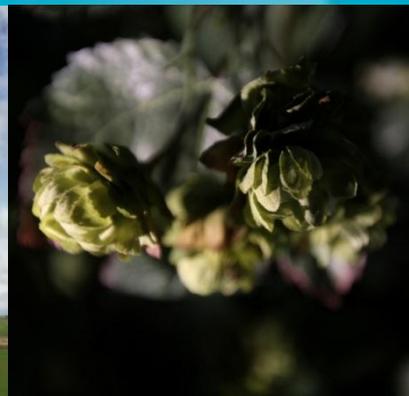


ENVIRONMENT
Global Policy



EXTERNAL
ACTIVITY

GREENiQ

Our goal is to become a truly sustainable business

Our commitment

"We recognise that our management of environmental issues is important to our stakeholders and fundamental to the long-term sustainability of Diageo.

Our aim is to achieve and maintain environmental sustainability – a condition where our business causes neither long-term critical depletion of natural resources nor lasting damage to species, habitats, biodiversity or the climate.

This policy sets out the commitments we have made to achieve this aim. It covers all Diageo businesses and operations. Our leaders are responsible for fully integrating the policy elements into their functional management. Recognising that some sites and offices have different environmental impacts from others, parts of this policy are more relevant to particular locations than others.

Environmental performance is a shared responsibility and it is only by working together that we will make progress on our journey to becoming truly sustainable."

David Gosnell

President, Global Supply & Procurement
Chairman, Diageo Environmental Executive Working Group

Scope of this policy

Our environmental standards apply to all locations and aspects of our business and we expect all our employees to follow them.

As a minimum, we expect our suppliers and partners to have a clear environmental policy statement in place and to be committed to developing and applying appropriate environmental management systems.



We've recently signed a contract to guarantee that 50% of our global electricity supply will come from low carbon sources

Q If water is in such short supply in some areas, why are we still operating sites there? Why don't we just set up somewhere else?

A The decision to locate our sites in certain places takes account of a great many factors, including the positive impact of providing employment to local communities and of working with local suppliers.

Water stress is something that we are very concerned about and our target is to reduce water wasted at water stressed sites by 50% by 2015. We have gathered detailed water source, flow and use information at all nine of our water stressed sites to identify where we can make the best improvements.

We are now investing in water treatment and recovery systems along with more targeted water conservation efforts and employee engagement. We have already made some progress. We have achieved zero water wasted at a site in the US, where by-product water is being reused in agriculture and irrigation, and we are making significant reductions in Kenya, where we are focusing on technological solutions and reuse.

All the sites offer different solutions and possibilities to reach our target and reduce our impact on already water stressed areas.

Context

Our management of environmental issues is important to our stakeholders and a key determinant in the long-term success of Diageo. We take a precautionary approach to such issues, which is consistent with prevailing scientific and technical understanding, and does not depend on having full scientific proof of specific environmental damage.

We aim to comply with the spirit as well as the letter of the law, which we regard as the minimum level of performance. Where no or less regulation exists, we set ourselves appropriately high standards.



Principles

Standards and guidelines

Supporting this policy, detailed requirements and guidance can be found in:

- Diageo Risk Management Standards
- Sustainable Packaging Guidelines
- Sustainable Agricultural Sourcing Guidelines
- Carbon Offset Guidelines

Prior assessment

We assess and aim to minimise environmental impacts before starting a major new activity or project and before decommissioning a facility or process.

Employee engagement

We take actions to keep our employees informed and motivated about environmental issues, actively encouraging them to contribute to reducing the company's environmental impact. We encourage a high level of support for Diageo's environmental initiatives to help employees act in an environmentally responsible way both at work and at home.

Our Targets for 2015

- Cut carbon emissions at wholly owned sites by 50%
- Increase water efficiency by 30%
- Reduce water wasted at water stressed sites by 50%
- Reduce pollution associated with wastewater by 60%
- Reduce packaging weight by an average 10%
- Make all packaging 100% recyclable or reusable
- Increase average recycled content to 42%
- Reduce waste sent to landfill by 100%

Sustainable electricity procurement

- More than 50% of all electricity used by Diageo globally is now coming from low carbon sources.
- In the UK and Northern Ireland, 100% of our electricity is now from low carbon sources.
- This means an annual reduction in our carbon emissions of 35,000 tonnes – the equivalent of taking 24,000 family cars out of use.

Supply chain

We understand the need for stewardship of the entire environmental footprint of our brands, from the sourcing of ingredients to the disposal of packaging after use. We aim to use what influence we have at each stage of our supply chains to encourage suppliers and other business partners to adopt standards similar to our own. See 'Partnering with Suppliers' for further details.

Brands, packaging and innovation

Just like the manufacture of the product inside, our packaging has an environmental impact throughout its life. In designing and renovating brands, we aim where possible to minimise their environmental impact in manufacture, distribution, use and disposal. Using our guidelines on sustainable packaging, we aim to deliver our brands in packaging with the smallest environmental footprint, looking to improve recyclability and to eliminate any element of our packaging material that poses a risk to the environment. We recognise we have to balance this with quality, safety, premiumisation and anti-counterfeit priorities and we understand that part of the journey may involve educating our consumers. We have set targets for improvement.

Logistics and business travel

We will seek to minimise the impacts of owned and contracted logistics by requiring or encouraging an environmentally friendly approach to: selecting modes of transport; vehicle efficiency; fuel type; driving style and journey planning. We will monitor business travel by employees and maintain plans to minimise its impacts. We should always try to consider the need for travel when we organise meetings and, where possible, endeavour to find means of communication that minimise travel.

Research and transfer of technology

We research the environmental impacts of our operations and supply chains and the means of minimising them. We encourage the development and spread of environmentally friendly technologies – internally, through programmes such as GREENiQ and externally, where we seek to work cooperatively with other companies and organisations to share best practice.

Environmental management

All our production sites are required to have a documented Environmental Management System to ensure that their performance is monitored, improvements are made and targets are set. Many of our sites are now ISO14001 certified and we are working to increase that number. Our License-to-Operate programme assesses compliance with legislation and with our own Global Risk Management Standards. All Diageo sites and offices monitor and manage their environmental impacts, to deliver reductions and to deliver against the environmental policy and targets.



The award-winning Roseisle distillery in Scotland recycles distillery by-products and generates on-site bio-energy. The site aims to reduce CO2 emissions by 13,000 tonnes per year.

Q I heard about the way you're "lightweighting" the Smirnoff Ice bottle by 10% in Venezuela and saving 1600 tonnes of glass. Why don't we just lightweight all our packaging?

A Lightweighting is just one of the ways we can reduce the environmental impact of our packaging – there's no one-size-fits-all solution. We are also working on improving recyclability, using recycled materials, and we are looking at ways our consumers can reuse our packaging. While lightweighting is the smart choice for some brands, we prefer to think of it as "rightweighting". For example, we don't want to increase the number of breakages in transport because the bottles are too fragile – that would defeat the objective. In some cases, where consumers are happy to re-use our packaging, we may even consider "heavyweighting" to extend its life and make sure it can be reused time after time. In Africa, where we use returnable bottles for 12 of our brands, each bottle is cleaned and reused on average 12-15 times, so this can provide a big benefit. Have a look at our GREENiQ site for more information about how we're improving the sustainability of our packaging.

Energy and greenhouse gases

In response to the risk of climate change, we aim to minimise our direct and indirect greenhouse gas emissions. We monitor our use of fuels, promote awareness of the need to increase energy efficiency, implement programmes of energy use reduction, favour electricity from renewable sources, look to generate our own renewable energy using by-products from our manufacturing processes, and follow Diageo guidelines on the rare occasion we offset emissions. We have set targets for greenhouse gas emission reductions.

Hazardous substances

We regularly review the need for using hazardous substances, reducing volume and toxicity where feasible. We handle and dispose of hazardous substances in accordance with regulations or with Diageo standards where these are more stringent.

Water management

At present nine production sites are classed as being in water stressed areas and we are very aware of the effects of our operations on local water supply. We monitor water sources, destinations and flows through our sites to understand their water balance, promote awareness of the need to increase water efficiency and share best practice on ways to improve.

As a company, we seek to comply with consent limits on discharges to water or with appropriate Diageo standards where there is no regulation. We look for alternative uses for wastewater. We set targets for reducing water use and wastewater emissions, setting stricter water use targets in areas of water scarcity.

Materials and solid waste

In procuring materials used in our operations, we aim to favour those from renewable or recycled sources and those that in manufacture, use or delivery have a lower environmental impact. We monitor waste streams, promoting awareness of the need to increase materials efficiency. To minimise the waste we send to landfill, we operate a hierarchy of actions: omit, reduce, reuse, recycle and dispose. We monitor levels of waste recycling and waste to energy recovery, and set targets for achieving zero waste sent to landfill.

Emergency response

Where significant hazards exist, we maintain emergency response plans with suitable containment measures (where appropriate in conjunction with local authorities and our communities) to reduce the possibility and severity of accidental spills, releases or other events that may cause environmental damage.



The Gordon's Gin bottle now contains up to 80% recycled glass.

Q We're investing a lot of time and money in this, but we're just one company. Is this really going to make a difference? What about everyone else?

A Climate change is obviously a global challenge but we believe that we have a substantial contribution to make. One way we try to use our influence is through our supply chain. We spend £3.6bn with suppliers each year and through our Partnering with Suppliers Standards, we define our expectations of this group. As a minimum, we expect our suppliers to have a clear environment policy and a commitment to developing appropriate environment management systems. We have begun by engaging our suppliers with the largest environmental impacts – our raw ingredients producers, energy and packaging suppliers. As well as engagement, we are reviewing our suppliers' performance, and setting long-term targets together.

We also engage with our major consumers, such as Wal-mart in Brazil, where we are piloting in-store recycling points and participate in government initiatives such as SmartWay, a scheme in the US which works to identify cleaner, more efficient transportation options.

Communications

We will ensure that all employees, contractors and suppliers are aware of the company's Environmental Policy and are aware of their own responsibilities. It is important that we publish information externally on our environmental performance including reporting progress against our targets. We also aim to provide information and advice on our environmental impacts to our customers and consumers.

How does this apply to me?

- We must all demonstrate a commitment to the environmental standards outlined in the Environment Policy and the Diageo Standards on Partnering with Suppliers.
- We should support local environmental sustainability initiatives such as energy saving or waste reduction programmes.
- We should challenge unsustainable activities if they occur.
- We must work with our suppliers to help them to develop appropriate environmental management systems which reflect Diageo's commitment to reducing the environmental impact of the supply chains of which we are a part.

Responsibility

We are all individually responsible for making sure that we comply with this Policy in addition to Diageo's Code of Business Conduct and all laws, regulations and industry standards.

If you manage people, you are expected to ensure that the individuals who report to you receive the guidance, resources and training they need to enable them to do their jobs in compliance with this Policy.

Monitoring

In 2008, we set ourselves a series of targets for 2015 which allow us to measure progress. We aim to deliver environmental improvement (one of Diageo's five Corporate Social Responsibility priorities) through a series of capital investment and behaviour changing projects and will report on our progress in the annual Sustainability and Responsibility Report. These targets are centred on those areas of the product lifecycle where we have most impact.

We are also listed on the FTSE4Good and Dow Jones Sustainability Index to benchmark our sustainability performance.

The Environmental Executive Working Group, through the Environmental Leadership team, will ensure compliance is measured and monitored.

Any breach of this Policy is also considered to be a breach of the Diageo Code of Business Conduct and should be reported promptly through one of the routes described in the Code. You can also discuss concerns or make a confidential report using SpeakUp.

Breaches of this Policy will be dealt with in accordance with the Diageo internal investigations policy and local disciplinary policies, as permitted by law.

Contacts and further information

Detailed requirements and guidance are to be found in the Diageo Risk Management Standards, Sustainable Packaging Guidelines, Carbon Offset Guidelines and other documented guides to ways of working. Our annual Sustainability and Responsibility Report contains details of the company's latest achievements and environmental targets.

For the latest information about Diageo's Environmental agenda, please visit www.diageoGREENiQ.com or contact Michael Alexander (michael.alexander@diageo.com).

The Global Compliance & Ethics team manages the Diageo Compliance & Ethics programme and is available to provide help and guidance on all issues relating to the Code and Diageo policies.

This Policy was last reviewed and updated in July 2011.

The logo for GREENiQ, featuring the word "GREEN" in a bold, green, sans-serif font, followed by "iQ" in a grey, sans-serif font. The "i" is lowercase and has a dot above it, and the "Q" is uppercase and has a tail that curves upwards.