



Diageo Sustainability and Responsibility Report 2013 - Needs more punch

Drinks giant Diageo puts forward a clear view of its big challenges, but lets itself down in the reporting of its performance

As one of the largest alcoholic drinks companies in the world, owning many iconic brands, Diageo is one of the more impressive performers in the sector in terms of sustainability practice and communications. The quality of Diageo's reporting has improved over time, perhaps like its own Scotch whisky which matures with age, and this 2013 [report](#) leaves a generally pleasant after-taste.

The online report has excellent navigation, the narrative is clean and crisp and the messages are well crafted. A series of short case studies enable the story-seekers among us to enjoy sustainability examples of practice from around the Diageo world. A direct and frank style also gives this report credibility, for example in the considered way Diageo addresses the disturbing issue of four employee fatalities in the past year.

Diageo's 2012 report told a story of a materiality journey, describing material impacts assessment strategy workshops in three markets. Stakeholders had confirmed the key issues to be: addressing alcohol abuse and promoting responsible drinking, tax contribution, governance and ethics, wealth creation, water, carbon, local hiring and local sourcing. This structured process was externally assured against the GRI materiality principle.

Tighter focus

This year, Diageo confirms completion of the materiality review through internal and external engagement and, in addition to committing to basic responsible business practices applicable to most businesses, Diageo names three strategic sustainability priorities: alcohol in society, water security, and empowering stakeholders in the value chain through skills and education – particularly for smallholder farmers and women. Diageo promises to declare specific targets in these areas in 2014. All three issues continue Diageo's previously stated sustainability priorities, which shows consistency, and this tighter focus augurs well for the type of sustainability report that the new GRI G4 guidelines look to promote.

That said, the sector continues to face other challenges, including sustainable agriculture – Diageo buys almost 2m tonnes a year of crops such as wheat, barley and maize – and packaging impacts including materials used, take-back programmes and recycling. Diageo has developed impressive glass recycling programmes in Brazil and Colombia, but it would be interesting to hear of this kind of activity happening at a global level. While focus is commendable, these aspects of Diageo's operation should not be underplayed.

Responsible drinking

Diageo has long been a key player in the field of responsible drinking and funds 300 responsible drinking programmes in 49 countries. These programmes are innovative, creative, locally tailored, brand-aligned and often broad in reach, working from the basic assumption that the more that people know, the more they will adopt responsible behaviours. Diageo also participates in the recently developed "[CEO Commitments](#)", a voluntary sector initiative to reduce underage drinking, improve responsible marketing, inform consumers, reduce drinking and driving and collaborate with retailers for point of sale controls.

However, given that alcohol in society is Diageo's most important material issue, and that Diageo spent more than £5.5m in 2012 addressing this, the treatment of responsible drinking in this 2013 report, as in previous reports, lacks punch. Diageo reports the outcome of its activities in only one case, a drink-driving campaign in Scotland: "According to police data, the campaign contributed to a 33% reduction in fatalities, a 39% reduction in serious injuries, and a 62% reduction in the number of drink drivers." This is a powerful testimony to programme effectiveness and Diageo's reporting would be far stronger with more

examples such as this that relate to impacts rather than inputs.

Another focus area for Diageo that is critical both to its business and our planet's future is water security, with more than 24m cubic metres of water used in Diageo's global operations each year (enough to provide clean water for half a million people). Diageo identifies 12 sites in Africa that are water-stressed, meaning raised water security risk either now or in the future. Overall, Diageo reduced absolute water withdrawal by 4% in 2012 and improved water efficiency from 8.2 litres per litre of finished product in 2007 to 6.7 in 2012, through operational efficiency projects that conserve and reuse water from packaging lines, vacuum pumps and the brewing process. More detail on impacts of water in the upstream supply chain – for example in the area of sustainable agriculture – would be welcome here.

Diageo's 2013 report presents a credible story around a core message of the company's role in society – helping people celebrate life and life events – while working to mitigate the negative impacts of problem drinking and water use and contributing to socio-economic development. The report is a well-structured account of generally strong progress in many areas, with quantified multi-year targets and reporting of achievements both year-on-year and cumulatively. At the same time, Diageo has opportunities to demonstrate greater leadership through more detailed impact reporting, life-cycle analyses to demonstrate that actions are directed in areas of highest impact and value, and scaling up of local initiatives which deliver benefit at global, as well as regional, level.

Snapshot

Follows GRI? GRI G3 B+.

Assured? Limited assurance of three reporting elements.

Materiality analysis? No matrix but three priorities.

Goals? Yes

Targets? Yes

Stakeholder input? No

Seeks feedback? Yes

Key strengths? Most material issues prominently presented.

Chief weakness? Lack of impact data in responsible drinking.

Pleasant surprise? Impressive detail on biodiversity impacts.

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