

DIAGEO

Sustainability & Responsibility
Performance Addendum to
the Annual Report 2015



INTRODUCTION

This is the Sustainability & Responsibility Performance Addendum to Diageo's 2015 Annual Report. In it you'll find a discussion of our approach to reporting, followed by our responses to the Global Reporting Initiative (GRI) G4 guidelines and the United Nations Global Compact (UNGC) principles, presented as two indices. This document supplements Diageo's Annual Report 2015 and the responsibility section of our website.

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Key

Links to Annual Report
Links to www.diageo.com

Diageo's approach to reporting

In 2014 we began the journey towards integrated reporting – that is, concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value in many forms in the near and long term. Using the International Integrated Reporting Commission (IIRC)'s framework as a guide, we presented our most material sustainability and responsibility disclosures in our Annual Report. This year, we have continued that journey, by beginning to explain in more detail how our sustainability and responsibility strategy works together with our commercial performance drivers to help us deliver our Performance Ambition.

We recognise, however, that many of our stakeholders rely on other, more detailed information which cannot be included in the Annual Report for reasons of space, and we also continue to subscribe to the principles inherent in both the GRI and UNGC. For these reasons we publish this Sustainability & Responsibility Performance Addendum alongside our Annual Report, in which you will find our disclosures structured as two indices. The GRI index follows the G4 framework, while the UNGC index follows the UNGC advanced reporting criteria. We have also updated the Responsibility section of our website which gives more detail of our sustainability and responsibility approach and shares case studies with general stakeholders.

Our aim is to ensure that between our Annual Report, our website, and this Performance Addendum, we provide the information our diverse stakeholders expect and need.

Strategy and materiality

2015 has been a year of significant progress in our approach to sustainability and responsibility. With our 2015 targets expiring this year, and in light of external factors such as the UN's new Sustainable Development Goals, we evaluated the strengths and weaknesses of our strategy against our track

record of performance and the work we have done over the past few years in understanding the expectations and concerns of our stakeholders.

As a result, in December 2014, we launched new and ambitious targets for 2020 for our most material issues, which build on our achievements to date, and are aligned with the emerging UN Sustainable Development Goals. Our targets, which focus on leadership in alcohol in society, building thriving communities and reducing our environmental impact, are an essential part of how we will deliver our Performance Ambition (see page 16 of the Annual Report for more information). Given their increasing importance to the business as a whole, we have added safety and carbon emissions to our 2014 non-financial performance indicators – responsible drinking programmes, water efficiency, and employee engagement.

Materiality matrix

Our materiality assessment was informed by stakeholder consultation and internal analysis, and confirmed that our most critical social issue is to do with the impact of alcohol on society, while water stewardship is the most important environmental impact we need to manage. The matrix on page 3 illustrates the results of our assessment, with external stakeholder interests illustrated on the y axis and business interests on the x axis. Business interests represent the impact each issue might have on factors including equity, market share, price, operating profit, our reputation and employee engagement.

We recognise that this matrix is not comprehensive but it is illustrative of the variety of concerns stakeholders may have in the 180 countries in which we sell our products. We will continue to update it as we engage individuals and organisations around the world.

Looking ahead – focusing on impact

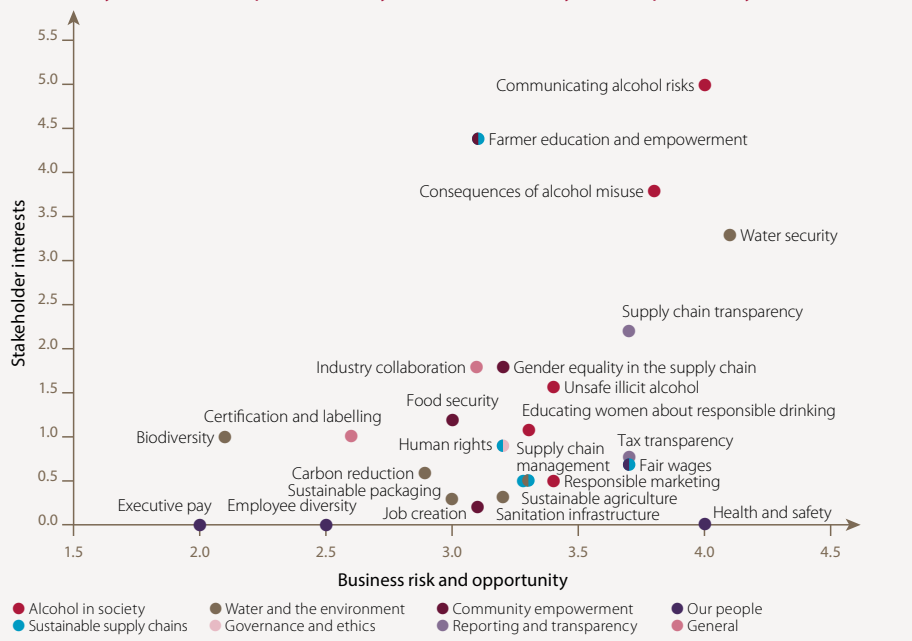
During the year, we appointed a new Sustainable Development Director to lead the team, embed our strategy and develop sound metrics for our 2020 targets and a co-ordinated framework for meeting them everywhere we do business. This will involve a more sophisticated approach, which is about impact rather than input. We need to measure what our programmes are delivering for people both within and outside our business.

We also need to understand better how everything we do is connected – our impact as a local employer providing jobs and paying taxes, with our impact as a company selling alcoholic drinks in regulated markets; our impact as a manufacturer using shared natural resources and purchasing from local and global suppliers, with our impact as a marketer of iconic, much loved brands; our impact on and role within the communities in which we operate. To create one of the best performing, most trusted and respected consumer goods companies in the world, we need to understand the impact we have as a company, with the aim of ensuring that overall, our contribution is a positive one.

We have already begun this work with our new integrated water strategy, our Water Blueprint, launched in April 2015, which has given us a deeper understanding of the total impact of our water use and in which we have prioritised what we need to do to improve our stewardship of water.

A full description of our Sustainability & Responsibility Strategy can be found on our website, and details of 2015 performance against our existing targets on pages 38-47 of the Annual Report.

Materiality matrix (a comparative analysis of sustainability and responsibility interests)



GRI G4 INDEX

This index outlines our response to the GRI G4 Sustainability Reporting Guidelines. Our definition of material is relatively broad, and includes most issues that surfaced as part of our materiality assessment, regardless of priority, as illustrated on page 3.

We have continued to develop our approach to reporting, building on our 2014 GRI G4 report. While we cannot yet report 'core' compliance, our focus on our most material issues helps embed sustainability and adds value within our business, especially while the GRI G4 Guidelines become more widely adopted and approaches to it better defined. We have reported on as many standard and specific disclosures as possible, including many required only of a comprehensive report, against the priorities set by our materiality review. We have reported on more indicators this year than in 2014, reflecting improvements made as we transferred to GRI G4 and the continuing evolution of our sustainability strategy.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◆ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Translating our Sustainability & Responsibility Strategy to GRI

In addition to informing our strategy, our materiality assessment also guides our reporting and has helped us determine which indicators would be most useful to our stakeholders. The following table translates the programmes that we manage into the GRI's aspects. GRI aspects not included in this table are not considered material and are not reported on in this Performance Addendum.

DIAGEO PROGRAMME	GRI ASPECT	
Alcohol in society	<ul style="list-style-type: none"> • Customer Health and Safety • Product and Service Labelling 	<ul style="list-style-type: none"> • Marketing Communications • Public Policy
Water and the environment	<ul style="list-style-type: none"> • Water • Effluents and Waste • Energy • Emissions • Transport 	<ul style="list-style-type: none"> • Materials • Products and Services • Biodiversity • Overall Environment
Community empowerment	<ul style="list-style-type: none"> • Local Communities • Economic Performance 	<ul style="list-style-type: none"> • Indirect Economic Impacts • Public Policy
Our people	<ul style="list-style-type: none"> • Employment • Labour/Management Relations • Diversity and Equal Opportunity • Occupational Health and Safety • Training and Education • Investment • Non-discrimination 	<ul style="list-style-type: none"> • Freedom of Association and Collective Bargaining • Child Labour • Forced or Compulsory Labour • Security Practices • Assessment • Market Presence • Equal Remuneration for Women and Men
Governance and ethics	<ul style="list-style-type: none"> • Compliance • Anti-corruption • Anti-competitive Behaviour • Compliance – Society • Environmental Grievance Mechanisms • Compliance – Environmental 	<ul style="list-style-type: none"> • Grievance Mechanisms for Impacts on Society • Human Rights Grievance Mechanisms • Labour Practices Grievance Mechanisms • Compliance – Product Responsibility • Governance • Ethics and Integrity
Sustainable supply chains	<ul style="list-style-type: none"> • Procurement Practices • Supplier Assessment for Labour Practices • Supplier Human Rights Assessment 	<ul style="list-style-type: none"> • Supplier Assessment for Impacts on Society • Supplier Environmental Assessment
Reporting and transparency	<ul style="list-style-type: none"> • Identified Material Aspects and Boundaries • Report Profile • Organisational Profile 	
General management of sustainability and responsibility	<ul style="list-style-type: none"> • Strategy and Analysis • Stakeholder Engagement 	

GRI G4 INDEX GENERAL STANDARD DISCLOSURES

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Strategy and analysis

<p>G4-1 ◆</p>	<p>Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation, and the organisation's strategy for addressing sustainability.</p> <p>In our Annual Report, pages 8-11, our Chairman and Chief Executive comment on how Diageo's Sustainability & Responsibility Strategy and 2020 targets support Diageo's Performance Ambition to create 'the best performing, most trusted and respected consumer products company in the world'.</p>	<p>G4-2 ◆</p>	<p>Description of key impacts, risks, and opportunities.</p> <p>Through stakeholder and financial analysis conducted in 2013, we identified three sustainability and responsibility issues to be most material to Diageo: the role alcohol plays in society; farmer education and empowerment; and water security. These and the total results of this study are illustrated in the materiality matrix found on page 3 of this Performance Addendum. Further information can be found on our website, strategy section. Those risks considered most material from a financial perspective are included in the How We Protect Our Business: Risk Management and Principal Risks section of the Annual Report, pages 20-21.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Organisational profile

<p>G4-3 ◆</p>	<p>Name of the organisation. Diageo plc.</p>	<p>G4-4 ◆</p>	<p>Primary brands, products and services. Diageo produces more than 100 alcoholic beverage brands, with our global giants such as Johnnie Walker, Smirnoff, Captain Morgan, Baileys, Tanqueray and Guinness representing almost a third of our net sales. Key details about each of these brands can be found in the Our Brands section, pages 4-5, of the Annual Report, while an overview of our production and value chain can be found in the Our Business section, page 2.</p>	<p>G4-5 ◆</p>	<p>Location of the organisation's headquarters. London, UK.</p>
<p>G4-6 ◆</p>	<p>Number of countries where the organisation operates, and names of countries where either the organisation has significant operations, or that are specifically relevant to the sustainability topics covered in the report. Our products are sold in more than 180 countries around the world, separated into 21 markets and five regions. A breakdown of which markets are in each region can be found in the Our Global Reach section of the Annual Report, page 3.</p>	<p>G4-7 ◆</p>	<p>Nature of ownership and legal form. Full name: Diageo plc Registered number: 23307 Registered office: Lakeside Drive, London NW10 7HQ Place of registration: England and Wales</p>	<p>G4-8 ◆</p>	<p>Markets served. Our customers can vary from large global retailers and convenience stores, to bars, restaurants and hotels, to governments such as 'control states' in the United States, and state monopolies in certain countries like Sweden and Norway. These organisations are conduits to our shoppers and consumers, to whom we market. An overview of our business model can be found on page 7 of the Annual Report, and a geographic breakdown is outlined in the Business Review sections, pages 26-35.</p>

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
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Organisational profile, continued

G4-9



Scale of the organisation.

Diageo employs 33,362 people around the world. The production side of the business includes more than 200 sites in 30 countries.

This year we made £10.8 billion in net sales.

Further detail of our business model can be found on page 7 of the Annual Report, and detailed financial performance is included in the Financial statements, pages 84-141.

G4-10



Total number of permanent employees by employment contract, employment type, region and gender.

Employees by region by gender, and by employment contract type¹

	Part-time	Full-time	Permanent	Fixed-term/ temporary	Total
North America					
Men	9	1,949	1,942	16	1,958
Women	14	1,289	1,283	20	1,303
Europe					
Men	262	6,451	6,432	281	6,713
Women	499	3,786	4,003	282	4,285
Africa					
Men	4	4,362	4,189	177	4,366
Women	1	1,131	1,062	70	1,132
Latin America and Caribbean					
Men	16	1,818	1,777	57	1,834
Women	8	1,107	1,057	58	1,115
Asia Pacific					
Men	3	8,805	8,615	193	8,808
Women	25	1,823	1,698	150	1,848
Diageo (total)					
Men	294	23,385	22,955	724	23,679
Women	547	9,136	9,103	580	9,683
All	841	32,521	32,058	1,304	33,362

1. In some markets the concept of 'permanent employment' does not exist. For reporting purposes, we have considered as 'permanent' all those employees whose contract is not fixed-term/temporary.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
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Organisational profile, continued

G4-10 cont



Total workforce by employees and supervised workers, and by gender.

This information is included in Our People section of the Annual Report, page 45.

Whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.

Most people who work on behalf of Diageo are employees, although, in common with most manufacturing companies, we also employ contractors, the numbers of whom vary significantly by region. For the most part, when we use contractors, it is for the following:

- Construction projects, resulting from investments we are making in the business
- Logistics (from the end of the packaging line), such as warehouse operators, forklift truck drivers and loaders
- Cleaning, catering and site security.

Significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).

Some aspects of our business use seasonal employment. For example, we own vineyards in California for our wine business, and sugar cane fields in Brazil for our cachaça business. In locations that hire seasonal workers, the variations in numbers are not significant in comparison with our overall number of employees.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
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Organisational profile, continued

<p>G4-11 ◆</p>	<p>Percentage of total employees covered by collective bargaining agreements.</p> <p>We have a strong commitment to transparent dialogue, and in 2015 more than 46% of our employees were covered by collective bargaining agreements.</p>	<p>G4-12 ◆</p>	<p>Describe the organisation's supply chain.</p> <p>Around 28,000 direct suppliers from more than 100 countries provide us with the raw materials, expertise and other resources that help us make great brands. Many of those direct suppliers themselves have an extensive supply chain, connecting us with thousands more farmers and businesses. Details of how we work with our suppliers are included in the Sustainable Supply Chains section of the Annual Report, page 46.</p>	<p>G4-13 ◆</p>	<p>Significant changes during the reporting period.</p> <p>The most significant changes to our business are to do with acquisitions made during the year, in particular the acquisition of a majority stake in USL in India in July 2014.</p> <p>For acquisitions and disposals, see Note 9 to the Financial statements in the Annual Report, pages 106-108.</p> <p>For material organisational restructuring programmes, see Note 4 to the Financial statements in the Annual Report, pages 100-101.</p> <p>For changes in share capital structure, see Notes 15-17 to the Financial statements in the Annual Report, pages 119-128.</p> <p>As far as we are aware, there have been no material changes to the overall location of suppliers, structure of the supply chain, or our relationships with suppliers during this reporting period, with the exception of new suppliers joining our supply chain through our acquisitions. We are continuing to promote local raw material sourcing, specifically in Africa, which ultimately is likely to have a material impact on the location of suppliers, as well as having a positive impact on the community through local employment and other benefits. However we are not in a position to report as yet. Details are included in the Sustainable Supply Chains section of the Annual Report, page 46.</p>
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How we have met each indicator

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Organisational profile, continued

<p>G4-14 ◆</p>	<p>Whether and how the precautionary approach or principle is addressed by the organisation.</p> <p>We take a precautionary approach to our environmental strategy, as described in our work to reduce greenhouse gases in the Environment section of the Annual Report, pages 40-42.</p>	<p>G4-15 ◆</p>	<p>Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.</p> <p>□ Diageo is a signatory to a number of global external codes and charters that reflect our commitment to sustainability and responsibility. These include the Dublin Principles, UN Global Compact, CEO Water Mandate, Cancún Communiqué, and the UN Women’s Empowerment Principles. More detail can be found in the Responsibility section of our website, under Advocacy.</p>	<p>G4-16 ◆</p>	<p>Memberships of associations (such as industry associations) and national or international advocacy organisations.</p> <p>□ We have helped establish many social aspects organisations (SAOs) – industry-funded bodies that work with governments, the private sector, and NGOs to promote responsible drinking. A list of our SAOs and trade associations that run responsible drinking initiatives can be found in the Responsibility section of our website, under Alcohol policy.</p>
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Identified material aspects and boundaries

<p>G4-17 ◆</p>	<p>All entities included in the organisation’s consolidated financial statements or equivalent documents, and whether any entity included in the organisation’s consolidated financial statements or equivalent documents is not covered by the report.</p> <p>Our Financial statements can be found in our Annual Report on pages 84-141. Further detail on what entities are included and not included in our sustainability and responsibility reporting can be found on page 68 of this Performance Addendum.</p>	<p>G4-18 ◆</p>	<p>Process for defining the report content and the aspect boundaries.</p> <p>Through stakeholder and financial analysis, we identified those sustainability and responsibility issues most material to Diageo’s business. This is illustrated in a materiality matrix on page 3 of this Performance Addendum. Our reporting at a minimum includes these issues, although we also report on certain additional issues included in the GRI.</p>	<p>How the organisation has implemented the reporting principles for defining report content.</p> <p>See table on next page.</p>
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How we have met each indicator

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- ◇ Not disclosed
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Identified material aspects and boundaries, continued

CATEGORY – CONTENT		
Principle	What it means	Our response
Stakeholder inclusiveness	The report should identify its stakeholders and explain how the reporting organisation has responded to their reasonable expectations and interests.	In the Responsibility section of our website, under Our Sustainability & Responsibility Strategy , we set out who our key stakeholders are, explain how we have engaged them and identify key areas of reporting that address their areas of interest. In 2013, we interviewed 40 external stakeholders to gather their views on Diageo’s approach to sustainability and responsibility, and this informed our materiality matrix, which you can find on page 3 of this Performance Addendum.
Sustainability context	The report should present the organisation’s performance in the wider context of sustainability.	Our Annual Report explains the wider context in which we operate; see the Market Dynamics section on pages 14-15.
Materiality	The report should cover aspects that: <ul style="list-style-type: none"> • Reflect the organisation’s significant economic, environmental, and social impacts • Would substantively influence the assessments and decisions of stakeholders. 	Our aim is to report fully on issues deemed highly material and to explain our approach to these deemed of medium materiality. As referenced above, we worked with stakeholders to determine what is most material to us as a business, and this informed our materiality matrix, which you can find on page 3 of this Performance Addendum.
Completeness	The report should include coverage of material aspects and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organisation’s performance in the reporting period.	Our coverage of material topics is explained in the Reporting boundaries and methodologies section at the end of this document.
CATEGORY – QUALITY		
Balance	The report should reflect positive and negative aspects of the organisation’s performance to enable a reasoned assessment of overall performance.	We report against stretching targets and against GRI indicators, whether or not our performance has been strong. This gives a balanced view of our impacts, which have been defined taking into account the views of a range of stakeholders.
Comparability	The organisation should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyse changes in the organisation’s performance over time, and that could support analysis relative to other organisations.	We continue to report against GRI as well as targets disclosed in prior years, and have prepared this Performance Addendum as an index to help readers find comparable information.
Accuracy	The reported information should be sufficiently accurate and detailed for stakeholders to assess the organisation’s performance.	□ We explain our methodology for calculating performance against targets in the Reporting boundaries and methodologies section. KPMG LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2015. Information that is within KPMG’s limited scope is marked with the symbol Δ.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Identified material aspects and boundaries, continued

CATEGORY – QUALITY, CONTINUED

Principle	What it means	Our response
Timeliness	The organisation should report on a regular schedule so that information is available in time for stakeholders to make informed decisions.	We continue to publish this Performance Addendum alongside the integrated Annual Report.
Clarity	The organisation should make information available in a manner that is understandable and accessible to stakeholders using the report.	Our sustainability and responsibility journey is told at a high level on our website; we identify and report on the most material issues in our Annual Report; and we have produced this Performance Addendum to ensure readers can find our responses to all GRI indicators.
Reliability	The organisation should gather, record, compile, analyse and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information.	□ KPMG LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2015. Information that is within KPMG's limited scope is marked with the symbol Δ.

<p>G4-19 ◆</p>	<p>Material aspects identified in the process for defining report content.</p> <p>As explained above, our materiality analysis identified the role alcohol plays in society as our most important social issue, and water security as our most important environmental issue. The results of our materiality analysis can be found on page 3 of this Performance Addendum.</p>	<p>G4-20 ◆</p>	<p>For each material aspect, the aspect boundary within the organisation.</p> <p>The following GRI aspects are particularly material to our 200+ supply sites in 30 countries: procurement practices; materials; energy; water; biodiversity; emissions; effluent and waste; supplier environmental assessment; environmental grievance mechanisms; occupational health and safety; and supplier assessment for labour practices.</p> <p>The remaining additional aspects are material to all 180 countries in which we make and sell products around the world, with the exception of indigenous rights and customer privacy which did not surface as material through our stakeholder study.</p>	<p>G4-21 ◆</p>	<p>For each material aspect, the aspect boundary outside the organisation.</p> <p>We took a value chain approach to our materiality matrix. Therefore the issues that we identified as material are also material to our suppliers and other business partners.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Identified material aspects and boundaries, continued

<p>G4-22 ◆</p> <p>Effect of any restatements of information provided in previous reports, and the reasons for such restatements.</p> <p>Regional segments</p> <p>This year we changed how we report two of our regional segments. Last year two of our regional segments were 'Africa, Eastern Europe and Turkey', and 'Western Europe'; this year we report Africa as its own segment, while Eastern Europe and Turkey have combined with Western Europe to form the new segment, Europe. Previous years' figures have been reallocated to the relevant segment.</p> <p>United Spirits Limited (USL) data</p> <p>Following the acquisition of USL in India, we are progressively integrating operating systems and practice. As a result, we have only included USL data in the following:</p> <ul style="list-style-type: none"> • Employee numbers and Values Survey data • Environmental data – water, carbon and waste. <p>All other data excludes USL.</p> <p>Environmental data</p> <p>We have restated our 2007 baseline data and data for intervening years, as explained in the Reporting boundaries and methodologies section of this document.</p> <p>Safety data</p> <p>We have updated our 2014 lost-time accident rate to include Gleneagles Hotel and one additional LTA in North America which occurred at the end of the 2014 financial year but was not reported previously.</p>	<p>G4-23 ◆</p> <p>Significant changes from previous reporting periods in the scope and aspect boundaries.</p> <p>There have been no significant changes from previous reporting periods with the exception of those included in the Reporting boundaries and methodologies section on page 68.</p>	
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed or missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Stakeholder engagement

<p>G4-24 ◆</p>	<p>Stakeholder groups engaged by the organisation.</p> <p>□ We engage internal and external stakeholders, ranging from employees, investors and commercial partners to governments and local communities. A full list is included in the Responsibility section of our website, under Stakeholder engagement.</p>	<p>G4-25 ◆</p>	<p>Basis for identification and selection of stakeholders with whom to engage.</p> <p>We define our stakeholders as all those who affect or are affected by Diageo's business. We both proactively engage groups that fit these criteria, and speak and work with groups that are interested in engaging us. In our 2013 study, we aimed to engage diverse stakeholder groups including NGOs, governments, investors, multilaterals, employees and customers. While most stakeholders had a global reach, we also spoke with certain government and other local stakeholders. Stakeholders in markets with high net sales and high net sales growth were given priority.</p>	<p>G4-26 ◆</p>	<p>Organisation's approach to stakeholder engagement.</p> <p>□ We engage stakeholders at the global level – for example a study of more than 40 global organisations that helped us define our material issues – and at the local level to build trust and respect, and we customise our global strategy for local needs. More information is included in the Responsibility section of our website, under Stakeholder engagement.</p>
<p>G4-27 ◆</p>	<p>Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded.</p> <p>We refreshed our Sustainability & Responsibility Strategy based on the results of our materiality analysis, which was informed by stakeholder as well as financial analysis, and in light of external developments including the emerging UN Sustainable Development Goals. In December 2014, we launched new Sustainability & Responsibility targets for 2020, as discussed on page 2.</p>				

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Report profile

<p>G4-28 ◆</p>	<p>Reporting period (such as fiscal or calendar year) for information provided.</p> <p>Year ending 30 June 2015.</p>	<p>G4-29 ◆</p>	<p>Date of most recent report (if any).</p> <p>August 2015.</p>	<p>G4-30 ◆</p>	<p>Reporting cycle (such as annual; biennial).</p> <p>Annual.</p>
<p>G4-31 ◆</p>	<p>Contact point for questions regarding the report or its contents.</p> <p>csr@diageo.com</p>				
<p>G4-32 ◆</p>	<p>'In accordance' option the organisation has chosen.</p> <p>This report is aligned with the GRI principles. While it has not fully reached core compliance, we also report on many indicators solely required of a comprehensive report.</p>	<p>GRI Content Index for the chosen option.</p> <p>This index serves as the GRI Content Index.</p>	<p>Reference to the external assurance report, if the report has been externally assured.</p> <p>□ KPMG LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2015. Information that is within KPMG's limited scope is marked with the symbol Δ.</p>		
<p>G4-33 ◆</p>	<p>Organisation's policy and current practice with regard to seeking external assurance for the report.</p> <p>□ Diageo's policy is to align our reporting of non-financial information with the best and most up-to-date standards and protocols available at the beginning of our financial year. We believe in reporting against reliable data and strive to improve the quality of our non-financial disclosures. Towards these aims, KPMG LLP were engaged to provide independent limited assurance over selected information in the Annual Report and Accounts for the year ended 30 June 2015. Information that is within KPMG's limited scope is marked with the symbol Δ.</p>	<p>Relationship between the organisation and the assurance providers.</p> <p>KPMG is an independent contractor.</p>	<p>Whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.</p> <p>Diageo's Chief Executive and Chief Financial Officer approve the appointment of, and set the scope of, KPMG's limited assurance engagement.</p>		

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Governance

G4-34 ◆ Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.

Diageo's governance structure is included in the Corporate Governance section of the Annual Report, pages 54-83. Our Chief Executive, Ivan Menezes, is ultimately accountable for overall performance against sustainability and responsibility goals, while responsibility for the component parts of our Sustainability & Responsibility Strategy is shared between members of Diageo's Executive Committee.

G4-35 ◆ Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.

As described in G4-36, senior executives are accountable for each aspect of the Sustainability & Responsibility Strategy. When issues arise in the Board or Executive Committee meetings that relate to these topics, accountability will be delegated to the designated individual. When issues or risks to do with additional economic, social or environmental topics are discussed, an appropriate executive is assigned and expected to report back to the Board or Executive Committee as appropriate. In some cases, a topic will become a standing item on the Board or Executive Committee agenda until the issue is resolved.

G4-36 ◆ Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.

Our Chief Executive, Ivan Menezes, is ultimately accountable for performance against sustainability and responsibility goals, and reports directly to the Board. Responsibility for the component parts of our Sustainability & Responsibility Strategy is shared between members of Diageo's Executive Committee, all of whom report to the Chief Executive, as outlined below. Regional presidents and local managing directors are responsible for implementing the Sustainability & Responsibility Strategy locally and driving performance.

Title	Area(s) of accountability
Corporate Relations Director	Strategy and reporting Alcohol in society Community empowerment
Chief Marketing Officer	Alcohol in society (responsible marketing and branded responsible drinking campaigns) Community empowerment (brand campaigns) Customer partnerships
President, Global Supply and Procurement	Water and the environment Our people (safety) Sustainable supply chains
Human Resources Director	Our people
Chief Financial Officer	Governance and ethics

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Governance, continued

<p>G4-37 ◆</p>	<p>Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom, and any feedback processes to the highest governance body.</p> <p>Many issues raised by institutional or private investors represent economic, social or environmental interests. The Board receives reports on institutional shareholder interests throughout the year. Private shareholders engage directly with the Chairman or with the entire Board at the Annual General Meeting.</p>	<p>Wider external concerns are discussed periodically. For example, this year the Board has discussed emerging strategy for Diageo's stakeholder brand, considering issues such as reputational risk, sustainability and responsibility, and government relations. There is also a quarterly review of reputational risk. Both include reviews of external stakeholder comment.</p> <p>In terms of internal consultation, the Board receives a report highlighting global aggregated results of Diageo's Values Survey once a year. The results are discussed at Executive Committee level, with action plans developed in response to the results.</p>	<p>G4-38 ◆</p> <p>Composition of the highest governance body and its committees.</p> <p>The Board is made up of 11 members including the Chairman, two executive directors and eight non-executive directors, all of whom are independent. At publication of the 2015 Annual Report, five members were women. The Board has three subcommittees: the Nomination Committee; the Remuneration Committee; and the Audit Committee. Further information on the membership and work of these committees is included in the Corporate Governance section of the Annual Report, pages 54-83.</p>
<p>G4-39 ◆</p>	<p>Whether the chair of the highest governance body is also an executive officer.</p> <p>The Chairman of the Board is not counted as a non-executive director and is not independent by virtue of being the chairman, in accordance with section A3.1 of the UK Corporate Governance Code.</p>	<p>G4-40 ◆</p> <p>Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.</p> <p>The Nomination Committee – made up of all the independent directors and the Chairman of the company – is responsible for keeping under review the composition of the Board and succession to it, and for succession planning for senior leadership positions.</p>	<p>The Committee makes recommendations to the Board concerning Board appointments. Criteria for Board appointments include skills, knowledge, experience and diversity.</p> <p>Further detail is included in the Corporate Governance section of the Annual Report, pages 54-83.</p> <p>□ The terms of reference of all Board Committees are available in the Corporate governance section of our website.</p>
<p>G4-41 ◆</p>	<p>Processes for the highest governance body to ensure conflicts of interest are avoided and managed.</p> <p>The Board has agreed an approach and adopted guidelines for dealing with conflicts of interest, and responsibility for authorising conflicts of interest is included in the schedule of matters reserved for the Board. Further information is included in the Board of Directors section of the Corporate Governance report, pages 57-58.</p>	<p>G4-42 ◆</p> <p>Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.</p> <p>Diageo's corporate vision and strategy are outlined in our Performance Ambition, which includes key economic, social and environmental issues related to the company's reputation.</p>	<p>Progress against this ambition is a standing agenda item for the Board and is included as part of the Chief Executive's Report. Diageo's broader Sustainability & Responsibility Strategy is discussed and signed off at Board level at least once a year. Policies are generally discussed and agreed at the Executive Committee level, although select policies that represent material risk are signed off at Board level.</p>

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
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Governance, continued

<p>G4-43 ◆</p> <p>Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.</p> <p>Background reports are submitted throughout the year on various economic, environmental and social topics, some of which are discussed in detail in Board meetings. The Board is also responsible for reviewing Diageo's Annual Report which provides important contextual and performance information. The Audit Committee of the Board reviews and recommends approval of the Annual Report.</p>	<p>G4-44 ◆</p> <p>Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.</p> <p>During the year, an evaluation of the Board's effectiveness, including the effectiveness of the Audit Committee, the Nomination Committee and the Remuneration Committee, was undertaken. Further detail is included in the Corporate Governance section of the Annual Report, pages 54-83.</p>	<p>Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.</p> <p>Feedback on performance identified through the 2014 evaluation, including on sustainability and responsibility impacts that influence external reputation, was used to craft the Board's agenda for the following year.</p>
<p>G4-45 ◆</p> <p>Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities and whether stakeholder consultation was used.</p> <p>The Executive Committee is responsible for managing economic, environmental and social impacts with accountabilities outlined in G4-36. However, as explained in G4-35 and G4-37, the Sustainability & Responsibility Strategy is discussed through a variety of channels at Board level, and incorporates stakeholder consultation where possible. In some cases, based on past reports to the Board, Board members identify new economic, social and environmental impacts that Diageo should manage.</p> <p>Risks, including those identified in the How We Protect Our Business: Risk Management and Principal Risks section of the Annual Report, pages 20-21, are discussed twice a year in the Audit Committee.</p>	<p>G4-46 ◆</p> <p>Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.</p> <p>At each of its meetings, the Audit Committee reviews detailed reports from the heads of the global risk and compliance and global audit and risk teams, and has sight of the minutes of meetings of management's Audit and Risk Committee. These include risks on economic, environmental and social topics.</p> <p>Context informing our Sustainability & Responsibility Strategy, including risks, is also presented to the Board. Further detail can be found in the Corporate Governance section of the Annual Report, pages 54-83.</p>	<p>G4-47 ◆</p> <p>Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.</p> <p>The Audit Committee gets updates on risks twice a year. The Board is updated on the Sustainability & Responsibility Strategy and performance at least once a year. The Executive Committee discusses these issues more frequently.</p>

How we have met each indicator

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Governance, continued

<p>G4-48 ◆</p>	<p>Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered.</p> <p>Our Annual Report is approved by a duly appointed and authorised committee of the Board, and ultimately signed off by our Chief Executive and Chief Financial Officer.</p>	<p>G4-49 ◆</p>	<p>Process for communicating critical concerns to the highest governance body.</p> <p>The Board maintains a process for communicating critical concerns through the Audit Committee, which reviews the effectiveness of the company's systems of internal control and risk management. Further detail can be found in the Corporate Governance section of the Annual Report, pages 54-83.</p>	<p>G4-50 ◆</p>	<p>Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.</p> <p>The Report of the Audit Committee, found on pages 60-62 of the Annual Report, outlines key issues that the Committee reviewed this year. While most issues concerned financial matters, the Audit Committee also reviewed material legal cases and issues concerning post-employment plans that had wider scope. They also received a report on breaches as disclosed on page 47 of the Annual Report; none were considered critical.</p>
<p>G4-51 ◆</p>	<p>Remuneration policies for the highest governance body and senior executives including relation to economic, environmental and social objectives.</p> <p>Detailed remuneration policies are included in the Directors' Remuneration Report in the Annual Report, pages 63-80. As explained on page 63, remuneration is driven by both financial and individual business performance goals, which in some cases include social and environmental objectives.</p>	<p>G4-52 ◆</p>	<p>Process for determining remuneration.</p> <p>Diageo's Remuneration Committee recommends senior and executive level remuneration. Key aspects are included in the Directors' Remuneration Report within the Annual Report, pages 63-80.</p>	<p>G4-53 ◆</p>	<p>How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.</p> <p>As described in the Directors' Remuneration Report in the Annual Report, pages 63-80, the Remuneration Committee actively engages shareholders.</p> <p>Votes on remuneration policies: each year at the Company's Annual General Meeting, shareholders are asked to vote to approve the Directors' Remuneration Report. In 2014 (most recent available data), 97.01% of shareholders voted to approve it.</p>

How we have met each indicator

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Governance, continued

<p>G4-54 ◇</p> <p>Ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.</p> <p>We report the remuneration of our highest paid executives in the Directors' Remuneration Report in our Annual Report, pages 63-80. We also report the total amount paid in salaries and benefits to employees G4-EC1. We do not report publicly on this data by country.</p>	<p>G4-55 ◇</p> <p>Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.</p> <p>See G4-54.</p>
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Ethics and integrity

<p>G4-56 ◆</p> <p>Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.</p> <p>□ Diageo has a set of five values that are at the heart of our business, which can be found in the Our values section of our website, and a series of codes and policies which can be found in the Responsibility section of our website.</p>	<p>G4-57 ◆</p> <p>Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.</p> <p>We expect anyone who comes across a breach of our Code of Business Conduct to report it promptly, either to their manager, or to a member of the controls, compliance and ethics, human resources or legal teams, or through SpeakUp, our confidential whistleblowing line. SpeakUp is also available to suppliers, so that they too can raise any concerns with us. More information is included in the Governance and Ethics section of the Annual Report, page 47.</p>	<p>G4-58 ◆</p> <p>Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.</p> <p>See G4-57.</p>
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GRI G4 INDEX SPECIFIC STANDARD DISCLOSURES

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
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CATEGORY – ECONOMIC

Aspect – economic performance

<p>G4-DMA ◆</p>	<p>Economic performance.</p> <p>Our relationships with suppliers, investors, lenders, governments, employees and local community stakeholders have direct economic impacts which we manage. We also track certain indirect economic impacts of our community investment, such as job placement after skills, education and empowerment programmes. For more details see the Community Empowerment section of the Annual Report, page 43.</p>	<p>G4-EC1 ◆</p>	<p>Direct economic value generated and distributed.</p> <p>Our revenues¹ this year totalled £17.6 billion (including sale of businesses of £1.0 billion). Costs include operating costs (£6.9 billion), taxes (£5.7 billion), employee salaries and benefits (£1.4 billion), payments to providers of capital (£2.3 billion), and community investment (£15 million). This year we paid £1.3 billion for business acquisitions. Last year we commissioned economic impact assessments in Ghana and across Latin America which focused primarily on indirect economic impacts. We reported on the Ghana assessment last year; phase 1 of the Latin America assessment focused on our curriculum, partnerships and employment rate of students. Phase 2 will focus on direct and indirect impacts on the participants and communities.</p> <p>Omissions: we do not currently break down direct economic value by local market.</p> <p><small>1. Data is presented on a cash basis.</small></p>	<p>G4-EC2 ◆</p>	<p>Financial implications and other risks and opportunities for the organisation’s activities for climate change.</p> <p>A variety of trends associated with climate change affect our business, in particular the risk to water scarcity, given that water is a main ingredient in all our products. This is explained in more detail in the Market Dynamics section of the Annual Report, page 15. As reported under EN31, total environmental protection expenditure was £4.7 million, which was largely spent on wastewater handling, recovery of biogas and upgrades to effluent treatment plant.</p>
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How we have met each indicator

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Aspect – economic performance, continued

<p>G4-EC3 ◇</p>	<p>Coverage of the organisation's defined benefit plan obligations.</p> <p>Diageo operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The majority are defined benefit plans and are funded by payments to separately administered trusts or insurance companies. The group also operates a number of plans that are generally unfunded, primarily in the United States, which provide employees' post-employment medical costs. We have deficit funding arrangements in place for our defined benefit plans. For full details, see Note 13 to the Financial statements in the Annual Report, page 116.</p> <p>Omissions: we do not disclose the number of employees included in the schemes or the percentage of salary contributed by employer and employee.</p>	<p>G4-EC4 ◇</p>	<p>Financial assistance received from government.</p> <p>Diageo is a publicly-listed company and is not part-owned by any government.</p> <p>Tax credits are included in Note 7 and government grants in Note 11 to the Financial statements in the Annual Report, on pages 103-105 and 111-112 respectively.</p> <p>Omissions: this information is not broken down by country.</p>
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Aspect – market presence

<p>G4-DMA ◆</p>	<p>Market presence.</p> <p>We employ 33,362 people around the world, and for all, we aim to provide a safe, healthy, inspiring work environment, in which talent is developed and rewarded, and individuals are respected. For more details, see the Our People section of the Annual Report, pages 44-46.</p>	<p>G4-EC5 ◇</p>	<p>Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.</p> <p>We are not in a position to provide remuneration by gender.</p>	<p>G4-EC6 ◆</p>	<p>Proportion of senior management hired from the local community at significant locations of operation.</p> <p>Our business model encourages the promotion of local leaders, and our managing directors represent 16 nationalities. We believe in supporting local communities, and we estimate that over 80% of our leaders (i.e. senior management positions) come from the country in which they work.</p>
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How we have met each indicator

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Aspect – indirect economic impacts

<p>G4-DMA ◆</p>	<p>Indirect economic impacts.</p> <p>As a global business operating in many locations, Diageo has many indirect economic impacts on the communities in which we operate. Those we monitor most closely and quantify are to do with community investment, particularly the number of people who gain employment through our training programmes. For more details, see the Community empowerment section of the Annual Report, page 43.</p>	<p>G4-EC7 ◆</p>	<p>Development and impact of infrastructure investments and services supported.</p> <p>Our Water of Life programme to bring access to clean water to those who need it contributes in some places to the development of local infrastructure. We have increasingly prioritized communities in close proximity to our operations and communities from which we source our local raw materials. In Ghana for example, the team recently commissioned a Water Health Centre (WHC) in Alogboshie, close to our Achimota brewery in Accra. The WHC provides clean drinking water to the community using UV and reverse osmosis technology from a borehole drilled within the site. It has a capacity of 65,000 litres per day supporting a community of 15,000 people. Prior to this project, there was no drinking water source within this community.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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Aspect – indirect economic impacts, continued

G4-
EC8



Significant indirect economic impacts, including the extent of impacts.

□ Diageo has a diverse array of indirect economic impacts associated with its business relationships and community investment projects to promote a responsible role for alcohol in society, empower men and women through skills development training, and improve access to clean water. Details of how Diageo contributes to local economic development are included in the Responsibility section of our website under **Community empowerment**. And, as described in the **Advocacy and awareness** and **Materiality** sections, this work is aligned with various external stakeholder priorities.

While most of these indirect economic impacts are hard to quantify, we do know that an average of 70% of the 7,417 young adults who participated in our Learning for Life community investment programme across 32 markets obtained employment in areas directly related to our value chain. We estimate that our Learning for Life programme has had a positive impact on a further 549,470 people (estimated as five contacts per student). Plan W, our programme to empower women, has reached 115,091 women to date through initiatives such as education and skills training programmes.

Through Plan W, we have also trained 43,215 men. Overall, we estimate that the programme has had a positive impact on a further 575,455 people (estimated as five contacts per woman empowered).

Moreover, as described in EC1, this year we completed our second impact assessment study, on our Learning for Life programme in Latin America, to get a better understanding of our impact beyond the simple measure of the number of people finding employment following participation in the programme.

Our impact studies in five countries in Latin America show that the programmes enabled 75% to get jobs, including 44% in formal contracts. Data from Colombia, Brazil and the Dominican Republic showed a four-fold increase in earnings, creating benefits for the whole household. The young people involved also talk about the increased self-esteem and dignity they gained alongside valuable and recognised employment skills.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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Aspect – procurement practices

<p>G4-DMA ◆</p>	<p>Procurement practices.</p> <p>We manage social and ethical risks in our supply chain through a four-stage programme: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process whereby potentially high-risk suppliers are required to register with SEDEX (a not-for-profit organisation that enables suppliers to share assessments and audits of ethical and responsible practices with their customers); and independent audits of suppliers who represent the highest risk.</p>	<p>□ See our Partnering with Suppliers Standard, which sets out the minimum social, ethical and environmental standards required of suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards.</p>	<p>G4-EC9 ◆</p>	<p>Proportion of spending on local suppliers at significant locations of operation.</p> <p>We estimate that 90% of our raw material volume is dedicated to 'in-country' suppliers for our sites in the following locations: Brazil, India, Ireland/United Kingdom, North America and Turkey. For our sites in Africa, we estimate that 70% of agricultural raw material volume comes from suppliers based in the continent.</p>
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CATEGORY – ENVIRONMENTAL

Aspect – materials

<p>G4-DMA ◆</p>	<p>Materials.</p> <p>We aim to manage the environmental impacts of our agricultural raw materials and packaging. We have three targets for sustainable packaging – to reduce packaging weight; to increase recycled content; and to make all packaging recyclable/reusable. For more details see the Environment section of the Annual Report, pages 40-42, and our Environment Policy. We also have a sustainable agriculture programme with local suppliers which is explained in the Sustainable Supply Chains section of the Annual Report, pages 46-47.</p>	<p>G4-EN1 ◆</p>	<p>Materials used by weight or volume.</p> <p>This year, we used approximately 1.7 million tonnes of agricultural raw materials like barley, wheat and maize, and approximately 1.1 million tonnes of packaging. Pie charts showing the breakdown of our raw materials and our packaging materials by volume are included in the Sustainable Supply Chains section of the Annual Report, page 46.</p>	<p>G4-EN2 ◆</p>	<p>Percentage of materials used that are recycled input materials.</p> <p>This year, 39% of the input materials of our packaging came from recycled content, an increase of 1.5% since last year.</p>
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How we have met each indicator

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Aspect – energy

G4-DMA
 ◆

Energy.

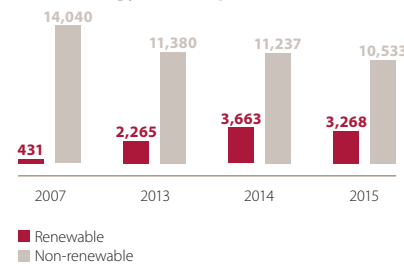
□ We aim to reduce the greenhouse gas (GHG) emissions associated with our business, and our strategy on energy usage is to improve energy efficiency in our operations; generate renewable energy at our sites; and source renewable or low-carbon energy for use in our plants. We also work in partnership with our suppliers to reduce carbon emissions, particularly from transport/distribution, in our broader supply chain. For more information see our [Environment Policy](#).

G4-EN3
 ◇

Energy consumption within the organisation.

Here we report renewable and non-renewable direct energy consumption for the last three years in addition to our baseline year of 2007.

Renewable and non-renewable direct energy consumption (TJ)^{1,2}



Omissions: the breakdown of energy consumption by heating, cooling and steam is not included here as currently this level of detail is unavailable with the inherent complexity of heat recovery systems.

1. Direct energy consumption refers to energy sources that are owned or controlled by the company and generate scope 1 emissions as defined by the WRI/WBCSD Greenhouse Gas Reporting Protocol.
 2. 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2014, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies.

G4-EN4
 ◇

Energy consumption outside of the organisation.

We do not currently gather all this information; however we collect CO₂e data for logistics and distribution.

How we have met each indicator

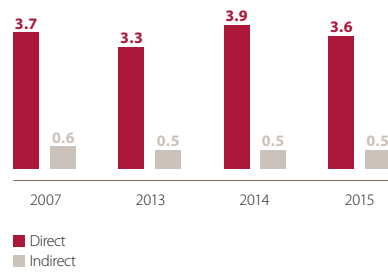
- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
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Aspect – energy, continued

G4-EN5
◆

Energy intensity.

Direct and indirect energy efficiency (MJ/litre packaged)^{1,2,3}



1. Direct and indirect energy sources refer to those that generate scope 1 (direct) and scope 2 (indirect) emissions as defined by the WRI/WBCSD Greenhouse Gas Reporting Protocol.
2. 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2014, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies.
3. Energy included was used for fuel, electricity, heating, cooling and steam.

G4-EN6
◆

Reduction in energy consumption.

This year energy consumption from fuel, electricity, heating, cooling and steam reduced by 7.3% compared with 2014 as a result of energy efficiency gains and some impact from production patterns in the most energy intensive area of the business, malt and grain whisky distillation. Standards and methodologies can be found on pages 69-72 of this Performance Addendum.

G4-EN7
◇

Reductions in energy requirements of products and services.

Energy requirements of products and services are not deemed relevant as GHG emissions from this energy use do not meet the relevancy criteria stipulated by the WRI Scope 3 Reporting Standard, specifically: they do not contribute significantly to Diageo's overall Scope 3 footprint, nor do they contribute to Diageo's business-wide risk exposure.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not considered material to our business at this time

Aspect – water

<p>G4-DMA ◆</p>	<p>Water.</p> <p>□ We manage our impacts on water through the Diageo Water Blueprint, our integrated approach to water stewardship, which is based on four main platforms – raw materials, production, community and advocacy. It recognises the full value chain impact of our activities on water, and aims to reduce that impact, focusing on water-stressed areas. For more details see the Responsibility section of our website, under Water stewardship.</p>	<p>G4-EN8 ◆</p>	<p>Total water withdrawal by source</p> <p>Water withdrawal by source by region (m³)</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Mains water¹</th> <th>Ground (borehole/well)</th> <th>Surface water (river/lake)</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td>1,165,993</td> <td>695,792</td> <td>359,194</td> </tr> <tr> <td>Europe</td> <td>3,660,141</td> <td>4,448,207</td> <td>968,086</td> </tr> <tr> <td>Africa</td> <td>2,803,890</td> <td>4,211,997</td> <td>436,716</td> </tr> <tr> <td>Latin America and Caribbean</td> <td>36,408</td> <td>662,229</td> <td>201,400</td> </tr> <tr> <td>Asia Pacific</td> <td>814,013</td> <td>1,243,291</td> <td>1,192,300</td> </tr> <tr> <td>Corporate</td> <td>300,041</td> <td>617</td> <td>0</td> </tr> <tr> <td>Diageo (total)</td> <td>8,780,485</td> <td>11,262,134</td> <td>3,157,696</td> </tr> </tbody> </table> <p><small>1. Data includes 52,232m³ of water given to communities.</small></p> <p>Standards and methodologies are included on pages 69-72 of this Performance Addendum.</p>	Region	Mains water ¹	Ground (borehole/well)	Surface water (river/lake)	North America	1,165,993	695,792	359,194	Europe	3,660,141	4,448,207	968,086	Africa	2,803,890	4,211,997	436,716	Latin America and Caribbean	36,408	662,229	201,400	Asia Pacific	814,013	1,243,291	1,192,300	Corporate	300,041	617	0	Diageo (total)	8,780,485	11,262,134	3,157,696
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<p>G4-EN9 ◆</p>	<p>Water sources significantly affected by withdrawal of water.</p>	<table border="1"> <thead> <tr> <th>Significance criteria</th> <th>Number of water sources significantly affected</th> </tr> </thead> <tbody> <tr> <td>Withdrawals that account for an average of 5% or more of the annual average volume of a given water body</td> <td>5</td> </tr> <tr> <td>Withdrawals from water bodies that are recognised by professionals to be particularly sensitive due to their relative size, function, or status as a rare, threatened, or endangered system or to their support of a particular endangered species of plant or animal</td> <td>14</td> </tr> <tr> <td>Any withdrawal from a wetland listed in the Ramsar Convention 78 or any other nationally or internationally proclaimed conservation area regardless of the rate of withdrawal</td> <td>19</td> </tr> <tr> <td>The water source has been identified as having high biodiversity value (such as species diversity and endemism, total number of protected species)</td> <td>8</td> </tr> <tr> <td>The water source has been identified as having a high value or importance to local communities and indigenous peoples</td> <td>Not evaluated</td> </tr> </tbody> </table> <p>We have also identified 45 sites as being located in water-stressed areas. These are indicated in the map in the Market Dynamics section of the Annual Report, page 15.</p>	Significance criteria	Number of water sources significantly affected	Withdrawals that account for an average of 5% or more of the annual average volume of a given water body	5	Withdrawals from water bodies that are recognised by professionals to be particularly sensitive due to their relative size, function, or status as a rare, threatened, or endangered system or to their support of a particular endangered species of plant or animal	14	Any withdrawal from a wetland listed in the Ramsar Convention 78 or any other nationally or internationally proclaimed conservation area regardless of the rate of withdrawal	19	The water source has been identified as having high biodiversity value (such as species diversity and endemism, total number of protected species)	8	The water source has been identified as having a high value or importance to local communities and indigenous peoples	Not evaluated																					
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<p>G4-EN10 ◆</p>	<p>Percentage and total volume of water recycled and reused.</p> <p>The volume of water recycled or reused was 1,355,015m³, representing 6% of total water withdrawals.</p>																																		

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – biodiversity

<p>G4-DMA ◆</p>	<p>Biodiversity.</p> <p>□ A significant impact on biodiversity is through our use of water, and we have three targets: to improve water efficiency; to reduce water used at water-stressed sites; and to reduce the polluting power of wastewater. For more details about this and other aspects of biodiversity, see our Environment Policy.</p>	<p>G4-EN11 ◆</p>	<p>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</p> <p>See table below.</p>
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Sites or land owned adjacent to areas of biodiversity value

SITE	TYPE OF OPERATION	BIODIVERSITY VALUE OF ADJACENT LAND	IUCN RED LIST OF THREATENED SPECIES OR LOCAL DESIGNATIONS
Acacia Vineyard, United States	Winery	Huichica Creek Watershed: US Fish & Wildlife Service, and National Marine Fisheries Service	<ul style="list-style-type: none"> • California freshwater shrimp (<i>Syncaris pacifica</i>): endangered • Steelhead (<i>Callitris monticola</i>): vulnerable
Auchroisk Distillery, Scotland	Distillery	River Spey: Freshwater Natura 2000 site; SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Beaulieu Vineyard, United States	Winery/ packaging	Bale Slough – Napa River Watershed; National Marine Fisheries Service – Critical Habitat	<ul style="list-style-type: none"> • Steelhead (<i>Callitris monticola</i>): vulnerable
Benrines Distillery, Scotland	Distillery	River Spey: Freshwater Natura 2000 site; SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Blackgrange, Scotland	Warehousing	Firth of Forth: Freshwater Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Red-throated diver (<i>Gavia stellate</i>): least concern • Slavonian grebe (<i>Podiceps auritus</i>): least concern • Golden plover (<i>Pluvialis apricaria</i>): least concern • Bar-tailed godwit (<i>Limosa lapponica</i>): least concern
Blair Athol Distillery, Scotland	Distillery	River Tummel – part of the River Tay: Freshwater Natura 2000 site; SSSI; SAC	<ul style="list-style-type: none"> • Atlantic salmon (<i>Salmo salar</i>): least concern • Brook lamprey (<i>Lampetra planeri</i>): least concern • River lamprey (<i>Lampetra fluviatilis</i>): least concern • Sea lamprey (<i>Petromyzon marinus</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened
Blythswood, Scotland	Warehousing	Black Cart – tributary of River Clyde: Freshwater Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Whooper swan (<i>Cygnus cygnus</i>): least concern
Bonhill, Scotland	Warehousing	Inner Clyde Estuary: Freshwater Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Redshank (<i>Tringa totanus</i>): least concern

How we have met each indicator

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Aspect – biodiversity, continued

SITE	TYPE OF OPERATION	BIODIVERSITY VALUE OF ADJACENT LAND	IUCN RED LIST OF THREATENED SPECIES OR LOCAL DESIGNATIONS
Broxburn, Scotland	Distillery	Firth of Forth: Freshwater Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Red-throated diver (<i>Gavia stellate</i>): least concern • Slavonian grebe (<i>Podiceps auritus</i>): least concern • Golden plover (<i>Pluvialis apricaria</i>): least concern • Bar-tailed godwit (<i>Limosa lapponica</i>): least concern
Burghead Maltings, Scotland	Maltings	Moray Firth: Maritime ecosystem (Sea) Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Bottlenose dolphin (<i>Tursiops truncatus</i>): least concern
Cambus, Scotland	Warehousing	Firth of Forth: Freshwater Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Red-throated diver (<i>Gavia stellate</i>): least concern • Slavonian grebe (<i>Podiceps auritus</i>): least concern • Golden plover (<i>Pluvialis apricaria</i>): least concern • Bar-tailed godwit (<i>Limosa lapponica</i>): least concern
Cardhu, Scotland	Distillery	River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Carsebridge, Scotland	Warehousing	Firth of Forth: Freshwater Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Red-throated diver (<i>Gavia stellate</i>): least concern • Slavonian grebe (<i>Podiceps auritus</i>): least concern • Golden plover (<i>Pluvialis apricaria</i>): least concern • Bar-tailed godwit (<i>Limosa lapponica</i>): least concern
Chalone Vineyard, United States	Winery/Packaging	Pinnacles National Park: Terrestrial (Land), U.S. Fish & Wildlife Service	<ul style="list-style-type: none"> • California condor (<i>Gymnogyps californianus</i>): critically endangered
Cragganmore Distillery, Scotland	Distillery	River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Dailuaine Distillery, Scotland	Distillery	River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Dalwhinnie Distillery, Scotland	Distillery	River Truim – tributary of the River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Dufftown Distillery, Scotland	Distillery	River Dullan – tributary of the River Fiddich/River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern

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Aspect – biodiversity, continued

SITE	TYPE OF OPERATION	BIODIVERSITY VALUE OF ADJACENT LAND	IUCN RED LIST OF THREATENED SPECIES OR LOCAL DESIGNATIONS
Glen Ord Distillery, Scotland	Distillery	Beaully Firth (Inner Moray Firth): Maritime ecosystem (Sea) Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Eurasian otter (<i>Lutra lutra</i>): near threatened • European rabbit (<i>Oryctolagus cuniculus</i>): near threatened
Glen Spey Distillery, Scotland	Distillery	River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Glendullan Distillery, Scotland	Distillery	River Fiddich – tributary of the River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Gleneagles Hotel, Scotland	Hotel	Raised dome sphagnum peat mire – SSSI which is managed in conjunction with Scottish Natural Heritage	<ul style="list-style-type: none"> • Eurasian wigeon (<i>Anas penelope</i>): least concern • Greylag goose (<i>Anser anser</i>): least concern • Pink-footed goose (<i>Anser brachyrhynchus</i>): least concern
Hewitt Provenance, United States	Winery	Bale Slough – tributary of the Napa River, National Marine Fisheries – Critical Habitat	<ul style="list-style-type: none"> • Steelhead (<i>Callitris monticola</i>): vulnerable
Icheon, South Korea	Blending/ packaging	Nam Han River: Freshwater, Ramsar Convention, national legislation 'Ecosystem and Landscape Region for Conservation'	<ul style="list-style-type: none"> • Korean striped bitterling (<i>Acheilognathus yamatsutae</i>): not yet assessed for the IUCN red list • Korean spined bitterling (<i>Acanthorhodeus gracilis</i>): not yet assessed for the IUCN red list • Korean oily shiner (<i>Sarcocheilichthys nigripinnus morii</i>): not yet assessed for the IUCN red list
Knockando Distillery, Scotland	Distillery	River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Menstrie, Scotland	Warehousing	Firth of Forth: Freshwater Natura 2000 site; SSSI	<ul style="list-style-type: none"> • Red-throated diver (<i>Gavia stellate</i>): least concern • Slavonian grebe (<i>Podiceps auritus</i>): least concern • Golden plover (<i>Pluvialis apricaria</i>): least concern • Bar-tailed godwit (<i>Limosa lapponica</i>): least concern

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Aspect – biodiversity, continued

SITE	TYPE OF OPERATION	BIODIVERSITY VALUE OF ADJACENT LAND	IUCN RED LIST OF THREATENED SPECIES OR LOCAL DESIGNATIONS
Mortlach Distillery, Scotland	Distillery	River Dullan – tributary of the River Fiddich/River Spey: Freshwater Natura 2000 site; SSSI and SAC	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern • Eurasian otter (<i>Lutra lutra</i>): near threatened • Sea lamprey (<i>Petromyzon marinus</i>): least concern
Mwanza, Tanzania	Brewery	Adjacent to the wetland at the shores of Lake Victoria	<ul style="list-style-type: none"> • Nearest Saanane Island – habitat/species management area
Red Stripe, Jamaica	Brewery	Approximately 3.2km from Kingston Harbour – National Environment Protection Agency Water Resource Authority	<ul style="list-style-type: none"> • White-winged dove (<i>Zenaida asiatica</i>): least concern • Brown pelican (<i>Pelecanus occidentalis</i>): least concern • Magnificent frigatebird (<i>Fregata magnificens</i>): least concern • Yellow warbler (<i>Dendroica petechia</i>): least concern
Shieldhall, Scotland	Distillery	Inner Clyde Estuary: Ramsar Convention, national legislation	<ul style="list-style-type: none"> • Redshank (<i>Tringa totanus</i>): least concern
St Croix, US Virgin Islands	Distillery	The St Croix ground lizard, mainly found in beach areas and upland forest, is indigenous to the island of St Croix and three other islands	<ul style="list-style-type: none"> • St Croix ground lizard (<i>Ameiva polops</i>): critically endangered
Sterling Vineyards, United States	Winery	Napa River Watershed: National Marine Fisheries Service	<ul style="list-style-type: none"> • Steelhead (<i>Callitris monticola</i>): vulnerable
Uganda Brewery, Uganda	Brewery	Adjacent to Murchison Bay at the shores of Lake Victoria	<ul style="list-style-type: none"> • Madagascar pond heron (<i>Ardeola idae</i>): endangered; • Shoebill (<i>Balaeniceps rex</i>): vulnerable • Gonolek (<i>Laniarius mufumbiri</i>): near threatened • Papyrus yellow warbler (<i>Chloropeta gracilirostris</i>): vulnerable
Waterford BBA, Ireland	Brewery	Lower River Suir: Freshwater Natura 2000 site	<ul style="list-style-type: none"> • Freshwater pearl mussel (<i>Margaritifera margaritifera</i>): endangered • Eurasian otter (<i>Lutra lutra</i>): near threatened • White-clawed crayfish (<i>Austropotamobius pallipes</i>): endangered • Atlantic salmon (<i>Salmo salar</i>): least concern
<p>Notes SSSI: Site of Special Scientific Interest (SSSI) is a conservation designation denoting a protected area in the United Kingdom. Natura 2000: this is a network of protected areas in the European Union as designated under (1) Habitats Directive (i.e. Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora), and (2) the Birds Directive (i.e. Council Directive 2009/147/EC on the conservation of wild birds). SAC: a Special Area of Conservation (SAC) is defined in the European Union's Habitats Directive (92/43/EEC). IUCN: International Union for Conservation of Nature.</p>			

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Aspect – biodiversity, continued

<p>G4-EN12 ◆</p>	<p>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</p> <p>None of our operations or land that we own has a significant impact on either protected areas or areas of high biodiversity value outside protected areas.</p> <p>Omissions: impact of products.</p>	<p>G4-EN13 ◆</p>	<p>Habitats protected or restored.</p> <p>We have initiated a number of projects in various areas to protect habitats, for example we have supported reforestation projects in Tanzania, Kenya and Uganda; started planting a million trees from a Diageo-established tree nursery in Lebanon under the patronage of the Ministry of Environment and in collaboration with Association for Forests Development and Conservation; and volunteer-led beach clean-ups have included Long Beach (Stratford, Connecticut) which is a nesting area for the threatened Piping Plover, and Coakley Bay Beach at St Croix in the US Virgin Islands. Our Paraipaba (Brazil) distillery has two areas protected by Brazilian law: 482.64 ha of legal reserve area, and 88.54 ha of permanent preservation area.</p> <p>Omissions: total size and location of all habitats restored/protected; methodologies and assumptions.</p>	<p>G4-EN14 ◆</p>	<p>Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</p> <p>See table at EN11.</p>
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Aspect – emissions

<p>G4-DMA ◆</p>	<p>Emissions.</p> <p>□ Managing emissions is a key part of our environment strategy; carbon is one of our most significant impacts, and we have a target of halving our absolute carbon emissions by 2020, while growing our business. For more details see the Responsibility section of our website, under Carbon and Biodiversity.</p>	<p>G4-EN15 and G4-EN16 ◆</p>	<p>Direct greenhouse gas (GHG) emissions (scope 1). Energy indirect GHG emissions (scope 2).</p> <p>Our total direct location-based (gross) GHG emissions (i.e. applying grid average emissions factors) were 704,000 tonnes CO₂e; our total indirect gross GHG emissions were 205,000 tonnes CO₂e.</p> <p>Direct and indirect market-based (net) GHG emissions (1,000s tonnes CO₂e)^{1,2}</p> <table border="1"> <caption>Direct and indirect market-based (net) GHG emissions (1,000s tonnes CO₂e)</caption> <thead> <tr> <th>Year</th> <th>Direct</th> <th>Indirect</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>887</td> <td>196</td> </tr> <tr> <td>2013</td> <td>730</td> <td>110</td> </tr> <tr> <td>2014</td> <td>710</td> <td>81</td> </tr> <tr> <td>2015</td> <td>651</td> <td>71</td> </tr> </tbody> </table> <p>◆ Direct ■ Indirect</p> <p>1. CO₂e figures are calculated using the WRI/WBCSD GHG Protocol Guidance available at the beginning of our financial year; the kWh/CO₂ conversion factor provided by energy suppliers; the relevant factors to the country of operation; or the International Energy Agency, as applicable.</p> <p>2. 2007 baseline data, and data for each of the intervening years in the period ended 30 June 2014, have been restated in accordance with the WRI/WBCSD Greenhouse Gas Reporting Protocol and Diageo's environmental reporting methodologies.</p> <p>For reporting methodologies, please see pages 69-72 of this Performance Addendum.</p>	Year	Direct	Indirect	2007	887	196	2013	730	110	2014	710	81	2015	651	71
Year	Direct	Indirect																
2007	887	196																
2013	730	110																
2014	710	81																
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How we have met each indicator

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Aspect – emissions, continued

G4-EN17



Other indirect greenhouse gas (GHG) emissions (scope 3).

Sources of Scope 3 GHG ¹ emissions	Metric tonnes CO ₂ e
Purchased goods and services	590,274
Capital goods	300,000 (fiscal year 2013) ²
Fuel- and energy-related activities (not included in Scope 1 or 2)	98,000
Upstream transportation and distribution	384,901 ³
Waste generated in operations	7,479
Business travel	32,989
Employee commuting	63,836
Downstream transportation and distribution	399,348
End-of-life treatment of sold products	20,000 (fiscal year 2013) ²
Other (upstream) – agricultural sourcing	450,000

1. The principal greenhouse gas is carbon dioxide; others include HCFCs, HFCs, NOx and SOx.
 2. Latest data available.
 3. KPMG were engaged to provide limited assurance over this figure in our Scope 3 Logistics GHG Report for the year ended 30 June 2014. This figure has been reproduced here.

G4-EN18



GHG emissions intensity.

The market-based (net) intensity ratio of our GHG emissions was 188g CO₂e per litre of packaged product^Δ (2014 – 204g) and the location based (gross) intensity ratio of our GHG emissions was 236g CO₂e per litre of packaged product^Δ (2014 – 254g). For reporting methodologies, including methods of calculation, please see pages 69-72 of this Performance Addendum.

Δ Within KPMG's **limited assurance** scope.

G4-EN19



Reduction of GHG emissions.

This year we reduced GHG emissions by 8.7% compared with 2014. For more details, see the Environment section of the Annual Report, pages 40-42. For reporting methodologies, please see pages 69-72 of this Performance Addendum.

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Aspect – emissions, continued

G4-EN20



Emissions of ozone-depleting substances.

The extent of ozone-depleting substances across our operations is summarised in the following table. This year we are reporting a greater amount of ozone-depleting substances inherent in our current refrigeration and air-conditioning systems, reflecting the inclusion of these materials from newly-acquired businesses along with improvements in data collection. The residual volumes of halons and CFCs across the business are now present in relatively minor quantities.

Ozone-depleting substances and fluorinated gases

	Present (kg)	Emitted (kg)	Emissions CO ₂ e (tonnes)
Halons	3	0	0
CFC	4,832	4	19
HCFC	14,805	943	1,702
HFC	13,376	682	2,379
SF ₆	9	0	0

G4-EN21



NOx, SOx, and other significant air emissions.

The use of fuel and the distillation of alcohol generate emissions which have impacts on the environment. In 2015, we emitted 1.176kt of nitrous oxides (NOx) and 1.110kt of sulphur dioxides (SOx).

NOx and SOx are calculated based on fuel usage and standard emission factors.

A small number of sites have NOx and SOx air emissions associated with the roasting and kilning of cereals, used to flavour some of our brands. These emissions are measured but are minimal to our overall total NOx/SOx levels, which remain low compared with background NOx and SOx data.

NOx and SOx emissions by year (kt)

	2013	2014	2015
NOx	1.291	1.206	1.176
SOx	1.366	1.185	1.110

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – effluents and waste

G4-DMA
◆

Waste.

□ Our aim was to eliminate waste to landfill from our operations and we remain committed to doing so by 2020. Our strategy is based on five platforms: eliminating materials where possible; reducing materials; finding agricultural uses for waste; recycling packaging and other materials; and recovering waste for energy. For more details, see the Responsibility section of our website, under **Waste**.

G4-EN22
◆

Total water discharge by quality and destination.

In 2015, total effluent volume was 16,473,532m³ and total BOD was 32,718 tonnes of which 32,493^a tonnes were under Diageo’s direct control.

The immediate receiving medium after leaving Diageo site	As a % of total Diageo effluent volume	% of the final BOD to the environment
Lake	5.8	0.0
Third-party municipal	31.8	0.6
Land	11.0	1.6
River	21.3	1.7
Sea	28.2	96.0
Wetland	1.9	0.1
Diageo (total)	100	100

Wastewater polluting power by region, by year (BOD/tonnes)¹

	2007	2013	2014	2015
North America	248	12	15	13
Europe	22,927	33,842	35,851	31,543
Africa	9,985	6,068	2,722	639
Latin America and Caribbean	565	11	10	33
Asia Pacific	46	482	482	489
Corporate	1	1	1	1
Diageo (total)	33,772	40,416	39,081	32,718
Total under direct control	32,947	40,161	38,848	32,493 ^a

1. 2007 baseline data and data for each of the intervening years in the period ended 30 June 2014 have been restated in accordance with Diageo’s environmental reporting methodologies.

^a Within KPMG’s **limited assurance** scope.

For standards and methodologies see pages 69-72 of this Performance Addendum.

Omissions: treatment method; whether the water was reused by another organisation; and volume of planned and unplanned water discharges.

Wastewater treatment by method

In 2015, wastewater was treated onsite at our operations using one or more of the following methods: aerobic treatment, anaerobic treatment, pH balance, filtration, reverse osmosis, settling area, and stabilisation ponds. 39% of sites also sent wastewater to offsite treatment facilities, and this represents less than 1% of final BOD to the environment.

Treatment method	% of sites using treatment method	Volume (m ³) of effluent by treatment method
Aerobic treatment	34	3,648,742
Anaerobic treatment	24	1,939,971
pH balance	25	1,208,678
Filtration	16	1,052,012
Reverse osmosis	3	50,677
Settling area	15	1,704,004
Stabilisation ponds	11	1,093,678

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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- ◇ Not disclosed
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Aspect – effluents and waste, continued

G4-EN23
◆

Total weight of waste by type and disposal method.

Total weight of waste by type and disposal method¹ (tonnes)

Region	Total waste used or recycled	Total waste to landfill	Total waste
North America	20,179	197	20,376
Europe	1,116,624	7,207	1,123,831
Africa	155,460	4,474	159,934
Latin America and Caribbean	36,382	724	37,106
Asia Pacific	110,788	2,978	113,766
Corporate	1,789	692	2,481
Diageo (total)	1,441,222	16,272 ^Δ	1,457,494

1. This information is collected both by Diageo and by our waste disposal contractors.
Δ Within KPMG's **limited assurance** scope.

Hazardous waste, reused, recycled and sent to landfill (tonnes)

Region	Hazardous waste reused or recycled	Hazardous waste to landfill
North America	233	1
Europe	497	101
Africa	5,320	3
Latin America and Caribbean	23	0
Asia Pacific	3	14
Corporate	12	0
Diageo (total)	6,088	119

G4-EN24
◆

Total number and volume of significant spills.

There were 20 spills or incidents during the reporting year, totalling approximately 831,000 litres of spilled material. In all cases regulators were informed and were satisfied with our response and follow up. There were no significant spills; as such none were reported in our financial statements.

G4-EN25
◆

Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention index I, II, III and VIII, and percentage of transported waste shipped internationally.

Waste deemed hazardous under the terms of the Basel convention is not relevant to our business.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – effluents and waste, continued

G4-EN26
◇

Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation’s discharges of water and runoff.

We are collating this information for key markets and are reviewing the content and key findings for reporting in subsequent years.

Aspect – products and services

G4-DMA
◆

Products and services.
□ See our **Environment Policy**, which sets out our approach to managing the impacts of our products and services as a whole.

G4-EN27
◇

Extent of impact mitigation of environmental impacts of products and services.

We have not included this information this year but we are working on gathering this data through life cycle assessments.

G4-EN28
◇

Percentage of products sold and their packaging materials that are reclaimed by category.

Recycling/recovery rates¹ for primary packaging categories²

Market	Recovery rate %
North America	33
Great Britain	61
Kenya	No published data
Nigeria	No published data
Ireland	75
Brazil	47
South Africa	25
Germany	81
Greece	24
Australia	44
Italy	74
Venezuela	25
Spain	57

1. Estimated consumer recycling of primary packaging.

2. Primary packaging categories include glass, aluminium, paper and board.

Omissions: primary packaging is not broken down by category.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
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Aspect – compliance

<p>G4-DMA ◆</p>	<p>Compliance.</p> <p>□ Diageo has a sound corporate governance structure and a robust governance, risk and compliance programme, with our Code of Business Conduct at its centre.</p> <p>We train employees across the company about compliance with all standards and policies, including our Environment Policy, and conduct targeted interventions with managers and senior leaders to create a culture of integrity.</p> <p>For more details, see the Responsibility section of our website, under Governance and ethics.</p>	<p>G4-EN29 ◆</p> <p>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.</p> <p>There were five incidents of non-compliance with environmental consents this year, resulting in a total of £31,366 in fines. No cases were brought through dispute resolution mechanisms.</p>
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Aspect – transport

<p>G4-DMA ◆</p>	<p>Transport.</p> <p>□ This year we have significantly improved the aggregation of carbon emissions associated with distribution as we continue to increase focus on those parts of our value chain that lie outside our direct operations. For more details about our approach, see our Environment Policy.</p>	<p>G4-EN30 ◆</p> <p>Significant environmental impacts of transporting products and other goods and materials for the organisation’s operations, and transporting members of the workforce.</p> <p>Environmental impacts of transport</p> <table border="1"> <thead> <tr> <th>Impact activity</th> <th>Significant environmental impact</th> <th>Estimated emissions (fiscal year 2014¹ tonnes CO₂e)</th> <th>Mitigation activities</th> </tr> </thead> <tbody> <tr> <td>Transportation of finished goods to first paying customer</td> <td>Greenhouse gas emissions</td> <td>384,901²</td> <td>Optimising logistics and distribution routes with key suppliers.</td> </tr> <tr> <td>Employee business travel</td> <td>Greenhouse gas emissions</td> <td>32,989</td> <td>More widespread use of technology wherever possible to minimise travel.</td> </tr> <tr> <td>Employee commuting</td> <td>Greenhouse gas emissions</td> <td>63,836</td> <td>Promote use of public transport, and cycle to work schemes.</td> </tr> </tbody> </table> <p><small>1. Latest data available. 2. KPMG were engaged to provide limited assurance over this figure in our Scope 3 Logistics GHG Report for the year ended 30 June 2014. This figure has been reproduced here.</small></p>	Impact activity	Significant environmental impact	Estimated emissions (fiscal year 2014 ¹ tonnes CO ₂ e)	Mitigation activities	Transportation of finished goods to first paying customer	Greenhouse gas emissions	384,901 ²	Optimising logistics and distribution routes with key suppliers.	Employee business travel	Greenhouse gas emissions	32,989	More widespread use of technology wherever possible to minimise travel.	Employee commuting	Greenhouse gas emissions	63,836	Promote use of public transport, and cycle to work schemes.
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – overall

<p>G4-DMA ◆</p>	<p>Overall.</p> <p>□ See Diageo’s Environment Policy for our overall approach to managing our impacts on the environment.</p>	<p>G4-EN31 ◇</p>	<p>Total environmental protection expenditures and investments by type.</p> <p>Environmental protection expenditure was primarily concentrated on improvement to wastewater treatment and discharge facilities, elimination of waste material, energy efficiency and emissions reduction, and improving water use efficiency and conservation. The total expenditure during the year was approximately £4.7 million, which was largely spent on wastewater handling, recovery of biogas and upgrades to effluent treatment plant.</p> <p>Omissions: other costs beyond capital expenditure are not tracked as environmental expenditure.</p>
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Aspect – supplier environmental assessment

<p>G4-DMA ◆</p>	<p>Supplier environmental assessment.</p> <p>□ We work with suppliers on environmental issues principally through our involvement with the CDP (formerly known as the Carbon Disclosure Project) Supply Chain programme and by promoting sustainable agriculture. For carbon emissions, we have developed a scorecard for each of our suppliers in our CDP programme to track and assess performance. This year we have also extended our CDP Supply Chain programme to include water as well as carbon. For more details on our approach to environmental management with suppliers, see Diageo’s Partnering with Suppliers Standard.</p>	<p>G4-EN32 ◆</p>	<p>Percentage of new suppliers that were screened using environmental criteria.</p> <p>□ 100% of procurement-managed spend goes through the screening process outlined in the Responsible sourcing section of our website. Whilst this screening doesn’t look specifically at environmental issues, any suppliers considered to have potential risks are then required to join SEDEX and complete a questionnaire which contains environmental elements.</p>
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How we have met each indicator

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Aspect – supplier environmental assessment, continued

<p>G4-EN33 ◆</p>	<p>Significant actual and potential negative environmental impacts in the supply chain and action taken.</p> <p>We have identified a variety of environmental impacts associated with our supply chain: some, such as climate change through GHG emissions, are relevant to the majority of our suppliers, while other impacts, such as biodiversity, are most relevant to our agricultural raw material suppliers. Because of its wider relevance, we have started to actively track and manage the carbon footprint and impact on water of our supply chain through involvement in the CDP Supply Chain programme.</p>	<p>We identified 154 suppliers to partner with to manage the carbon footprint of our supply chain, which accounts for approximately 80% of our global spend in the categories we identified as having the highest impact, namely logistics, packaging, raw materials, IS (information services), and third-party operations (other businesses that make our brands under licence). Of the 154 suppliers we engaged during the year, 92% responded to the CDP questionnaire.</p>	<p>This has provided important insights into our supply chain carbon impacts such as our suppliers disclosing that they reduced emissions by 35 million tonnes CO₂e in 2014, and 41% disclosing that they have an emissions reduction target. To date, no relationships have been terminated due to negative impacts that surfaced as a result of our reviews.</p> <p>Omissions: percentage of suppliers with which improvements were agreed as a result of assessments; environmental impacts other than carbon emissions.</p>
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Aspect – environmental grievance mechanisms

<p>G4-DMA ◆</p>	<p>Environmental grievance mechanisms.</p> <p>Environmental grievances, mainly attributable to dust and noise levels, are dealt with on a case-by-case basis at local site level and escalated as appropriate.</p>	<p>G4-EN34 ◆</p> <p>Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.</p>	<p>During the reporting year, 17 grievances about environmental impacts were filed. All were addressed and 16 were resolved through formal grievance mechanisms. There were 11 grievances about environmental impacts filed last year that were resolved this year.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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CATEGORY – SOCIAL

Aspect – employment

G4-DMA



Employment.

□ Diageo has 33,362 talented people working with us to grow our business and nurture our brands. We have a guiding purpose – to celebrate life every day, everywhere, which permeates our work. We want our people to thrive at Diageo and are committed to their professional and personal development and to simply ensuring that Diageo is a great place to work. We have committed publicly to guaranteeing our business plans with the right people and capabilities throughout our organisation. We abide by all local labour laws and regulations and we express this commitment through our **Code of Business Conduct** and **global policies**. We also place a large emphasis on supporting the business plan with robust people planning to assure that our employees grow and develop along with our business.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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Aspect – employment, continued

G4-LA1
◆

Total number and rates of new employee hires and employee turnover by age group, gender and region.

In total we hired 4,296 new people this year. A table showing the breakdown by region by gender is included in the Our People section of the Annual Report, page 45. The other information required by this indicator is included on the right.

New hires by region by age¹

Region	Under 30	30-50	50+	Total	% of regional headcount
North America	157	195	38	390	12.0
Europe	826	656	47	1,529	13.9
Africa	426	423	8	857	15.6
Latin America and Caribbean	365	270	5	640	21.7
Asia Pacific	376	488	16	880	8.3
Diageo (total)	2,150	2,032	114	4,296	12.9
% of total new hires	50%	47.3%	2.7%	N/A	N/A

Leavers by region by age¹

Region	Under 30	30-50	50+	Total	% of regional headcount
North America	56	247	126	429	13.2
Europe	300	854	298	1,452	13.2
Africa	86	352	80	518	9.4
Latin America and Caribbean	214	361	34	609	20.7
Asia Pacific	225	708	145	1,078	10.1
Diageo (total)	881	2,522	683	4,086	12.2
% of total leavers	21.6%	61.7%	16.7%	N/A	N/A

Leavers by region by gender¹

Region	Men	Women	Total	% of regional headcount
North America	239	190	429	13.2
Europe	848	604	1,452	13.2
Africa	409	109	518	9.4
Latin America and Caribbean	411	198	609	20.7
Asia Pacific	801	277	1,078	10.1
Diageo (total)	2,708	1,378	4,086	12.2
% of total leavers	66.3%	33.7%	N/A	N/A

1. Employees have been allocated to the region in which they reside.

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
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Aspect – employment, continued

<p>G4-LA2 ◆</p>	<p>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.</p> <p>We do not collect detailed benefits data across all our locations, so cannot report fully here. Benefits provided to employees vary across the 180 countries in which we do business. In general, and where practical, benefits are calculated pro rata for part-time employees.</p> <p>Omissions: list of benefits.</p>	<p>G4-LA3 ◇</p>	<p>Return to work and retention rates after parental leave, by gender.</p> <p>We do not collect this data at a global level.</p>
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Aspect – labour relations

<p>G4-DMA ◆</p>	<p>Labour relations.</p> <p>□ We respect our employees' choice to join or not join a trade union or other organisations and to bargain collectively in support of their mutual interests. In countries where the right to freedom of association is restricted by law, we support the development of alternative means to facilitate the representation of employees' interests.</p> <p>For more details on our approach to labour relations, see our Human Rights Policy.</p>	<p>G4-LA4 ◆</p>	<p>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.</p> <p>Minimum notice periods vary by country and range from two to 12 weeks, during which redeployment options are explored for employees while meeting contractual or legal obligations. We give full redundancy or severance support in line with local policy. We also offer training, which varies by market, to help those who leave Diageo to find other employment. Where we have collective agreements, notice periods are specified.</p>
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Aspect – occupational health and safety

<p>G4-DMA ◆</p>	<p>Occupational health and safety.</p> <p>Diageo maintains comprehensive best practice global risk management standards for occupational health and safety that apply to all our operations. Each location is:</p> <ul style="list-style-type: none"> • Required to assure compliance to these standards • Subject to regular formal corporate independent assurance audits • Required to maintain and assure legal compliance assessment processes. 	<p>□ For more details, see Diageo's Occupational Health and Safety Policy.</p>	<p>G4-LA5 ◆</p>	<p>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.</p> <p>Diageo's Global Risk Management Standards (GRMS) mandate the use of employee consultation forums (i.e. safety committees) at facility level. These cover 100% of Diageo's operations. Consultation and involvement is also facilitated through GRMS requirements for employees to be involved in risk assessment and change management processes, as well as our global 'unsafe' reporting system, the Safety Improvement Report Cards.</p>																																		
<p>G4-LA6 ◇</p>	<p>Type of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.</p> <p>Fatalities</p> <p>We are saddened to report that this year a male colleague was fatally injured at work in South Africa. For more details, see the Our People section of the Annual Report, page 44.</p> <p>Lost-time accident frequency rate</p> <p>Our global lost-time accident frequency rate remained at 1.66, flat year-on-year compared with 2014. It is worth noting that the actual number of accidents has reduced by 10%, however a reduction in headcount means this improvement is not reflected in the rate. This rate is represented 76% by men, 24% by women. For rates by region and year since 2011, see the Our People section of the Annual Report, page 45.</p>	<p>Safety data by region and gender</p> <table border="1"> <thead> <tr> <th></th> <th>Employee' LTA rate^{2,3}</th> <th>Fatalities⁴</th> <th>Days lost per 1,000 FTEs</th> <th>Independent contractor LTAs⁵</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td>1.83</td> <td>0</td> <td>166.0</td> <td>1</td> </tr> <tr> <td>Europe</td> <td>2.51</td> <td>0</td> <td>113.9</td> <td>14</td> </tr> <tr> <td>Africa</td> <td>1.20</td> <td>1</td> <td>62.3</td> <td>2</td> </tr> <tr> <td>Latin America and Caribbean</td> <td>0.66</td> <td>0</td> <td>70.0</td> <td>5</td> </tr> <tr> <td>Asia Pacific</td> <td>1.21</td> <td>0</td> <td>2.8</td> <td>0</td> </tr> <tr> <td>Diageo (total)</td> <td>1.66^Δ</td> <td>1</td> <td>89.0</td> <td>22⁶</td> </tr> </tbody> </table>			Employee' LTA rate ^{2,3}	Fatalities ⁴	Days lost per 1,000 FTEs	Independent contractor LTAs ⁵	North America	1.83	0	166.0	1	Europe	2.51	0	113.9	14	Africa	1.20	1	62.3	2	Latin America and Caribbean	0.66	0	70.0	5	Asia Pacific	1.21	0	2.8	0	Diageo (total)	1.66 ^Δ	1	89.0	22 ⁶
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Diageo (total)	1.66 ^Δ	1	89.0	22 ⁶																																		
<p>1. In line with industry best practice, we include in our definition of an 'employee' all temporary staff and contractors who work under our direct supervision.</p> <p>2. The lost-time accident (LTA) frequency rate is defined as the number of LTAs per 1,000 employees. An LTA is defined as any work-related incident resulting in injury or illness where the individual is unable to work or where a job restriction is required. Our LTA numbers also include any work-related fatalities. The assessment of lost time excludes the day the incident occurred, is based on calendar days, and is made without regard to whether the person was scheduled to work or not.</p> <p>3. Of the total number of accidents, 77% were represented by men and 23% by women.</p> <p>4. Fatalities include any employee work-related fatality or any work-related fatalities occurring to third parties and contractors while on Diageo's premises.</p> <p>5. A rate is not reported for independent contractors due to the difficulty and administrative burden in accurately recording headcount. Performance is measured by an absolute incident number.</p> <p>6. Thirteen represented by men, nine by women.</p> <p>Δ Within KPMG's limited assurance scope.</p>																																						

How we have met each indicator

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Aspect – occupational health and safety, continued

<p>G4-LA7 ◆</p>	<p>Workers with high incidence or high risk of diseases related to their occupation.</p> <p>Internal data protection/privacy policies and national regulations prevent the recording or disclosure of many communicable ‘serious diseases’ as defined in the G4 implementation guidance. However, regarding high-risk occupational exposures, our global standards require occupational health monitoring for new employees and specific worker groups; for specific conditions including lung function and audiometry; for shift worker and lone worker assessments; for professional drivers, etc. Our global standards also include industrial hygiene monitoring requirements for specific work groups or conditions, including workplace chemical exposures, noise, vibration, ionising radiation, etc.</p> <p>Omissions: our monitoring programmes and incident data suggest that the only globally material issue is musculoskeletal disorders. However, incidence rates are not disclosed due to regional variances in capabilities, national practice and regulations. We are working to improve consistency of reporting for future disclosures.</p>	<p>G4-LA8 ◆</p>	<p>Health and safety topics covered in formal agreements with trade unions.</p> <p>□ Safety responsibilities are included in all contracts for work and are a key part of our Code of Business Conduct. Other than in policy compliance requirements, and in some cases inclusion in performance-related reward structures, specific health and safety topics are not covered in formal agreements with trade unions.</p>
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Aspect – training and education

<p>G4-DMA ◆</p>	<p>Training and education.</p> <p>As a business, we invest heavily in learning and development for our people. We do this because we strongly believe that learning and capability building for our people is vital to business growth, as well as to making Diageo a great place to work where our people can be their best.</p> <p>In 2015, we started a review of our learning framework to ensure our people have the right skills to perform their roles. This review includes a detailed assessment of our capabilities in each market, allowing us to redesign or create the required global learning programmes. We are also introducing a system of measurement of our training activities, designed to ensure they achieve the maximum impact on the business (both financial and/or non-financial).</p>	<p>G4-LA9 ◇</p> <p>Average hours of training per year, per employee, by gender, and by employee category.</p> <p>Currently, we do not track centrally the average hours of training per employee across the entire organisation. However, some areas of the business have started to track this. For example, in our supply department, in 2015, employees received between eight and 48 hours of training. In marketing, our employees received an average of nine hours of content training (excluding leadership training). In 2015, our senior leaders received an average of six hours of leadership training.</p> <p>Omissions: training hours per employee by gender.</p>	
<p>G4-LA10 ◆</p>	<p>Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</p>	<p>We have a range of learning initiatives designed to help employees be the best and to ensure they have the necessary skills to perform in their roles, including developing as leaders. Alongside the Diageo Leadership Performance Programme, our flagship leadership development initiative, we run programmes in various functions that we believe have a significant impact on employees' career development and equip them with transferable skills. Here are some examples: in sales and marketing, we have various programmes aimed to embed selling and coaching skills, based on leading edge concepts. In supply, we offer advanced negotiation skills and logistics management; in finance we offer an intensive relationship-building programme; and in corporate relations, a masterclass to help employees understand how to build our corporate reputation.</p>	<p>G4-LA11 ◇</p> <p>Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.</p> <p>In 2015, 80% of our employees across the world received regular performance reviews. This represents a decline from 2014 because we have included USL and SJF employees¹ for the first time this year. If we exclude these employees, the overall number would be 93%, representing an increase of 7% compared with the same employee population in 2014.</p> <p>Omissions: data by gender and by employee category.</p> <p><small>1. These employees represent 25% of our total employee population, on average 40% of them received regular performance reviews.</small></p>

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – diversity and equal opportunity

<p>G4-DMA ◆</p>	<p>Diversity and equal opportunity.</p> <p>□ Valuing diversity is one of the core principles set out in our Human Rights Policy.</p>	<p>G4-LA12 ◆</p> <p>Composition of governance and ethics bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</p> <p>Women make up 26%¹ of our senior management across the company², 40% of our Executive Committee and 45% of our Board. Further employee profile information by gender is included in the Our People section of the Annual Report, page 45.</p> <p>1. The inclusion of USL leadership has caused this number to decline, although female representation in senior management in the markets we reported in 2014 has remained unchanged at 28%.</p> <p>2. Top leadership positions in Diageo below our Executive Committee.</p>	<p>Our business model encourages the promotion of local leaders, and our managing directors represent 16 nationalities. We believe in supporting local communities, and many of our leaders come from the market in which they work. We are also proud that many of our leadership group have benefited from multi-market experience, helping them gain the cultural understanding necessary to be effective leaders for a global business. In addition, all our talent pipeline programmes are designed to have a balanced representation of genders and employees from all our markets.</p> <p>Omissions: employee profile information by age and specific minority groups.</p>
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Aspect – equal remuneration for women and men

<p>G4-DMA ◇</p>	<p>Equal remuneration for women and men.</p> <p>We are not in a position to provide remuneration by gender.</p>	<p>G4-LA13 ◇</p> <p>Ratio of basic salary and remuneration of women to men by employee category, by significant location of operation.</p> <p>We are not in a position to provide remuneration by gender.</p>
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How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
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Aspect – supplier assessment for labour practices

<p>G4-DMA ◆</p>	<p>Supplier assessment for labour practices.</p> <p>We manage social and ethical risks in our supply chain through a four-stage programme: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process where potential high-risk suppliers are required to register with SEDEX; and independent audits of suppliers who represent the highest risk.</p> <p>This year the breakdown of our audit compliance data in this report relates only to the 34 audits directly requested by Diageo, to ensure that our reporting reflects matters under our direct control.</p> <p>□ See our Partnering with Suppliers Standard, which sets out the minimum social, ethical and environmental standards required of suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards.</p>	<p>G4-LA14 ◆</p>	<p>Percentage of new suppliers that were screened using labour practices criteria.</p> <p>□ For procurement-managed spend, 100% of new suppliers went through an initial screening process as described in the Responsible sourcing section of our website.</p>
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How we have met each indicator

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Aspect – supplier assessment for labour practices, continued

G4-LA15
◇

Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.

All suppliers determined to be a potential risk are required to register with SEDEX, and to complete the SEDEX self-assessment questionnaire. To date, 1,298 of the company's 'potential high risk' supplier sites have registered with SEDEX, up from 1,193 last year. Of these, 1,170 have fully completed a SEDEX self-assessment questionnaire. This is up from 718 in 2014.

Suppliers who represent the highest risk are independently audited against the SEDEX Members Ethical Trade Audit (SMETA) '4 pillar audit protocol' or equivalent.

Of these, 253 were independently audited during the last three years; audits were commissioned by Diageo (34), or accessed through SEDEX and AIM-PROGRESS (219). This is an increase from 201 last year. With regards to the 34 audits commissioned by Diageo, a total of 210 issues of non-compliance were raised, with the majority relating to health, safety, and hygiene. Of these 210 issues of non-compliance, just over 10% were rated as critical, and we are working with our suppliers to resolve them. At the time of publication, 51 had been confirmed as resolved.

Merchandising materials remain one of our highest risk categories, because they are often made in higher risk countries and we often buy through intermediaries and therefore may not know where they were produced. We continue to work with our key merchandising suppliers to develop assurance further down the supply chain, with over 250 of our second-tier suppliers now audited.

Aspect – labour practices grievance mechanisms

G4-DMA
◆

Labour practices grievance mechanisms.

Employees can raise concerns with their HR business partner. In addition, both employees and suppliers have access to our confidential whistleblowing hotline, SpeakUp, to file grievances. Read more about our approach to managing the issues collected through this and other grievance mechanisms in the Governance and Ethics section of the Annual Report, page 47.

G4-LA16
◇

Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms.

Where appropriate, we share anonymous case studies of breaches of different areas of our Code of Business Conduct with employees so that they can learn from them; however we do not share absolute numbers of grievances on labour practices either internally or externally to protect employee confidentiality.

How we have met each indicator

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Aspect – investment

<p>G4-DMA ◆</p>	<p>Investment.</p> <p>We manage social and ethical risks in our supply chain through a four-stage programme: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process where potentially high-risk suppliers are required to register with SEDEX; and independent audits of suppliers who represent the highest risk.</p> <p>□ See our Partnering with Suppliers Standard, which sets out the minimum social, ethical and environmental standards we require suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards.</p>	<p>G4-HR1 ◆</p>	<p>Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.</p> <p>100%, given that, as a minimum, all contracts are required to include compliance with Diageo’s Code of Business Conduct and/or Diageo’s Partnering with Suppliers Standard, both of which reference human rights requirements.</p>	<p>G4-HR2 ◇</p>	<p>Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.</p> <p>All middle manager employees and above are required to complete an Annual Certification of Compliance. Those who marked the human rights global policy as most important are required to complete a certification of their knowledge and understanding on some of the key points of the policy. The Executive Committee were trained on ‘unconscious bias’.</p> <p>Omissions: total hours of training. Since training sessions on our Code and policies vary in duration, it is not possible to report accurately the number of hours spent on specific subjects during training sessions.</p>
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Aspect – non-discrimination

<p>G4-DMA ◆</p>	<p>Non-discrimination.</p> <p>□ All our employees have the right to expect that their basic human rights are fully respected in the workplace. We do not discriminate or tolerate harassment based on grounds such as race, religion, colour, ethnicity, national origin, disability, sexual orientation, gender, gender identity, gender expression or marital status. We treat everyone with dignity and respect. For more details, see our Human Rights Policy.</p>	<p>G4-HR3 ◇</p>	<p>Total number of incidents of discrimination and corrective actions taken.</p> <p>Where appropriate, we share anonymous case studies of breaches of different areas of our Code of Business Conduct with employees so that they can learn from them; however we do not share absolute numbers either internally or externally.</p>
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How we have met each indicator

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Aspect – freedom of association and collective bargaining

<p>G4-DMA ◆</p>	<p>Freedom of association and collective bargaining.</p> <p>□ We have a strong commitment to dialogue, and in 2015 more than 46% of our employees were covered by collective bargaining agreements. We aim to maintain regular, open dialogue with unions over issues of common interest. We also believe in the same principles for our suppliers; for more details see the Human Rights and Core Labour Standards section of our Partnering with Suppliers Standard.</p>	<p>G4-HR4 ◆</p> <p>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.</p> <p>Operations We are not aware of any operations that have violated, or are at significant risk of violating, people’s rights to exercise freedom of association and collective bargaining.</p> <p>Suppliers Our review of Diageo-commissioned supplier audits (34) raised a total of just one issue of non-compliance related to the category of freedom of association and collective bargaining. The issue concerned the lack of a labour management meeting being established, and we are following up with the supplier to resolve it.</p>
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How we have met each indicator

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Aspect – child labour

<p>G4-DMA ◆</p>	<p>Child labour.</p> <p>□ We do not permit exploitation of children. We do not employ children under the age of 16, while employees under 18 do not perform any hazardous work. We respect all relevant local laws regarding minimum ages for employment.</p> <p>For more details, see Diageo’s Human Rights Policy.</p> <p>We expect our suppliers to follow all applicable legislation and the International Labour Organization core conventions, including not employing children under the age of 15 and protecting and promoting the special interests of employees under 18.</p> <p>For more information see the Human Rights and Core Labour Standards section of our Partnering with Suppliers Standard.</p>	<p>G4-HR5 ◆</p> <p>Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.</p> <p>Operations We are not aware of any operations that have significant risks concerning issues relating to child labour.</p> <p>Suppliers Our review of Diageo-commissioned supplier audits (34) did not raise any issues of non-compliance under the category of children and young workers.</p>
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Aspect – forced or compulsory labour

<p>G4-DMA ◆</p>	<p>Forced or compulsory labour.</p> <p>□ We do not tolerate unacceptable treatment of our employees. We do not permit forced or compulsory labour for our employees, suppliers or business partners. We respect all relevant local laws regarding voluntary employment.</p> <p>For more details, see Diageo’s Human Rights Policy and the Human Rights and Core Labour Standards section of our Partnering with Suppliers Standard.</p>	<p>G4-HR6 ◆</p> <p>Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.</p> <p>Operations We are not aware of any operations that have significant risks concerning issues relating to forced or compulsory labour.</p> <p>Suppliers Our review of Diageo-commissioned supplier audits (34) did not raise any instances of non-compliance related to the SMETA audit section ‘employment is freely chosen’.</p>
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How we have met each indicator

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Aspect – security practices

<p>G4-DMA ◆</p>	<p>Security practices. □ Everyone at Diageo is expected to adopt a proactive, co-operative attitude towards the health, safety and security of colleagues, contractors, customers, and suppliers, as well as others working at or visiting Diageo locations. We take a risk-based approach to the training of Diageo security personnel, ensuring it is appropriate for the location(s) where they operate. It is our intention that everyone goes home safe, every day, everywhere. For more details, see Diageo's Code of Business Conduct.</p>	<p>G4-HR7 ◇</p>	<p>Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations. We do not record this data since our security staff contracts vary by market, some being direct employees, and others, third-party contractors.</p>
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Aspect – indigenous rights

<p>G4-DMA ◇</p>	<p>Indigenous rights. We do not believe this is material to our business.</p>	<p>G4-HR8 ◇</p>	<p>Total number of incidents of violations involving rights of indigenous peoples and actions taken. We do not believe this is material to our business.</p>
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How we have met each indicator

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Aspect – assessment

<p>G4-DMA ◆</p>	<p>Assessment.</p> <p>□ Each year, all business units and functions are expected to carry out a compliance risk assessment, including consideration of human rights and corruption, and to develop mitigation plans for their most relevant risks. They are required to report on their progress to the Audit and Risk Committee. For more details, see the Responsibility section of our website, under our risk and compliance programme.</p>	<p>G4-HR9 ◆</p>	<p>Total number and percentage of operations that have been subject to human rights reviews or impact assessments.</p> <p>□ Currently we do not carry out specific human rights reviews or impact assessments; instead we require all our 21 markets and business units to carry out a compliance risk assessment, which includes consideration of our Human Rights Policy. However, as part of our 2020 target to act in accordance with the UN Guiding Principles for Business and Human Rights, we will begin conducting human rights impact assessments. For a list of all our markets, see the Our Global Reach section of the Annual Report, page 3.</p>
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Aspect – supplier human rights assessment

<p>G4-DMA ◆</p>	<p>Supplier human rights assessment.</p> <p>□ We manage social and ethical risks in our supply chain through a four-stage programme: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process where potentially high-risk suppliers are required to register with SEDEX; and independent audits of suppliers who represent the highest risk. For more details on human rights, see the Human Rights and Core Labour section of our Partnering with Suppliers Standard.</p>	<p>G4-HR10 ◆</p>	<p>Percentage of new suppliers that were screened using human rights criteria.</p> <p>100% of new suppliers for procurement-managed spend went through the screening process described to the left. This process includes screening for human rights.</p>	<p>G4-HR11 ◆</p>	<p>Significant actual and potential negative human rights impacts in the supply chain, and actions taken.</p> <p>We commissioned (34) or obtained (219) audits for 253 of our direct suppliers this year, representing 19% of suppliers linked to Diageo on SEDEX. With regards to the 34 audits commissioned by Diageo (which consider human rights), a total of 210 issues of non-compliance were raised, with the majority relating to health, safety, and hygiene. Of these 210 issues of non-compliance, just over 10% were rated as critical, and we are working with our suppliers to resolve them. At the time of publication, 51 had been confirmed as resolved.</p>
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How we have met each indicator

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Aspect – human rights grievance mechanism

<p>G4-DMA ◆</p>	<p>Human rights grievance mechanism. We have a global standard for managing breaches that provides guidance to those involved in the process to ensure it is managed effectively. A part of this includes our confidential whistleblowing line, SpeakUp.</p>	<p>G4-HR12 ◇</p>	<p>Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms. Where appropriate, we share anonymous case studies of breaches of different areas of our Code of Business Conduct with employees so that they can learn from them; however we do not share absolute numbers of grievances of human rights impacts either internally or externally.</p>
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Aspect – local communities

<p>G4-DMA ◆</p>	<p>Local communities. □ Creating wealth in a lasting way requires partnering with others to address development challenges such as education and health, and advocating high standards of governance in the communities where we operate. We invest in a variety of programmes that aim to empower our stakeholders, which represent our long-standing commitment to investing in communities. These focus particularly on alcohol in society; training and education; access to clean water; and on empowering women and farmers. For more details, see the Responsibility section of our website, under Community empowerment.</p>	<p>G4-SO1 ◆</p>	<p>Percentage of operations with implemented local community engagement, impact assessment, and development programmes. We have local community engagement, impact assessment and/or development programmes in 54 of the 180 countries in which we operate, representing 33% of our operations.</p>	<p>G4-SO2 ◇</p>	<p>Operations with significant actual and potential negative impacts on local communities. The social impacts of our operations and community investment are discussed in the Community empowerment section of the Annual Report, on page 43. Omissions: we report on these impacts at a global level only.</p>
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Aspect – anti-corruption

<p>G4-DMA ◆</p>	<p>Anti-corruption.</p> <p>□ We have an internal Anti-Corruption Global Policy, whose core principles are included in our Code of Business Conduct.</p>	<p>G4-SO3 ◇</p>	<p>Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.</p> <p>Each of our markets is required to carry out a compliance risk assessment annually, including consideration of bribery and corruption, and to develop mitigation plans for their most relevant risks.</p> <p>Omissions: significant risks related to corruption identified through risk assessment.</p>	<p>G4-SO4 ◇</p>	<p>Communication and training on anti-corruption policies and procedures.</p> <p>Our compliance programme has taken a risk-based approach to anti-corruption communication and training. Illustrative examples of content include our third-party business partners and trade incentives.</p> <p>Omissions: specific numbers and percentage of employees receiving training.</p>
<p>G4-SO5 ◇</p>	<p>Confirmed incidents of corruption and actions taken.</p> <p>Public legal cases are reported in Note 18 to the Financial Statements of the Annual Report, entitled Contingent liabilities and legal proceedings, pages 129-132.</p> <p>Omissions: any non-public incidents are not reported.</p>				

Aspect – public policy

<p>G4-DMA ◆</p>	<p>Public policy.</p> <p>As part of doing business, Diageo engages with governments, public interest groups, industry associations and a broad range of other similar bodies around the world. In doing so, our aim is always to comply with all laws governing political activity.</p> <p>□ For more details on our approach to public policy, see our Code of Business Conduct. Our position on specific issues related to alcohol policy is included in the Market Dynamics section of the Annual Report, page 15.</p>	<p>G4-SO6 ◆</p>	<p>Total value of political contributions by country and recipient/beneficiary.</p> <p>As explained in the Corporate Governance section of the Annual Report, pages 54-83, Diageo has not given any money for political purposes in the UK or the EU. The group made contributions of £0.5 million, almost exclusively to federal and state candidates and committees in North America (consistent with applicable laws), where it is common practice to do so. No particular political persuasion was supported, and contributions were made with the aim of promoting a better understanding of the group and its views on commercial matters, as well as a generally improved business environment.</p>
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Aspect – anti-competitive behaviour

<p>G4-DMA ◆</p>	<p>Anti-competitive behaviour.</p> <p>□ We have an internal competition and antitrust policy, the core principles of which are included in our Code of Business Conduct.</p>	<p>G4-S07 ◇</p>	<p>Total number of legal actions for anti-competitive behaviour.</p> <p>Omitted: this is commercially sensitive information.</p>
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Aspect – compliance

<p>G4-DMA ◆</p>	<p>Compliance.</p> <p>□ Diageo has a sound corporate governance structure and a robust risk and compliance programme, with our Code of Business Conduct at its centre. For more details, see the Responsibility section of our website, under Governance and ethics.</p>	<p>G4-S08 ◆</p>	<p>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</p> <p>We were not required to pay any fines that would individually be considered material to Diageo’s financial statements.</p> <p>Omissions: non-monetary sanctions.</p>
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Aspect – supplier assessment for impacts on society

<p>G4-DMA ◆</p>	<p>Supplier assessment for impacts on society.</p> <p>□ We manage social and ethical risks in our supply chain through a four-stage programme: an initial screening; a prequalification questionnaire which covers social and ethical risks including human rights; a qualification process where potential high-risk suppliers are required to register with SEDEX; and independent audits of suppliers who represent the highest risk. See our Partnering with Suppliers Standard, which sets out the minimum social, ethical and environmental standards we require suppliers to follow as part of their contract with us, as well as aspirations for our long-term partners to work towards.</p>	<p>G4-S09 ◆</p>	<p>Percentage of new suppliers that were screened using criteria for impacts on society.</p> <p>100% of new suppliers of procurement-managed spend went through the screening process described to the left. This process includes screening for impacts on society.</p>	<p>G4-S010 ◇</p>	<p>Significant actual and potential negative impacts on society in the supply chain and actions taken.</p> <p>We have just started gathering data in this area, and are not yet in a position to report on it. We aim to do so in future years.</p>
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How we have met each indicator

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Aspect – grievance mechanisms for impacts on society

<p>G4-DMA ◆</p>	<p>Grievance mechanisms for impacts on society.</p> <p>We advertise our third-party helpline, SpeakUp, to suppliers.</p>	<p>G4-SO11 ◇</p> <p>Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.</p> <p>There were 703 suspected breaches of our Code of Business Conduct reported this year, of which 324 were subsequently substantiated. All identified breaches are taken seriously and, where appropriate, investigated by trained investigators. For more details see the Governance and Ethics section of the Annual Report, page 47.</p> <p>Omissions: we do not disclose how each individual grievance is resolved.</p>
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Aspect – customer health and safety

<p>G4-DMA ◆</p>	<p>Customer health and safety.</p> <p>□ We aim to design and make products that are always safe for consumers to drink, and that meet their expectations in terms of taste, consistency, and presentation. We have a programme of certification for our sites, and our certification partner is DNVGL. This programme includes production sites being certified to ISO 9001, and facilities that fill and pack product for sale being certified to FSSC 22000. All our production sites are in the process of being certified to ISO 9001, while 25 out of 32 planned sites have been certified to FSSC 22000, with the balance anticipated by the end of 2016. For more details, see our Quality Policy and our Marketing Code.</p>	<p>G4-PR1 ◆</p> <p>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.</p> <p>100%: all our product is subject to sampling which includes inspections for defects. These include critical defects which relate to product safety and legislative requirements. We continue to see significant improvement in critical defects with a circa 300% reduction in 2015.</p>	<p>G4-PR2 ◆</p> <p>Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.</p> <p>To the best of our knowledge, we have had no significant incidents of non-compliance with regulations resulting in a fine, a penalty or a warning.</p>
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Aspect – product and service labelling

<p>G4-DMA ◆</p>	<p>Product and service labelling.</p> <p>□ We meet all legal and regulatory requirements for labelling in all the markets in which we operate, including allergen and alcohol by volume labelling. For more details about labelling and information, see Diageo’s Marketing Code and our Quality Policy.</p>	<p>G4-PR3 ◆</p>	<p>Type of product and service information required by the organisation’s procedures for product and service information and labelling.</p> <p>The following explains our approach to the sourcing of product components, content that has social and environmental impact, safe use of the product, and disposal:</p> <ol style="list-style-type: none"> 1. Sourcing of components of the product or service: we do not provide sourcing information for our ingredients; 0% of our product labels includes this information. 2. Content, particularly with regard to substances that might produce an environmental or social impact: legislation requires a statement of alcohol by volume on all our products; 100% of our products contain this information. □ 3. Safe use of the product or service: as required by the Global Beer, Wine and Spirits Producers’ Commitments (see the Alcohol in society section of our website), we are reviewing all our products to ensure that, by 2017, they will carry a ‘safe use’ icon. 	<p>4. Disposal of the product and environmental/social impacts: we mandate the Mobius loop (or equivalent) designation for all packaging and point of sale as part of our Diageo Alcohol Beverage Information Policy; 100% of our products comply with this requirement.</p> <p>Percentage of significant product and service categories subject to such information requirements.</p> <p>All our products are covered by and assessed for compliance with the procedures set out in points 2-4 above.</p>
<p>G4-PR4 ◆</p>	<p>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.</p> <p>To the best of our knowledge, we have had no significant incidents of non-compliance with regulations resulting in a fine, a penalty or a warning.</p>	<p>G4-PR5 ◇</p>	<p>Results of surveys measuring customer satisfaction.</p> <p>Omitted: we do not capture this data at a global level.</p>	

How we have met each indicator

- ◆ Fully disclosed as outlined by the G4 Sustainability Reporting Guidelines
- ◇ Partially disclosed and missing at least one required indicator
- ◇ Not disclosed
- ◇ Not considered material to our business at this time

Aspect – marketing communications

<p>G4-DMA ◆</p>	<p>Marketing communications.</p> <p>□ We take very seriously our duty to develop, produce, market and sell our brands responsibly, and all our marketing is governed by our Marketing Code.</p>	<p>G4-PR6 ◆</p>	<p>Sale of banned or disputed products.</p> <p>We only sell products that are approved and legal in our markets. Some markets do not allow the sale of alcohol due to religious concerns and we respect this. If stakeholders or consumers have complaints either about a brand, its ingredients, or how it is marketed, they may complain to one of the many self-regulatory bodies of which Diageo is a member, or directly to Diageo through our website or our customer care lines. We will always respond to complaints to industry bodies and abide by the decisions taken. We try to respond to all consumer inquires or complaints either through our call centre team or via email in response to queries that come through our website.</p>	<p>G4-PR7 ◆</p>	<p>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.</p> <p>This year, Diageo received two substantiated complaints about advertising standards. For more details, and for industry complaints as a whole, see the Leadership in Alcohol in Society section of the Annual Report, page 39.</p>
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Aspect – customer privacy

<p>G4-DMA ◆</p>	<p>Customer privacy.</p> <p>□ Diageo holds personal data about employees, customers and suppliers, consumers and other individuals, including prospective and former employees. We aim to protect all such personal information that we handle in our business activities. For more details, see the data privacy section in our Code of Business Conduct.</p>	<p>G4-PR8 ◇</p>	<p>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</p> <p>This issue did not surface in our materiality assessment.</p>
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Aspect – compliance

<p>G4-DMA ◆</p>	<p>Compliance.</p> <p>□ Diageo has a sound corporate governance structure and a robust risk and compliance programme, with our Code of Business Conduct at its centre. For more details, see the Responsibility section of our website, under Governance and Ethics.</p>	<p>G4-PR9 ◆</p>	<p>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</p> <p>As disclosed in SO8, we were not required to pay any fines that would individually be considered material to Diageo's financial statements.</p>
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UNITED NATIONS GLOBAL COMPACT (UNGC) INDEX

The following index is structured along the UNGC advanced level reporting criteria. Our annual Communication on Progress (COP) is made up of our Annual Report together with this Performance Addendum. The index directs readers to the relevant parts of both documents.

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Implementing the 10 principles into strategies and operations		
Criterion 1	Mainstreaming into corporate functions and business units	This year we continued our journey of integrated reporting to reflect our work to mainstream our Sustainability & Responsibility Strategy into corporate functions and business units. While the section 'How we will deliver our performance ambition' on page 16 of the Annual Report describes our sustainability and responsibility imperatives, there are sections throughout that Report that show how each department or region is addressing social and environmental issues. Additionally, the GRI general standard disclosures on pages 17-21 of this Performance Addendum explain how our Sustainability & Responsibility Strategy is managed.
Criterion 2	Value chain implementation	Our Sustainability & Responsibility Strategy not only covers our operations, but also our entire value chain – from the farmers that grow our grains to the customers and bartenders that sell our brands. For example, our alcohol in society programme includes working with customers and consumers to curb alcohol misuse. Our water and the environment programme involves engaging suppliers through CDP. Our community empowerment programme includes flagship investments, such as Learning for Life, which leverage the economic impact of our value chain by helping job seekers enter the hospitality sector. Finally our sustainable supply chains programme is entirely focused on third-party partnerships – including working with suppliers to uphold high standards of ethics, and partnering with farmers to support them with crop rotation and with soil and crop management. You can read about our performance across all these areas in the Sustainability & Responsibility Review in the Annual Report, pages 38-47.
Robust human rights management policies and procedures		
Criterion 3	Robust commitments, strategies or policies in the area of human rights	Our Human Rights Policy outlines our commitment for respecting human rights in all operations. We have committed to acting in accordance with the UN Guiding Principles on Business and Human Rights. We expect our suppliers to abide by the same principles as outlined in our Partnering with Suppliers Standard .
Criterion 4	Effective management systems to integrate human rights principles	Our robust risk and compliance programme helps ensure we uphold our commitment. The Governance and Ethics section of the Sustainability & Responsibility Review in the Annual Report, page 47, explains our approach. The Sustainable Supply Chains section on page 46 explains how we manage ethical issues in our supply chain.
Criterion 5	Effective monitoring and evaluation mechanisms of human rights integration	Our comprehensive risk and compliance programme is outlined on page 47 of the Annual Report. It includes risk management; monitoring auditing and reporting, enforcement and incentives, and controls. The Sustainable Supply Chains section on page 46 explains our approach with suppliers.

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Robust labour management policies and procedures		
Criterion 6	Robust commitments, strategies or policies in the area of labour	Our Code of Business Conduct sets the standard for what is expected of everyone working at Diageo and other policies such as our Occupational Health and Safety Policy or our Human Rights Policy flow from its principles. Our overall commitment to our people is outlined in the Our People section of the Sustainability & Responsibility Review in the Annual Report, pages 44-45, which discusses how we manage issues such as diversity, health and safety, and organisational change. The Sustainable Supply Chains section on page 46 explains how we manage labour issues in our supply chain.
Criterion 7	Effective management systems to integrate the labour principles	Our risk and compliance programme, explained in Criterion 4 above, also covers labour issues. For additional information as to how we manage issues such as diversity, health and safety, or organisational change, see the Our People section of the Sustainability & Responsibility Review in the Annual Report, pages 44-45.
Criterion 8	Effective monitoring and evaluation mechanisms of labour principles integration	Our risk and compliance programme, explained in Criterion 5 above, also applies to labour issues. Beyond this, we set targets for health and safety, which we monitor closely.
Robust environmental management policies and procedures		
Criterion 9	Robust commitments, strategies or policies in the area of environmental stewardship	Our Environment Policy outlines our commitment to reducing our impact on the environment. We have five operational targets and four sustainable packaging targets that we aim to achieve by 2020.
Criterion 10	Effective management systems to integrate the environmental principles	Our robust environmental management system focuses on helping the business achieve its targets for water efficiency, water wasted at water-stressed sites, water quality, carbon emissions, waste to landfill and sustainable packaging. Read more on pages 40 to 42 of the Annual Report.
Criterion 11	Effective monitoring and evaluation mechanisms for environmental stewardship	Our risk and compliance programme, referenced above, also applies to our Environment Policy . Beyond this we have a robust system to monitor environmental performance managed by our Environmental Leadership Team, which meets monthly, and our Environmental Executive Working Group, which meets quarterly. We also have independent external assurance for select environmental key performance indicators. Read more in the Reporting boundaries and methodologies section of this Performance Addendum.

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Robust anti-corruption management policies and procedures		
Criterion 12	Robust commitments, strategies or policies in the area of anti-corruption	Our Code of Business Conduct and Anti-Corruption Global Policy set the standard for what is expected of everyone working at Diageo and those who represent or act for or on behalf of Diageo. Diageo has made a commitment that it will not condone the offer or acceptance of bribes in any form, anywhere we operate.
Criterion 13	Effective management systems to integrate the anti-corruption principle	Our risk and compliance programme explained in the Governance and Ethics section of the Sustainability & Responsibility Review of the Annual Report, page 47, outlines how we deliver against our anti-corruption commitment. We also have an internal Know Your Business Partner (KYBP) programme to assess third parties against the risk of bribery and corruption, and to mitigate risks.
Criterion 14	Effective monitoring and evaluation mechanisms for the integration of anti-corruption	The Governance and Ethics section of the Sustainability & Responsibility Review in the Annual Report, page 47, sets out our monitoring and evaluation mechanisms. Our internal Global Audit and Risk (GAR) programme audits that these principles are consistently applied.
Taking action in support of broader UN goals and issues		
Criterion 15	Core business contributions to UN goals and issues	<p>Diageo is committed to many goals of the United Nations (UN) as well as those of other affiliated, specialised agencies, such as the World Health Organization (WHO) and the International Labour Organization.</p> <p>Following a UN political declaration on the prevention and control of non-communicable diseases, the WHO set a target of reducing alcohol-related harm by 10% across the world by 2025. Diageo shares this goal: every one of our responsible drinking programmes, partnerships, and campaigns are in service of this.</p> <p>Additionally, many of our responsible drinking programmes include working with expectant mothers and midwives to educate them of the risks of drinking while pregnant, which supports the UN Millennium Development Goal to improve maternal health care.</p> <p>Our Water of Life programme, which aims to provide access to clean water, supports the UN Millennium Development Goal to eradicate extreme poverty and hunger.</p> <p>Our Plan W community investment programme aims to empower women, in support of the UN Millennium Development Goal to promote gender equality and empower women.</p> <p>Finally our environmental programme supports the UN Millennium Development Goal to ensure environmental sustainability.</p>
Criterion 16	Strategic social investments and philanthropy	You can read about our strategic community investment programme on page 43 of the Annual Report, and the Community empowerment section of our website.
Criterion 17	Advocacy and public policy engagement	We advocate many issues important to our Sustainability & Responsibility Strategy – such as participating in the CEO Water Mandate or being the first alcohol company to sign the Women's Empowerment Principles, a joint initiative of the UN and the UN Global Compact. For more information, see the Advocacy and awareness section of our website.

CRITERION	DESCRIPTION	CROSS-REFERENCE/DIRECT ANSWER
Criterion 18	Partnerships and collective action	We believe partnership with others is the best way to make progress against our Sustainability & Responsibility Strategy and goals. The most significant initiative we take part in is the Global Beer, Wine and Spirits Producers' Commitments – the largest ever industry-wide initiative to implement effective ways to address harmful drinking. For more information, see the Alcohol in society section of our website. See also the Advocacy and awareness section for information on other significant partnerships.
Corporate sustainability governance and leadership		
Criterion 19	CEO commitment and leadership	In the Annual Report, pages 8-11, our Chairman and Chief Executive outline their commitment to sustainability and responsibility.
Criterion 20	Board adoption and oversight	The GRI general standard disclosures on governance included in this Performance Addendum, pages 17-21, explain the process by which the Board adopts and oversees aspects of Diageo's Sustainability & Responsibility Strategy.
Criterion 21	Stakeholder engagement	We engage stakeholders on two levels, local and global. At a local level, employees across Diageo's business engage their colleagues, local governments, customers, media, and community groups on issues of immediate concern to them. At a global level, we engage investors, customers, suppliers, and multinational organisations such as UN agencies or NGOs. In 2013, we engaged more than 40 stakeholders to refresh our Sustainability & Responsibility Strategy. More information can be found in the Stakeholder engagement section of our website.

REPORTING BOUNDARIES AND METHODOLOGIES

The reporting boundaries and methodologies outlined here relate to the social and environmental performance disclosures set out in our Annual Report and this Sustainability & Responsibility Performance Addendum.

REPORTING BOUNDARIES

Our reporting covers the global operations of Diageo plc in the financial year ended 30 June 2015. Dates refer to financial years unless otherwise stated.

Excluding the few exceptions below, the boundaries for all data disclosed in the Annual Report and this Performance Addendum include the results of the company and its subsidiaries, together with Diageo's attributable share of the results of significant joint ventures. The results of subsidiaries¹ acquired or sold are included from, or up to, the date that control² passes.

On the acquisition of a business, or of an interest in an associate or joint venture, fair values, reflecting conditions at the date of acquisition, are attributed to the net assets including identifiable intangible assets and contingent liabilities acquired.

For non-financial data, our aim is to integrate data from acquisitions as soon as it is practically possible to do so, and ideally not later than after we have collated one full year's data. This is because systems and processes for the collection of non-financial data often vary widely in different parts of the world, and it takes time to integrate different systems, and, in some cases, set up those systems.

Exceptions

- Non-financial data for 2015 excludes USL, our newly-acquired business in India, with the exception of people, water, carbon and waste data which has been reported within the figures.
- Environmental and safety data from joint ventures and associates where Diageo does not have full operational control is not included.
- Charitable giving data also includes donations made through the independent Diageo Foundation.

Uncertainty and estimates

While we make every effort to capture all information as accurately as possible, it is neither feasible nor practical to measure all data with absolute certainty. Where we have made estimates or exercised judgement, this is highlighted within the reporting methodologies.

Significant changes in our operations

Diageo has made a number of acquisitions of brands, distribution rights, and equity interests in premium drinks businesses over the last three years. Please see the table in Note 9 to the Financial statements in the Annual Report, page 106, for details.

1. A subsidiary is an entity controlled, directly or indirectly, by Diageo plc.

2. Control is the power to govern the operating and financial policies so as to obtain benefits from its activities.

REPORTING METHODOLOGIES

Here you will find an explanation of our methodology for calculating our targets and other key information disclosed in the Annual Report and this Performance Addendum.

- Alcohol in society
- Water and the environment
- Community empowerment
- Our people
- Governance and ethics
- Sustainable supply chains
- Food safety and quality

ALCOHOL IN SOCIETY

Here we explain our methodology for the following:

- Global Beer, Wine and Spirits Producers' Commitments
- Responsible drinking initiatives.

Global Beer, Wine and Spirits Producers' Commitments

As of January 2013, Diageo is a signatory to the Global Beer, Wine and Spirits Producers' Commitments to Reduce Harmful Drinking; an annual report on progress is published each year.

Responsible drinking initiatives

Performance is based on internally reported initiatives through a network of corporate relations leaders in each of our markets.

WATER AND THE ENVIRONMENT

This section details Diageo's environmental reporting methodologies, and outlines the basis and approach for quantification of the environmental impacts against the following headings:

- Setting baseline data and targets
- Greenhouse gas emissions – referred to as carbon dioxide equivalent (CO₂e)
- Water consumption
- Wastewater polluting power as measured by biochemical oxygen demand (BOD)
- Waste to landfill
- Litres of packaged product
- Sustainable packaging.

As part of their engagement to provide Diageo with **limited assurance** over selected environmental key performance indicators (KPIs), KPMG have reviewed these guidelines for consistency with their findings. See [here](#) for KPMG's full independent limited assurance opinion.

Setting baseline data and targets

Environmental data is externally reported on the basis of our financial reporting year, running from 1 July to 30 June. Diageo's environmental reporting methodologies are reviewed and updated on an annual basis by Diageo's environmental reporting methodologies are reviewed and updated on an annual basis by Diageo's environmental leadership team and ratified by Diageo's environmental executive working group, chaired by the President of Diageo Global Supply and Procurement. Both absolute and efficiency indicators are used for environmental measures.

Reporting boundaries

Environmental data is collected and reported for all sites at which Diageo has full operational control, and as defined by the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (WRI/WBCSD Protocol). Environmental data from joint ventures and associates where Diageo does not have full operational control is not included within the reported environmental figures.

The environmental impacts associated with leased facilities and the carbon emissions associated with company vehicles and leased cars are also excluded and considered immaterial to the company's overall impacts. These areas will be reviewed in subsequent years' reporting to reassess the data and extent of impacts.

The environmental data (with the exception of packaging) in the Sustainability & Responsibility Review in the 2015 Annual Report and Accounts (pages 40-42) includes United Spirits Ltd (USL) data. The KPIs for water efficiency and carbon emissions presented on pages 12 and 13 of the Annual Report and Accounts do not include the impact of USL and this is appropriately footnoted. The data has been presented this way to keep these KPIs consistent with other KPIs on pages 12 and 13.

Baseline

Diageo's baseline year, set as the financial year ended 30 June 2007, applies to all environmental targets with the exception of packaging, which has a baseline of the financial year ended 30 June 2009. The baselines are established in accordance with the internal reporting guidelines and calculation methodologies set out here. The baseline data is used as the basis for calculating progress against Diageo's targets for CO₂e emissions, water consumption, BOD and waste to landfill, first announced in September 2008 and further developed in 2015. The continued relevance of 2007 as the baseline year is reviewed on an annual basis.

Restatement of baseline environmental data

Diageo restates environmental data for the baseline year and intervening years to reflect changes in the company that would otherwise compromise the accuracy, consistency, and relevance of the reported information. Restatements are made in line with the protocols defined by the WRI/WBCSD Protocol, and the Beverage Industry Sector Guidance for Greenhouse Gas Emissions Reporting version 3.0.

The base year environmental impact data, and data for intervening years, are adjusted to reflect acquisitions, divestments, updates to databases for CO₂e emission factors, any errors in methodology and calculations, and any significant changes in reporting policy that result in a material change to the baseline of more than 1%. We report acquisitions data as soon as practical, and no later than after we collate one full year's financial data. We also restate data where we can show that structural changes regarding outsourcing and insourcing have an impact of more than 1%.

In fiscal year 2015, the base year environmental impacts and the impacts for the intervening years were restated due to the acquisition of USL in India. The restatements were carried out in accordance with the WRI/WBCSD Protocol, which defines the requirements for companies to restate environmental impacts for consistent tracking

over time when they undergo significant structural changes. This is necessary to make meaningful historical comparisons.

Additionally, where more up-to-date information on fuel and electricity emission factors are available, the latest available data is applied.

The base year environmental impacts associated with acquisitions and bringing production in house are primarily determined directly from the historical data records for production volumes, energy, water consumption and waste generated for the base year and intervening years. In certain cases, where historical data is unavailable, the environmental impacts for the base year and intervening years are extrapolated from current environmental impact data, based on production patterns.

In the current financial year, the environmental impacts associated with the USL acquisition increased Diageo's base year environmental impacts by between 12% and 14% for water withdrawals, wastewater discharge effluent, waste to landfill and CO₂e emissions. The impacts of these increases have been absorbed and Diageo reaffirmed its commitment towards its 2020 environmental sustainability goals.

Uncertainty and estimates

While we make every effort to capture all information as accurately as possible, it is neither feasible nor practical to measure all data with absolute certainty. Where we have made estimates or exercised judgement, these are highlighted within these reporting guidelines.

Our targets

In 2008, Diageo set environmental targets on baseline data from the financial year ended 30 June 2007, with the aim of achieving these targets by 2015. Since setting these targets and reporting our performance against them, we have incorporated acquisitions, including the acquisition of USL in India, and reset our 2007 baseline data using the principles of the WRI/WBCSD Protocol. The environmental impacts

of these acquisitions on target achievement have been fully absorbed since 2007. In December 2014, we announced a new set of Sustainability & Responsibility targets to be achieved by 2020, and which will apply from the financial year ended 30 June 2016 onwards.

CO₂e emissions

CO₂e emissions data has been prepared in accordance with the WRI/WBCSD Protocol, Scope 2 guidance, Scope 3 calculation guidance and IPCC methodology. A summary of the key elements of this standard and their application to Diageo's business is outlined below.

Scopes

Scope 1 emissions (i.e. direct CO₂e emissions) from onsite energy consumption of fuel sources, such as gas, fuel oil, diesel, as well as fugitive and agricultural emissions are reported for all sites where we have operational control. Onsite non-production de minimis quantities less than 0.5% to a maximum of 50 CO₂e tonnes are also excluded.

Scope 2 emissions (i.e. indirect CO₂e emissions) from purchased electricity and heat are also reported for these sites.

Scope 3 emissions (i.e. indirect CO₂e emissions) are from upstream and downstream supply chain activity (i.e. suppliers, distribution and logistics). Diageo is committed to understanding and reducing CO₂e emissions along the key parts of the value chain, including scope 3 indirect emissions. CO₂e emissions associated with the distribution and logistics component of the supply chain were first quantified for the fiscal year 2013 and are reported separately during this financial year.

Carbon dioxide emissions from the fermentation process are not included within our reported environmental data as these emissions are from a biological short cycle carbon source and outside scopes 1, 2, and 3.

In accordance with the WRI/WBSCD Protocols and DEFRA guidance, scope 1 and 2 CO₂e emissions are reported and labelled in terms of market/net emissions (i.e. applying emission factors specified in contractual instruments for low CO₂e, renewable electricity sourcing excluding 'offsets', which are not applicable to the company), and also location/gross emissions (i.e. applying grid average emission factors and aligned with UK DEFRA's mandatory reporting of 'gross emissions'). Diageo's CO₂e reduction targets and reporting protocols since 2007 are based on market/net emissions, adhering to WRI qualifying criteria and applying the market specific emission factors. The reporting of location/gross emissions has been added to Diageo's protocols since 2014. Emission factors are based on CO₂e where available; CO₂-only factors (e.g. International Energy Agency) which exclude other greenhouse gases are not thought to have a material impact on total CO₂e.

Calculation methodology

CO₂e emissions data is externally reported in metric tonnes and is the measure used to compare the emissions from the six main greenhouse gases based on their global warming potential (GWP).

The CO₂e emissions data has been calculated on the basis of measured energy fuel use (reported separately), multiplied by the relevant CO₂e conversion factors. Fuel and energy use is based on direct measurement verified through purchase invoices for the vast majority of our sites (>99%). In certain limited instances (<1%), where invoices are not available, it has been necessary to estimate energy and fuel use.

Water consumption

Diageo collects water consumption data from the production sites over which it has operational control, using internally developed reporting guidelines based on the GRI G4 methodology. In addition to tracking total water usage, Diageo also collects information

to calculate 'water efficiency', meaning the ratio of the amount of water required to produce one litre of packaged product.

Water-stressed locations and classification

The World Resource Institute Aqueduct tool, UN Definitions and internal survey information are used to determine the extent of water-stressed locations across the business. In the current financial year, Diageo has designated 45 of its production sites as being water-stressed, identifying them as higher risk in terms of sustainable water supply. These sites are subject to more intense water stewardship measures in addition to Diageo's target to improve water efficiency by 50% by 2020.

Calculation methodology for water consumption

Diageo uses internally developed reporting guidelines which define the total quantity of water used in production as water obtained from groundwater, surface water, and mains supply, less any clean water provided back to local communities directly from a site.

Uncontaminated water abstracted and returned to the same source under local consent, water abstracted from the sea, and rainwater collection are excluded from water usage data reported.

Water used for irrigation purposes on land under Diageo's operational control is not included in Diageo's water use efficiency for production operations. The extent of water use at Diageo-operated agricultural lands (in Brazil and California) is quantified and reported separately as total volume withdrawn.

All water use is reported in cubic metres.

Wastewater polluting power as measured by biochemical oxygen demand

Much of the water used in brewing, distilling and beverage packaging facilities is used for cleaning process equipment, and such water becomes polluted with product residues. The strength of this pollution in the wastewater discharged as effluent is expressed as biochemical oxygen demand (BOD) or chemical oxygen demand (COD). BOD is a

direct measure of the polluting strength of effluent, and quantifies the oxidisable organic matter present in the wastewater or effluent stream.

Diageo measures, reports, and controls the polluting power of site effluent from its operationally controlled sites and reports the final BOD load discharge to the environment that is both directly controlled and treated by third parties, consistent with international methods and literature describing the determination of BOD impacts. The sites' effluent volume is determined from an onsite flow meter or calculated using a 'mass balance' formula, and validated through industry standard correlation coefficients. The BOD concentration of the effluent is determined from:

- On/offsite BOD analysis
- On/offsite COD analysis and applying industry (or site specific) correlation coefficient to convert to BOD
- Third-party/municipal treatment facility BOD data.

The final BOD load to the environment is determined from the volume in cubic metres of site effluent multiplied by the BOD concentration in mg/l, and is expressed as tonnes.

Waste to landfill

Diageo records the type and quantity of all waste to landfill from across the production sites over which it has operational control using Diageo's environmental reporting methodologies and GRI G4 protocols.

Calculation methodology for waste to landfill

The definition of waste to landfill includes all hazardous waste and all unwanted or discarded material produced in solid, sludge or liquid form from manufacturing and office sites. This includes all refuse, garbage, construction debris, treatment and process sludges, and materials that a site has been unable to reclaim, reuse, or recover. All waste to landfill is reported in metric tonnes.

Litres of packaged product

To calculate efficiency ratios, Diageo uses 'litres of packaged product' as the standard measure for comparison, as this measures the environmental impact associated with the production of our products.

Calculation methodology for litres of packaged product

Our calculation of litres of product packaged includes the total litres of product packaged which enter a finished goods warehouse at operationally controlled sites, together with any product sent to a third party for packaging (i.e. a non-operationally controlled site). Damaged product is not included in these figures.

Sustainable packaging

Diageo monitors and assesses the type and volume of packaging used and the alternatives available to ensure, where practical, that our brands are delivered to the consumer with the smallest possible environmental footprint. The methodology for sustainable packaging includes:

- Packaging weight
- Recycled content
- Recyclability.

All changes in sustainable packaging impacts are quantified and expressed in terms of weight or percentages.

Pack weight changes are determined by quantifying the weight reduction in grams and multiplying by the number of product lines (SKUs) affected on an annualised basis. Recycled content is determined by establishing the volume in grams/kgs of non-virgin materials used to generate the pack components, and adjusting for current year changes to recycled content. Recyclability is expressed as a percentage, determined by quantifying the weight of the final pack deemed to be non-recyclable and multiplying by the total annualised volume of the SKU. Having set targets against a 2009 baseline, packaging data is inputted for each of our three metrics (weight, recycled content, and

recyclability). It is then consolidated and internally verified, based on the best available information.

COMMUNITY EMPOWERMENT

Here we explain the basis of calculation for:

- Setting baseline data and targets
- Plan W
- Water of Life beneficiaries
- Learning for Life beneficiaries
- Community investment figures.

Setting baseline data and targets

Baselines differ for each metric. Our Water of Life targets were set in the year ended 30 June 2007. Cumulative performance records activity between 1 July 2006 and 30 June 2015. Our Learning for Life target was set in the year ended 30 June 2009, and beneficiaries are counted from 1 July 2008 to 30 June 2015.

Plan W

We measure four indicators of performance for Plan W programmes: number of women empowered; number of men engaged; number of indirect beneficiaries; and the broader indirect impact of the programme. Data is collected via an online survey tool completed by each country team.

Water of Life beneficiaries

Our implementation partners provide us with beneficiary data for each project. To meet the criteria for a Water of Life programme, each beneficiary should:

- Live within 2km of the water source, or 500m if in an urban area
- Be able to get his or her water from:
 - Piped water into a dwelling, plot or yard
 - A public tap/standpipe
 - A tube well/borehole
 - A protected dug well
 - A protected spring
 - Rainwater collection
 - Water filtration and purification.

We are aware that each partner has its own methodology and, with the help of an independent organisation, we are conducting a review in an effort to improve the quality and consistency of our data.

Learning for Life beneficiaries

Beneficiaries are defined as direct participants in Diageo-funded Learning for Life programmes. Data is collected by our training partners via standardised surveys, and averages are reported by market via an online data collection tool. Alongside the number of beneficiaries, we also track demographic information (age and gender); the number of hours spent training (meeting local certification standards), participant satisfaction rate, the number of participants who perform internships and participants' increase in income after completing the programme.

Community investment figures

Community investment includes contributions (in the form of cash, in-kind donations or employee time) from Diageo plc and the Diageo Foundation. It includes contributions to charitable entities, non-branded responsible drinking programmes that benefit charities, and management costs associated with the Diageo Foundation. We use the principles of the London Benchmarking Group, which we helped pioneer in 1994, to measure our community investment.

Cash, in-kind donations, and employee time contributions are recorded through an annual survey of local markets around the world.

Donations to the Thalidomide Trust in the UK and The Thalidomide Foundation Ltd in Australia are not included in our community investment total.

OUR PEOPLE

Here we explain the basis of calculation for:

- Setting baseline data and targets
- Employee profile data
- Lost-time accident frequency rate
- Fatalities
- Women in senior management positions
- Engagement results.

Setting baseline data and targets

Baseline information differs between metrics. Employee profile information and engagement results are calculated annually, and for this year, they were calculated at the year ended 30 June 2015. Lost-time accident frequency has a baseline of 30 June 2010, and targets were set for the end of this financial year.

Employee profile data

Total employee data comprises our average number of employees, and is captured globally through financial and HR information and reporting systems. Gender data is collected by region. The majority of the gender information is collected from our global human resource system. A few markets, however, are not yet using the global human resource system. For those markets, the HR teams provided gender information at the market level from the local human resource and finance systems.

Lost-time accident (LTA) frequency rate

The LTA frequency rate is defined as the number of LTAs per 1,000 employees. An LTA is defined as any work-related incident resulting in injury or illness where the individual is unable to work or where a job restriction is required. Our LTA numbers also include any work-related fatalities.

The assessment of lost time excludes the day the incident occurred, is based on calendar days, and is made without regard to whether or not the person was scheduled to work. In line with industry best practice, we include in our definition of an 'employee' all temporary staff and contractors who work under our direct supervision.

Fatalities

Fatalities include any employee work-related fatality or any work-related fatalities occurring to third parties and contractors while on Diageo's premises.

Women in senior management positions

Gender data is collected by region. The majority of the gender information is collected from our global human resource system. A few markets, however, are not yet using the system, and in these markets the HR teams provided gender information from their local human resource and finance systems.

Engagement results

Data is collected from an annual online Values Survey sent to all employees and administered by IBM, which took over Kenexa who administered our survey for a number of years. This year the data represented 94% of those able to participate (25,022 of 26,710) compared with 92% in 2014.

In 2014 we reviewed our approach to measuring engagement and revised our index. The new index allows us to compare survey results with best-in-class organisations and sets a more challenging benchmark for employee engagement. The index includes measures of employee satisfaction, loyalty, advocacy, and pride.

GOVERNANCE AND ETHICS

Here we explain the basis of calculation for:

- Annual certification of compliance
- SpeakUp.

Annual certification of compliance

The annual certification of compliance covers lower level and above managers. It is administered through the global online training tool, Diageo Academy, which holds a record of participation and responses for all employees. These are then reported to market and function leadership teams, and reviewed by control, compliance, and ethics managers.

SpeakUp

Our SpeakUp whistleblowing line is communicated across our markets. Calls are received by external parties and reviewed by a three-person triage team on behalf of the Global Risk and Compliance Director.

Investigators are appointed where necessary, and appropriate remediation, including disciplinary consequences, are put in place where allegations are substantiated. Oversight is provided by in-market Controls, Compliance and Ethics Managers or members of the Global Risk and Compliance team in more serious cases.

SUSTAINABLE SUPPLY CHAINS

Here we explain the basis of calculation for:

- Setting baseline data and targets
- Local sourcing in Africa
- SEDEX self-assurance
- Audits of highest-risk suppliers.

Setting baseline data and targets

All performance figures against targets are for the period from 1 July 2014 to 30 June 2015.

Local sourcing in Africa

Our target is to source 80% of agricultural materials locally across Africa by 2020. 'Local' is defined as materials of agricultural origin sourced within Africa and used in our African operations to produce our brands. In 2015, 70% of agricultural materials were sourced locally, compared to 66% in 2014.

We calculated this figure by using the weighted average of locally sourced agricultural material volumes across each of our African markets including Nigeria, Ghana, Cameroon, Ethiopia, Kenya, Uganda, Tanzania and South Africa.

SEDEX self-assurance

Self-assessment data is provided to us in reports run from the Supplier Ethical Data Exchange (SEDEX), a not-for-profit organisation that enables global suppliers to share assessments and audits on ethical and responsible practices with their customers. Their system includes the number of suppliers who have registered with Diageo, linked their operating sites with ours, and then completed the self-assessment or any other performance-related data. We compare these results with the total number of suppliers we have identified as potentially high risk (considering industry type, location, or association with our brand).

Audits of highest-risk suppliers

Audits are conducted by independent third-party auditing companies, trained to SEDEX Members Ethical Trade Audit Protocols or equivalent. Of total audits, 34 were requested directly by Diageo, and 219 were requested directly by others. Those requested by others remain valid through the AIM-PROGRESS mutual recognition process or through adherence to our own audit requirements. The breakdown of our audit compliance data in this report relates only to the 34 audits directly requested by Diageo, to ensure that our reporting reflects matters under our direct control.

The second tier merchandising supplier audits were conducted either by independent third-party auditing companies, or by the merchandising suppliers' internal audit teams.

FOOD SAFETY AND QUALITY

Here we detail the basis of calculation for:

- Packaging defects (ppm)
- Total concerns (complaints).

Packaging defects

Packaging defects data is based on a 0.1% sampling for wines and spirits and a 0.025% for beers. Individual packs are inspected against a Global Finished Product Standard. The number of defects is recorded and reported monthly against the sample size for the production run. Figures are aggregated globally and are weighted based on volume of production.

Total concerns (complaints)

All complaints are recorded (validated or not) through consumer care lines and in-market companies. The concern rate is calculated based on the volume of cases produced at the site in the same period as the complaint was received. Figures are aggregated globally, are weighted based on volume of production, and are expressed as number of complaints per units sold, with a unit being one case of nine one-litre bottles.

EXTERNAL ASSURANCE

We engaged KPMG LLP to undertake an independent limited assurance engagement, reporting to Diageo plc only, over selected sustainability and responsibility (S&R) performance data marked with the symbol Δ within the Strategic Report of the Annual Report and Accounts and this Performance Addendum. KPMG LLP used the International Standard on Assurance Engagements (ISAE) 3410: 'Assurance Engagements on Greenhouse Gas Statements' to assure the selected greenhouse gas performance data and ISAE 3000: 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' to assure the other selected performance data, which includes data for water use, wastewater discharge (BOD) under direct control, waste to landfill and the lost-time accident frequency rate, all marked with the symbol Δ. KPMG LLP have issued an unqualified opinion over the selected S&R performance data, and their full assurance opinion is available in the Responsibility section of our website at www.diageo.com.

The level of assurance provided for a limited assurance engagement is substantially lower than a reasonable assurance engagement. In order to reach their opinion, KPMG LLP performed a range of procedures which included interviews with management, examination of reporting systems and documentation, as well as selected data testing at various sites as well as at Head Office. A summary of the work they performed is included in their assurance opinion. Non-financial performance information, greenhouse gas quantification in particular, is subject to more inherent limitations than financial information. It is important to read the selected S&R performance data contained within this report in the context of KPMG LLP's full limited assurance opinion and our reporting methodologies. Our reporting methodologies are included within this Performance Addendum.