

DIAGEO



Sustainable Packaging Guidelines

“We will drive year on year improvements to deliver sustainable packaging with the smallest environmental footprint by 2015.”

Andy Fennell, Chief Marketing Officer, and David Gosnell, President Global Supply and Procurement.

Packaging plays an essential role in protecting, delivering and presenting our products and brands to our consumers around the world. It adds value by creating consumer convenience, providing product information, safeguarding public health and protecting the products throughout the supply chain to ensure the consumer receives the optimum quality. However, in an era of increasing energy costs, heightened social and environmental consciousness, strict regulation on pollutants and disposal of solid waste, packaging design should aim to not only add value to our products and brands but also reduce our impact on the environment

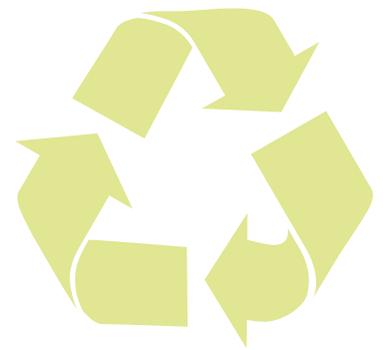
Diageo defines sustainable packaging as the packaging design with the lowest possible environmental footprint while ensuring the required functionality to protect, deliver and present our products and brands.

Our Sustainability & Responsibility Strategy lies at the heart of our commitment to sustainable packaging. This is entirely consistent with and rooted in our core values of being proud of what we do, being the best and value each other.

Our goal is to minimise the environmental impact of our packaging by advancing a sustainable packaging strategy, whereby, our packaging is seen as optimally designed for use by the consumer whilst minimising its impact on the environment

Our vision is to have packaging that is both premium and sustainable but this is a challenge for our sector in general - especially with the perception among consumers that lighter means less valuable. The journey to create packaging that is sustainable and premium will require tenacity, innovation and education not just for us but also for our customers and consumers.

Diageo defines sustainable packaging as the packaging design with the lowest possible environmental footprint while ensuring the required functionality to protect, deliver and present our products and brands.



REDUCE
REUSE
RECYCLE

Our Approach

Our environmental policy commits us to environmental leadership and we have set stretching targets on many dimensions of our environmental policy including sustainable packaging.

Diageo's strategy for improving the sustainability of packaging aims to start with the use of leading edge design to minimise packaging materials. This involves an environmental assessment as part of new packaging design upgrades and ensuring the principles of Reduce, Reuse and Recycle are advanced.

Improving the sustainability of our packaging is based on three principles:

- We optimise packaging material use to derive the smallest possible environmental footprint where practical
- We design packaging with full consideration to the whole lifecycle – cradle to cradle
- We use leading edge technologies and design techniques where practical to minimise packaging materials and optimise use of recyclable materials.

We have established a sustainable packaging framework, implementation plan and targets to deliver where practical the smallest possible environmental footprint. Our sustainable packaging team is working to implement this strategy across Diageo. Our approach is based on systematically assessing the impact our products have on the environment and applying our design principles.

Using sophisticated computer design software, we have commissioned and created a sustainable packaging life cycle assessment tool –**SPOT** (Sustainable Packaging Optimisation Tool), to enable us to rapidly assess the environmental impact of new and existing pack designs. This tool will provide us with data early in the product development cycle and enable us to make effective interventions in designing packaging with the least environmental impact.

Our 'Partnering with Suppliers' document sets out our standards for sustainability with our suppliers. We expect and encourage our suppliers to achieve high standards and consistent progress in the sustainable and ethical procurement of products and services for all our packaging.



Our Footprint

The packaging materials we currently use include glass, paper, board, plastic and aluminium.

Enhancing design:

2,400

metric tonnes of glass weight removed resulting in a CO₂ reduction of 1500 tonnes.



REDUCE

Optimising the amount of material and energy we use in our packaging is a core principle of our sustainable packaging goals and we are constantly exploring new opportunities to improve our pack designs with less material while assuring quality and presentation.

Leading edge design techniques are deployed where appropriate to minimise packaging materials and apply new lightweight technologies. For example we introduced the new Smirnoff Ice bottle design in Brazil, designed to improve impact resistance and reduce weight. Introduction of this design has eliminated 2500 metric tonnes of glass, equivalent to 17.5% less glass—resulting in a CO₂ reduction of 1500 tonnes. In a typical year we will aim to eliminate a further 14,000 metric tonnes of glass, resulting in CO₂ reduction of 8,500 tonnes.

Our commitment is that by 2015, we will continue to deploy ever improving design techniques to optimise packaging weight and reduce the average unit weight of our product packaging by 10% by 2015.

Our brands are valuable - some have taken over a decade to produce. So while lightweighting packaging is often the right thing to do we prefer to consider 'rightweighting'. This way we don't, for example, increase the number of breakages in transport because the packaging is too fragile. In fact if our packaging can have a second life and be re-used we may even consider 'heavyweighting' in certain circumstances.

REUSE

Our focus on lifecycle has sustained our use of high value recyclable materials. The majority, of our global beverage volume is delivered in primary packaging made from glass, aluminium and steel and these materials are 100% recyclable. Glass accounts for over 90% of our packaging material and can be recycled indefinitely. Bulk packaging systems, such as refillable steel kegs or bag-in-box for fountain dispense, are deployed in certain categories of beverage (eg beer and Ready to Drink) and are highly efficient packaging delivery systems. In Africa, we rely more heavily on refillable glass bottles for delivering our packaged beer volumes, providing greater affordability to consumers and avoiding waste. We continue to promote low carbon packaging options such as refillable bottles, while also encouraging new low carbon materials.

Our goal is to ensure 100% of our packaging designs are reusable, recyclable or suitable for waste management practices within individual countries by 2015. We will actively pursue and implement biodegradable or lower environmental impact components as alternatives to existing material combinations, where these combinations limit options to recycle, for example closures and outer cartons.

We continue to explore new ways to simplify the number and combination of materials we use or replace, where there are viable alternatives, and overall to ensure packaging is designed with the least possible environmental impact.

RECYCLE

On average more than one-third of the glass in our bottles is from recycled sources. Up to 70% of board in our outer cases is from recycled material and our aluminium cans contain up to 50% recycled metal. Utilising recycled glass –'cullet' - reduces the amount of energy required to make new glass, reduces the amount of carbon dioxide emissions and minimises the amount of raw material needed to be quarried.

Our goal is to further advance the use of recycle content and sustainably sourced virgin materials in our packaging, through greater collaboration with our suppliers and advancing technologies that enable heightened amounts of recycled content to be effectively used. Our target is to increase by 20% by 2015, the content of recycled materials across our packaging portfolio and therefore ensure that over 40% of all our product packaging will be made from recycled materials.

50%

Recycled content in aluminium cans



Working with others

Diageo is a member of industry groups EUROPEN (European Organisation for Packaging and the Environment) and INCPEN (Industry Council for Packaging and the Environment). We work with industry partners to define common metrics and with retailers to promote and improve recycling infrastructures.

81%

Highest level of recycled content used in glass bottle by Diageo





DIAGEO

For further information contact: sustainable.packaging@diageo.com

Revision 1.0, December 2011