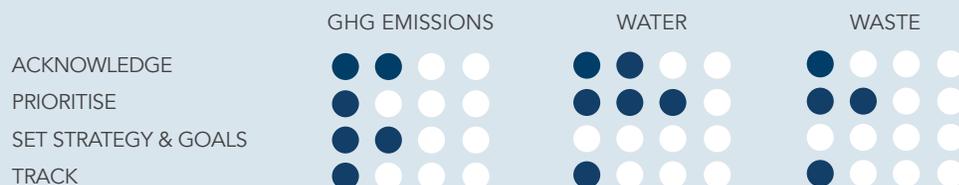


Diageo plc (Diageo)



Background on Diageo

Diageo is a British multinational alcoholic beverage company. It was founded in 1997 and is headquartered in London, United Kingdom. It primarily produces spirits and beer with well-known brands such as Smirnoff, Johnnie Walker, Baileys, and Guinness within its portfolio of products. It employed 33,000 across the 80 countries in which it operates and reported revenues of £10 billion in 2015. It is a public company listed on both the London Stock Exchange and the New York Stock Exchange.

How did Diageo come to start thinking about context?

Between 2000 and 2011, Diageo was involved in several initiatives that helped form its current approach to sustainability. The company started to report its GHG emissions performance through the [CDP](#) in 2000. Two years later in 2002, Diageo signed the [UN Global Compact](#)¹. In 2006, Diageo was one of several global beverage companies who led the formation of the [Beverage Industry Environmental Roundtable](#) (BIER)². Then in 2008, the company formally endorsed the [CEO Water Mandate](#), a UN affiliated private-public partnership aimed at addressing global water issues². Diageo then supported and signed the [Copenhagen Communiqué on Climate Change](#), a joint statement by the international business community acknowledging the importance of addressing climate change ahead of the UN climate change conference being held in Copenhagen. This period culminated in 2011 with the release of Diageo's first Sustainability and Responsibility strategy³.

¹ The CEO Water Mandate (n.d.). Endorsing Companies. <https://ceowatermandate.org/about/endorsing-companies/>

² Antea Group (n.d.). Facilitating Beverage Industry Environmental Roundtable. Accessed at: <http://www.anteagroup.com/en/case-studies/facilitating-beverage-industry-environmental-roundtable>

³ Diageo (2012). Sustainability and Responsibility Report 2012: About our Business – Our History. Accessed at: <https://www.diageo.com/en/investors/financial-results-and-presentations/sustainability-responsibility-report-2012/>

In 2013, Diageo announced that it would be working towards developing a set of zero waste to landfill targets for all its sites by 2015⁴. A year later in 2014, Diageo and other members of BIER published a joint document that set out the beverage industry's first common approach for the reporting of its GHG emissions⁵. Diageo's 2015 Sustainability and Responsibility report highlighted that the company had fallen short of achieving seven of the eight environmental goals that it had set⁶. In response, Diageo explained that it had missed these goals because it had purposefully set goals that would "stretch" it and that overall it remained on a "journey" towards being more sustainable⁷. David Croft, Diageo's Global Sustainability Director, commented that "We could all set targets that are readily achieved but what we've tried to do is look at the science and the wider context, such as where climate change is heading⁷." During this period, Diageo also published its Water Blueprint, the company's approach to embedding water stewardship into its business activities in a way that would enable substantial, sustainable, and measurable changes to its impacts on water resources⁷. Also in 2015, Diageo joined the [We Mean Business](#) campaign pledging to set GHG emissions reduction targets, eliminate commodity-driven deforestation, and report climate change related information through corporate reporting⁸. Ahead of [COP21](#), Diageo was one of 32 companies that launched the Business Alliance for Water and Climate Change that aims to ensure the wider uptake of action by the business community to support the sustainable management of water resources in the face of climate change⁹. In 2016, Diageo committed to derive 100% of its power from renewable sources by 2030 and with this commitment it joined the [RE100](#) initiative^{10, 11}.

⁴ Sustainable Brands (2013). Diageo Reducing Material Use to Achieve Zero Waste by 2015. Accessed at: http://www.sustainablebrands.com/news_and_views/waste_not/diageo-reducing-material-use-achieve-zero-waste-2015

⁵ Sustainable Brands (2014). Beverage Industry Environmental Roundtable Releases First Common GHG Guidelines. Accessed at: http://www.sustainablebrands.com/news_and_views/collaboration/mike_hower/beverage_industry_environmental_roundtable_releases_first_co

⁶ The Guardian (2015). Sobering results for drinks giant Diageo reveal problems of sustainability targets. Accessed at: <https://www.theguardian.com/sustainable-business/2015/sep/03/diageo-results-drinks-multinational-sustainability-targets-corporate-commitments>

⁷ Diageo (2015). Diageo unveils ambitious Water Strategy. Accessed at: <https://www.diageo.com/en/news-and-media/features/we-ve-unveiled-an-ambitious-new-water-strategy/>

⁸ We Mean Business. Take Action. Accessed at: <https://www.wemeanbusinesscoalition.org/take-action>

⁹ SUEZ (2015). 32 Companies launch Business Alliance for Water and Climate Change. Accessed at: <https://www.suez.com/en/News/Press-Releases/32-companies-launch-the-Business-Alliance-for-Water-and-Climate-Change-to-ensure-sustainable-management-of-water-resources-in-the-face-of-climate-change>

¹⁰ Clean Energy News (2016). Diageo targets 100% renewables supply as consumption tumbles 10%. Accessed at: <http://www.cleanenergynews.co.uk/news/solar/diageo-targets-100-renewables-supply-as-consumption-tumbles-10>

¹¹ The Climate Group (2016). World's Most Influential Companies Announce Investment In Cleaner, Smarter Energy. Accessed at: <https://www.theclimategroup.org/news/world-s-most-influential-companies-announce-investments-cleaner-smarter-energy>

What does context look like at Diageo?

1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.

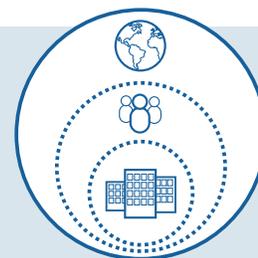
GHG EMISSIONS



WATER



WASTE



GHG emissions: Diageo acknowledges the importance of this issue because the impact this issue will have on the availability of water, energy, and agricultural raw materials will only increase as the global population grows¹². However, the company only commits to minimise its impact on this ecological issue through its direct and indirect GHG emissions and has yet to commit to operate within the limits of this threshold¹³. It has committed to extend its GHG emissions reduction efforts to its broader value chain but not to support it in its adherence to the limits of this threshold¹⁴.

Water: Diageo acknowledges that water is a shared resource that has complex interdependencies between its users, especially in water-stressed areas¹⁵. While Diageo discusses this ecological issue, it has yet to articulate the threshold(s) it associates with it. The company commits to reduce its impact on the threshold(s), or where possible improve the status of this resource. The company has committed to promote and support water stewardship practices across its value chains activities but has yet to commit to support its value chain in its adherence to the limits of the threshold(s) associated with this ecological issue¹⁴.

Waste: Diageo acknowledges that its business activities generate waste and that it is important to work towards reducing this waste¹⁶. However, the company discusses this ecological issue in general terms and has yet to make a commitment to operate within the limits of the threshold. As with the other ecological issues, Diageo has committed to work with its value chain to support them in minimising their impact on this threshold, but it has yet to commit to support its value chain in adhering to the limits of this threshold¹⁶.

Other thresholds: Diageo acknowledges the importance of other socio-ecological issues including biodiversity, air pollution, and community resilience but does not yet discuss them with reference to thresholds.

¹² Diageo (n.d.). CSR: Environment. Accessed at: <http://www.diageo.com/en-ie/csr/environment/pages/default.aspx>

¹³ Diageo (n.d.). Global Environmental Policy. Accessed at: <http://www.diageo.com/en-ie/NewsMedia/pages/resource.aspx?resourceid=1288>

¹⁴ Diageo (n.d.). CSR: Environment – Carbon. Accessed at: <http://www.diageo.com/en-ie/csr/environment/Pages/carbon.aspx>

¹⁵ Diageo (2016). Annual Report 2016. Accessed at: <https://www.diageo.com/en/investors/reporting-centre/>

¹⁶ Diageo (n.d.). CSR: Environment – Waste. <http://www.diageo.com/en-ie/csr/environment/Pages/waste.aspx>

2 Transparently understand and **PRIORITISE** a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.



GHG EMISSIONS



WATER



WASTE



Diageo appears to use what we call a ‘classic’ materiality approach whereby it seeks to understand what socio-ecological issues are most important to its own success and the expectations of its stakeholders^{16, 17}.

GHG emissions: Diageo recognises that its use of energy during manufacturing and its source of agricultural raw materials all result in GHG emissions which have an impact on this threshold¹⁶. It also recognises that agricultural raw materials are particularly at risk in the future due to the impacts of climate change¹⁶. The company discusses in general terms the actions it aims to take to support a reduction in its GHG emissions but has not yet outlined how it aims to better understand the impact it has on this threshold. It commits to support and encourage its value chain in measuring, managing, and reporting on its GHG emissions¹⁵.

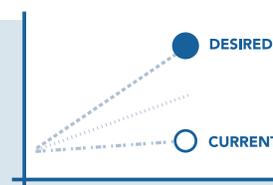
Water: Diageo prioritises this ecological issue because it is the primary ingredient in most of its products¹⁶. The company’s Water Blueprint is a comprehensive outline of its approach and strategy towards embedding and prioritising water stewardship across its business activities and those of its value chains. Diageo has already begun to map its operational locations against water-stress indexes to help it prioritise its responses. Diageo has yet to outline how it intends to incorporate this information into its approach to prioritising its key socio-ecological issues. The company is committed to extend its influence with respect to this threshold into its value chain’s activities¹⁸.

Waste: Diageo prioritises this ecological threshold as it recognises that the business activities of its operations and those of its value chain all result in the production of waste¹⁷. More specifically, within its own operations, yeast waste is produced from the brewing process, and soft rock waste is produced from the filtration steps during brewing and from the pulped labels of the bottles it recycles. Other wastes include damaged packaging, sludge, boiler ash, and office waste¹⁷. The company has yet to outline how it is working to deepen its understanding of the impacts these waste streams are having or if it intends to start factoring these impacts into its corporate process for prioritising its key socio-ecological issues.

¹⁷ Diageo (n.d.). Sustainability: Materiality. Accessed at: <http://www.diageo.com/en-ie/csr/sustainability/Pages/materiality.aspx>

¹⁸ Diageo (n.d.). Water Stewardship. Accessed at: <https://www.diageo.com/en-ie/csr/environment/Pages/water-stewardship.aspx>

3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.



GHG EMISSIONS



WATER



WASTE



GHG emissions: Diageo has committed to reduce its absolute scope 1 and 2 emissions by 50% by 2020 using a 2007 baseline¹⁹. It has also committed to reduce its GHG emissions across its entire value chain (scope 3) by 30% within the same timeframe¹⁹. However, despite having a contextual GHG emissions goal, Diageo has yet to outline the assumptions or rationale that it used while developing this goal or if it intends to set goals to monitor the effectiveness of its influence over its value chain in their efforts to operate within the limits of this threshold.

Water: Diageo has committed to water goals that cover water efficiency, wastewater, and replenishment. It commits to improve its water use efficiency, using a 2007 baseline, by 50% per litre of water per litre of packaged product¹⁶. This is still a relative goal rather than an absolute goal and is not linked to threshold limits. Diageo also commits to return 100% of its wastewater to the environment safely but this goal is also not yet directly linked to location specific quality threshold limits¹⁶. Lastly, the company commits to replenish the amount of water used in its final products back into water-stressed areas¹⁹. Diageo has yet to outline what it believes are the thresholds linked to water quantity within these water-stressed areas to show that this commitment is sufficient to meet the limits of this threshold. With all three goals related to this ecological issue, Diageo has yet to explain how it is working to understand the gap between its current performance and what is needed to operate within the threshold limits associated with this ecological issue.

Waste: Diageo has committed to increase the recyclable content of its packaging to reduce waste, and to achieve zero waste to landfill by 2020¹⁶. With both goals, Diageo has yet to outline how it aims to develop its understanding of the gap between its current performance and the performance that it needed to be operate within the limits of this threshold(s).

Other thresholds: Diageo has not yet set contextual goals in relation to any other thresholds.

¹⁹ Science-Based Targets (n.d.). Companies Taking Action. Accessed at: <http://sciencebasedtargets.org/companies-taking-action/>

4 Transparently TRACK performance against realistic trajectory targets.

GHG EMISSIONS



WATER



WASTE



GHG emissions: Diageo has a history of reporting its GHG emissions performance through its sustainability reports (for the last three years plus baseline year)¹⁶. It has yet to use this data and its contextual goal to set a realistic set of annual trajectory targets that could be used to monitor its progress towards achieving its goal. It has not yet outlined if it intends to set metrics that it could use to monitor its influence on its value chain in their adherence to the limits of this threshold.

Water: Diageo has a history of reporting its water use and wastewater discharge quality by region for the past three years in its sustainability reports¹⁶. It has yet to use this data to set realistic annual trajectory targets. It has set a target that tracks its equipping of its value chain with tools that support them in better protecting water resources within its most water stressed locations¹⁶.

Waste: Diageo has a history of reporting its total waste sent to landfill by region for the past three years within its sustainability reports¹⁶. It has yet to use this data to set realistic annual trajectory targets or outline it if intends to set metrics that it could use to monitor its influence on its value chain in their adherence to the limits of this threshold.

Other thresholds: Diageo reports its performance against other socio-ecological issues including biodiversity, air pollution, and community resilience but does not yet report its progress in relation to their associated thresholds.

What is the road ahead for context at Diageo?

Diageo has committed to sourcing 100% of its energy from renewable sources by 2030, and as of 2016 it reported that it is currently deriving just under 25% of its energy from renewable sources¹¹. The company has yet to set out the actions it aims to undertake to ensure that it reaches its goal, or the obstacles it anticipates it could face along the way. Diageo has been working to expand its Water Blueprint to its global value chain, which will enable it to better understand the impacts it has on this resource, especially in emerging markets¹⁹. To support its waste reduction goal, the company is looking to develop and scale innovative waste reduction initiatives that are being developed at certain facilitates across its operations. An example of this is a recent program that re-uses organic waste by-products from its Turkish operations as fertilizers¹⁶.