

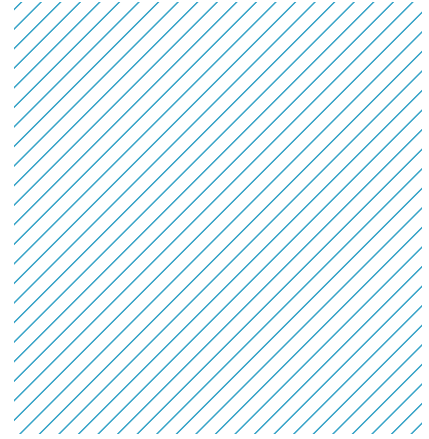


ETHICAL LEADERSHIP AT DIAGEO INDIA: WINNING THE RIGHT WAY

The government will use big data for the prevention and control of diseases

Written by Anand Kripalu, Managing Director & Chief Executive Officer, Diageo India

In 2013, I was approached to lead the integrated businesses of United Spirits Ltd. (USL) and Diageo in India. While I knew it would be a great opportunity to lead a key market for a renowned global spirits company, I faced a dilemma. Would I be making a mistake by joining an industry that did not enjoy a good reputation?



As I mulled over it, I analyzed what this opportunity presented. Diageo was a great company with world-famous brands. The category in India had low per capita consumption and penetration. Incomes were growing so there was scope for not just volume growth, but even higher value growth. Importantly, the attitudinal barriers towards alcohol were breaking down – in the society at large but critically amongst women. As such, it seemed like one of the most exciting opportunities in the larger consumer goods space. Here was a possibility to not just participate in growth, but to lead the industry and transform its reputation. A chance to create and leave a legacy. So, I took the plunge!

Growing with compliance

We started our journey in 2014 with the objective of transforming, in every sense, our business in India from the erstwhile United Spirits to Diageo. We radically overhauled the business – from brands to sales, cost to productivity, systems and processes to ways of working, as well as talent and culture. Simultaneously, we undertook major steps on how we do business by ensuring the highest levels of compliance and governance. Further, we embarked on a journey of becoming a good corporate citizen by looking at ways to support communities through our CSR programme. We also evolved the nature of our engagement with the government through fact-based dialogue for a win-win-win outcome – for the states and society as well as industry.

Compliance in itself is not easy. At times, it means losing business. The challenge is to be compliant and keep the business moving. Doing one of these two is easy. Growing the business profitably while being fully compliant is the bedrock of ethical leadership.

Nurturing the right behaviour

'Doing the right thing' is the credo followed by every employee in Diageo

India. Compliance is embedded in our business processes and control mechanisms; this raises governance standards and nurtures the right attitude and behavior. Every employee undergoes compliance training annually to understand our Code of Business Conduct. All new employees are mandatorily required to complete the training of the Code within 30 days of joining the company. Our Code of Conduct is comprehensive and covers areas including bribery and corruption, gifting, entertainment, money laundering, and sexual harassment.

Our employees are trusted to act not only in Diageo's interest, but also in society's best interest. As such, they are also expected to be ambassadors of responsible drinking, promoting moderation. To that end, we partner with governments and NGOs to curb the misuse of alcohol, to reduce excessive drinking, drunk-driving, and underage consumption.

Building the industry's reputation

Diageo India has played an important role in transforming the image of the beverage alcohol industry in India. This can be attributed to a number of factors – the high standards of governance and transparency and the integrity and professionalism of the new crop of leaders. Importantly, enhanced gender diversity with a third of the top 50 leaders being women has helped alter the image from that of being a 'man's industry'.

The policy environment for the alcohol industry has steadily improved in recent years. State governments today recognize the contribution of the industry to state revenues and employment and the cross-linkages with allied sectors such as hospitality, tourism, and agriculture. Senior state government officials across states now consult the industry before taking policy decisions. The industry has also been partnering with the Food Safety and Standards Association of India on many projects.

Partnering India's development

What makes Diageo India stand out is our commitment to be part of India's efforts to contribute to the welfare of its people and environment.

Our flagship Diageo Road Safety programme has reached out to 33 million people. We collaborated with government institutions to train more than 6,000 commercial vehicle drivers and 6,100 traffic police personnel.

Diageo helped increase the capacity of water bodies through desilting and repair of ponds in Alwar, Rajasthan. The watershed management projects in

Diageo's Commitment to Shaping the Strategic and Tactical Direction of the BELA South Asia Chapter

As India's business ethics environment continues to mature, it stands to reason that the world will take notice, earning India elevated stature as a trusted region where international business and trade can flourish as a direct result of high standards of integrity. With the support of BELA South Asia and the Founding Members, Ethisphere continues to be a proud partner in each of these efforts and the influence that this community has in making a difference each day. Here are some highlights of Diageo's contributions to the community.

August 2019

Diageo India hosted the third BELA South Asia Roundtable in Mumbai in 2019, where company executives, including Mr. Anand Kripalu, Managing Director & Chief Executive Officer, shared their insights on integrity and ethical leadership.



September 2019

Mr. Anand Kripalu provided the opening remarks at the second annual South Asia Ethics Summit, hosted by Infosys in September 2019. During his remarks, Mr. Kripalu focused on why integrity remains an important part of how companies do business across India.



Bhopal have helped farmers store around 35,000 cubic meters of water. We also set up water ATMs to help 45,000 villagers in water-starved areas of Nagpur.

Another initiative that we are proud of is our collaboration with a local NGO in Alwar that has trained women to manufacture and market low-price sanitary napkins, thereby improving menstrual health while generating additional income.

Our single-minded pursuit of sustainability has helped the company achieve its 2020 targets a year ahead. These include significant reduction in water consumption and a steep increase in use of renewable energy.

Winning the right way

People often tell you that the cost of compliance is high. Imagine the cost of non-compliance!

We have seen big companies like Enron, BP, VW, and Satyam falter and fail because of non-compliance. You really have no choice in today's world other than to be a good corporate citizen.

For companies to become institutions, they need to stand the test of time. They have to be built brick by brick. There is

no short cut. Businesses need to look beyond profits and create shared value for all stakeholders, on the foundations of ethics and compliance.

Compliance is doing the right thing. For me, compliance is also about conscience. "Conscience is a man's compass," said Vincent Van Gogh. I have a loud and strong inner voice that guides me and holds me back.

Author Biography

 As Managing Director & CEO, **Anand Kripalu** is leading USL's transformational journey. Anand has a Bachelor's Degree in Electronics from the Indian Institute of Technology, Madras, and an MBA from the Indian Institute of Management, Kolkata, and has completed the Advanced Management Programme from Wharton Business School. He was formerly President, India and South Asia, at Mondelez International and Managing Director of Cadbury India, and he worked at Hindustan Unilever for 22 years. He is a board member at IIM, Jammu, and was on the board of Marico Ltd. He was also the Chairman of CIABC (Confederation of Indian Alcoholic Beverage Companies).