



ACCELERATING TO A LOW CARBON WORLD

# Our Net-Zero *Carbon Strategy*

DIAGEO

**"We are passionate about protecting the *future of our planet*. Our ambitious carbon strategy sets to accelerate our progress towards *net zero carbon* during this crucial *decade of action*."**



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AND CHIEF SUSTAINABILITY OFFICER

## Contents

This strategy sets out the steps we need to take to meet our ambitious commitments that are aligned to our bold future vision. We are proud to share the actions we are taking to ensure we go beyond delivering against our targets, in what the United Nations has declared the critical 'Decade of Action'.

Context	03
Our Progress	04
Our Journey to Net Zero	05
Our Commitment	06
Our Approach	07
Measuring Performance	17
Supporting Documents	18
Glossary	18



# 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.

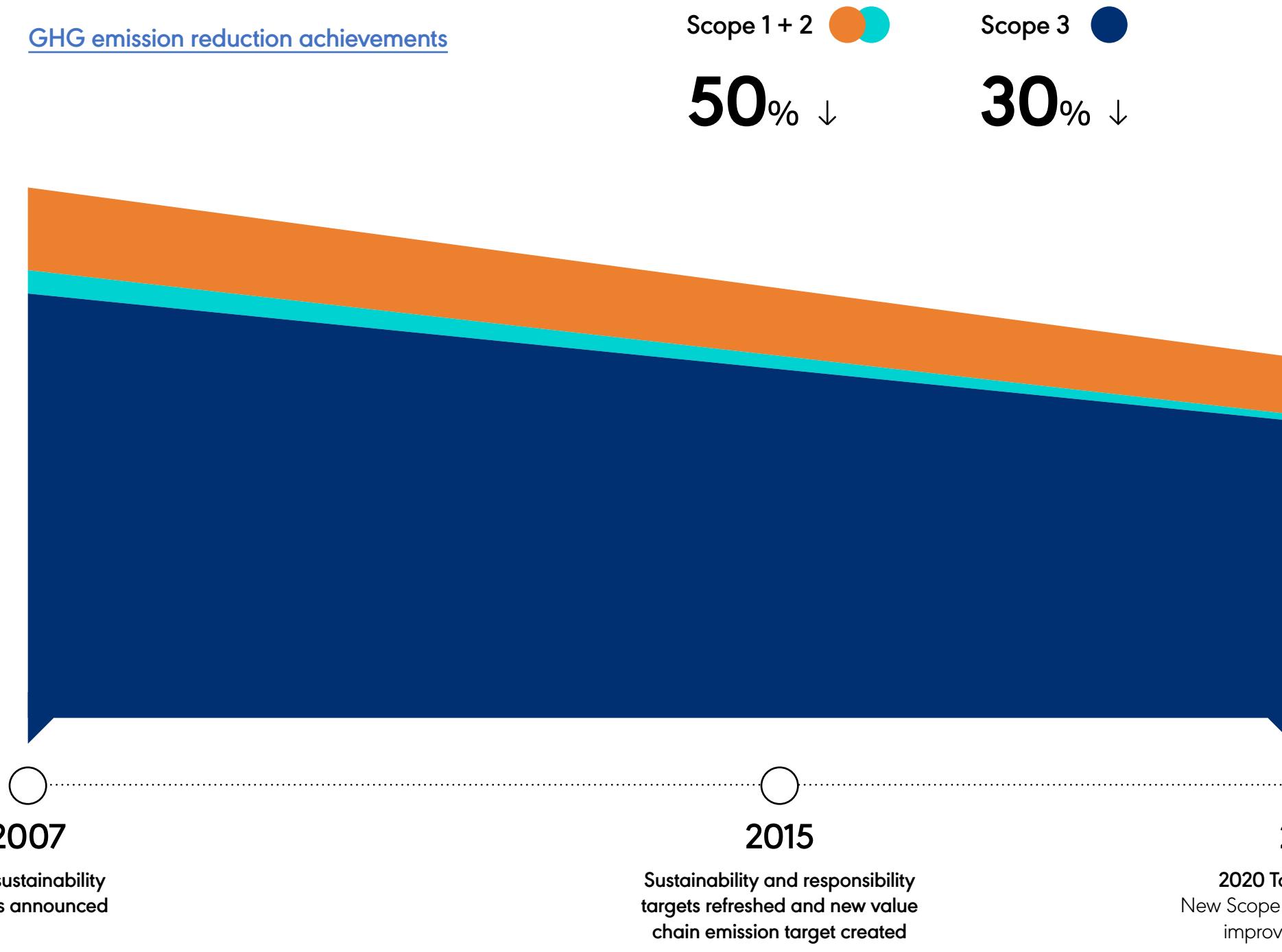
We have taken steps over many years to understand and address climate change impacts through our work on championing sustainability. Our approach to becoming a more sustainable business is framed by the [UN Sustainable Development Goals](#), with Goal 7 'Affordable and Clean Energy', and Goal 13 'Climate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

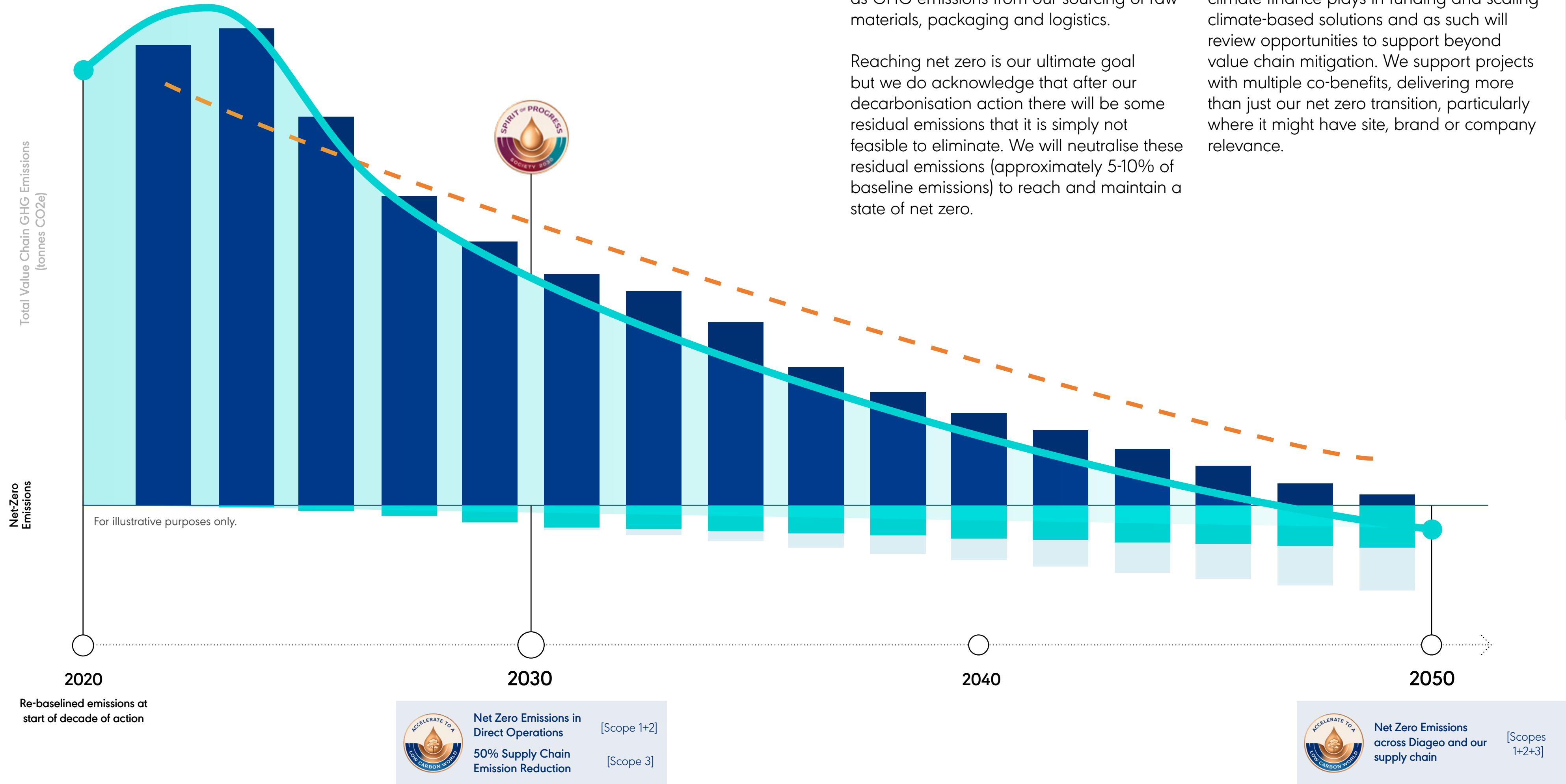
We have already made a considerable reduction in our Scope 1 GHG emissions (emissions from on-site energy consumption and owned vehicles relating to our direct operations), as well as our Scope 2 emissions (emissions from the electricity, steam, heating and cooling that we purchase), by reducing our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

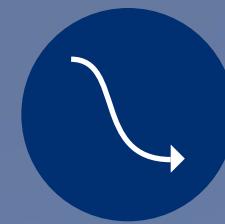
Our approach is to directly abate GHG emissions but it will also be necessary to neutralize residual emissions and also to compensate emissions on our journey to net zero and beyond.

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.

# 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)

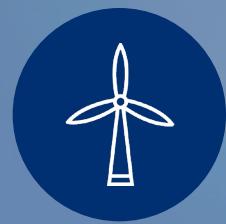
We are aiming high, to achieve Net Zero GHG Emissions across our entire business and value chain by 2050 or sooner. This means that the greenhouse gases we emit as a business and those that we remove from the atmosphere balance out to zero, and we only neutralise residual emissions.

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.

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.

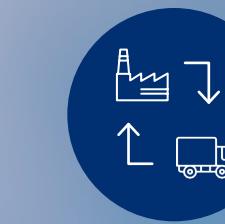
Core to our approach is innovation to help influence the changes needed to create and develop tomorrow's low-carbon solutions. Find out more [here](#).

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



## 100% Renewable Energy for Own Operations

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.

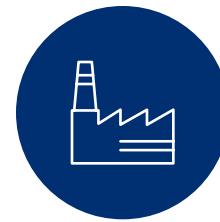


Our 2030 emission reduction targets have been approved by [Science Based Targets initiative \(SBTi\)](#) as meeting a 1.5°C mitigation pathway. These near term, science based targets put us on track to achieve our longer term full net zero commitment in this important decade of action. By driving down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



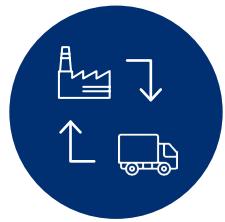
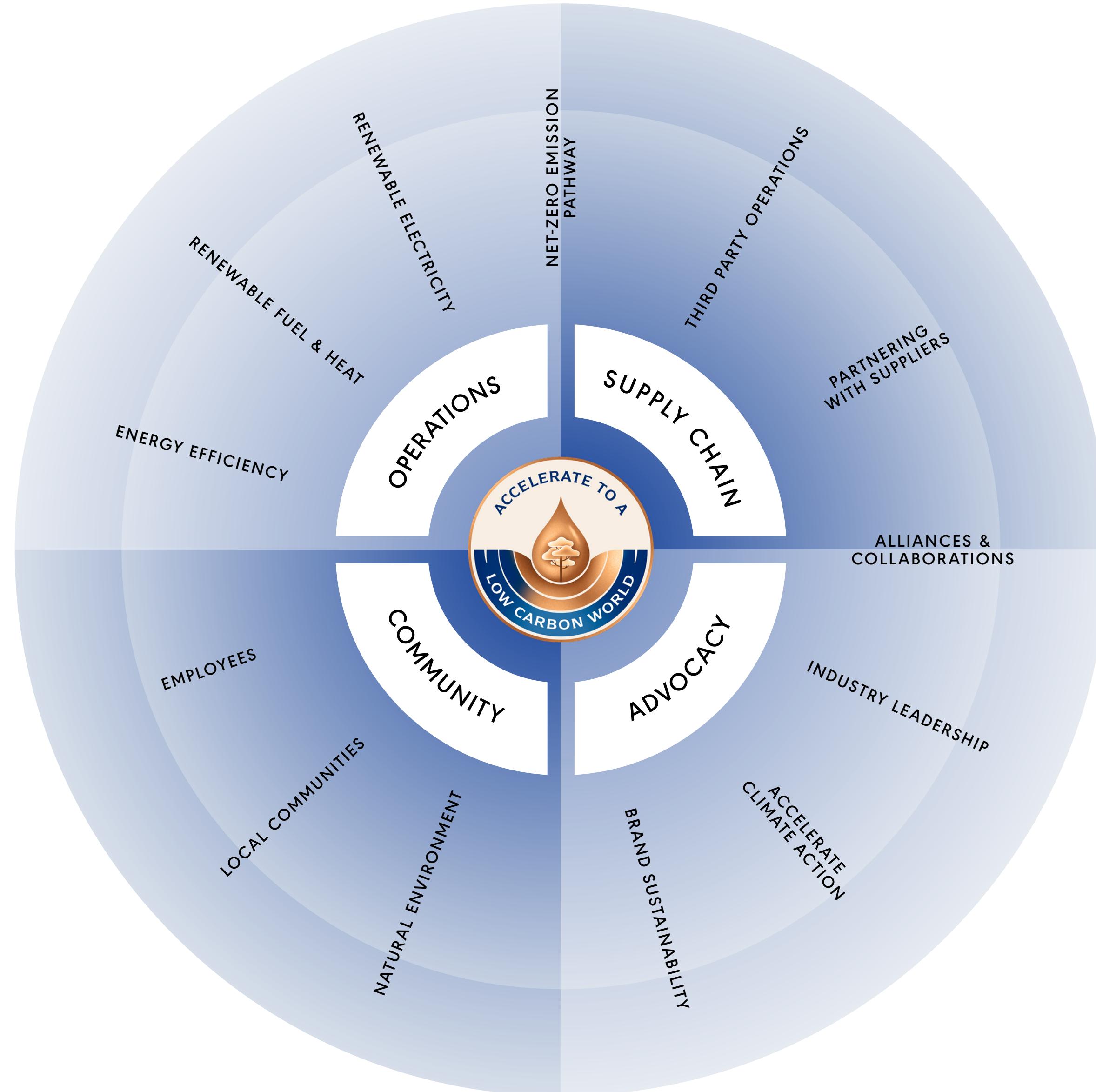
## Operations

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.

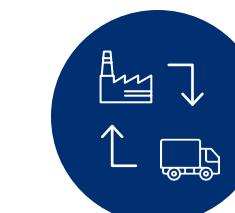


## Advocacy

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*.

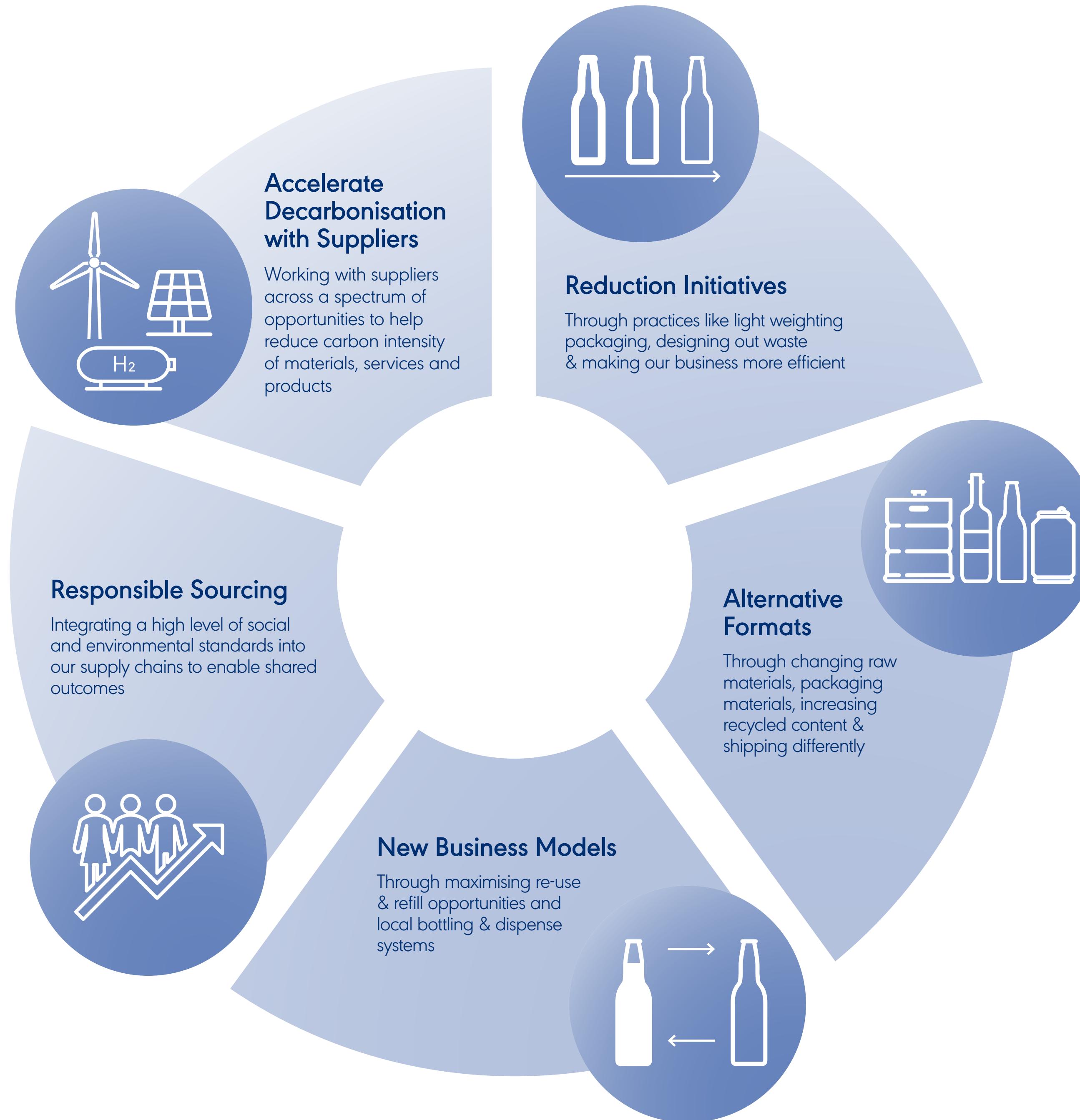


Supply Chain  
CASE STUDY

# 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

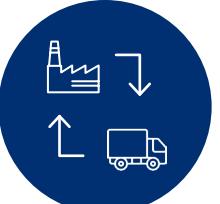
We welcome new thinking to advance a world that protects and restores our natural resources, and we want to collaborate with our suppliers to innovate and decarbonise. Our emissions targets form part of our [Partnering with Suppliers standard](#) and are reflected in our sustainable procurement practices.

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.

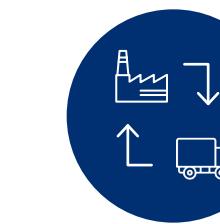


In February 2022, Guinness announced it is undertaking one of the *most ambitious regenerative agriculture pilots* to take place on the island of Ireland. Regenerative agriculture is an approach to farming that works in harmony with the natural environment to put back more than it takes out. This extensive, *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*.

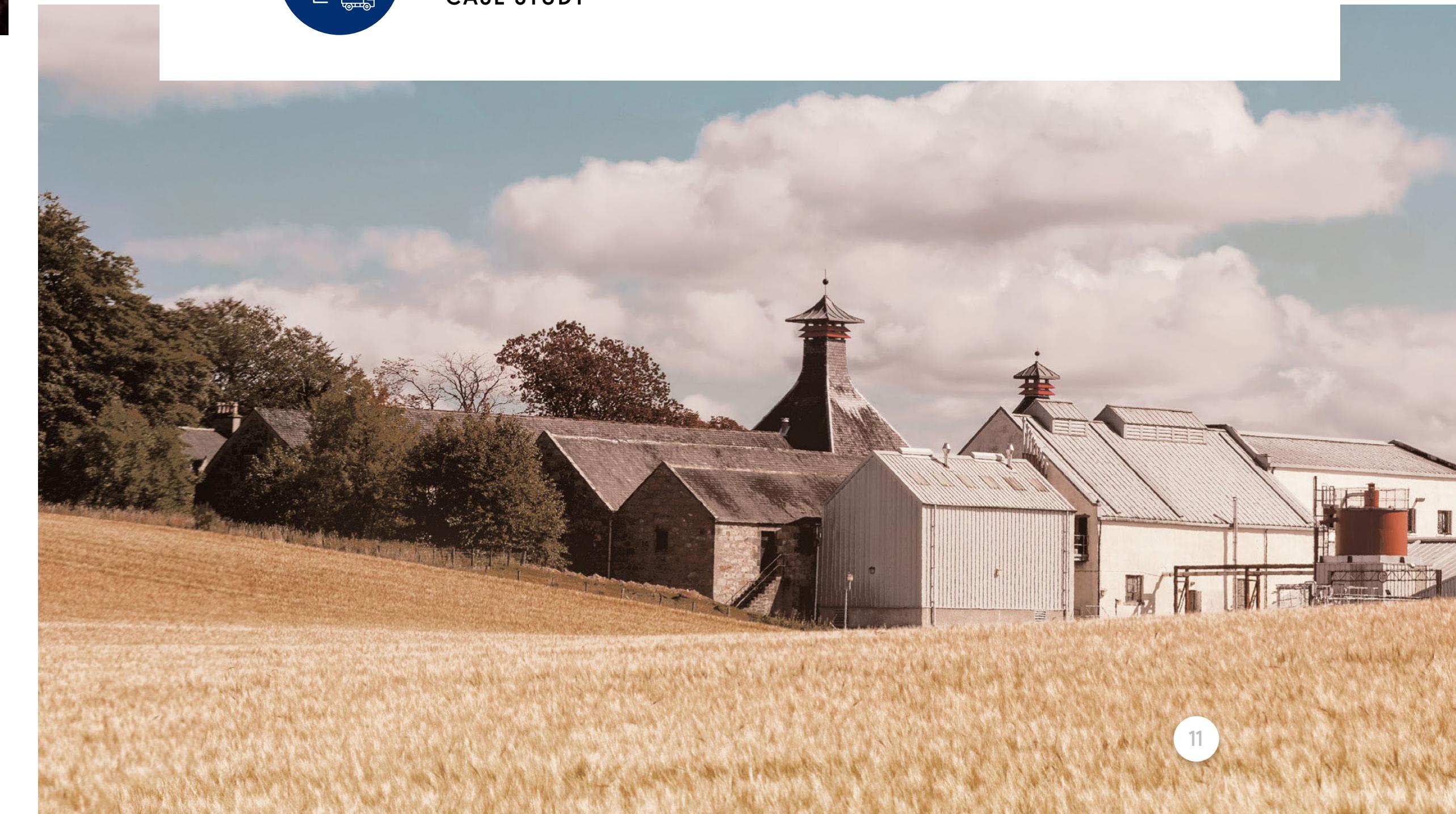


*Supply Chain  
CASE STUDY*

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*



## DIAGEO EMISSIONS REDUCTION HIERARCHY

### DIRECT OPERATIONS (SCOPE 1&2)

#### 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.

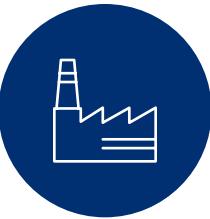


- Switching to refrigerants with the lowest practical global warming potential
- Operating non-renewable back-up generators as infrequently as possible & identifying renewable alternatives
  - Accelerating net zero journey at specific sites by [achieving carbon neutral status](#) (aligned to PAS 2060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

#### COMPENSATE RESIDUAL EMISSIONS

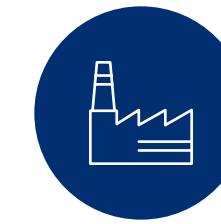


*Lebanon bourbon distillery* is one of the *largest of its kind* in North America. The new distillery in Kentucky operates using *100% renewable electricity*, using electrode boilers and benefitting from virtual metering *technology*. The new carbon neutral site reflects Diageo's ongoing commitment to 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.

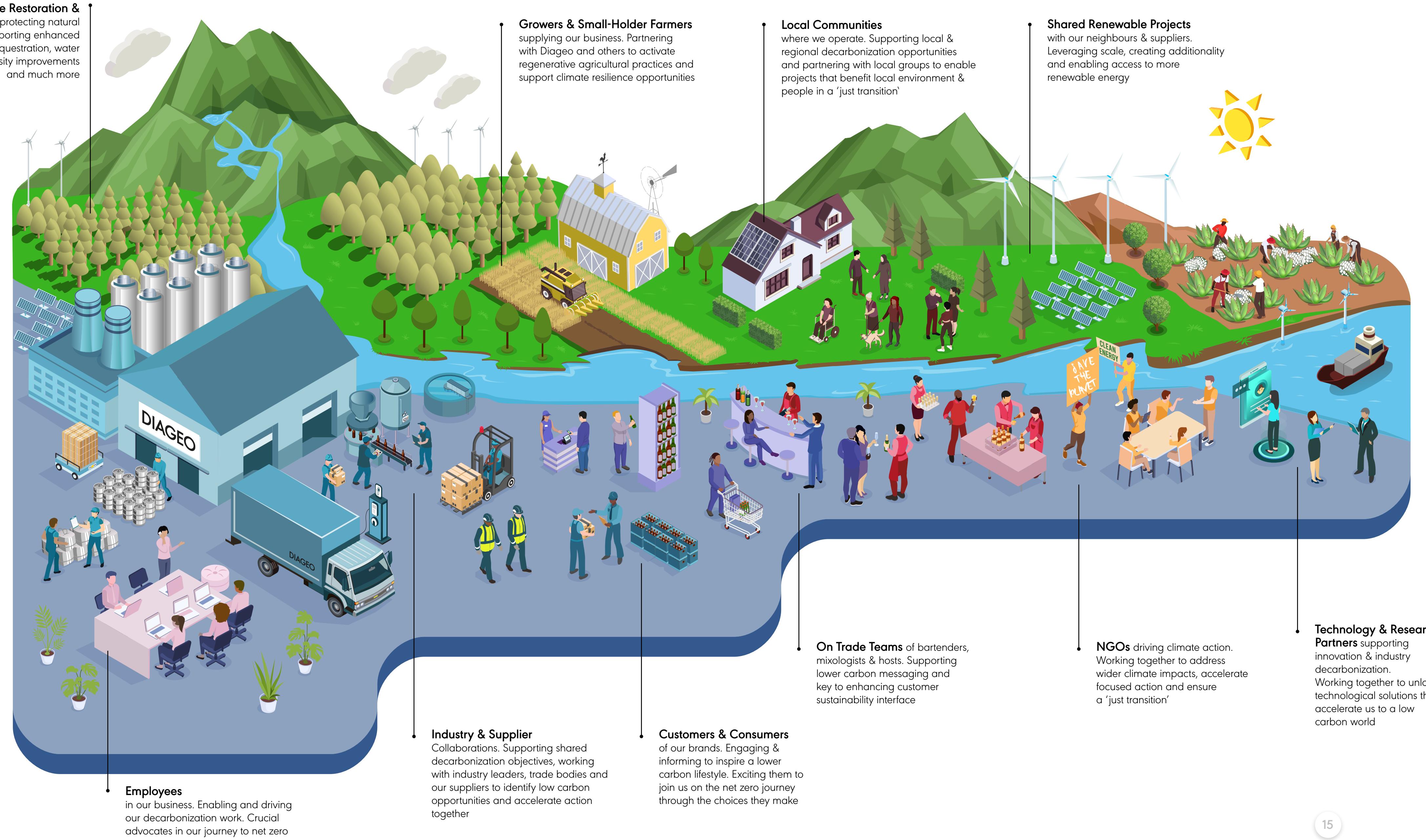
We are also modelling how we can make best use of the biological resources we produce as a by-product from our operational sites. Our aim is to positively impact emissions outside of scope, considering the wider impacts, where we can.



*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**

**RE100**

**UNITING BUSINESS AND GOVERNMENTS TO RECOVER BETTER**

**Powering Past Coal Alliance**

**Caring for Climate**

**op2b one planet** business for biodiversity

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

# Measuring Our Performance

We are committed to doing business the right way from grain to glass. Integral to this is transparent and meaningful reporting on environmental, social and governance (ESG) issues, as this plays a vital role in delivering our strategy. It helps us to manage ESG risks, seize opportunities and promote sustainable development everywhere we live, work, source and sell.

We have reset our baseline to our financial year 2020 period to ensure we have a robust datum, against which to track our emission reduction progress. The science based target approval process required us to set a new baseline to ensure alignment with the target setting criteria. Measuring our performance toward net zero enables us to demonstrate our commitments to effective climate action and also helps to communicate our progress, and where we need to accelerate our efforts.

Our performance against our Society 2030: Spirit of Progress targets, including those focused on energy and carbon, is reported externally on an annual basis, as well as more frequently internally, in order to drive timely performance improvement discussions. We are working hard to deliver our plan to reach our Scope 1 and 2 net zero emissions target by 2030.

We have capital investment plans and roadmaps for Diageo operational sites which enable prioritization of emission reductions across global portfolio each year.

We also use key performance indicators (KPIs) to measure performance to accelerate to a low carbon world. Specifically relevant to our reporting are [GRI 302: Energy](#) and [GRI 305: Emissions](#). We measure and track metrics & performance relating to energy and emissions across both our direct operations (monthly) and supply chain (annually). Climate change is part of senior leader remuneration, linked to carbon emissions & water efficiency performance. We are also looking at mechanisms to drive improvement across the business, including internal carbon pricing.

Strong internal governance structures and clear lines of accountability ensure the commitments in this strategy are owned. Diageo's Executive Committee, chaired by our Chief Executive, is accountable for the overall strategy and allocates responsibility for implementation to different parts of the business. At Diageo board level, our climate strategy is reviewed twice a year.

We engage external independent auditors to provide limited assurance of environmental performance data (i.e. carbon emissions and renewable energy) in our annual report. In order to benchmark our carbon sustainability work against our peers, and the wider business community, we submit non-financial information to a range of sustainability focused indices throughout the year. On an annual basis we participate in [CDP](#) and [DJSI](#) reporting to publicly disclose our performance and progress in these well recognized sustainability indices.

Diageo was one of the top ranked beverage companies in the [FTSE4Good index series](#) and features on the [Ethibel Sustainability Index \(ESI\)](#) Excellence Global. We have also received an A rating for Climate Change from CDP for the last six years.

We encourage & support supplier participation in membership of the [CDP Supply Chain programme](#), reporting on collective progress annually.



## GLOSSARY

**Adaptation:** The process of adjusting to current or expected climate change, and its effects.

**Carbon Credit:** Also known as a carbon offset - measurable, verifiable emission reduction from certified climate action projects. These projects reduce, remove or avoid greenhouse gas (GHG)

**Carbon Footprint:** A carbon footprint measures the total greenhouse gas emissions caused directly and indirectly by a person, organisation, event or product.

**Carbon Neutral:** Or carbon neutrality refers to an outcome where GHG emissions have been neutralized through purchase or carbon offsets/credits resulting in no net release of carbon dioxide.

**CDP:** A not for profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

**Climate Change:** Refers to any change in climate over time, whether due to natural variability or, as now known, unequivocally as a result of human activity. It is linked to global warming.

**Climate Emergency:** The term used to inspire and organise action to respond to the climate and ecological emergency.

**Co-benefits:** The positive benefits related to the reduction of greenhouse gas emissions that could relate to nature (i.e. water replenishment, biodiversity increase) and/or social-economic/community (i.e. employment, stability)

**Compensation:** refers to reaching a balance between emissions and removals (offsetting), usually beyond value chain, and for unabated emissions on transition to net zero

**Decarbonising:** The reduction of carbon dioxide (or equivalent) through the use of low carbon power sources, achieving a lower output of greenhouse gases to the atmosphere.

**GHG Emissions:** Greenhouse gas emissions. Carbon is often used as a term to encompass all 7 GHGs as defined by the Kyoto protocol, including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride.

**Insetting:** Similar to offsetting but refers specifically to carbon reduction that is directly related, either by geography, production, or commodity, to the organisation in question. Can provide additional co-benefits for local communities.

**Mitigation:** Avoiding or reducing emissions of greenhouse gas emissions into the atmosphere to prevent the planet from warming to more extreme temperatures.

**Net Zero:** Net zero emissions are reached when anthropogenic (i.e., human-caused) emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. A science based approach to net zero covers emission scopes 1, 2 & 3 with direct abatement of approximately 95%

**Neutralisation:** refers to long term removal of atmospheric carbon dioxide (offsetting) equivalent to an organization's residual emissions in order to reach net zero

**Offsetting:** Offsetting is a method of indirectly reducing residual emissions after reducing them as much as possible. Companies with residual emissions within their value chain are expected to neutralise those emissions with an equivalent amount of carbon dioxide removals.

**Residual Emissions:** Any greenhouse gas emissions that remain after a project or organisation has implemented all technically and economically feasible opportunities.

**Scope 1 Emissions:** The direct emissions from owned or controlled sources, including company facilities and company vehicles. These are predominantly from the combustion/use of fossil fuel derived energy sources.

**Scope 2 Emissions:** Covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

**Scope 3 Emissions:** Includes all other indirect emissions that occur in a company's upstream and downstream value chain, typically from sources that they do not control or own. This includes purchased goods and services, capital goods, fuel and energy related activities, transportation and distribution, waste generated in operations, business travel, employee commuting, leased assets, use of sold products, end of life treatment of sold products, franchises and investments.

**Supply Chain Emissions:** emissions from our upstream and downstream activities from assets or activities not owned or controlled by Diageo (see Scope 3 emissions).

**Total Value Chain Emissions:** emissions from our supply chain as well as our own operations and activities (i.e. Scope 1+ Scope 2 + Scope 3 emissions). Also referred to as total value chain footprint.

**TCFD:** Task force on Climate-Related Financial Disclosures

## SUPPORTING DOCUMENTS

To help us achieve our strategic goals to accelerate to a low carbon world, we are frequently reviewing how best to support our colleagues across the business. We are updating, and developing, policies, standards, guidelines and implementation toolkits to enable employees, suppliers and other stakeholders to understand what their role is and what action they need to take.

We want to ensure that we follow a credible decarbonization pathway using a systems thinking approach that helps us to anticipate challenges (i.e. renewable energy intermittency) and unintended consequences (i.e. deforestation or shifting an impact elsewhere) so we continually build on our internal knowledge and capabilities with support from external expertise.

The [Diageo Environment Policy](#) brings together our sustainability pillars, framed by our Society 2030: Spirit of Progress action plan and Pioneering Grain to Glass strategic targets. It links our work in carbon & climate to our other critical sustainability focus areas like water, sustainable design & biodiversity.

We also continue to extend our assessment of climate change impacts, and our existing disclosures, on our journey to adopting all the recommendations of the Task Force

on Climate-related Financial Disclosures (TCFD). We have incorporated the TCFD framework into our reporting and are accelerating efforts to mitigate climate change risks and identify opportunities for transitioning quickly to a low carbon future.

Our ESG Reporting Index contains additional information which is not included in the Annual Report. It is structured as three frameworks: the GRI index follows the GRI Sustainability Reporting Standards framework, while the UNGC index follows the UNGC advanced reporting criteria and serves as our annual Communication on Progress. We also report against the Sustainability Accounting Standards Board (SASB) framework.



Alliance for Water Stewardship



CDP



Corporate Human Rights Benchmark



Dow Jones Sustainability Index



Gartner Supply Chain Top 25



FTSE4Good



United Nations Global Compact

# HOW WE REPORT TO OUR STAKEHOLDERS

## OUR REPORTING SUITE

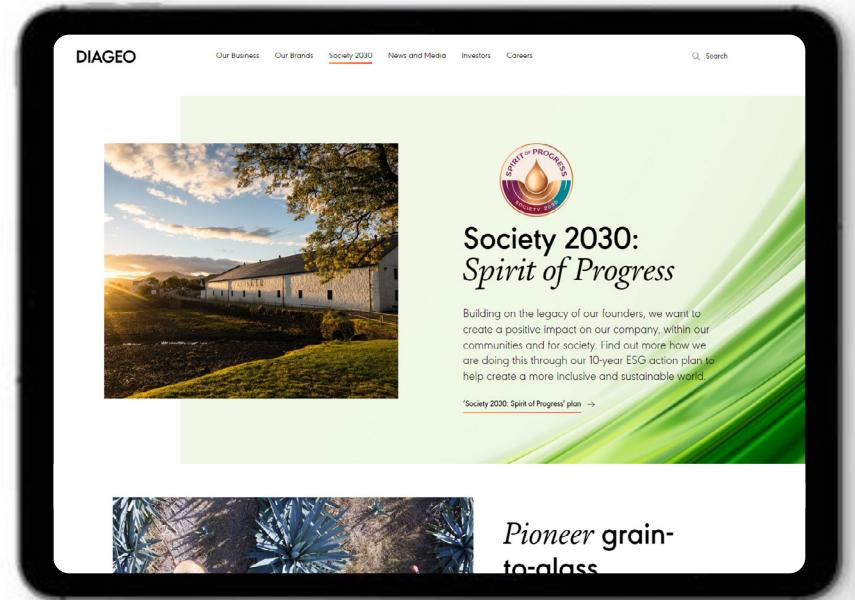
### Annual Report

Where we present our most material disclosures and describe how our strategy delivers value for our business and other stakeholders.



### Diageo.com

Where, through the 'Society 2030: Spirit of Progress' section, we give further details of our approach and performance, including examples of our strategy in action.



### ESG Reporting Index

Where we give additional disclosures in line with the GRI Standards index and the UNGC advanced reporting criteria index, plus our response to the Sustainability Accounting Standards Board (SASB). This document also includes detailed non-financial reporting boundaries and methodologies.



## DOCUMENT DETAILS

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