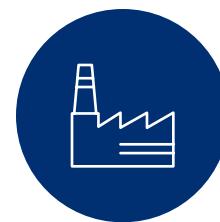


Our 2030 emission reduction targets have been approved by [Science Based Targets initiative \(SBTi\)](#) as meeting a 1.5°C mitigation pathway. These near term, science based targets put us on track to achieve our longer term full net zero commitment in this important decade of action. By driving down our own emissions using an approved science based approach we are setting the bar high but we know absolute emission reduction is good for the planet.

The SBTi defines and promotes best practice in emissions reductions and net-zero targets in line with climate science. They independently assess and approve companies' targets, providing key clarity & guidance, to ensure that targets translate into action that is consistent with achieving a net-zero world by no later than 2050.

Our Approach

Our strategic approach is underpinned by four key pillars of action:



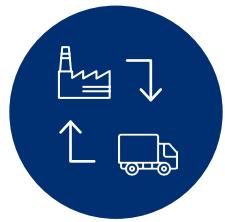
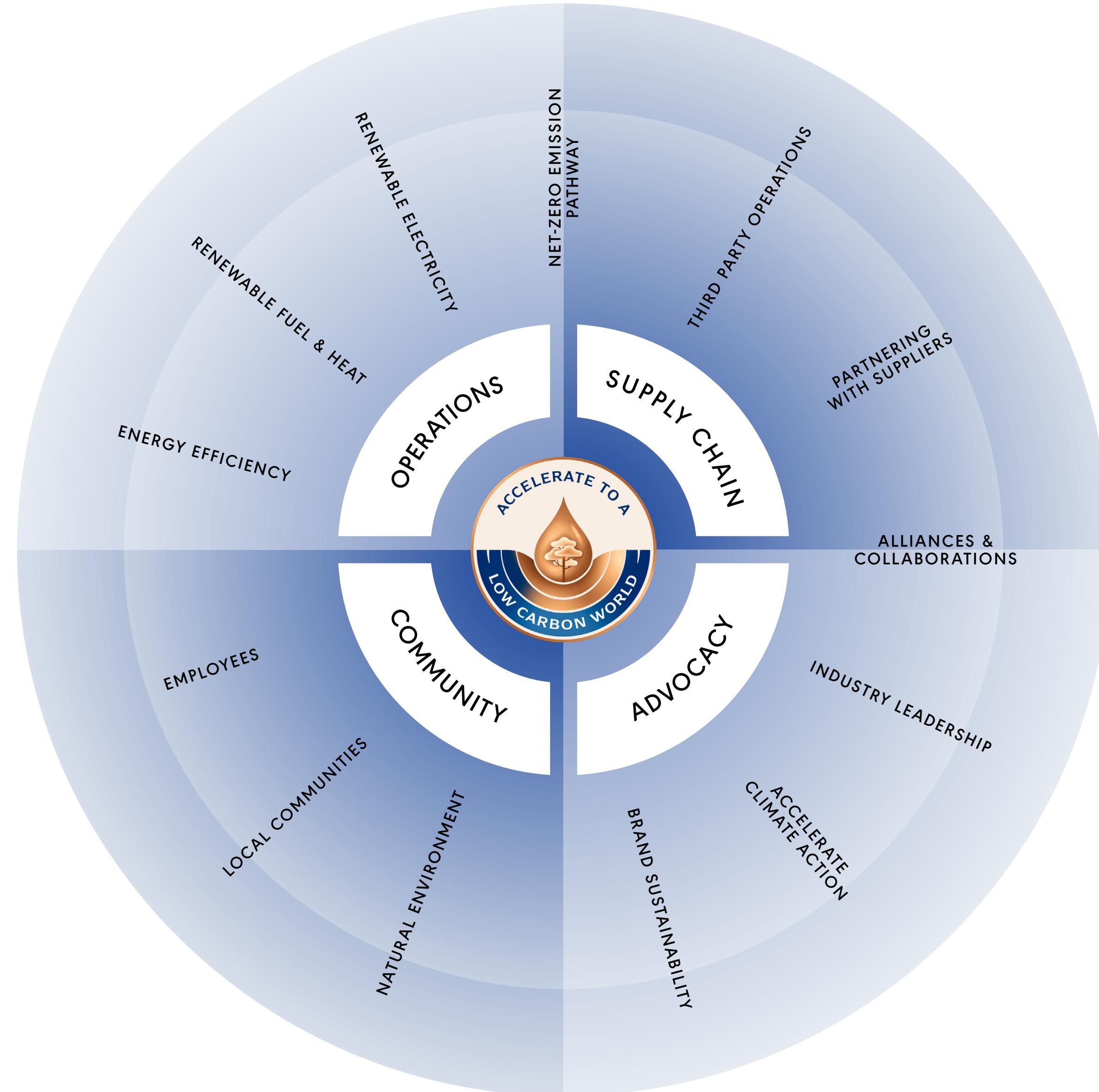
Operations

We are working to minimise the emissions in our own sites and operations across the world to achieve net zero carbon in our direct operations by 2030. The key to helping us achieve this is embedding energy efficiency into the way we work, and working towards using 100% renewable electricity, fuel and heat.



Community

We are engaging with the communities where we live, work, source and sell on climate action. Our 'grain to glass' sustainability ambition is enabled by all stakeholders & groups, from our own employees to our customers & consumers. Fundamentally important is our work to understand and improve the natural environment. We are using our climate goals to extend our influence and support the societal shift needed to fight climate change.



Supply Chain

Enabling emission reductions across our supply chain (90% of total value chain footprint) is especially important to reach the shared net zero goal. We are targeting opportunities that decarbonise the materials we buy, and the products and services we source, to lower the carbon emissions of our brand value chains.

We are building strong alliances and collaborations, forming long lasting partnerships with our suppliers, zco-investing where necessary, to join us on this journey. This essential engagement underpins the target to reduce scope 3 emissions by 50% by 2030.

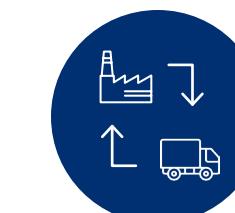


Advocacy

We are an industry leader on climate change action, inspiring others to join us in the path to net zero. We support several critical alliances, goals and pledges that advocate the rapid global transition to a low carbon economy necessary to fight climate change. We know we can't do it alone, which is why we are focusing on building collective action across our industry, engaging with our peers, representative bodies & governments to enable a just transition, and importantly accelerate decarbonization outcomes.



In 2021 Diageo successfully piloted *a significantly lower carbon footprint glass bottle* produced for one of our Scotch Whisky brands. We produced 173,000 bottles with 100% recycled glass, using *waste-based biofuel-powered furnaces* – reducing the carbon footprint of glass bottle by up to 90%. Looking to 2030, *we will continue innovating*, to re-think the way we produce and package our products to *minimise their impact*.

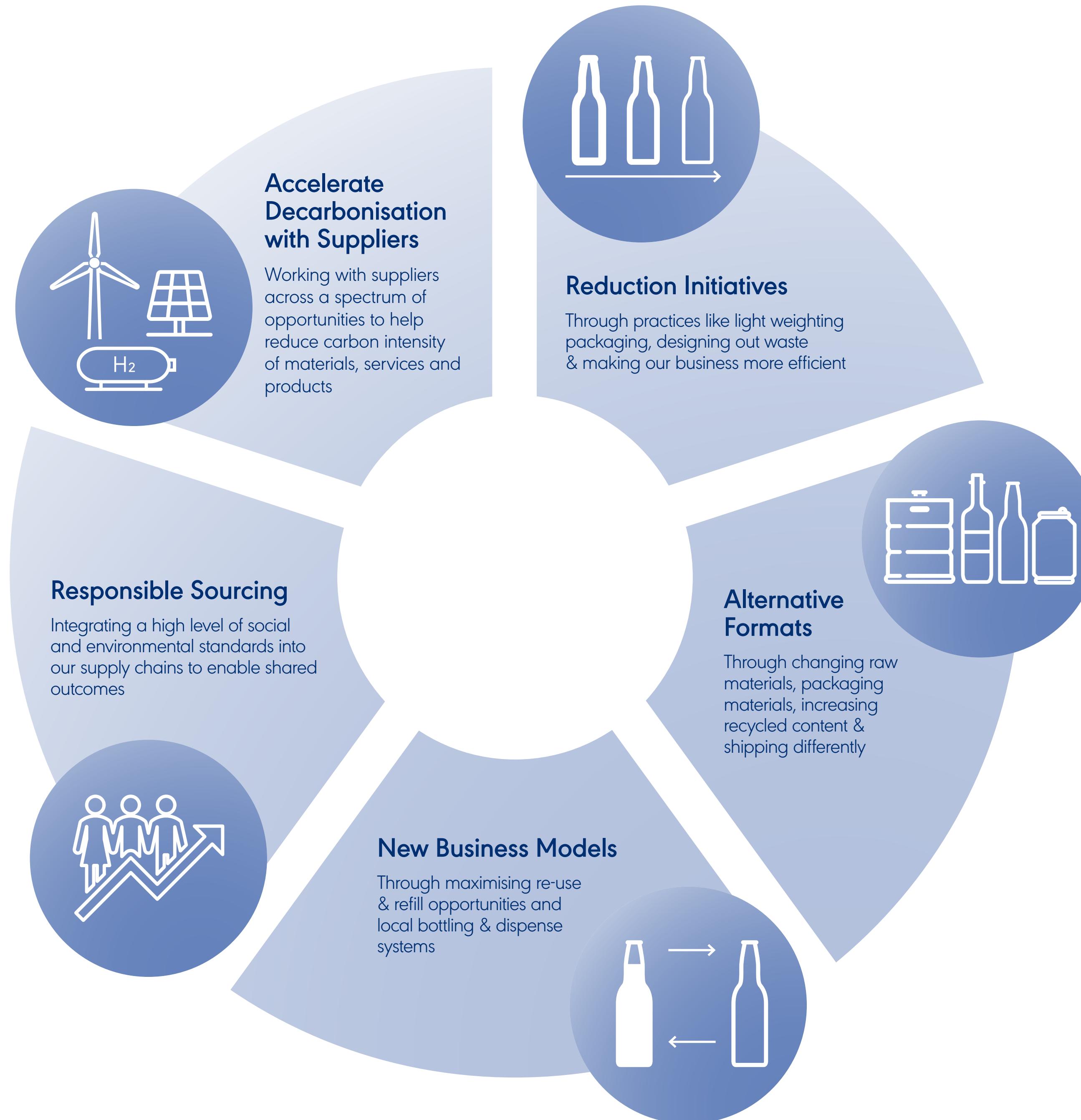


Supply Chain
CASE STUDY

Supply Chain

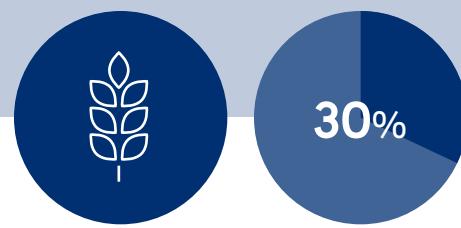
Around 30,000 direct suppliers from more than 100 countries provide us with the materials, expertise, and other resources that help us make our great brands. Many of those direct suppliers themselves have an extensive supply chain, connecting us with thousands more farmers and businesses.

We can make a significant impact by rethinking our way of doing business to embed a more collaborative & circular way we source the materials & services that we rely on. The following principles will enable us to deliver transformative ways of working across our supply chain.



Supply Chain

Priority areas for us to reduce our supply chain (Scope 3) emissions by 50% by 2030 are:



Raw Material Emissions

Emissions from the production and processing of our raw materials contribute almost a third to our total value chain footprint. To reduce emissions associated with raw materials we will:

- Reduce the amount of resources being used by cutting down in-field emissions through more efficient and regenerative farming practices, reducing waste through circular models, and improving production conversion efficiencies
- Support farmers on the transition to regenerative agriculture - developing programmes to deliver nature-positive outcomes for soil, water and biodiversity, and improving resilience of farmers' livelihoods to climate change
- Improve supply chain traceability and transparency – how raw material selection can improve system resilience and identifying wider impacts using tools like life cycle assessment & sourcing studies
- Partner with suppliers to accelerate innovation & step changes in emission reduction – pioneer technology & collaborations, identifying suitable raw material changes & integrating insetting opportunities into our supply chain



Packaging Material Emissions

Making the packaging materials we use to enclose, protect and transport our products contributes one third to our total value chain footprint. Our strategy to become Sustainable by Design outlines our packaging ambition & key targets. To reduce emissions associated with our packaging, we aim to:

- Reduce the amount of packaging material used - by eliminating unnecessary packaging & light-weighting materials
- Select materials for a better reuse / recycling outcome - by choosing lower carbon materials, with higher recycled content, improved recyclability that enable circular packaging & re-use.
- Accelerating key packaging decarbonisation opportunities directly partnering & co-investing with suppliers and producers
- Drive innovations in low-carbon packaging - by collaborating with suppliers & key stakeholders to expedite novel opportunities across supply chain



Distribution & Logistics

Upstream transport & logistics, including distribution of products to our customers, contributes 9% to our total value chain emissions. To reduce these emissions we will:

- Optimise logistics movements - through container fill improvements to selecting optimal routes & modes of transport, and sourcing locally to reduce delivery distances where possible
- Change our approach - enable shipping in bulk & pack in market, circular & re-use opportunities and most efficient manufacturing footprint for distribution
- Prioritise low carbon transport - working with suppliers to identify lowest emission logistics options and enhanced collaboration opportunities.
- Support low carbon developments to transport networks to enable clean transport initiatives and an acceleration of innovation



Partnering with Our Suppliers & Third Parties

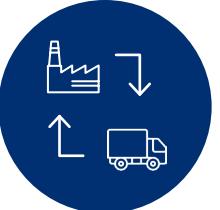
We welcome new thinking to advance a world that protects and restores our natural resources, and we want to collaborate with our suppliers to innovate and decarbonise. Our emissions targets form part of our [Partnering with Suppliers standard](#) and are reflected in our sustainable procurement practices.

To accelerate action and collaboration in this area, we are sharing some of the sustainability challenges we are facing through our Diageo Sustainable Solutions programme. To find out more about the disruptive solutions or breakthrough technologies that are helping us on this platform [click here](#).

We actively encourage our suppliers to participate in emissions reporting through our membership of the CDP Supply Chain programme. We are also developing webinars, toolkits and training programmes for our suppliers to build capability that will help drive further emissions reductions.

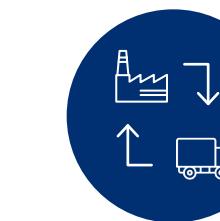


In February 2022, Guinness announced it is undertaking one of the *most ambitious regenerative agriculture pilots* to take place on the island of Ireland. Regenerative agriculture is an approach to farming that works in harmony with the natural environment to put back more than it takes out. This extensive, *three-year farm-based programme* intends to highlight opportunities for *reducing the carbon emissions* of barley production. The ambition is for the barley grown to be used to *brew beautiful tasting Guinness*.

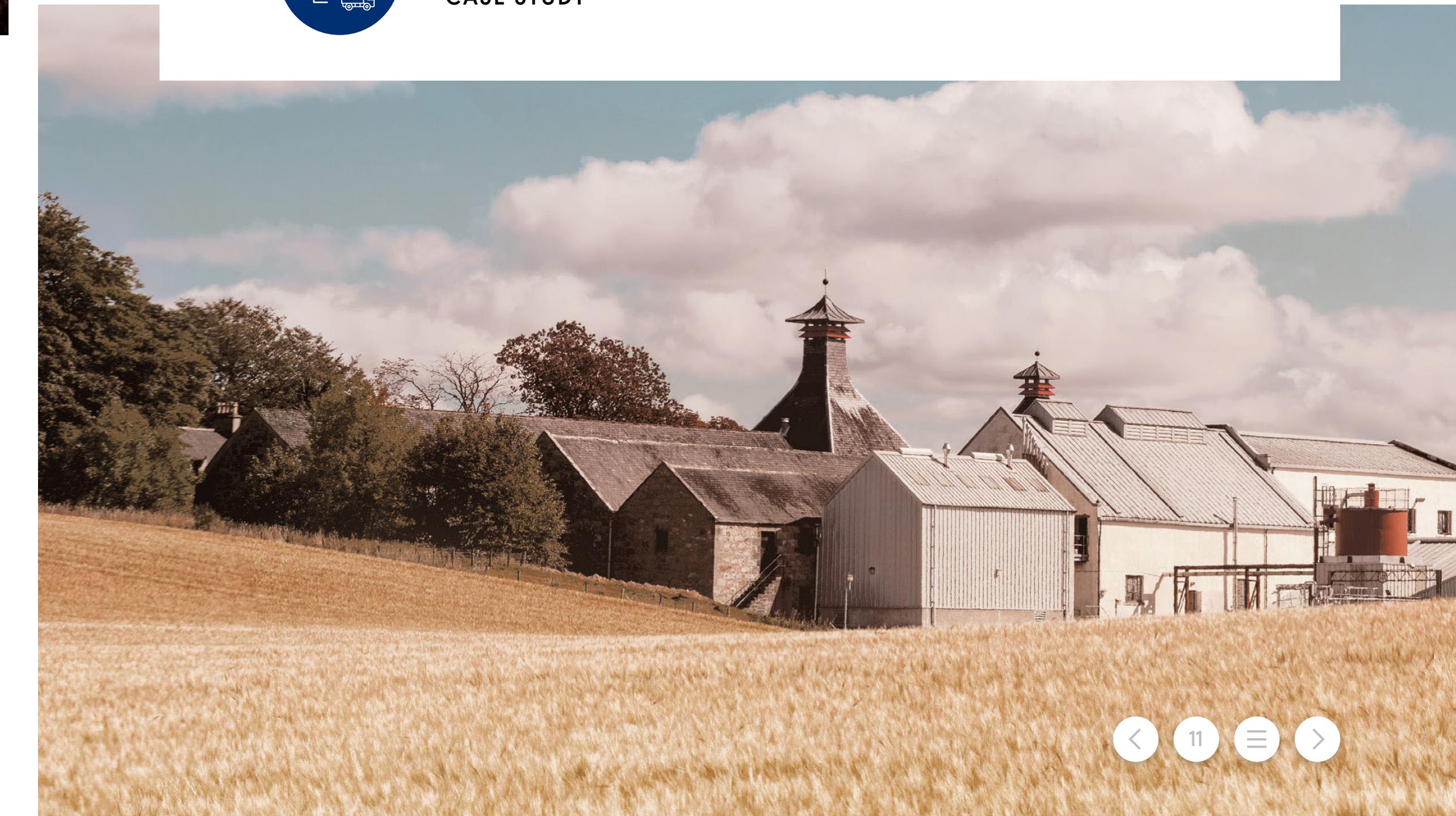


Supply Chain
CASE STUDY

We are *collaborating with a sample of growers* in Scotland and Ireland to *gather on-farm data*, which together with satellite imagery and AI-informed predictive analytics, *will improve baseline carbon footprint data* and provide insights into other *on-farm environmental metrics*. This analysis will in turn allow us to *identify opportunities for greatest improvement on-farm* so we can focus our efforts on where we can make the *biggest positive impact*.



Supply Chain
CASE STUDY



Measures & Opportunities

Energy Efficiency

The energy we use is critical to our business operations. Core to our strategy is reducing the amount of energy we consume, making our facilities more efficient and recovering as much energy as possible.

Building on our existing programs, we are continuously and proactively identifying energy saving opportunities; engaging with our employees across our sites to empower them to identify new ways to save energy across our operations.

We are developing internal energy management guidelines, and using external expertise, to help us to embed best practices and continually improve.

Energy conservation is the first part of our strategy, as identified in our emissions reduction hierarchy. Our drive to reduce utility costs, reduce emissions, make our operations more efficient and right-size our decarbonization investment will deliver leading energy efficiency performance.

- Improving insulation on cookers and stills
- Installing variable speed drives on motors
- Investing in low-energy lighting systems
- Optimising compressed air and steam systems.

REDUCE ENERGY CONSUMPTION

- Upgrading brewhouses to recover hot vapour
- Re-using heat from cooling water in our distilleries
- Investing in boiler flue gas heat recovery
- Implementing technologies like heat pumps to amplify energy benefits

RECOVER & RE-USE ENERGY

Converting Energy Sources to Renewable

We are committed to using only renewable energy by 2030, having achieved over 40% already. We are developing detailed site-by-site decarbonisation roadmaps and guidance to phase our transition to net zero. We are already members of [RE100](#) committing to 100% renewable electricity by 2030, surpassing our 2020 target to reach over 80% to date.

To do this we aim to:

- Convert electricity and fuel energy sources across all of our sites to renewable alternatives
- Prioritise direct emissions reduction opportunities over energy attribute certificates wherever possible
- Create additional renewable energy capacity to power our sites, exporting surplus energy to the local grid, through on-site developments and using Power Purchase Agreements (PPA)
- Use the right fit technology with the lowest environmental impact across its lifecycle in each location, innovating and trialing new technologies through the [Diageo Sustainable Solutions programme](#)
- Identify opportunities to partner and collaborate with suppliers and local communities on renewable energy schemes, to create as many communal benefits as we can.
- Transition our site-based vehicles to renewable and low emission alternatives

- UpInvesting in on-site solar PV to generate and use own renewable electricity
- Developing biomass solutions to replace fossil fuel fired boilers
 - Using electric boilers powered by renewable energy
 - Generating biogas to use on site from our wastewater

REDUCE ENERGY EMISSIONS

- Supporting the development of renewable electricity certification schemes in less mature markets and moving away from unbundled certificates where feasible
- Using Diageo distillery co-products to generate renewable gas at third party facilities for onsite use

USE ENERGY ATTRIBUTE CERTIFICATES

Operations

We have the greatest influence & control over our direct operations, which is why we have made bold commitments to reduce our operational emissions 100% by 2030.

Underpinning our goals are detailed roadmaps in each of our key focus areas:

Reducing Residual Emissions

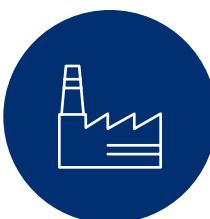
Residual emissions are those that are not feasible to eliminate yet, such as fugitive emissions from refrigerants, non-zero bioenergy emission factors, shared on-site transport, and emergency operations that rely on back up fuels. We closely monitor our residual emissions, and actively seek out new technologies as they develop to minimize emissions as much as possible. To reach net zero we will use carbon offsets for residual emissions, which we anticipate to be no more than 5-10% of our direct operation baseline emissions.

- Switching to refrigerants with the lowest practical global warming potential
- Operating non-renewable back-up generators as infrequently as possible & identifying renewable alternatives
- Accelerating net zero journey at specific sites by [achieving carbon neutral status](#) (aligned to PAS 2060 standard) – only neutralizing residual emissions

COMPENSATE RESIDUAL EMISSIONS

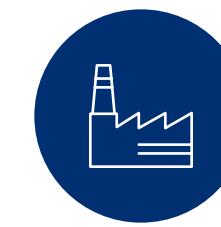


Lebanon bourbon distillery is one of the *largest of its kind* in North America. The new distillery in Kentucky operates using *100% renewable electricity*, using electrode boilers and benefitting from virtual metering *technology*. The new carbon neutral site reflects Diageo's ongoing commitment to use *100% renewable energy* and become net-zero carbon across direct operations by 2030.



Operations
CASE STUDY

On our journey towards net zero, we are *increasing our on-site solar capacity*, building on our existing solar investments in *Africa, India, North America and Europe*.



Operations
CASE STUDY





Community

Diageo is committed to doing business the right way from grain to glass. Integral to this is reporting transparently on environmental, social and governance (ESG) issues, as this plays a vital role in delivering our strategy.

Partnering with Communities

Communities will play a vital role in reaching net zero emissions. We need to actively engage the communities where we live, work, source and sell, to drive climate action.

We will be accelerating and scaling up our work with the diverse range of stakeholders, suppliers, NGOs & communities we engage with to extend positive climate action beyond our business and value chain.

We want our employees to become net zero advocates and partner with communities on climate solutions such as renewable energy schemes. By investing and participating in Race to Zero and Race to Resilience initiatives, we will contribute to reducing emissions as well as projects which build greater climate resilience in the communities in which we operate. By sourcing locally, we create value and contribute to local economies, especially in emerging markets, while simultaneously reducing supply chain emissions.

Creating Shared Value

Collective action is needed to achieve the shared goal of net zero emissions. Trade associations and industry forums are opportunities to share, collaborate and learn from the experience of others with whom we share a lot of similarities. Academic & technical partnerships are important to help find solutions that work for whole communities and ensuring we innovate to meet future needs in a changing climate.

Through environmental footprint assessments, we have started to share the carbon & water impacts of our brands with our consumers. Our outstanding collection of brands, supported by our community of sales & on-trade professionals, have an important role to play in direct consumer engagement across our whole Spirit of Progress agenda, not least the sustainability choices of our consumers that impact our emissions.

Improving the Natural Environment

We want to deliver benefits for people and the wider environment alike as we move towards being a net zero carbon business. We will harness opportunities through projects and programmes that benefit the community, climate and nature.

For example, by applying nature-based solutions in the regions where we operate or source our raw materials; by planting trees and restoring natural ecosystems & landscapes to reduce carbon loss and by actively taking carbon out of the atmosphere. These actions have the additional positive impact of regenerating soils, increasing biodiversity, improving and restoring water resources as well as local community benefits. Our work to develop agricultural value chain partnerships helps farmers in our local sourcing communities adopt regenerative practices. We have a target to support 150,000 smallholder farmers by 2030 and enable the design of programmes that help restore degraded landscapes.

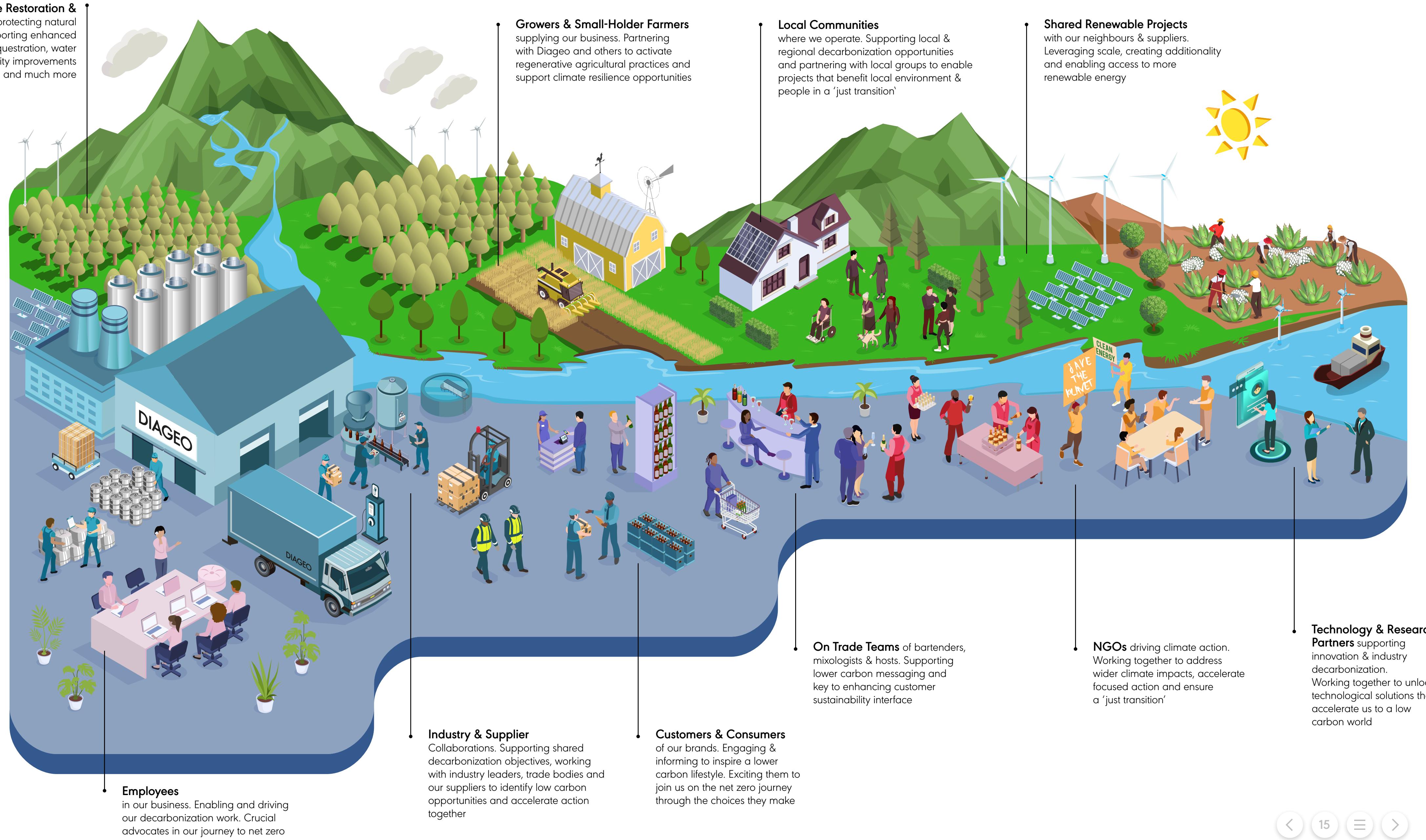
We are also modelling how we can make best use of the biological resources we produce as a by-product from our operational sites. Our aim is to positively impact emissions outside of scope, considering the wider impacts, where we can.



Planting trees in Koguta Forest in an area near our brewery in Kisumu, Kenya to celebrate Africa Environment Day.



Our Community Impact





Advocacy

We want to help accelerate climate action globally, and partner with other businesses, organisations and government initiatives to take action together and make a bigger change than we could ever achieve on our own.



Diageo Chief Sustainability Officer, Ewan Andrew, speaking about action for nature & climate at COP26, the United Nations Climate Change Conference

We know that climate leadership can be done in many different ways. By demonstrating our commitments, sharing what we are doing to meet them and encouraging others to do the same, we believe we have a strong platform to reach out to a wider stakeholder group in order to make the systematic shift needed to reach net zero.

Climate leadership is an integral pillar in our net zero strategy. We invest in industry leadership activities to inspire and challenge businesses, organisations, NGOs and governments to tackle climate change with us. Core to the work we do are these main themes:

Engaging governments and policy makers on climate and net zero transition

In the countries and markets where we operate we support stretching climate policy and engage directly to help us reach our climate goals.

We participate in multi-stakeholder forums with government and regulators, consumers, NGOs and our commercial partners, and help build capacity in our supply chains by offering training on how to improve sustainability across their own organisations.

Actively participating in Industry Partnerships and working closely with Trade Associations and representative bodies

By making measured decisions on who we partner with, we have joined a number of key collaborative alliances that will help us, our industry, and businesses globally to help accelerate climate action.

We believe that a common industry approach is the best way to support improvements, not just in our own supply chain, but across the sector.

We actively support our industry through several trade associations, and coalitions like [Beverage Industry Environmental Roundtable \(BIER\)](#), to enable commitments to net zero.

We advocate collective climate action through our suppliers encouraging them to participate in the CDP and report on their climate change risks and performance. We know that working together is the only way for us all to mitigate our impact on climate change and adapt to a changing climate.

Supporting, and encouraging others to join, climate goals and pledges

We participate in the UN-backed Race to Zero and Race to Resilience campaigns, supporting initiatives aimed at halving global emissions by 2030, and building a climate resilient world. Supporting others to do the same is key to enabling collaboration on the most important climate-related issues.

Alongside aligning with the Paris Climate Agreement, Glasgow Pact and the UN Sustainable Development Goals (SDGs), we actively engage on issues important to our Society 2030 strategy. For example, we are proud signatories of:

BUSINESS AMBITION FOR 1.5°C

United Nations Global Compact

UNITING BUSINESS AND GOVERNMENTS TO RECOVER BETTER

Powering Past Coal Alliance

Caring for Climate

one planet business for biodiversity

G7 Cornwall UK 2021 **G7 Sustainable Supply Chains Initiative**



Reinventing Packaging

Packaging is a large and important part of our business

It matters to us because our packaging not only ensures the quality and integrity of our products but is also a key touchpoint for our consumers and customers. For us, it's a critical way of connecting with consumers, telling them about our iconic brands and differentiating them from the competition. It impacts the look, feel, and price of our products as well as how and where they're sold and enjoyed.

In our business, packaging can range from 50L stainless steel kegs containing freshly brewed Guinness, to a case of Smirnoff in glass bottles or even crystal decanters containing rare Johnnie Walker.

As custodians of over 200 brands which are sold in more than 180 countries around the world, packaging makes up a significant part of our yearly spend. The choices we make have both considerable commercial and environmental impact.

The nature of our business also means that packaging represents a significant part of our supply chain carbon.

Our strategy to reimagine packaging is part of our commitment to be sustainable by design – one of the three core pillars upholding our grain to glass sustainability commitment. It's a part of our 'Society 2030: Spirit of Progress' action plan to create a more inclusive and sustainable world.

Evolving our thinking

We've been tackling the problem of sustainable packaging since 2010, as part of our 2020 vision. The key drive then was to achieve year-on-year improvements. However, in 2016 we went further, committing to 100% sustainably sourced paper and cardboard, 15% weight reduction across packaging, increased recycled content to 45% and ensuring 100% of our packaging is recyclable. As part of our 'Society 2030: Spirit of Progress' vision, we're redoubling our efforts in this space. The rest of this document aims to show how, where and why.



We recognise that to reduce our environmental impact and reach our ambitious Society 2030 targets, we need to take radical measures. We believe this is not only the right thing to do, but that there's considerable commercial benefit in managing the cost of waste, fluctuating raw materials and energy costs, as well as in being proactive around the changing regulatory environment, creating business upside through premiumisation, driving consumer appeal and giving consumers more and better choices. In packaging, we believe that radical change can positively impact our people, profit and planet – all of which are central to our approach.

Our 2030 targets

As a business, we've committed to making responsible choices about our packaging and have set ambitious targets.

These targets will force us to not only reduce waste and increase recyclability, but also look at how we can reinvent some of our packaging systems. This will mean reimagining the traditional 'take-make-dispose' approach and adopting more circular circular supply chain models.



Our Targets Explained

To deliver these targets, our approach to packaging is to continue improving our current packaging while trialling innovative solutions to nurture and scale.

This experimentation and knowledge transfer within our business and with partners is central to our ability to make a measurable impact.

As part of our 'Society 2030: Spirit of Progress' plan ambition, we're committed to making our packaging **Sustainable by Design**. To do this, we will:

Increase recycled content to **60%** for all packaging

Reduce total packaging weight by **10%**

Ensure **100%** of our plastics are designed to be widely recyclable, reusable, or compostable in countries where we operate by 2025

Sustainably source all our paper and board packaging to ensure **zero net** deforestation

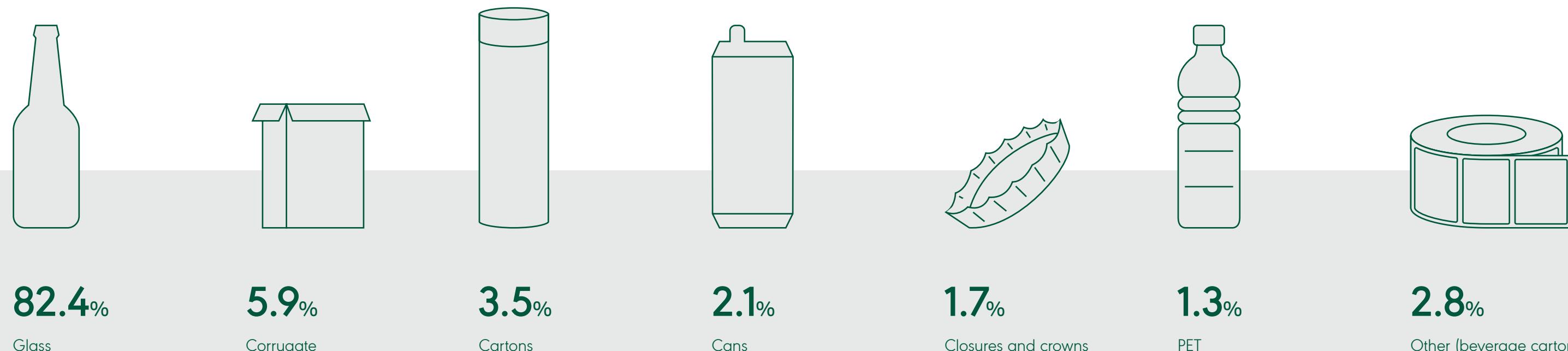
Make **100%** of our packaging widely recyclable

Achieve **40%** average recycled content in all plastic bottles by 2025 and **100%** by 2030



What types of packaging are most important to our business?

Diageo global packaging materials by volume
(Total 1.42 million tonnes)



Our Commitment

Dedicated to driving circularity

Our approach is based on the basic principles of circularity. We believe that as a business that relies on packaging, we have a duty to strive towards a more circular model. This is at the heart of our long-term view of packaging and its future.

We take circularity as both a practical guide and a mindset. It reflects a desire to push beyond recycling. It's a powerful idea that impacts how we build our brands and our business.

It means less waste. All single use packaging is problematic, and the take-make-dispose model isn't viable long-term due to its impact on our planet, consumers, and business.

It means more responsibility. Circularity makes brand responsible for the entire life cycle of packaging instead of passing the responsibility on to consumers. We're therefore supportive of Extended Producer Responsibility, in which producers hold

responsibility for the treatment or disposal of post-consumer products, despite the cost and implications.

It means closing the loop. Circularity allows us to conserve natural resources by treating packaging materials as reusable assets. This requires a better aligned view of what we do, how and where we sell. It can even require different infrastructure, approach to investment and different kinds of partnerships to ensure resources stay in circulation.

It means working locally. Circularity is inherently local with the economic viability and the environmental benefits reduced with distance. Cooperation with local governments and NGOs can accelerate progress, enabling us to support local economies and create new employment opportunities. Investing in local capabilities across the value stream is an important part of our commitment to becoming sustainable by design.

Circularity Explained

Although circularity can relate to any waste stream, we're referring to supply chain models to advance packaging reuse and refill. Recycling plays a key role in improving the lifecycle of packaging, but it requires significant reprocessing

in order to be used again and rarely achieves true circularity. Whilst it's critical that recycling rates are improved (it forms a crucial part of our strategy), we believe circularity can push us – and society – further.



A continuation of our journey

Diageo is already operating circular packaging systems at significant scale but we're pushing ourselves to expand on these initiatives to create greater impact. In Africa, we deliver over 90% of our beer volume through the combination of returnable glass bottles and kegs for on-trade consumption.



Our Approach

Our packaging strategy work falls into 3 areas of focus - **reduce, recycle, and reuse**. Given the scale of the challenge, we are tackling these simultaneously across our business with teams from R&D, marketing, innovation, & supply chain working closely together.

In so doing we believe that we can create a positive cycle of commercial benefit and a reduction in environmental impact. These streams are underpinned by investment in new technology and partnerships while strengthening internal management metrics to enable data-driven decision making into our everyday work.

Influencing Factors

The practical, environmental and commercial concerns underpinning our approach to reimagining packaging.

An important role in our long-term success

Packaging plays an important role in protecting our products and is vital to the product and brand experience. Packaging is a central part of how consumers consciously and unconsciously evaluate quality – it impacts how they think something will taste and informs what they think of a brand. For some, it also shows the world who they are or aspire to be. For this reason, Diageo has trademarks on many packaging shapes – from the Guinness pint and Johnnie Walker's distinctive square bottle, to Crown Royals cut-glass bottle and crown stopper and Zacapa Rum's Petate band. Naturally, any choice around packaging also has an impact on cost and affordability for consumers. All of these factors mean packaging can be a reason for choosing, gifting, displaying, and choosing again.

Meeting the expectations of our consumers

Increasingly, packaging is impacting consumer choice in another way, based on its impact on the environment. The focus on what happens after the packaging has been used has been scrutinised in recent years and is increasingly impacting what we buy. Consumers and regulators are pushing companies to reduce waste and develop packaging that can be easily recycled. Packaging is tangible, there's no hiding poor design decisions, and if not careful it quickly becomes branded trash. As a creator and user of packaging we're invested in its future development and how it can be used in such a way that minimises the potential negative impact on both the environment and our brands.

Impacting our environment and its communities

Globally, the use of packaging has evolved into a 'take-make-dispose' model, driven by convenience, at the cost of our natural resources. Packaging has become synonymous with waste, something we at Diageo are looking to change.

According to Circle Economy, at a global level, 91% of all materials humans use are either wasted or lost – only 8.6% of what we take from the planet is reused. As a global business, we're increasingly looking to apply learnings from developing markets where resources have traditionally been scarcer, to more developed markets, where an abundance of resources has led to more waste.



IN DETAIL

Reduce

The most significant step towards becoming more sustainable by design is to reduce the amount of single-use materials we're putting into market. We're working hard to reduce the weight of our existing materials and innovating to create lower carbon alternatives.

Taking out unnecessary waste

We're constantly reviewing all of our brands and seeing where we can make better choices, learning and adapting as technology and consumer expectations evolve. For example, we invested £16million to remove plastic from the multipacks for our Irish-made beer brands Guinness, Harp, and Smithwick's and switch to easy-to-recycle cardboard. At the United States Guinness Open Gate Brewery, we have moved to can carriers made from byproduct waste and other compostable fibers creating a fully compostable and biodegradable option for multipacks sold at the brewery. In addition, we have committed to removing cartons from many of our scotch whisky brands, removing 184 million boxes that would otherwise be disposed of.

New approaches to glass

Glass is essential to the spirits industry, making up the largest proportion of our packaging materials and is an important part of the heritage of many Diageo brands. It's crucial for us to design bottles that consumers are proud to gift and display, but at the right weight. To this end, we're committed to reducing the weight of our packaging by 10% by 2030.

We're also looking at the type of glass we use and alternatives to virgin glass and traditional glass manufacturing. This means increasing the percentage of recycled glass across our portfolio but with a greater focus on higher volume, more impactful brands like Johnnie Walker and Smirnoff. On Black & White, Scotch whisky, we created the lowest carbon bottles ever made in Scotland. The trial made over 170k bottles with 90% less footprint by combining 100% recycled glass and biomass fuelled furnaces. We aim to use these learnings to implement at larger scale across the business to create greater impact.

New materials

Beyond this we're exploring new and novel alternatives to glass to find the next generation of lightweight, convenient packaging. On Johnnie Walker, working with Pilot Lite, we're developing the world's first ever PET-free paper-based spirits bottle. In addition, we have been experimenting with a home-compostable Mycelium gift carton on our leading alcohol-free spirit brand, Seedlip.

We believe that these approaches will make a significant contribution to addressing our impact as well as give consumers new reasons to choose our brands.



Reduction - in action

In 2020, we announced that our iconic American whiskey brand, Seagram's 7 Crown, would be moving to 100% recycled plastic across all of its PET formats: 200ml, 375ml, 750ml, & 1.75L. This change reduces that use of virgin plastic by almost 1,000 tonnes annually - the equivalent of removing 100million 500ml plastic bottles.

Seagram's 7 Crown was the first Diageo brand to shift away from virgin plastic and kicked off the decade of action toward our goal of moving to 100% recycled plastic in our plastic bottles by 2030.

IN DETAIL

Recycle

Irrespective of what packaging is made from or how it's made, too much packaging ends up in landfill. As recycled content targets drive demand for recycled material, without impacting community involvement and increasing recycling rates we will continue to have to rely on virgin materials. To positively impact recycling rates, we need to tackle the challenge beyond our immediate operations.

Shifting to widely recycled materials

It's important to us that our consumers have a realistic means to responsibly dispose of our packaging after consumption. Where reuse isn't possible, we're making sure our packaging is widely recyclable - both in terms of community infrastructure and ease of recycling our materials.

We understand our duty to consumers to make sure they know how to properly recycle packaging that they no longer have a use for and we do so by using commonly understood packaging formats and avoid mixing material types. When developing novel materials, it's critical that we keep this front of mind and communicate with the consumers on how to properly dispose of empty packaging.

Engaging with local communities

Recycling infrastructure varies significantly around the world, so it's important to us to partner with consumers, local authorities, and other local players to help develop recycling programs to increase accessibility.

Glass is Good - our pioneering project operating at scale in Brazil - is an example of a scheme that has engaged the local community via cross-industry partnership.

The scheme engages the entire supply chain: bars, restaurants, housing complexes, the glass industry, the beverage industry, and cooperatives, ultimately resulting in the collection and recycling of about 5,000 tonnes of glass in 4 years.

The material impact, along with the benefits of mobilising the supply chain and promoting social and environmental issues among its employees have made this project a national reference point for recycling schemes aimed at tackling other materials.

Learnings on this, as well as our efforts with plastic in Ghana (see right), will soon be transferred via our support of Don't Trash Glass in the United States.

Recycling - in action

In Ghana, acting as Guinness Ghana Breweries - a subsidiary of Diageo - we have set up 10 plastic Buy-back Centres across Accra and Kumasi to collect plastic bottles after consumer use. A bottle buy-back centre is a depot or station where individual waste collectors can drop off or sell off their plastic bottles for recycling. The project will collect 800 tonnes of plastic during the first year of operation.

Our hope is that this marks a major step in the right direction in the fight against plastic pollution in Ghana, with scale-up and broader partnerships to come in the following years.



IN DETAIL

Reuse

In order to make consumer packaged goods more sustainable, we need to create packaging systems that allow true circularity – from packaging design to the business model needed to close the loop. This will require cross industry collaboration across the value chain.

Scaling returnables

Where we have the capability, we're looking to scale returnables. While we utilise this model across beer and spirits brands already, we're looking to further scale our current initiatives and expand to include additional brands and markets. We have trials live in several of our growth markets on local brands - in Brazil (on Ypióca) and in India (on McDowell's).

Creating new networks and models

Making alcohol a more sustainable product from grain to glass will require us to be more collaborative than ever before. We're working with our customers, establishing new networks and creating new models, in order to positively impact their business so that we can all mutually benefit from a more sustainable economy.

In Southeast Asia, we have partnered with ecoSPIRITS to pilot an on-trade refillable dispense system, starting with our iconic brands Smirnoff and Captain Morgan. The trial will deploy branded, next-generation packaging technologies to bottle, distribute and dispense spirits in select bars and

restaurants. By leveraging the ecoSPIRITS closed-loop system, we aim to reduce our carbon footprint and waste from single-use glass spirits bottles.

Direct to consumer refillables

We're also looking to more disruptive models that directly engage with consumers. At our Johnnie Walker Princes Street brand home, we've developed beautiful whisky and cocktail dispense systems to engage and excite consumers. These systems can be found throughout the consumer experience to try new whiskies, enjoy a cocktail, or to refill your own specially designed bottle while saving about 40,000 glass bottles a year. This is just one example of how we're pushing our business to a more circular packaging model.

Our strategy here is to pilot, optimise and then scale. We are focusing on working with our more mainstream, higher volume brands to create impact and accessibility for our consumers.



Reuse - in action

In the spirit of closing the loop and creating a more circular model, we have implemented a glass bottle return system on Ypióca, one of Brazil's leading cachaça spirit brands. Covering an 800km radius around the manufacturing facility in Brazil, empty bottles are brought back to the manufacturing site routinely to be sanitised, refilled, and reused. Each bottle on average is able to withstand 8 cycles of reuse - when the bottles come to the end of their life, the collected bottles are recycled appropriately. During the last fiscal year, the bottle return system supplied enough bottles to cover over 70% of the Ypióca Gold and Ypióca Silver bottles filled at the site.

Beyond the Packaging

To deliver the above and ensure we're making the right choices, there are several additional workstreams.

Investment in technology

In an area as complex and technically challenging as packaging, we know that we don't have all the answers. As a result, we launched Diageo Sustainable Solutions, inviting innovators to share and develop their ideas in partnership with Diageo in order to enhance the sustainability of our brands and businesses. Born out of a passion for – and experience in – brewing and distilling, we want to advance more sustainable technologies and practices across the full supply chain of our brands and thereby help consumers make choices that protect our natural resources. We will provide our time, resources and assets and fully-fund proof-of-concept pilots that we select from the programme.

Internal management and metrics

We must acknowledge that we can't make the impact we want to through special projects and extraordinary investments alone. We're working hard to bring impact reduction into how we work on a day-to-day basis around the world. As a result, we're investing in tracking and measuring the role of packaging in the total footprint in all our major brands. Using life cycle analysis, we can see where the biggest issues are, make interventions and track progress. We utilise a range of tools to help make better and more informed decisions, from internally developed packaging sustainability assessment tools to third party life cycle assessment.

Progressive partnerships

As part of our belief that we need to work with the best and brightest, we're also partnering with a range of industry partners, as well as regulators, local and national governments, NGOs and wider groups.

Summary

As we have seen, there's no one single, easy solution but we expect that the combination of the above will dramatically improve our performance and deliver against our 2030 goals.

As we continue our journey to create a more circular future, it will require us to have relentless focus on all 3 pillars of reduce, recycle and reuse.

We must act now, push for innovation where solutions don't exist, and shift consumer behaviour in order to embrace circularity.

