

We are committed to
preserving the natural
resources **on which**
we all depend

Diageo is committed to embedding our sustainability principles throughout our supply chains and helping our supply partners improve their practices as part of our wider environmental Spirit of Progress 2030 strategy. Deforestation, driven by commodity production, is a key contributor to the current ecological and climate crises the world is facing. Businesses, through their dependence on raw materials and the influence they can have over their supply chains, have an important role to play in helping to drive better outcomes for nature.

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As a global leader in beverage alcohol, we use significant amounts of raw materials throughout our operations. We are on a vital journey to better measure and manage our global impact on the natural environment. Due to our dependency on agricultural and, to a lesser extent, forest commodities, we recognise that our activities have the potential to contribute to deforestation. To better inform our position we have conducted a materiality assessment to evaluate the likelihood of deforestation across our supply chains, drawing on supplier data, third-party datasets including Global Forest Watch, and existing literature on forest-risk commodities. We have also undertaken a deep-dive impact assessment, following the methodology of Science Based Targets for Nature, for our business operations in Ireland and Northern Ireland.

We are on a vital journey to *better measure and manage our global impact* on the natural environment

Overall, our assessments have shown that most of Diageo's raw materials, and the countries in which we operate, are not directly associated with high deforestation risk. However, the analysis has highlighted that some of our raw materials may pose a potential risk, and there are some geographies where the risk associated with certain commodities requires further assessment. Many of the commodities that we source of high or uncertain risk are used in very small volumes and enter our supply chains indirectly. Classification of our commodities with regards to deforestation risk are as follows:

High-risk, high-volume commodities:

Agave, sugarcane, wood pulp (paper and packaging)

High-risk, low-volume commodities:

Cocoa, palm oil, soybean, vanilla, wood (biomass and barrels),

Uncertain-risk, high-volume commodities:

Maize, rice, sorghum, wheat

Uncertain-risk, low-volume commodities:

Cassava

Whilst our overall contribution to global deforestation is likely to be very small, we acknowledge that we have more work to do to quantify these impacts, and that these are likely to vary along with our business. Additionally, although we currently have no evidence, our sourcing of raw materials may also contribute to land conversion and degradation. We are committed to better understanding and managing these environmental risks. In the meantime, we are forging ahead with our ambitious plans on regenerative agriculture and landscape restoration.

Through our Society 2030: Spirit of Progress plan Diageo is committed to preserving the natural resources on which we all depend. Working in partnership to tackle climate change, water stress and biodiversity loss, and helping to create a more sustainable world. These commitments underpin our ambition on deforestation.

We define deforestation as the conversion of natural forests to agriculture, tree plantations, livestock production or other land uses. Net-zero deforestation means that any forest-loss is compensated with the restoration of an equivalent area of forest. Net-zero conversion is the protection of all natural habitats not just forests.

Supply chain commitments

Net-zero deforestation by 2023 covering our direct suppliers:

we aim to move to a net-zero conversion target from 2025 and cover indirect suppliers by 2030:

Paper and Packaging:

100% sustainably sourced, including net-zero deforestation by 2022 (progress 99% at 2020);

Agave:

100% net-zero deforestation from fields that we own and lease directly (progress 100% 2022), net-zero deforestation from third-party suppliers by 2025;

Sugar and Molasses:

we aim to have developed sustainable sourcing guidelines for these commodities, including net zero-deforestation requirements by 2023;

Wood-based biomass and barrels:

100% sustainably sourced, including net-zero deforestation by 2023;

High-risk, low-volume commodities (Cocoa, Palm Oil, Soy):

we aim to develop sustainable sourcing guidelines for these commodities, including net-zero deforestation requirements by 2023;

Uncertain-risk commodities (Maize, Sorghum Cassava, Rice):

we aim to better understand the risk associated with these commodities and have developed sustainable sourcing guidelines, including net zero-deforestation requirements, where necessary, by 2023.

Continuous improvement commitment

We aim to develop a comprehensive policy to address habitat conversion, deforestation and land degradation within our direct and indirect supply chains by 2023. This policy will align with the recommendations of the Accountability Framework Initiative and will aim to achieve a target of net-zero deforestation across our supply chains by 2025. It will also sit alongside our wider sustainable land use guidelines and integrate our initiatives on climate change, biodiversity, regenerative agriculture and landscape restoration.

We will work to develop management protocols in order to operationalise our commitments. This will include application of the Science Based Targets for Nature framework across our business to better characterise our impacts and develop appropriate implementation mechanisms to credibly deliver net-zero deforestation. In addition, we will develop management plans for high-risk areas, including the implementation of the mitigation hierarchy for geographies and supply chains of potential impact. This will ensure we avoid areas of high-conservation value, reduce our impact where possible, and restore habitats where needed. This work will build on our existing screening processes and procurement standards.

**supplier contracts will
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deforestation guidelines***

Supplier screening

Around 30,000 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. 100% of our suppliers go through our responsible sourcing risk screening, including both direct and indirect suppliers. We will work with our current and new screening partners to improve the data we collect on deforestation.

Standards and guidelines

Our Partnering with Suppliers standard sets out the minimum social, ethical and environmental compliance standards we require suppliers to follow as part of their contract with us. Supplier contracts will include a requirement to adhere to our deforestation guidelines.

For some of our higher-risk raw materials we use sustainability certification to help verify our commitments.

Agave

In 2021 the Don Julio brand became the first brand of alcoholic beverages to receive the Environmentally Responsible Agave (ARA) Certification from the Tequila Regulatory Council and the Government of the State of Jalisco, Mexico. The certification has been designed specifically to address deforestation. Its purpose is to assure consumers that the tequila has been produced in an environmentally responsible and sustainable manner with no deforestation in the production process.

We also have land management processes for the development of new agave fields and use government databases to ensure we lease land exclusively classified as agricultural and pasture use and do not lease any land classified as forest or natural conservation zone. Third party suppliers are not currently covered by these processes, and our aim in the future is to work with our partners to better understand and manage the impacts of our wider supply base.

Paper and board packaging

For all our pulp and paper, we define 'sustainably sourced' as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified, or recycled fibre. Currently 99% of our paper and board packaging meets these standards. We will continue to review this commitment to 100% FSC and PEFC paper and board packaging and look for opportunities to engage with raising certification standards.

Wood-based biomass and barrels

Diageo has an internal bioenergy standard, based on best practice, that provides guidance on the sustainable procurement of bioenergy derived from biomass feedstock. This policy specifies that feedstock should not contribute to deforestation or loss of biodiversity. We will continue to implement our policy in relation to our biomass feedstock, including wood chip and wood pellets.

The majority of our barrels are sourced for our whiskey operations, and our two main suppliers adhere to forestry practices certified as sustainable by the Sustainable Forestry Initiative or the Appalachian Hardwood Manufacturers. For our Scotch whisky operations we use second-life casks from sherry and bourbon production, we re-manufacture 150,000 casks each year for this purpose.

Monitoring and reporting

Our ambition is to develop a robust monitoring protocol to assess our deforestation risk on at least an annual basis. In conjunction with this we will make the best use of available tools such as Global Forest Watch and explore the use of probability-based sourcing models to improve our knowledge of our national and sub-national sourcing regions. We will also work to improve the traceability of key supply-chains, starting first with those that present the greatest environmental risks.

We will include updates on the progress we have made with our deforestation commitments within our external sustainability disclosures including the GRI and Dow Jones Sustainability Index.

Grievances and remediation

Our SpeakUp service allows suppliers, customers, and any other interested parties to raise concerns on non-compliance with our guidelines, standards and supplier code.

If our supplier screening processes identify a potential breach, we will engage with our suppliers to clarify impacts and put in place a remediation plan as required.

We recognise that there may be some unavoidable impacts resulting from our operations. Diageo is working to better understand and reduce these impacts and adopt nature positive approaches. We are committed to supporting farmers across our supply chain to adopt regenerative agriculture practices to improve soil health, water and biodiversity, whilst also recognising the needs of farming communities. Our plans for landscape restoration are underpinned by our 10-year sustainability action plan, *Society 2030: Spirit of Progress*, and in particular our 'Grain to Glass' pillar.



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We will work in partnership to tackle climate change, water stress and biodiversity loss, and help create a more sustainable world.

Examples of Diageo's restoration activities:

Forest restoration

In 2021 Johnnie Walker supported the establishment of 389,000 native trees close to two of our distilleries in Scotland in order to help restore local ecosystems and as part of Johnnie Walker's commitment to establish one million trees before 2025.

Bulleit Frontier Whiskey met its goal of planting one million trees in partnership with forestry innovation leader American Forests three years ahead of schedule. Together, Bulleit and American Forests have successfully restored more than two thousand acres of forest landscapes in several US states preserving the forests' ability to mitigate climate change, clean water and provide home for wildlife. As reforestation efforts continue to push forward, Bulleit is embarking on a new mission to improve 'Tree Equity' within economically disadvantaged communities and help ensure that all people have access to the benefits of trees.

For over a decade Kenya Breweries Limited, producers of Tusker, have been strong advocates for tree planting. Through their environmental staff-driven initiative, they have planted and nurtured close to one and a half million trees, with the aim of contributing to the protection and restoration of Mount Kenya and Aberdare Forests.

Ugandan Breweries is working with national government on an extensive restoration scheme that aims to plant two hundred million trees by 2025, restoring forest cover to 24% of Uganda. Ugandan Breweries have also proactively supported the on-boarding of other private sector entities to the initiative.

Regenerative agriculture

We have committed to develop regenerative agriculture pilots across our key sourcing regions to improve resilience across our supply chain and enhance ecosystem services. Taking a landscape level approach, our aim is to protect and restore natural habitats within our supply chain, including integrating agroforestry models across existing production systems where appropriate.

Our first pilot, based in Ireland and focused on our Guinness suppliers, will work with our barley suppliers over three years to test and implement regenerative agriculture approaches. The pilot aims to deliver improvements in soil health and its carbon sequestration potential; enhanced biodiversity; reduction in synthetic fertiliser use; enhanced water quality; and improved farmer livelihoods.

Transformative partnerships

Diageo will continue to align with forward-thinking initiatives that look to raise the bar for the wider industry in the management and reduction of environmental impacts. For example, we have signed up to Business for Nature's Call to Action which calls on governments to adopt policies to reverse nature loss this decade and are also a corporate engagement partner of the Science Based Targets for Nature programme where we have already piloted the approach for our business in Ireland. We have joined 'One Planet Business for Biodiversity' (OP2B) coalition to advance our commitments towards regenerative agriculture and landscape restoration, working in collaboration with other companies and contributing to the development of industry frameworks to support collective action. Notably we are also working with the Sustainable Agriculture Initiative Platform and continue to proactively seek further collaborations where possible to transform the way we do business for the better.

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