

DIAGEO

Communications On Progress

UN Global Compact
CEO Water Mandate
2009

“Through our participation and continuing support for the UN Global Compact and its CEO Water Mandate, we can both learn from others and show leadership.”

Dr Franz B Humer
Chairman

Paul S Walsh
Chief executive

UN Global Compact

Examples of practical actions and outcomes	
Human rights	
Businesses should:	Supporting the right to life, our 1 Million Challenge aims to deliver a source of clean water to a million people a year in Africa until 2015. This year our projects reached 1.56 million people, bringing the total to date to 3.2 million.
1. Support and respect the protection of internationally proclaimed human rights	<p>In support of the right to education, this year we renovated the primary school in Oregbeni, Benin, Nigeria. When we replaced the roof and toilets, repaired where necessary and provided books for the 2,000 pupils, the king of Benin praised the project as a great example of community support.</p> <p>In our own businesses we have taken a number of actions in support of our employees, including:</p> <ul style="list-style-type: none"> ▪ Global Supply Scotland has implemented a programme for employees called Confidence Plus, aimed at building employees' confidence and resilience. ▪ The GB field sales Managing Energy (ME2) programme included a confidential physical and psychological assessment, a personal report, targeted wellbeing education sessions and individual support from the Occupational Health team. ▪ Our Runcorn plant launched a similar programme called Living Well, which included a full day off site for wellbeing education sessions. ▪ At a wellness fair in North America we invited medical professionals to provide testing and counseling for employees – for example on nutrition, mammograms, high blood pressure, and stress. ▪ Diageo Korea has extended full medical check facilities to an employees' spouses over 37 years. <p>Our response to pandemic flu was devised working in partnership with expert medical consultants and covers:</p> <ul style="list-style-type: none"> ▪ Business continuity ▪ Care for our people and their families. ▪ Communication and education ▪ Antiviral medication - we have made provision for over 70,000 courses of Tamiflu by prescription on either a free or subsidised basis to all Diageo employees and designated members of their families. <p>A number of Diageo markets have improved their paternity provision to employees, often going beyond the statutory requirements. As examples Diageo Korea has increased its paternity leave to 3 days and Argentina has raised it to 1 week.</p>

2. Make sure they are not complicit in human rights abuses

Diageo is committed to providing a place of work that is free from bullying or harassment and that the work environment provides an atmosphere of respect, collaboration, openness, safety and equality. In support of this we have introduced a new Dignity at work policy for UK and Ireland, including mediation as an effective and progressive way of resolving workplace conflict.

In addition to our Speak-Up line, which gives employees a confidential way of raising any concerns including potential human rights issues, in Korea we launched an on-line suggestion system ("On Air"), which allows employees to send any ideas, suggestions, personal concerns and questions to the HR director. Anonymity is optional for the employee.

Labour standards

Businesses should uphold:

3. The freedom of association and the effective recognition of the right to collective bargaining

The right of all employees to freedom of association is specified in our human rights policy. People can voice concerns in a variety of ways, including our Speak-Up phone line and our annual values survey, both of which guarantee confidentiality. All Diageo employees are free to join trades unions; we do not monitor membership.

4. The elimination of all forms of forced and compulsory labour

We do not use forced or compulsory labour. We wish to see the same standards in our supply chain as in our own operations. Suppliers are required to comply with our Partnering with Suppliers standard, which is based on the UNGC and ILO principles. We use SEDEX as an independent database to manage the performance of those suppliers we deem to present a higher risk, based on such factors as the country of operation and the potential impact on our brands.

We are a leading player in the AIM-Progress task force, an FMCG sector collaborative initiative whose aim is to improve responsible sourcing through the supply chain.

With the economic empowerment that comes with a real job, young people are less vulnerable to exploitation. In Latin America and the Caribbean, our Learning for Life programme aims to provide 50,000 young people with the skills and confidence they need to compete and succeed in employment in the legitimate economy. Under the programme, we have begun projects in the four focus areas of tourism, retailing, hospitality and the arts.

5. The effective abolition of child labour

We do not use child labour. Our approach to responsibility in our supply chain is described in (4) above.

6. The elimination of discrimination in respect of employment and occupation

Our policies to encourage diversity set out our commitment to treat people fairly, both at recruitment and during their careers. They include undertakings to advertise vacancies routinely, encourage suitable internal candidates, and assess people without bias. Opportunities are determined only on the basis of ability and performance. We aim to create opportunities that are attractive to a wide range of suitably qualified candidates and compatible with a variety of lifestyles. The proportion of women senior managers has increased from 24% to 26% since 2007.

In overseas assignments, we aim to increase the proportion of roles filled by people from outside the UK. This has grown from 33% to 59% over the last six years.

The Rainbow Network, a group of employees whose aim is to promote awareness of workplace equality and gay, lesbian, bisexual and transgender (GLBT) issues, was instrumental in increasing focus on enhancing our human resources policies this year. The drive resulted in a 100% score for Diageo in the Corporate Equality Index, as judged by the Human Rights Campaign Foundation, parts of the USA's largest advocacy group for GLBT rights. The Network, established first by Diageo North America, was this year convened also in Britain.

Environment

Businesses should:
7. Support a precautionary approach to environmental challenges

In our environmental policy we commit to take a precautionary approach, which is consistent with prevailing understanding and does not depend on having full scientific proof of specific damage.

Licence to Operate is a Diageo tool designed to reduce environmental and other risk at our supply sites. In the last two years, 950 LtO reviews have been carried out and 8,400 improvement actions taken.

Our active involvement with the Beverage Industry Environmental Roundtable allows us to share experience with others in our industry and agree consistent approaches to measurement and reporting.

8. Undertake initiatives to promote greater environmental responsibility

Our aim is to achieve and maintain environmental sustainability, causing neither long-term depletion of natural resources nor lasting damage to species, habitats, biodiversity or the climate.

This year we endorsed two declarations calling on world leaders to act on climate change: the Poznan Communique and Caring for Climate.

We reviewed, revised and relaunched our environmental policy to reflect our ambitious targets for environmental improvement.

We completed a carbon footprint of Scotch whisky, from cereal production to distribution of finished goods. The study showed that 54% of carbon emissions occur during our own distilling and packaging processes, validating the efforts we put into reducing our impact at this stage.

We launched a new newsletter GREENiQ, to engage employees in Diageo's environmental programme.

Working towards targets set for 2015, we have completed initiatives at many sites this year, resulting in a 2% reduction in greenhouse gas emissions, 3% less water used to make each litre of product, 66% less waste sent to landfill and a 13% reduction in effluent polluting power since 2007.

<p>9. Encourage the development and diffusion of environmentally friendly technologies</p>	<p>We have a policy commitment to research the impacts of our operations and supply chains and the means of minimising them. Technological solutions have been employed at many sites this year and are described on pages 18 to 23 of the corporate citizenship report 2009.</p> <p>We announced this year what we believe to be the largest investment in renewable energy technology by a non-utility in UK history in the form of a £65M bio-energy plant at our largest distillery, located in Scotland. This plant will take waste products of distillation and turn them into energy, thereby reducing the distillery's reliance on fossil fuels by greater than 80%.</p> <p>We are following a similar technology model at two new distilleries under construction, in Scotland and the US Virgin Islands, technologies where not only will waste be used to create energy but water will be recycled and reused to a large extent.</p> <p>Recycling technology developed at our Dundalk brewery is being shared as a case study for other brewers.</p> <p>At Huntingwood, Australia, by installing new controls on the largest refrigeration compressor, we have reduced the site's greenhouse gas emissions by 8%.</p> <p>We installed new, more efficient, lighting at six winery sites in the USA, reducing greenhouse gas emissions by about 260t a year. New lighting technology at our Menlo Park packaging site in California has saved a further 327t of CO₂.</p> <p>Solar panels installed at Sterling Vineyards in California now provide power for the site's aerial tram and some winemaking processes, saving greenhouse gas emissions of around 30t a year.</p> <p>Fitting a recirculation chiller at St James's Gate, Dublin has reduced greenhouse gas emissions by nearly 900t a year.</p> <p>The environmental standards we expect of suppliers are set out in 'Partnering with Suppliers', compliance with which is now a formal part of our qualification process for raw material suppliers.</p> <p>At our Plainfield packaging plant in Illinois, a new approach to recycling has reduced waste to landfill from 2.5g per litre of product to 1.2 g/litre.</p> <p>Initiatives on water management and conservation are reported in our CEO Water Mandate communication on progress, below.</p>
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Anti-corruption

<p>Businesses should: 10. Work against all forms of corruption, including extortion and bribery</p>	<p>This year we reviewed and updated the Code of Business Conduct, supported by training and guidance, which used scenarios and examples of real life situations to emphasise the importance of ensuring proper and ethical business relationships, particularly in relationships involving government officials.</p>
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CEO Water Mandate

	Examples of practical actions and outcomes
<p>1. Direct operations Water conservation and wastewater treatment at our own plants</p>	<p>We have completed a water survey at each manufacturing site and set targets for improved water efficiency, more water treatment and, at water-stressed sites, absolute reductions in water usage. This year water efficiency is up 3% and wastewater polluting power 13% down on 2007.</p> <p>In Korea we found that using less water to rinse bottles could be just as effective, while saving 10% of the water needed.</p> <p>In Huntingwood, Australia, an innovative design allows us to recover, cool and reuse water in vacuum pumps, saving over 18 million litres a year. The idea is being adopted by Diageo sites across the world. At the same site, we have begun rinsing many sizes of bottle with air, rather than water.</p> <p>At Beaulieu Vineyards in California, the use of ‘water miser’ barrel washers and reusing tank washing water for floor cleaning has saved around 3.8 million litres of water a year.</p> <p>At our Plainfield packaging plant in Illinois, water reduction projects have reduced water usage from 2.1 litres per litre of product to 1.9 litres per litre.</p> <p>We introduced new water-efficient cleaning equipment, a water-recycling project, tighter management of leaks and more metering at our brewery in Jamaica. The savings over a full year are estimated at 218,000 cubic metres of water.</p> <p>At our brewery in Dundalk, Ireland, improvements including identifying underground leaks and installing new pipework has reduced water use by 355,138 cubic meters and increased water efficiency from 4.74 to 4.33 litres of water used per litre of product.</p> <p>We have commissioned new effluent treatment plants at our sites in Kumasi, Ghana and Jamaica and improved those in Kaase, Ghana and Benin, Nigeria. Treatment plants in Cameroon and Achimota, Ghana are under construction. These new facilities have reduced the polluting power of our effluent from 35.3kt of BOD to 26.9kt in the last year.</p> <p>In our Nairobi brewery, we installed a water recovery system for our pasteurisers, saving up to 7.5m³ of water an hour.</p>
<p>2. Supply chain and watershed management Encourage water conservation in our supply chain</p>	<p>In China we partnered with WWF to help protect East Taihu Lake, an important source of freshwater that supplies 17% of Shanghai’s needs. With the expansion of aquaculture, the lake has experienced changes to its fragile eco-system. The aim of the two-and-a-half-year project is to improve the quality of the regional water supply, establish flood controls and preserve local biodiversity.</p>

We completed a water footprint of Tusker, the leading beer brand in East Africa, which we brew in an area we designate as water-stressed. The study increased our understanding of water consumption through the supply chain, identified priority areas for mitigation and formed the basis for dialogue with suppliers. We shared the results with delegates at an international water conference.

3. Collective action

Work with others to address the water challenge

Recycling technology developed at our Dundalk brewery is being shared as a case study for other brewers via the Irish Environment Protection Agency. The technology results in annual savings for our business of 1,350 m³ of water.

Since the tsunami hit South-East Asia in 2004, we have partnered with HRH Princess Maha Chakri Sirindhorn's Charity and government departments to provide clean sources of water to some of those affected in western Thailand. This year we provided water to 6,000 islanders in Trang and Krabi provinces. The programme includes building groundwater supplies and improving water quality as well as establishing micro enterprises to manage the community water supply and sell clean bottled water, thus stimulating economic revival.

Our active involvement with the Beverage Industry Environmental Roundtable allows us to share experience with others in our industry on water stewardship practices and agree consistent approaches to measurement and reporting.

Giving for Good is a programme through which Diageo employees can contribute either directly or by fundraising to a single community cause, which changes each year. In 2009, Giving for Good focused on providing water filter kits to schools and clinics in Uganda.

4. Public policy

Partner with government and other bodies to advance the water agenda

In Waterford, Ireland, we supported the local government in constructing a water treatment plant for the town. In a full year, the new works will save more than 300 tonnes of organic waste from our brewery reaching the River Suir. In Kilkenny, Ireland we send hourly effluent monitoring data to the local government to help maximise the efficiency of treatment and minimise impact on the river.

On World Water Day in Taiwan, we joined the Institute of Environmental Engineering, the Water Resources Agency of the Ministry of Economic Affairs and the Taipei Water Department to issue a public call for action. We appealed for the adoption of targets including a 30% reduction in water use per person, re-using recovered water and updating water-saving devices. Tapping into the synergies achieved through working with the government, industry and academia, we called on the public to save water and reduce carbon emissions from water use. On the day of the event, Diageo Taiwan employees engaged the public in water-saving activities, whilst sharing water-saving tips and knowledge.

<p>5. Community engagement Support the development of water supplies and sanitation in our communities</p>	<p>In Africa, under our One Million Challenge, we delivered clean water and sanitation to 1.57 million people this year, making a total of 3.2 million since we launched the project three years ago.</p> <p>In India, we have begun to construct 50 rainwater harvesting sites, which are planned to gather enough water for 14,000 people.</p> <p>In China, we worked with WWF at four Sichuan nature reserves to replace water pipes and cisterns destroyed by the 2008 earthquake. The work will restore water supplies to about 10,000 people in the local farming community.</p>
<p>6. Transparency Report on, and be open about, our approach to water issues</p>	<p>We have shared our approach to water with audiences of peers and investors. This is our first full communication on progress against the six mandate pledges.</p> <p>Our corporate citizenship report, which is widely circulated in print and on the Diageo website, conforms to GRI standards and includes an account of our approach to water management and our ambitious targets for improvement.</p> <p>We launched a new newsletter GREENiQ, to report to our employees progress in our water management programme and engage them in further improvements.</p> <p>Our active involvement with the Beverage Industry Environmental Roundtable allows us to share experience with others in our industry and agree consistent approaches to measurement and reporting.</p>

3 September 2009