Annual statement by the Chairman of the Remuneration Committee

"It has been another year of robust performance for Diageo, with the organisation continuing to show resilience and creativity in an ongoing volatile environment."

In this year's report

Dear Shareholder

I am pleased to present the Directors' remuneration report for the year ended 30 June 2022, which contains:

- The current Directors' remuneration policy, which was approved at the AGM on 28 September 2020; and
- The annual remuneration report, describing how the policy has been put into practice during 2022, and how the policy will be implemented in 2023.

Business performance

As mentioned elsewhere in the Annual Report, Diageo has delivered a strong set of financial results for 2022. Organic net sales grew at double-digit rates and, in an environment of high-cost inflation, the company implemented strategic price increases across all regions while continuing to grow volume and market share. Operating margin expanded and cash generation continues to be robust, with £2.8 billion of free cash flow delivered in the year and an increase in return on invested capital to 16.8%.

The organisation has continued to show resilience, skill, creativity, focus and determination during what has remained an uncertain time. Employee engagement has remained very high, the company has continued to invest for long-term growth in its brands and portfolio and has maintained focus on delivering the key sustainability milestones underpinning 'Society 2030: Spirit of Progress'. Again this year, Diageo has not participated in any furloughing schemes or initiated any widespread lay-offs as a result of ongoing impacts of the Covid-19 pandemic. The company has continued to provide support to its employees, customers and the communities in which it operates.

Looking back at decisions made during the year

Incentive outcomes

In determining annual and long-term incentive outcomes, the Remuneration Committee reviews not only the financial outcomes against targets set, but also considers Diageo's holistic performance. It assesses market share gains, financial performance relative to our Alcoholic Beverages and TSR peer groups, progress made towards our 'Society 2030: Spirit of Progress' goals and employee engagement, among other factors. It also considers the experience of shareholders over the applicable performance period, including the company's TSR performance relative to our peer group.

Following this review, the Remuneration Committee concluded that the financial measure outcomes for both the annual and long-term incentives were fair reflections of overall business performance in testing market conditions during the relevant performance periods. Consequently, the Committee did not exercise discretion to alter the incentive outcomes.

In setting the 2022 annual incentive, the Committee returned to annual targets, having set two half-yearly targets for the previous year, which reflected the significant uncertainty and volatility facing the business at that time. The company's performance in 2022 resulted in maximum achievement for all three financial measures despite the very stretching nature of performance required to achieve the maximum payouts - which reflected higher growth percentages than pre-Covid-19 pandemic levels for net sales and operating profit. The Individual Business Objective (IBO) outcomes for the CEO and CFO reflect an assessment of the achievement of critical business and ESG related milestones. Further detail is set out on page 120.

Overall annual incentive payouts were 93.75% of maximum for Ivan Menezes and 90.0% of maximum for Lavanya Chandrashekar, with one-third being deferred into Diageo shares for three years.

The 2019 long-term incentive plan targets were set in the summer of 2019 before the Covid-19 pandemic and therefore reflect the company's growth plan at that time. Following an assessment of performance against the targets, the vesting outcome for the 2019 performance share awards, which will vest in September 2022, is 59.3% of maximum for the CEO and 59.8% of maximum for the CFO. Share options for the CEO will vest at 61.5% of maximum.

The Committee believes that the incentive plans continue to drive the desired behaviours to support the company's values and strategy and that the Directors' remuneration policy has operated as intended in 2022.

Looking forward to the year ahead

The Committee approved base salary increases of 3% for Ivan Menezes and Lavanya Chandrashekar, effective 1 October 2022. These increases reflect strong performance and are below the 2022 salary increase budgets for the UK and US for the wider employee population and are consistent with external market salary increases for executive directors in the current environment.

As previously communicated, Ivan Menezes' pension contribution will reduce from 20% to 14% of salary effective 1 January 2023, ensuring full alignment of executive director pension contributions with the UK workforce. The CFO's pension contribution has been 14% since joining the Board on 1 July 2021.

The structure and performance measures for the annual and long-term incentives remain unchanged for 2023 as these continue to align with the company's strategy.

Alignment of incentives with strategy / global market competitiveness

Our ambition is to be one of the best performing, most trusted and respected consumer companies in the world. Our strategic priorities to drive the company forward are unchanged: sustain quality growth, embed everyday efficiency, invest smartly, promote positive drinking, champion inclusion and diversity and pioneer grain-to-glass sustainability.

The performance measures in the incentive plans align with the strategy and the key performance indicators on pages 32-34. The financial measures for the annual incentive focus on net sales growth, operating profit (both of which represent critical measures of growth for Diageo) and operating cash conversion (which recognises the criticality of strong cash performance and cash containment, particularly in the current challenging market conditions). The IBO component adds focus on key individual strategic and financial objectives.

Remuneration principles

The approach to setting executive remuneration continues to be guided by the remuneration principles set out below. The Committee considers these principles carefully when making decisions on executive remuneration in order to strike the right balance between risk and reward, cost and sustainability, and competitiveness and fairness.

The company has a strategy to grow and leverage its leaders globally given the international nature of the business. We also need to have the right tools in place to source talent globally and the increasingly restrictive corporate governance environment in the United Kingdom presents some challenges when considered against the significantly higher pay norms in the United States and other parts of the world, particularly given the increasing international mobility of the senior talent pool.

Long-term value creation for shareholders and pay for performance remains at the heart of our remuneration policy and practices. Attracting and nurturing a vibrant mix of talent with a range of backgrounds, skills and capabilities enables Diageo to grow and thrive, and ultimately to deliver our Performance Ambition. Remuneration remains a key part of attracting and retaining the best people to lead our business, balanced against the need to ensure our packages are appropriate and fair in the business and wider employee context, delivering market-competitive pay in return for high performance against the company's strategic objectives.

Delivery of business strategy

Short and long-term incentive plans reward the delivery of our business strategy and Performance Ambition. Performance measures are reviewed regularly and stretching targets are set relative to the company's growth plans and peer group performance. The Committee seeks to embed simplicity and transparency in the design and delivery of executive reward.

Creating sustainable, long-term performance

A significant proportion of remuneration is delivered in variable pay linked to business and individual performance, focused on consistent and responsible drivers of long-term growth. Performance against targets is assessed in the context of underlying business performance and the 'quality of earnings'.

Winning best talent

Having market-competitive total remuneration with an appropriate balance of reward and upside opportunity allows us to attract and retain the best talent from all over the world, which is critical to our continued business success.

Consideration of stakeholder interests

Executives are focused on creating sustainable share price growth. The requirement to build significant personal shareholdings in Diageo, and to hold long-term incentive awards for two years post-vesting encourages executives to think and act like owners. Decisions on executive remuneration are made with consideration of the interests of the wider workforce and other stakeholders, as well as taking account of the external climate.

The measures under the long-term incentive plans continue to reflect the company's strategic priorities and key drivers of long-term growth by incorporating organic net sales, organic profit before exceptional items and tax, free cash flow, TSR and key Environmental, Social and Governance (ESG) measures (greenhouse gas reduction, water efficiency, positive drinking and gender and ethnic diversity).

Global pay competitiveness is another key remuneration principle for the company. Attracting and retaining key talent is critical for our business and remuneration is an important aspect of being able to meet our talent objectives. As we operate in a global talent market, the Committee takes into account global pay practices, including the US market, when reviewing executive pay. Global pay competitiveness has been considered by the Committee in the context of a number of changes in the Executive Committee during the year.

In summary

Diageo's strong performance in ongoing challenging market conditions is reflected in the incentive outcomes and the decisions the Committee has made, which it considers are in line with the company's philosophy of delivering market competitive pay in return for high performance against the company's strategic objectives.

The Committee is interested in the views of shareholders and their representative bodies and values their ongoing engagement on remuneration matters. As our Directors' remuneration policy is due for renewal at the 2023 AGM, I look forward to engaging with shareholders and institutional advisors in the coming year.

I hope that you will join the Board in approving the advisory resolution on the Directors' remuneration report at the AGM on 6 October 2022.

Susan Kilsby
Non-Executive Director and Chair of the Remuneration Committee

Remuneration at a glance

	Salary	Allowances and benefits	Annual incentive	Long-term incentives	Shareholding requirement
Purpose and link to strategy	- Supports the attraction and retention of the best global talent with the capability to deliver Diageo's strategy	- Provision of market-competitive and cost-effective benefits supports attraction and retention of talent	- Incentivises delivery of Diageo's financial and strategic targets - Provides focus on key financial metrics and the individual's contribution to the company's performance	- Rewards consistent long-term performance in line with Diageo's business strategy - Provides focus on delivering superior long-term returns to shareholders	- Ensures alignment between the interests of Executive Directors and shareholders

Key features	- Normally reviewed annually on 1 October
	- Salaries take account of external market and internal employee context
		- Provision of competitive benefits linked to local market practice
		- Maximum company pension contribution is 14% of salary for new Executive Director appointments, which is aligned to the offering for the wider workforce in the United Kingdom
			- Target opportunity is 100% of salary and maximum is 200% of salary
			- Performance measures, weightings and stretching targets are set by the Remuneration Committee
			- Subject to malus and clawback provisions
			- Executive Directors defer one-third of earned bonus payment into Diageo shares held for three years, which first took effect on the bonus for the year ended 30 June 2021
			- Remainder paid out in cash after the end of the financial year
				- Annual grant of performance shares and share options
				  - CEO award up to 500% of salary
				  - CFO award up to 480% of salary
				(% of salary for both CEO and CFO described in performance share equivalents)
				- Performance measures, weightings and stretching targets are set annually
				- Three-year performance period plus two-year retention period
				- Subject to malus and clawback provisions
				- Grant price based on six-month average to 30 June preceding grant date
					- Minimum shareholding requirement within five years of appointment:
					  - CEO 500% of salary
					  - CFO 400% of salary
					- Post-employment shareholding requirement for Executive Directors of 100% of in-employment requirement in the first year after leaving the company and 50% in the second year after leaving the company

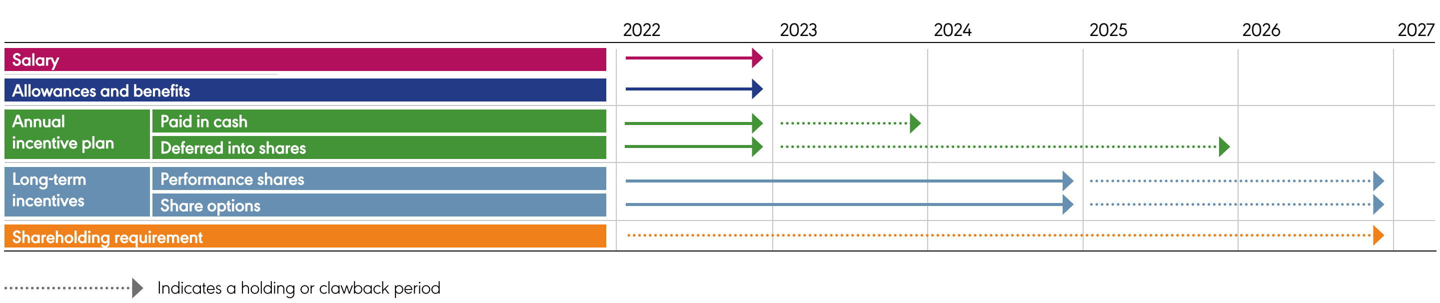
Planned for year ending 30 June 2023	- 3% salary increase for the CEO and CFO, slightly below the annual salary budgets for the wider workforce in the United Kingdom and the United States	- Allowances and benefits unchanged from prior year
		- Company pension contribution:
		  - CEO 20% of salary until 1 January 2023, at which point the CEO's pension contribution will reduce to 14% of salary
		  - CFO 14% of salary
			- Targets will be set for the full year
			- For the year ending 30 June 2023, measures on net sales growth, operating profit growth and operating cash conversion, 80% in total weighted equally, with remaining 20% on individual objectives
				- Performance measures on net sales growth, relative TSR, cumulative free cash flow, profit before exceptional items and tax and ESG
				- Size of long-term incentive award opportunity is unchanged from prior year
					- No change to shareholding requirement

Implementation in year ended 30 June 2022	- 3% salary increase for the CEO in line with wider workforce in the United Kingdom and the United States in 2021
	- CFO appointed 1 July 2021 No salary increases post appointment in 2021
		- Allowances and benefits unchanged from prior year
		- Company pension contribution:
		  - CEO 20% of salary
		  - CFO 14% of salary
			- Full year targets resumed for year ended 30 June 2022.
			- Payout of 100% of maximum for the financial elements of the plan
			- Total payout of 93.75% of maximum for the CEO and 90.0% of maximum for the CFO
				- Vesting of 2019 performance shares at 59.3% of maximum for Ivan Menezes and 59.8% of maximum for Lavanya Chandrashekar
				- Vesting of 2019 share options at 61.5% of maximum for Ivan Menezes. The CFO was not in her current role in 2019 and does not hold a share option award for that year
					- As at 30 June 2022, CEO shareholding of 3,093% of salary
					- As at 30 June 2022, CFO (Lavanya Chandrashekar) shareholding of 31% of salary (has until 1 July 2026 to meet requirement)

Implementation in year ended 30 June 2021	- No salary increase for Executive Directors or Executive Committee members. Exceptional salary increases only (e.g. on promotion) for the wider workforce	- Allowances and benefits unchanged from prior year
		- Company pension contribution:
		  - CEO 20% of salary
		  - CFO 20% of salary
			- Targets set over two half-year periods
			- Payout of 100% of maximum for the financial element of the plan
			- Total payout of 93.75% of maximum for the CEO and 91.3% of maximum for the CFO
				- Vesting of 2018 performance shares at 29.3% of maximum
				- Vesting of 2018 share options at 10% of maximum
					- CEO shareholding 2,735% of salary
					- CFO (Kathryn Mikells) shareholding 868% of salary

Proportionality and management of risk

The structure of Diageo's executive remuneration package ensures that executives have a vested interest in delivering performance over the short and long-term. There is a three-year deferral of one-third of the annual incentive payout into shares, a two-year retention period on any vested awards under the long-term incentive plan and a post-employment shareholding requirement that applies for two years after leaving the company. The performance, retention and clawback periods for each element of remuneration are outlined below.



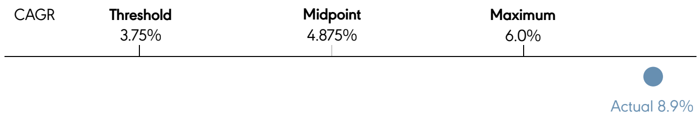
GOVERNANCE

Pay for performance at a glance

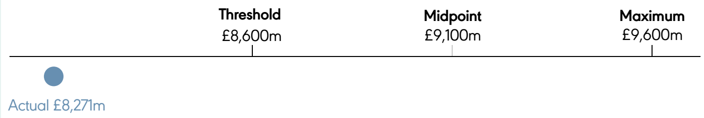
The charts below show performance outcomes against targets for the long-term and annual incentive plans. Targets under both incentive plans are set with reference to Diageo's strategic plan and the historical and forecasted performance of Diageo and its peers.

Long-term incentives (for the period 1 July 2019 to 30 June 2022)

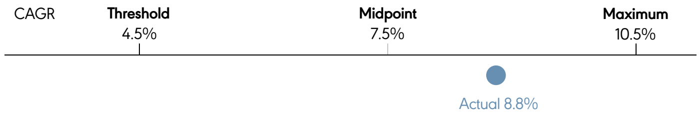
Organic growth in net sales



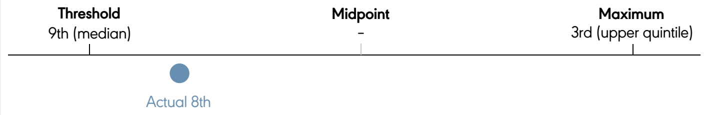
Cumulative free cash flow



Organic growth in profit before exceptional items and tax

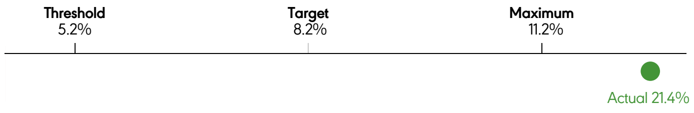


Relative TSR ranking vs peer group

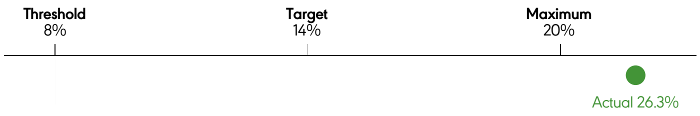


Annual incentive (for the period 1 July 2021 to 30 June 2022)

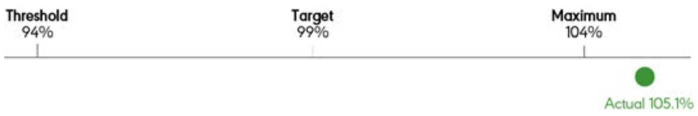
Net sales growth



Operating profit growth

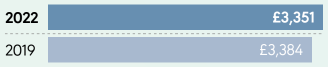


Operating cash conversion



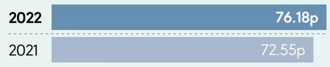
Diageo's share price growth over the period 30 June 2019 to 30 June 2022

4%



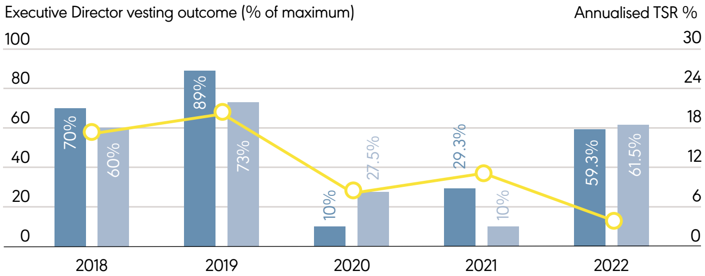
Growth in dividend distribution to shareholders in year ended to 30 June 2022

5%



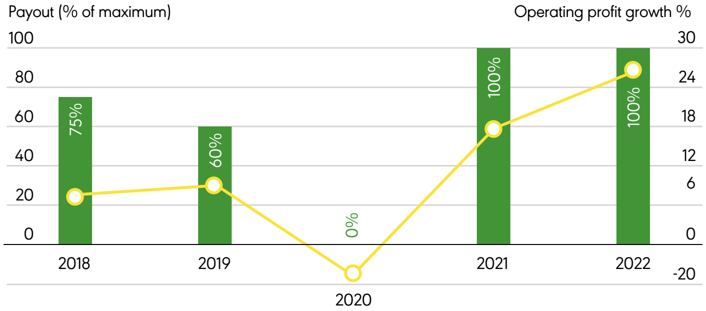
Historic reward outcomes under the annual and long-term incentive plans over the past five years are shown below. Vesting outcomes under the long-term incentive plan are shown against annualised total shareholder return for the three-year period ended in the year of vesting (i.e. annualised TSR for the three years ended 30 June 2022 is shown against the vesting outcome for the 2019 long-term incentive awards vesting in 2022). Outcomes against annual incentive financial measures are shown against organic operating profit growth for each respective financial year, as disclosed in prior-year annual reports.

5-year vesting outcomes of long-term incentives



Performance shares
Share options
Annualised total shareholder return over three-year long-term incentive performance period

5-year history of annual incentive payouts



Annual incentive payout (financial measures excluding individual business objectives)
Organic operating profit growth (% on prior year)

Remuneration Committee Governance

Remuneration Committee

Over the year, the Remuneration Committee has consisted of the following independent Non-Executive Directors: Susan Kilsby, Melissa Bethell, Valérie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Ireena Vittal. Karen Blackett joined the Committee on 1 June 2022. Susan Kilsby is the Chair of the Remuneration Committee and also the Senior Independent Director. The Chairman of the Board and the Chief Executive may, by invitation, attend Remuneration Committee meetings except when their own remuneration is being discussed. Diageo's Chief Human Resources Officer and Global Performance and Reward Director are also invited by the Remuneration Committee to provide their views and advice. The Chief Financial Officer may also attend to provide performance context to the Committee during its discussions about target setting and incentive outcomes. Members of the Committee attended all meetings during the year which they were eligible to attend - full details are disclosed in the corporate governance report on page 90.

The Remuneration Committee's principal responsibilities are:

- making recommendations to the Board on remuneration policy as applied to the Executive Directors and the Executive Committee;
- setting, reviewing and approving individual remuneration arrangements for the Chairman of the Board, Executive Directors and Executive Committee members, including terms and conditions of employment;
- determining arrangements in relation to termination of employment of the Executive Directors and other designated senior executives;
- making recommendations to the Board concerning the introduction of any new share incentive plans which require approval by shareholders;
- ensuring that remuneration outcomes are appropriate in the context of underlying business performance, that remuneration practices are implemented in accordance with the approved remuneration policy, and that remuneration does not raise environmental, social and governance issues by inadvertently incentivising irresponsible behaviour; and
- reviewing workforce pay and related policies and the alignment of incentives with culture.

Full terms of reference for the Remuneration Committee are available in the corporate governance section of the company's website and on request from the Company Secretary.

The Committee has considered the remuneration policy and practices in the context of the principles of the Corporate Governance Code, as follows:

Clarity – the Committee engages regularly with executives, shareholders and their representative bodies in order to explain the approach to executive pay;

Simplicity – the purpose, structure and strategic alignment of each element of pay has been clearly laid out in the remuneration policy;

Risk – there is an appropriate mix of fixed and variable pay, and financial and non-financial objectives, and there are robust measures in place to ensure alignment with long-term shareholder interests, including the DLTIP post-vesting retention period, shareholding requirement, bonus deferral into shares and malus and clawback provisions;

Predictability – the pay opportunity under different performance scenarios is set out on page 116 of this report;

Proportionality – executives are incentivised to achieve stretching targets over annual and three-year performance periods, and the Committee assesses performance holistically at the end of each period, taking into account underlying business performance and the internal and external context. The Committee may exercise discretion to ensure that payouts are appropriate; and

Alignment with culture – non-financial objectives may be incentivised under the individual business objective element of the annual incentive plan and ESG priorities are incentivised under the long-term incentive plan, which reinforces the company's purpose and values.

External advisors

During the year ended 30 June 2022, the Remuneration Committee received advice on executive remuneration from Deloitte. Deloitte was appointed by the Committee in May 2019, following a comprehensive tendering process with several consulting firms. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting. The Committee requests Deloitte to attend meetings periodically during the year and is satisfied that the advice it has received has been objective and independent.

Deloitte provides unrelated services to the company in the areas of immigration services and management consultancy. During the year, Deloitte supported the Committee in providing: insights into external remuneration trends and best practice, advice on the level of stretch in the long-term incentive targets and periodic updates on the TSR of Diageo and its peer companies for outstanding DLTIP performance cycles. The fees paid to Deloitte in fiscal 22 for advice provided to the Committee were £130,500 and were determined on a time and expenses basis.

The Committee is satisfied that the Deloitte engagement partners and teams that provide remuneration advice to the Committee do not have connections with Diageo that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Statement of voting

The following table summarises the details of votes cast in respect of the resolutions on the Directors' remuneration policy at the 2020 AGM and the Directors' remuneration report (excluding the policy) at the 2021 AGM.

		For	Against	Total votes cast	Abstentions
Directors' remuneration policy[1]	Total number of votes	1,644,443,671	121,538,951	1,765,982,622	3,321,427
	Percentage of votes cast	93.12%	6.88%	100%	n/a
Directors' remuneration report (excluding the policy)[2]	Total number of votes	1,661,293,734	68,483,076	1,729,776,810	23,650,135
	Percentage of votes cast	96.04%	3.96%	100%	n/a

1. As shown on pages 89 - 94 of the 2020 Annual Report
2. As shown on pages 104 - 110 and 117 - 128 of the 2021 Annual Report

The Committee was pleased with the level of support shown for the Directors' remuneration policy and Directors' remuneration report, and appreciates the active participation of shareholders and their representative advisory bodies in consulting on executive remuneration matters.

Approach to stakeholder engagement

The Committee is interested in the views of investors and maintains an ongoing dialogue with a broad group of shareholders and institutional advisors on remuneration matters. In July 2022, we wrote to our largest shareholders and the proxy advisors about the implementation of the policy in fiscal 23 and the Committee Chairman is looking forward to engaging regarding the review of our Directors' remuneration policy in advance of the 2023 AGM.

The Chairman leads global workforce engagement sessions throughout the year and there are focus group sessions with other non-executive directors. Feedback from management and the wider workforce is received through the Your Voice employee engagement survey and market specific pulse surveys. More information on workforce engagement can be found on page 96 and page 118.

An overall review of wider workforce remuneration and policies is tabled as a separate agenda item at the Committee's October meeting and relevant aspects of wider workforce remuneration are referenced in other agenda items during the year.

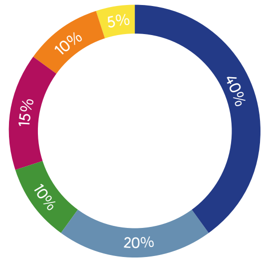
These activities ensure that shareholder views and interests, as well as the all-employee reward context at Diageo, are appropriately considered when making executive remuneration decisions.

FURTHER DETAILS ON PAGES 94-96

Allocation of time

The graph reflects an approximation of the allocated time for key agenda items at Remuneration Committee meetings throughout the year.

With no policy changes or significant changes to the implementation of policy in fiscal 22, there was less time spent engaging with shareholders this year than in recent years. This year, more time was spent on individual remuneration decisions as a result of Executive Committee changes. Given ongoing market volatility, the Committee also spent significant time on target setting and considering the impacts of the inflationary environment.



- Incentives design and target-setting
- Assessment of performance outcomes
- Shareholder consultation & feedback
- Individual remuneration decisions
- External environment and all-employee remuneration
- Directors' remuneration policy & report

Key decision	Link to Diageo remuneration principles	Link to corporate governance principles	Stakeholder engagement
Manage the return to annual incentive plan target-setting. In the previous year, performance was measured over two half-year periods		This decision represents a return to incentivising executives to achieve stretching targets over an annual period. Targets are aligned to short-term critical milestones within the broader business plan. (Proportionality)	As part of wider shareholder engagement, we noted the return to the usual annual approach to target setting.
Setting targets for performance shares and share options granted under the Diageo Long Term Incentive Plan (DLTIP) in September 2021		The Committee determined that retaining the measures already in place supported delivery of the business strategy, provided a balanced set of financial and non-financial measures, and supported our alignment with company culture, particularly the ESG component. (Alignment with Strategy, Clarity, Simplicity)	Shareholders were engaged regarding the performance measures underpinning the 2021 plans. Through regular global communication platforms, employees are made aware of the business ambitions and focus, which aligns with how our executives are incentivised over the longer term. Those employees who also participate in performance based long-term incentives are regularly engaged regarding performance against targets.
Payout under the annual incentive plan for the Executive Committee for the year ended 30 June 2022		The company's performance has resulted in strong returns to shareholders. By ensuring that executives are recognised for strong performance, the Remuneration Committee is able to motivate and retain the very best talent, which creates shareholder value. (Proportionality)	The Committee considers the experience of the wider workforce when making decisions on executive pay to ensure there is clear alignment of principles. The annual incentive payout for employees below the Executive Committee also reflects strong holistic business performance, and their bonus is derived from the same measures that underpin the Executive Directors' annual incentive.
Vesting of performance shares and share options granted in September 2019 in line with measured achievements, with no application of discretion		The company's performance has resulted in strong returns to shareholders over the three-year performance period and the Committee considered the formulaic vesting outcome a fair reflection of business performance which would appropriately reward what has been a challenging and uncertain three-year period. (Proportionality)	As the Remuneration Committee was not minded to exercise any discretion regarding the long-term incentive outcome, there was no consultation on this matter.

Diageo's remuneration principles

- Delivery of business strategy
- Creating sustainable, long-term performance
- Winning best talent
- Consideration of stakeholder interests

Directors’ remuneration policy

This section of the report sets out the current policy for the remuneration of the company’s Directors. The policy was approved by shareholders at the AGM on 28 September 2020. The policy approved in September 2020 can be found on the company’s website https://media.diageocms.com/diageo-corporate-media/media/c54dsk3z/256_directors-remuneration-report.pdf

Base salary

Purpose and link to strategy

Supports the attraction and retention of the best global talent with the capability to deliver Diageo’s strategy and performance goals.

Operation

- Normally reviewed annually or following a change in responsibilities with any increases usually taking effect from 1 October.
- The Remuneration Committee considers the following parameters when reviewing base salary levels:
  - Pay increases for other employees across the group.
  - Economic conditions and governance trends.
  - The individual’s performance, skills and responsibilities.
  - Base salaries (and total remuneration) at companies of similar size and international scope to Diageo, with roles typically benchmarked against the FTSE 30 excluding financial services companies, or against similar comparator groups in other locations dependent on the Executive Director’s home market.

Opportunity

Salary increases will be made in the context of the broader employee pay environment, and will normally be in line with those made to other employees in relevant markets in which Diageo operates, typically the United Kingdom and the United States, unless there is a change in role or responsibility or other exceptional circumstances.

Benefits

Purpose and link to strategy

Provides market-competitive and cost-effective benefits.

Operation

- The provision of benefits depends on the country of residence of the Executive Director and may include but is not limited to a company car or travel allowance, the provision of a contracted car service or equivalent, product allowance, life insurance, accidental death and disability insurance, medical cover, financial counselling and tax advice.
- The Remuneration Committee has discretion to offer additional allowances, or benefits, to Executive Directors, if considered appropriate and reasonable. These may include relocation expenses, housing allowance and school fees where a Director is asked to relocate from his/her home location as part of their appointment.

Opportunity

- The benefits package is set at a level which the Remuneration Committee considers:
  - provides an appropriate level of benefits depending on the role and individual circumstances;
  - is appropriate in the context of the benefits offered to the wider workforce in the relevant market; and
  - is in line with comparable roles in companies of a similar size and complexity in the relevant market.

Post-retirement provision

Purpose and link to strategy

Provides cost-effective, competitive post-retirement benefits.

Operation

- Provision of market-competitive pension arrangements or a cash alternative based on a percentage of base salary.

Opportunity

- The maximum company pension contribution under the 2020 remuneration policy is 14% of salary for any new Executive Director appointments.
- Current legacy company contributions for Ivan Menezes in the year ended 30 June 2022 was 20% of base salary. The company contribution for Ivan Menezes was reduced from 40% to 30% effective 1 July 2016, and from 30% to 20% effective 1 July 2019.
- The company will reduce the pension contribution for Ivan Menezes to 14% of salary, in line with the maximum company contribution to employees in the United Kingdom, on 1 January 2023.
- The CFO, Lavanya Chandrashekar, who was appointed on 1 July 2021, receives a pension contribution of 14% of salary.

Annual Incentive Plan (AIP)

Purpose and link to strategy

Incentivises delivery of Diageo's financial and strategic targets over the year. Provides focus on key financial metrics and the individual's contribution to the company's performance.

Operation

- Performance measures, weightings and targets are set by the Remuneration Committee. Appropriately stretching targets are set by reference to the operating plan and historical and projected performance for the company and its peer group.
- The level of award is determined with reference to Diageo's overall financial and strategic performance and individual performance.
- A minimum of one-third of the actual earned bonus payment will normally be deferred into shares under the Deferred Bonus Share Plan, to be held for a minimum period of three years, other than in exceptional circumstances. The remainder of the bonus payment will be paid out in cash after the end of the financial year.
- The Committee has discretion to adjust the level of payment if it is not deemed to reflect appropriately the individual's contribution or the overall business performance. Any discretionary adjustments will be detailed in the following year's annual report on remuneration.
- The Committee has discretion to apply malus or clawback to bonus, i.e. the company may seek to recover bonus paid or deferral into shares, in exceptional circumstances, such as gross misconduct or gross negligence during the performance period.
- Notional dividends accrue on deferred bonus share awards, delivered as shares or cash at the discretion of the Remuneration Committee at the end of the vesting period.

Opportunity

For threshold performance, up to 50% of salary may be earned, with up to 100% of salary earned for on-target performance and a maximum of 200% of salary payable for outstanding performance.

Performance conditions

Annual incentive plan awards are normally based 70%-100% on financial measures which may include, but are not limited to, measures of sales, profit and cash, and 0%-30% on broader objectives based on strategic goals and/or individual contribution.

Diageo Long-Term Incentive Plan (DLTIP)

Purpose and link to strategy

Provides focus on delivering superior long-term returns to shareholders.

Operation

- An annual grant of performance shares and/or market-price share options which vest subject to a performance test and continued employment, normally over a period of three years.
- Measures and stretching targets are reviewed annually by the Remuneration Committee for each new award.
- The Remuneration Committee has the authority to exercise discretion to adjust the vesting outcome based on its assessment of underlying business performance over the performance period. This may include the consideration of factors such as holistic performance relative to peers, stakeholder outcomes and significant investment projects, for example.
- Following vesting, there is normally a further retention period of two years. Executive Directors are able to exercise an option or sell sufficient shares to cover any tax liability when an award vests, provided they retain the net shares arising for the two-year retention period.
- Notional dividends accrue on performance share awards to the extent that the performance conditions have been met, delivered as shares or cash at the discretion of the Remuneration Committee at the end of the vesting period.
- The Committee has discretion to reduce the number of shares which vest (subject to HMRC rules regarding approved share options), for example in the event of a material performance failure, or a material restatement of the financial statements. There is an extensive malus clause for awards made from September 2014. The Committee has discretion to decide that:
  - the number of shares subject to the award will be reduced;
  - the award will lapse;
  - retention shares (i.e. vested shares subject to the additional two-year retention period) will be forfeited;
  - vesting of the award or the end of any retention period will be delayed (e.g. until an investigation is completed);
  - additional conditions will be imposed on the vesting of the award or the end of the retention period; and/or
  - any award, bonus or other benefit which might have been granted or paid to the participant in any later year will be reduced or not awarded.
- Malus and clawback provisions will apply up to delivery of shares at the end of the retention period (as opposed to the vesting date). The company also has the standard discretion to take account of unforeseen events, such as a variation to share capital.

Opportunity

- The maximum annual grants for the Chief Executive and Chief Financial Officer are 500% and 480% of salary in performance share equivalents respectively (where a market-price option is valued at one-third of a performance share). Included within that maximum, no more than 375% of salary will be awarded in face-value terms in options to any Executive Director in any year.
- Awards vest at 20% of maximum for threshold performance and 100% of maximum if the performance conditions are met in full. The vesting schedule related to the levels of performance between threshold and maximum, including whether or not this will include an interim stretch performance level, will be determined by the Committee on an annual basis and disclosed in the relevant remuneration report for that year. There is a ranking profile for the vesting of the part of the award based on relative total shareholder return, starting at 20% of maximum for achieving the threshold.

Diageo Long-Term Incentive Plan (DLTIP) continued

Performance conditions

- The vesting of awards is linked to a range of measures which may include, but are not limited to:
  - a growth measure (e.g. net sales growth, operating profit growth);
  - a measure of efficiency (e.g. operating margin, cumulative free cash flow, return on invested capital);
  - a measure of Diageo's performance in relation to its peers (e.g. relative total shareholder return); and
  - a measure relating to ESG (environmental, social or governance) priorities.
- Measures that apply to performance shares and market-price options may differ, as is the case for current awards. Weightings of these measures may also vary year on year.
- The Remuneration Committee has discretion to amend the performance conditions in exceptional circumstances if it considers it appropriate to do so, e.g. in cases of accounting policy changes, merger and acquisition activities or disposals. Any such amendments would be fully disclosed and explained in the following year's annual report on remuneration.

All-employee share plans

Purpose and link to strategy

To encourage broader employee share ownership through locally approved plans.

Operation

- The company operates tax-efficient all-employee share acquisition plans in various jurisdictions.
- Executive Directors' eligibility may depend on their country of residence, tax status and employment company.

Opportunity

- Limits for all-employee share plans are set by the tax authorities. The company may choose to set its own lower limits.

Performance conditions

- Under the UK Share Incentive Plan, the annual award of Freeshares is based on Diageo plc financial measures which may include, but are not limited to, measures of sales, profit and cash.

Shareholding requirement

Purpose and link to strategy

- Ensures alignment between the interests of Executive Directors and shareholders.

Operation

- The minimum in-employment shareholding requirement is 500% of base salary for the Chief Executive and 400% of base salary for any other Executive Directors.
- Executive Directors are expected to build up their in-employment shareholding within five years of their appointment to the Board.
- Executive Directors will be restricted from selling more than 50% of shares which vest under the long-term incentive plan or deferred bonus share plan (excluding the sale of shares to cover tax on vesting and other exceptional circumstances to be specifically approved by the Chief Executive and/or Chairman), until the shareholding requirement is met.
- In order to provide further long-term alignment with shareholders, Executive Directors will normally be expected to maintain a holding of shares in Diageo for a two-year period after leaving the company. Executive Directors will normally be required to continue to hold 100% of the in-employment shareholding requirement (or, if lower, their actual shareholding on cessation) for the first year after leaving the company, reducing to 50% for the second year after leaving the company.

Chairman of the Board and Non-Executive Directors

Purpose and link to strategy

- Supports the attraction, motivation and retention of world-class talent and reflects the value of the individual, their skills and experience, and performance.

Operation

- Fees for the Chairman and Non-Executive Directors are normally reviewed every year.
- A proportion of the Chairman's annual fee is used for the monthly purchase of Diageo ordinary shares, which have to be retained until the Chairman retires from the company or ceases to be a Director.
- Fees are reviewed in light of market practice in the FTSE 30, excluding financial services companies, and anticipated workload, tasks and potential liabilities.
- The Chairman and Non-Executive Directors do not participate in any of the company's incentive plans nor do they receive pension contributions or benefits. Their travel and accommodation expenses in connection with attendance at Board meetings (and any tax thereon) are paid by the company.
- The Chairman and the Non-Executive Directors are eligible to receive a product allowance or cash equivalent at the same level as the Executive Directors.
- All Non-Executive Directors have letters of appointment. A summary of their terms and conditions of appointment is available at www.diageo.com. The Chairman of the Board, Javier Ferrán, was re-appointed on 10 October 2019 for a three-year term, terminable on three months' notice by either party or, if terminated by the company, by payment of three months' fees in lieu of notice.

Opportunity

- Fees for Non-Executive Directors are within the limits set by the shareholders from time to time, with an aggregate limit of £1,750,000, excluding the Chairman's fees.

Policy considerations

Performance measures

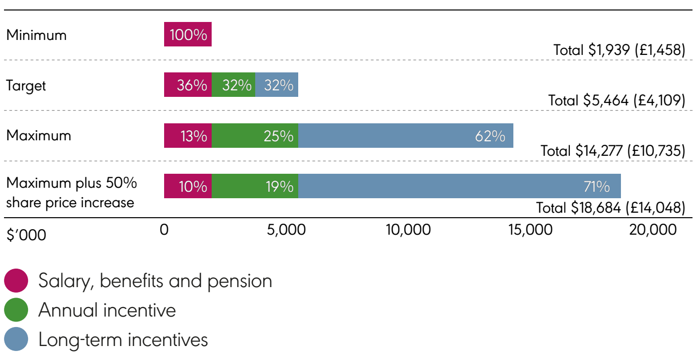
Further details of the performance measures under the annual incentive plan for the year ending 30 June 2023, as well as targets under the long-term incentive plan for awards to be made in September 2022, and how they are aligned with company strategy and the creation of shareholder value, are set out in the annual report on remuneration, on page 130. Annual incentive targets will be disclosed retrospectively in next year's annual report on remuneration.

Performance targets are set to be stretching yet achievable, and take into account the company's strategic priorities and business environment. The Committee sets targets based on a range of reference points, including the corporate strategy and broker forecasts for both Diageo and its peers.

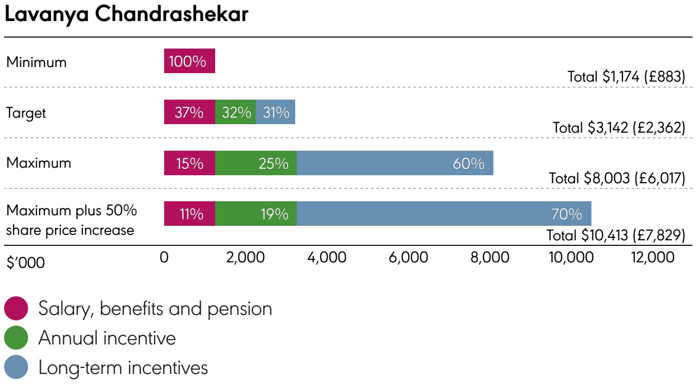
Projected total remuneration scenarios

The graphs below illustrate scenarios for the projected total remuneration of Executive Directors at four different levels of performance: minimum, target, maximum, and maximum including assumed share price appreciation of 50% (in accordance with the Corporate Governance Code). The impact of potential share price movements is excluded from the other three scenarios. These charts have been updated from the charts included in the 2021 Directors' remuneration report and reflect projected remuneration for the year ending 30 June 2023.

Ivan Menezes



Lavanya Chandrashekar



Basis of calculation and assumptions:

The 'Minimum' scenario shows fixed remuneration only, i.e. base salary for the year ending 30 June 2023, value of benefits received in year ended 30 June 2022, and the pension benefits to be accrued over the year ending 30 June 2023. These are the only elements of the Executive Directors' remuneration packages that are not subject to performance conditions.

The 'Target' scenario shows fixed remuneration as above, plus a target payout of 50% of the maximum annual bonus and threshold performance vesting for long-term incentive awards at 20% of the maximum award.

The 'Maximum' scenario reflects fixed remuneration, plus full payout of annual and long-term incentives.

The 'Maximum plus share price growth' scenario reflects fixed remuneration, plus full payout of annual and long-term incentives, including for the latter an assumed 50% share price appreciation over the performance period.

For long-term incentives, the awards are treated as though they were granted all in performance shares.

The amounts shown in sterling are converted using the cumulative weighted average exchange rate for the year ended 30 June 2022 of £1 = $1.33.

Approach to recruitment remuneration

Diageo is a global organisation selling its products in more than 180 countries around the world. The ability to recruit and retain the best talent from all over the world is critical to the future success of the business. People diversity in all its forms is a core element of Diageo's global talent strategy and, managed effectively, is a key driver in delivering Diageo's Performance Ambition.

The Remuneration Committee's overarching principle for recruitment remuneration is to pay no more than is necessary to attract an Executive Director of the calibre required to shape and deliver Diageo's business strategy, recognising that Diageo competes for talent in a global marketplace. The Committee will seek to align any remuneration package with Diageo's remuneration policy, but retains the discretion to offer a remuneration package which is necessary to meet the individual circumstances of the recruited Executive Director and to enable the hiring of an individual with the necessary skills and expertise. However, the maximum short-term and long-term incentive opportunity will follow the policy, although awards may be granted with different performance measures and targets in the first year. On appointment of an external Executive Director, the Committee may decide to compensate for variable remuneration elements the Director forfeits when leaving their current employer. In doing so, the Committee will ensure that any such compensation would have a fair value no higher than that of the awards forfeited, and would generally be determined on a comparable basis taking into account factors including the form in which the awards were granted, performance conditions attached, the probability of the awards vesting (e.g. past, current and likely future performance), as well as the vesting schedules. Depending on individual circumstances at the time, the Committee has the discretion to determine the type of award (i.e. cash, shares or options), holding period and whether or not performance conditions would apply.

Any such award would be fully disclosed and explained in the following year's annual report on remuneration. When exercising its discretion in establishing the reward package for a new Executive Director, the Committee will carefully consider the balance between the need to secure an individual in the best interests of the company against the concerns of investors about the quantum of remuneration and, if considered appropriate at the time, will consult with the company's biggest shareholders. The Remuneration Committee will provide timely disclosure of the reward package of any new Executive Director.

Service contracts and policy on payment for loss of office (including takeover provisions)

Executive Directors have rolling service contracts, details of which are set out below. These are available for inspection at the company's registered office.

Executive Director	Date of service contract
Ivan Menezes	7 May 2013
Lavanya Chandrashekar	13 January 2021

Notice period	The contracts provide for a period of six months' notice by the Executive Director or 12 months' notice by the company, the same as would apply for any newly-appointed Executive Director. A payment may be made in lieu of notice equivalent to 12 months' base salary and the cost to the company of providing contractual benefits (including pension contributions but excluding incentive plans). The service contracts also provide for the payment of outstanding pay and bonus if an Executive Directors leaves following a takeover, or other change of control of Diageo plc. If, on the termination date, the Executive Director has exceeded his/her accrued holiday entitlement, the value of such excess may be deducted by the company from any sums due to him/her, except to the extent that such deduction would subject the Executive Director to additional tax under section 409A of the Code (in the case of Ivan Menezes). If the Executive Director on the termination date has accrued but untaken holiday entitlement, the company will, at its discretion, either require the Executive Director to take such unused holiday during any notice period or make a payment to him/her in lieu of it, provided always that if the employment is terminated for cause then the Executive Director will not be entitled to any such payment.
Mitigation	The Remuneration Committee may exercise its discretion to require a proportion of the termination payment to be paid in instalments and, upon the Executive Director commencing new employment, to be subject to mitigation except where termination is within 12 months of a takeover, or within such 12 months the Executive Director leaves due to a material diminution in status.
Annual Incentive Plan (AIP)	Where the Executive Director leaves for reasons including retirement, death in service, disability, ill-health, injury, redundancy, transfer out of the group and other circumstances at the Remuneration Committee's discretion during the financial year, the Executive Director is usually entitled to an incentive payment pro-rated for the period of service during the performance period, which is typically payable at the usual payment date. Where the Executive Director leaves for any other reason, no payment or bonus deferral will be made. The amount is subject to performance conditions being met and is at the discretion of the Committee. The Committee has discretion to determine an earlier payment date, for example, on death in service. The bonus may, if the Committee decides, be paid wholly in cash.
2020 Deferred Bonus Share Plan (DBSP)	Where the Executive Director leaves for any reason other than dismissal, they are entitled to retain any deferred bonus shares, which will vest on departure, subject to any holding requirements under the post-employment shareholding policy. It is not considered necessary for the bonus deferral to continue to apply after leaving, since the bonus is already earned based on performance, and there is a post-employment shareholding requirement that ensures the Executive Director continues to be invested in the company's longer-term interests. On a takeover or other corporate event, awards vest in full.
Diageo 2014 Long-Term Incentive Plan (DLTIP)	Where the Executive Director leaves for reasons including retirement, death in service, disability, ill-health, injury, redundancy, transfer out of the group and other circumstances at the Remuneration Committee's discretion during the financial year, awards vest on the original vesting date unless the Remuneration Committee decides otherwise (for example, in the case of death in service). When an Executive Director leaves for any other reason, all unvested awards generally lapse immediately. The retention period for vested awards continues for all leavers other than in cases of disability, ill-health or death in service, unless the Remuneration Committee decides otherwise. The proportion of the award released depends on the extent to which the performance condition is met. The number of shares is reduced on a pro-rata basis reflecting the length of time the Executive Director was employed by the company during the performance period, unless the Committee decides otherwise (for example, in the case of death in service). On a takeover or other corporate event, awards vest subject to the extent to which the performance conditions are met and, unless the Committee decides otherwise, the awards are time pro-rated. Otherwise the Committee, in agreement with the new company, may decide that awards should be swapped for awards over shares in the new company; where awards are granted in the form of options, then on vesting they are generally exercisable for 12 months (or six months for approved options).
Repatriation/other	In cases where an Executive Director was recruited from outside the United Kingdom and has been relocated to the United Kingdom as part of their appointment, the company will pay reasonable repatriation costs for leavers at the Committee's discretion. The company may also pay for reasonable costs in relation to the termination, for example, tax, legal and outplacement support, where appropriate.

Non-Executive Directors' unexpired terms of appointment

All non-executive directors are on three-year terms which are expected to be extended up to a total of nine years. The date of initial appointment to the Board and the point at which the current letter of appointment expires for non-executive directors are shown in the table below.

Non-Executive Directors	Date of appointment to the Board	Current letter of appointment expires
Javier Ferrán	22 July 2016	AGM 2022
Susan Kilsby	4 April 2018	AGM 2024
Melissa Bethell	30 June 2020	AGM 2023
Valérie Chapoulaud-Floquet	1 January 2021	AGM 2024
Sir John Manzoni	1 October 2020	AGM 2023
Lady Mendelsohn	1 September 2014	AGM 2023
Alan Stewart	1 September 2014	AGM 2023
Ireena Vittal	2 October 2020	AGM 2023
Karen Blackett	1 June 2022	AGM 2025

Payments under previous policies

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed (i) under a previous policy, in which case the provision of that policy shall continue to apply until such payments have been made; (ii) before the policy or the relevant legislation came into effect; or (iii) at a time when the relevant individual was not a Director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the company.

Remuneration for the wider workforce

The structure of the reward package for the wider employee population is based on the principle that it should be sufficient to attract and retain the best talent and be competitive within our broader industry, remunerating employees for their contribution linked to our holistic performance. It is driven by local market practice, as well as level of seniority and accountability, reflecting the global nature of Diageo's business.

There is clear alignment in the pay structures for Executives and the wider workforce in the way that remuneration principles are followed, as well as the mechanics of the salary review process and incentive plan design, which are broadly consistent throughout the organisation. The performance measures under the annual incentive plan and long-term incentive plan are the same for Executives and other eligible employees. There is a strong focus on performance-related pay, with appropriate levels of differentiation to ensure that reward is invested in the talent that will make the biggest contribution to the execution of Diageo's strategy. Where possible, the company also encourages employee share ownership through a number of share plans that allow employees to benefit from the company's success.

The remuneration approach for Executive Directors is consistent with the reward package for members of the Executive Committee and the senior management population. Generally speaking, a much higher proportion of total remuneration for the Executive Directors is linked to business performance, compared to the rest of the employee population, so that remuneration will increase or decrease in line with business performance and to align the interests of Executive Directors and shareholders.

Each year the Remuneration Committee is briefed on the structure and quantum of the all-employee remuneration framework, as well as throughout the year being informed about the context, challenges and opportunities relating to the remuneration of the wider workforce across the world, to enable the Committee to consider the broader employee context when making executive remuneration decisions.

In 2022, the Remuneration Committee has considered:
- external factors impacting on business performance and reward outcomes;
- the continued focus on appropriate and competitive pay positioning around the world;
- ongoing commitment to inclusion and diversity and achieving Diageo's broader ESG ambition; and
- review of global benefits, with a consistent core benefit offering implemented across the world.

The Committee also considers the annual salary increase budgets for employees in key markets, as well as pay for the global senior management population.

Shareholder engagement

The Committee greatly values the continued dialogue with Diageo's shareholders and regularly engages with shareholders and representative bodies to take their views into account when setting and implementing the company's remuneration policies.

More detail on engagement with shareholders in 2022 can be found on page 112.

Workforce engagement

Diageo runs annual employee engagement surveys, which give employees the opportunity to give feedback and express their views on a variety of topics including their own remuneration, working environment and workforce policies and practices. Any comments relating to Executive Directors' remuneration are fed back to the Remuneration Committee.

The Chairman was appointed to lead workforce engagement on behalf of the Board on 1 July 2019. In fiscal 22, the Chairman and the non-executive directors met with 1,435 Diageo employees in 16 meetings, representing different levels, functions and regions. The insights gathered from the sessions are reviewed and discussed periodically at Board meetings, something that helps to inform key board decisions. More detail on the approach and impact of workforce engagement in the year ended 30 June 2022 is outlined in the Corporate Governance report on page 96.

As part of this engagement, the Chairman has taken the opportunity to explain to employees the role of the Board and its delegated Committees, including the role of the Remuneration Committee in setting executive pay. The sessions this year included a more detailed discussion about the executive remuneration framework, executive remuneration principles and structure and how executive pay aligns with pay for the wider workforce.

Annual report on remuneration

The following section provides details of how the company's 2020 remuneration policy was implemented during the year ended 30 June 2022, and how the Remuneration Committee intends to implement the proposed remuneration policy in the year ending 30 June 2023.

Single total figure of remuneration for Executive Directors (audited)

The table below details the Executive Directors' remuneration for the year ended 30 June 2022.

	Ivan Menezes[1]				Lavanya Chandrashekar[1]			
	2022 £ '000	2022 $ '000	2021 £ 000	2021 $ 000	2022 £ '000	2022 $ '000	2021 '000	2021 '000
Fixed pay								
Salary	£1,277	$1,699	£1,231	$1,661	£733	$975	n/a	n/a
Benefits[2]	£133	$177	£82	$111	£429	$571		
Pension[3]	£209	$278	£306	$413	£103	$138		
Total fixed pay[6]	£1,619	$2,153	£1,619	$2,185	£1,265	$1,684		
Performance related pay								
Annual incentive[4]	£2,413	$3,209	£2,308	$3,115	£1,320	$1,755		
Long-term incentives[5]	£3,850	$5,120	£2,092	$2,825	£131	$174		
Total variable pay[6]	£6,262	$8,329	£4,400	$5,940	£1,450	$1,929		
Total single figure of remuneration[6]	£7,881	$10,482	£6,019	$8,125	£2,716	$3,613		

Notes

1	Exchange rate	The amounts shown in US dollars are converted to sterling using the cumulative weighted average exchange rate for the respective financial year. For the year ended 30 June 2022 the exchange rate was £1 = $1.33 and for the year ended 30 June 2021 the exchange rate was £1 = $1.35. Ivan Menezes and Lavanya Chandrashekar are both paid in US dollars.	
2	Benefits	The Benefits number includes the gross value of all taxable benefits. For Ivan Menezes, these include medical insurance (£15k), company car allowance (£16k), contracted car service (£11.5k), financial counselling and tax return preparation (£86k), product allowance, life and long-term disability cover. Lavanya Chandrashekar's benefits include flexible benefits allowance (£18k), travel allowance (£10k) and product allowance. £397k relates to one-time gross relocation costs following her relocation from the US to the UK in July 2021.	
3	Pension	Pension benefits earned during the year represent the increase in the pension fund balances over the year in the Diageo North America Inc. pension plans over and above the increase due to inflation. As Ivan Menezes has been a deferred member of the Diageo Pension Scheme (DPS) in the United Kingdom since 31 January 2012, the United Kingdom pension amount that accrued over the two years in excess of inflation is nil. Lavanya Chandrashekar became a Director and started accruing benefits in the Supplemental Executive Retirement Plan (SERP) with effect from 1 July 2021.	Page 122
4	Annual incentive	The performance levels achieved for the financial measures underpinning the annual incentive plan for the year ended 30 June 2022 resulted in an outcome of 100% of maximum for the financial elements of the plan, which represented 80% of the maximum incentive opportunity. Taking account of performance against individual objectives, the annual incentive payout is 93.75% of maximum for Ivan Menezes and 90.00% of maximum for Lavanya Chandrashekar. In accordance with the 2020 remuneration policy, one-third of Executive Director AIP after tax will be deferred into Diageo shares that will be held for a period of three years in a nominee account.	Page 120
5	Long-term incentives	Long-term incentives represent the estimated gain delivered through share options and performance shares where performance conditions have been met in the respective financial year. It also includes the value of additional shares earned in lieu of dividends on these vested performance shares. For 2022, long-term incentives comprise performance shares and share options awarded in 2019 and due to vest in September 2022 at 59.3% and 61.5% of maximum respectively for Ivan Menezes. Lavanya Chandrashekar became an Executive Director on 1 July 2021. In 2019, before she became an Executive Director, Lavanya Chandrashekar was awarded a 2019 PSP award, which is due to vest in September 2022 at 59.8%. £642k of the value reported above for Ivan Menezes and £11k for Lavanya Chandrashekar related to share price appreciation over the performance period. For 2021, long-term incentives comprise performance shares and share options awarded in 2018 that vested in September 2021 at 29.3% and 10% of maximum respectively, and dividend shares arising on performance shares that vested in September 2021. Long-term incentives have been re-stated to reflect the share price on the vesting date of $195.47 instead of the average three-month share price used in last year's report of $186.00.	Page 121
6	Totals	Some figures and sub-totals add up to slightly different amounts than the totals due to rounding.	

Looking back on 2022

Annual incentive plan (AIP) (audited)

AIP payout for the year ended 30 June 2022

AIP payouts for the Executive Directors are based 80% on performance against the group financial measures and 20% on performance against Individual Business Objectives (IBOs), as assessed by the Remuneration Committee and summarised in the table below.

Group financial measures[1]

Measure	Weighting	Threshold	Target[6]	Maximum	**Actual**	**Payout (% of total AIP opportunity)**
Payout opportunity (% maximum)		25%	50%	100%		
Net sales (% growth)[2]	26.6%	5.2%	8.2%	11.2%	**21.4%**	**26.6%**
Operating profit (% growth)[2]	26.6%	8.0%	14.0%	20.0%	**26.3%**	**26.6%**
Operating cash conversion[3]	26.6%	94.0%	99.0%	104.0%	**105.1%**	**26.6%**
Full year performance for 1 July 2021 - 30 June 2022	80.0%					**80.0%**

Individual business objectives

Measure (IBOs equally weighted) and target	Weighting	Result	**Payout (% of total AIP opportunity)**
Ivan Menezes Chief Executive	20 %		**13.75%**
Global Market Share Performance - Grow or hold off-trade market share in 2/3rds of total net sales in measured markets.		- We grew or held off-trade market share in over 85% of total net sales in measured markets.[6]	7.50%
Positive drinking Achieve improvement in Positive Drinking in fiscal 22 - Launch revamped DRINKiQ platform in 46 countries and ensure campaigns to amplify awareness running in all markets. - Launch and amplify Wrong Side of the Road (WSOTR) Programme and educate 375,000 people on the dangers of drink driving. - Reach 450 million consumers with a dedicated responsible drinking message from Diageo and our brands.		- DRINKiQ (our responsible drinking tool) is now available in 73 countries in 23 languages, with amplification campaigns running around the world. This achievement means we have reached our 2030 target of launching DRINKiQ in all of our markets and this target has received limited assurance from PwC. - WSOTR is a hard-hitting new programme to support changes in attitudes to drink driving globally. Despite the impacts from Covid-19 delaying and/or preventing campaign launches in multiple markets, the WSOTR Programme reached 500,415 people in 24 countries by the end of fiscal 22. - By the end of fiscal 22, we reached 456 million people with messages of moderation.	6.25%
Lavanya Chandrashekar Chief Financial Officer	20 %		**10.00%**
Global Operating Margin - Grow operating margin in line with overall AOP.		- Achieved the overall financial performance of the company versus AOP in fiscal 22.	5.00%
Transformation of Global Business Operations - Reduce time taken to set up customers and suppliers to increase speed to market and support growth. - Reduction of 30% in manual journal entries. - Improve Service Level Agreement (SLA) performance by resolving 80% of critical and high priority incidents within the specified SLA timeframe.		- Significant progress made with the pilot market exceeding the target set and the global average time to set up customers substantially reduced from prior year. Technology solution designed to hit the target number of days to set up customers has been finalised and implementation was commenced in fiscal 22. Set up time for onboarding new suppliers has been reduced and the lead market has hit the supplier set up target in fiscal 22. - Approximate reduction in manual journal entries of 75%, exceeding the target. - Target exceeded, with 83% of combined critical and high priority incidents resolved within SLA timeframe in fiscal 22.	5.00%

Payout

	Group (weighted 80%)	IBO (weighted 20%)	**Total (% max)**	Total (% salary)	**Total ('000)[4] GBP**	Total ('000) USD
Ivan Menezes[4,5]	80.00%	13.75%	**93.75%**	187.50%	**£2,413**	$3,209
Lavanya Chandrashekar[4,5]	80.00%	10.00%	**90.00%**	180.00%	**£1,320**	$1,755

1. Performance against the AIP measures is calculated using 2022 budgeted exchange rates and measured on a currency-neutral basis.
2. For AIP purposes, the net sales and operating profit measures are calculated on budgeted currency exchange rates, after adjustments for acquisitions and disposals and incorporate the new organic treatment of hyperinflationary economies.
3. For AIP purposes, Operating Cash Conversion (OCC) is calculated by dividing cash generated from operations excluding cash inflows/outflows in respect of exceptional items, dividends, maturing inventories and post-employment payments in excess of the amount charged to operating profit by operating profit before depreciation, amortisation, impairment and exceptional items. The measure incorporates the new organic treatment of hyperinflationary economies. The components of the ratio are stated at the budgeted exchange rate for the year.
4. AIP payments are calculated using base salary as at 30 June 2022, in line with the global policy that applies to other employees across the company.
5. In accordance with the 2020 remuneration policy, one-third of Ivan Menezes' and Lavanya Chandrashekar's AIP payment after tax will be deferred into Diageo shares that will be held for a period of three years in a nominee account. These shares will be acquired in September 2022. The number of shares will be disclosed in the 2023 remuneration report.
6 Internal estimates incorporating AC Nielsen, Association of Canadian Distillers, Dichter and Neira, Frontline, Intage, IRI, ISCAM, NABCA, Scentia, State Monopolies, TRAC, Ipsos and other third-party providers.

Long-term incentive plans (LTIPs) (audited)

Long-term incentive awards are made under the Diageo Long-Term Incentive Plan (DLTIP), which was approved shareholders at the AGM in September 2014. Awards are designed to incentivise Executive Directors and senior managers to deliver long-term sustainable performance and are subject to performance conditions measured over a three-year period. Awards are granted on an annual basis in both performance shares and share options. For Executive Directors, with the exception of the TSR measure, awards vest at 20% of maximum for threshold performance, and 100% of the award will vest if the performance conditions are met in full, with a straight-line payout between threshold and maximum.

Share options – granted in September 2019, vesting in September 2022 (audited)

In September 2019, Ivan Menezes received share option awards under the DLTIP, with an exercise price of $170.28. The award was subject to a performance condition assessed over a three-year period based on the achievement of the following equally weighted performance measures:

- Diageo's three-year total shareholder return (TSR) ranked against the TSR of a peer group of international drinks and consumer goods companies; and
- growth in compound annual adjusted profit before exceptional items and tax.

The vesting profile for relative TSR is shown below:

TSR ranking (out of 17)	Vesting (% max)
1st, 2nd or 3rd	100
4th	95
5th	75
6th	65

TSR ranking (out of 17)	Vesting (% max)
7th	55
8th	45
9th	20
10th or below	0

TSR peer group (16 companies)		
AB Inbev	Heineken	Pernod Ricard
Brown-Forman	Kimberly-Clark	Procter & Gamble
Carlsberg	L'Oréal	Reckitt Benckiser
The Coca-Cola Company	Mondelēz International	Unilever
Colgate-Palmolive	Nestlé	
Groupe Danone	PepsiCo	

Performance shares – awarded in September 2019, vesting in September 2022 (audited)

In September 2019, Ivan Menezes and Lavanya Chandrashekar (although not an Executive Director at the time of grant) received performance share awards under the DLTIP. Awards vest after a three-year period subject to the achievement of three equally weighted performance conditions outlined below:

- growth in compound annual adjusted profit before exceptional items and tax;
- growth in organic net sales on a compound annual basis; and
- cumulative adjusted free cash flow.

Notional dividends accrue on awards and are paid out either in cash or shares on the number of shares which vest.

Vesting outcome for 2019 performance share and share option awards in September 2022 (audited) - awards made to Ivan Menezes.

For Ivan Menezes, the 2019 performance share award vested at 59.3% of maximum and the 2019 share option award vested at 61.5% of the maximum, as detailed below:

Vesting of 2019 DLTIP[5]	Weighting	Threshold	Midpoint	Maximum	Actual	Vesting (% maximum)[5]
Vesting if performance achieved (% maximum)		20%	60%	100%		
Organic net sales growth (CAGR)[1]	33.3%	3.75%	4.875%	6.0%	8.9%	33.3%
Adjusted profit before exceptional items and tax (CAGR)[2]	33.3%	4.5%	7.5%	10.5%	8.8%	26.0%
Cumulative free cash flow[3]	33.3%	£8,600m	£9,100m	£9,600m	£8,271m	0.0%
Vesting of performance shares (% maximum)						**59.3%**
Adjusted profit before exceptional items and tax (CAGR)[2]	50%	4.5%	7.5%	10.5%	8.8%	39.0%
Relative total shareholder return[4]	50%	9th	-	3rd	8th	22.5%
Vesting of share options (% maximum)						**61.5%**

1. Net sales growth is calculated on an organic basis consistent with the methodology of external reporting which is presented on a constant currency basis excluding the impact of acquisitions and disposals and excluding any hyperinflation impact above the new organic treatment of hyperinflationary economies.
2. The compound annual growth rate (CAGR) for profit before exceptional items and tax is based on the application of annual PBET growth rates in each of the individual years ended June 2020, June 2021 and June 2022 (using the year ended June 2019 as a base) excluding the impact of exchange, exceptional items, acquisition and disposals, share buyback programmes, and the post-employment net income/charges. The impact of hyperinflation on operating profit is considered under the same new organic methodology as for net sales while the impact on other lines (primarily on finance charges) is excluded.
3. Cumulative free cash flow is the aggregate of free cash flow for the three-year period excluding the impact of exchange, cash flows from exceptional items, the interest cost on share buyback programmes, acquisition and disposals and incorporates the new organic treatment of hyperinflationary economies.
4. Relative Total Shareholder Return (TSR) is measured as the percentage growth in Diageo's share price (assuming all dividends and capital distributions are re-invested) compared to the TSR of a peer group of 16 international drinks and consumer goods companies. TSR calculations are based on an averaging period of 6 months and converted to a common currency (US dollars). Calculation is performed and provided by Deloitte.
5. No discretion was exercised by the Remuneration Committee in determining the long-term incentive outcomes.

Vesting outcome for 2019 performance share award in September 2022 (audited) - award made to Lavanya Chandrashekar

For Lavanya Chandrashekar, the 2019 performance share award vested at 59.8% for employees below Executive Director level, which Lavanya Chandrashekar was at the time of grant. The vesting outcome is different for Lavanya Chandrashekar (compared to Ivan Menezes) because below Executive Committee awards have a threshold vesting level of 25% for all measures apart from TSR. The midpoint is calculated on a straight-line basis from the threshold.

Vesting of 2019 DLTIP[4]	Weighting	Threshold	Midpoint	Maximum	Actual	Vesting (% maximum)[4]
Vesting if performance achieved (% maximum)		25%	62.5%	100%		
Organic net sales growth (CAGR)[1]	33.3%	3.75%	4.875%	6.0%	8.9%	33.3%
Adjusted profit before exceptional items and tax (CAGR)[2]	33.3%	4.5%	7.5%	10.5%	8.8%	26.5%
Cumulative free cash flow[3]	33.3%	£8,600m	£9,100m	£9,600m	£8,271m	0.0%
Vesting of performance shares (% maximum)						**59.8%**

1. Net sales growth is calculated on an organic basis consistent with the methodology of external reporting which is presented on a constant currency basis excluding the impact of acquisitions and disposals and excluding any hyperinflation impact above the new organic treatment of hyperinflationary economies.
2. The compound annual growth rate (CAGR) for profit before exceptional items and tax is based on the application of annual PBET growth rates in each of the individual years ended June 2020, June 2021 and June 2022 (using the year ended June 2019 as a base) excluding the impact of exchange, exceptional items, acquisition and disposals, share buyback programmes, and the post-employment net income/charges. The impact of hyperinflation on operating profit is considered under the same new organic methodology as for net sales while the impact on other lines (primarily on finance charges) is excluded.
3. Cumulative free cash flow is the aggregate of free cash flow for the three-year period excluding the impact of exchange, cash flows from exceptional items, the interest cost on share buyback programmes, acquisition and disposals and incorporates the new organic treatment of hyperinflationary economies.
4. No discretion was exercised by the Remuneration Committee in determining the long-term incentive outcomes

Summary of performance share awards and options vesting for Ivan Menezes and Lavanya Chandrashekar

	Award	Award Date	Awarded (ADRs)	Vesting (% Max)	Vesting (ADRs)	Option price	ADR price	Dividend Equivalent share	Estimated Value ($'000)[1]	Estimated Value (£'000)
Ivan Menezes	Performance shares	02/09/2019	38,827	59.3%	23,024	–	$190.22	1,390	$4,644	£3,492
	Share options	02/09/2019	38,827	61.5%	23,878	$170.28	$190.22	–	$476	£358
Lavanya Chandrashekar	Performance shares	02/09/2019	1,444	59.8%	863	–	$190.22	52	$174	£131

1. The value shown in the single figure of remuneration on page 119, outlined in more detail in the table above, is based on an average ADR price for the last three months of the financial year.

Pension and benefits in the year ended 30 June 2022

Benefits provisions for the Executive Directors are in accordance with the information set out in the Directors' remuneration policy table.

Pension arrangements (audited)

Ivan Menezes and Lavanya Chandrashekar are members of the Diageo North America Inc. Supplemental Executive Retirement Plan (SERP) with an accrual rate of 20% of base salary and 14% of base salary respectively during the year ended 30 June 2022. The accrual rate for Ivan Menezes was reduced from 30% to 20% of salary with effect 1 July 2019 and, in accordance with the 2020 remuneration policy, the company will reduce the accrual rate further to 14% of salary on 1 January 2023. The SERP is an unfunded, non-qualified supplemental retirement programme. Under the plan, accrued company contributions are subject to quarterly interest credits. Under the rules of the SERP, employees can withdraw the balance of the plan six months after leaving service (in the case of Ivan Menezes) or six months after leaving service or age 55, if later (in the case of Lavanya Chandrashekar). The balance may be withdrawn in either a lump sum or five equal annual instalments, depending on the size of the balance.

Both Ivan Menezes and Lavanya Chandrashekar participated in the US Cash Balance Plan and the Benefit Supplemental Plan (BSP) until August 2012 and June 2021 respectively, and have accrued benefits under both plans. The Cash Balance Plan is a qualified funded pension arrangement. Employer contributions are 10% of pay capped at the Internal Revenue Service (IRS) limit. The BSP is a non-qualified unfunded arrangement; notional employer contributions are 10% of pay above the IRS limit. Interest (notional for the BSP) is credited quarterly on both plans.

Ivan Menezes was also a member of the Diageo Pension Scheme (DPS) in the United Kingdom between 1 February 1997 and 30 November 1999. The accrual of pensionable service ceased in 1999 but the linkage to salary remained until January 2012. Ivan Menezes has reached his normal retirement age in the DPS.

Upon death in service, a life insurance benefit of $3 million is payable for Ivan Menezes and a lump sum of four times base salary is payable for Lavanya Chandrashekar.

The table below shows the pension benefits accrued by each Director to date. The accrued United Kingdom benefits for Ivan Menezes are annual pension amounts, whereas the accrued US benefits for Ivan Menezes and Lavanya Chandreshekar are one-off cash balance amounts.

	30 June 2022		30 June 2021	
Executive Director	UK pension £'000 p.a.	US benefit £'000	UK pension £'000 p.a.	US benefit £'000
Ivan Menezes[1]	**75**	**9,251**	75	7,645
Lavanya Chandrashekar[2]	**Nil**	**302**	Nil	160

1. Ivan Menezes' US benefits are higher at 30 June 2022 than at 30 June 2021 by £1,606k. £369k of which is due to pension benefits earned over the year (£209k of which is over and above the increase due to inflation - as reported in the single figure of remuneration, see page 119). £57k of which is due to interest earned on his deferred US benefits over the year. £1,180k of which is due to exchange rate movements over the year.
2. Lavanya Chandrashekar's US benefits are higher at 30 June 2022 than at 30 June 2021 by £142k. £103k of which is due to pension benefits earned over the year (£103k of which is over and above the increase due to inflation - as reported in the single figure of remuneration, see page 119). £4k of which is due to interest earned on her deferred US benefits over the year; and £35k of which is due to exchange rate movements over the year.

The Normal Retirement Age applicable to each Director's benefits depends on the pension scheme, as outlined below.

Executive Director	UK benefits (DPS)	US benefits (Cash Balance Plan)	US benefits (BSP)	US benefits (SERP)
Ivan Menezes	60	65	6 months after leaving service	6 months after leaving service
Lavanya Chandrashekar	n/a	65	6 months after leaving service, or age 55 if later	6 months after leaving service, or age 55 if later

Long-term incentive awards made during the year ended 30 June 2022 (audited)

On 3 September 2021, Ivan Menezes and Lavanya Chandrashekar received awards of performance shares and market-price share options under the DLTIP as a percentage of base salary as outlined below. The three-year period over which performance will be measured is 1 July 2021 to 30 June 2024.

The performance measures and targets for awards made in September 2021 are outlined below. Net sales and profit before exceptional items and tax are key levers for driving top and bottom line growth. The free cash flow measure was selected because it represents a robust measure of cash performance consistent with typical external practice and is a key strategic priority. Total shareholder return is the only relative performance measure under the plan, provides good alignment with shareholder interests and increases the leverage based on share price growth. Finally, the environmental, social and governance (ESG) measure (20% of total performance share award), which was introduced in 2020, reinforces the stretching and strategically important goals under the 'Society 2030: Spirit of Progress' ambition, Diageo's 10-year action plan to help create an inclusive and sustainable world. The definition of the ESG measures is the same as the 2022 award, outlined in more detail on page 130.

	Performance shares							Share options	
2021 DLTIP	Organic net sales growth	Organic profit before exceptional items and tax growth	Reduction in greenhouse gas emission	Improvement in water efficiency	Changed attitudes on dangers of underage drinking	% Female leaders	% Ethnically diverse leaders	Cumulative free cash flow	Relative TSR
Weighting	40%	40%	5%	5%	5%	2.5%	2.5%	50%	50%
Target range	5% - 9%	6.5% - 13.5%	19.1% - 27.1%	6.3% - 12.1%	2.3m - 3.7m	44% - 46%	39% - 41%	£7,450m - £9,250m	Median - upper quintile

20% of DLTIP awards will vest at threshold, with vesting up to 100% if the maximum level of performance is achieved. As explained in the remuneration policy table, one performance share is deemed equal in value at grant to three share options.

Executive Director	Date of grant	Plan	Share type	Awards made during the year	Exercise price	Face value $'000	Face value (% of salary)
Ivan Menezes	03/09/2021	DLTIP - share options	ADR	36,675	$194.75	$6,417	375%
Ivan Menezes	03/09/2021	DLTIP - performance shares	ADR	36,675	–	$6,417	375%
Lavanya Chandrashekar	03/09/2021	DLTIP - share options	ADR	20,060	$194.75	$3,510	360%
Lavanya Chandrashekar	03/09/2021	DLTIP - performance shares	ADR	20,060	–	$3,510	360%

The proportion of the awards outlined above that will vest is dependent on the achievement of performance conditions and continued employment, and the actual value may be nil. The vesting outcomes will be disclosed in the 2024 Annual Report.

In accordance with the plan rules, the number of performance shares and share options granted under the DLTIP was calculated by using the average closing ADR price for the last six months of the preceding financial year ($174.97). This price is used to determine the face value in the table above. In accordance with the plan rules, the exercise price was calculated using the average closing ADR price of the three days preceding the grant date ($194.75). The ADR price on the date of grant was $195.97.

Outstanding share plan interests (audited)

Plan name	Date of award	Performance period	Date of vesting	Share type	Share price on date of grant	Exercise price	Number of shares/ options at 30 June 2021[1]	Granted	Vested/ exercised	Dividend Equivalent Shares released	Lapsed	Number of shares/ options at 30 June 2022
Ivan Menezes												
DLTIP - share options[10]	Sep 2015	2015-2018	2018	ADR		$104.93	29,895		29,895			0
DLTIP - share options[10]	Sep 2016	2016-2019	2019	ADR		$113.66	39,734		39,734			0
DLTIP - share options[3]	Sep 2017	2017-2020	2020	ADR		$134.06	14,098					14,098
DLTIP - share options[3]	Sep 2018	2018-2021	2021	ADR		$140.89	42,848				38,564	4,284
Total vested but unexercised share options in Ords[2]												**73,528**
DLTIP - share options[4,5]	Sep 2019	2019-2022	2022	ADR		$170.28	38,827					38,827
DLTIP - share options[6]	Sep 2020	2020-2023	2023	ADR		$133.88	43,377					43,377
DLTIP - share options[7]	Sep 2021	2021-2024	2024	ADR		$194.75	0	36,675				36,675
Total unvested share options subject to performance in Ords[2]												**475,516**
DLTIP - performance shares[8]	Sep 2018	2018-2021	2021	ADR	$139.41		42,848		12,554	701	30,294	0
DLTIP - performance shares[4,5]	Sep 2019	2019-2022	2022	ADR	$174.72		38,827					38,827
DLTIP - performance shares[6]	Sep 2020	2020-2023	2023	ADR	$133.70		43,377					43,377
DLTIP - performance shares[7]	Sep 2021	2021-2024	2024	ADR	$195.97		0	36,675				36,675
Total unvested shares subject to performance in Ords[2]												**475,516**
Lavanya Chandrashekar												
DLTIP - share options[3]	Sep 2018	2018-2021	2021	ADR		$140.89	3,832					3,832
DLTIP - share options[3]	Sep 2018	2018-2021	2021	ADR		$140.89	1,064					1,064
Total vested but unexercised share options in Ords[2]												**19,584**
DLTIP - share options[7]	Sep 2021	2021-2024	2024	ADR		$194.75		20,060				20,060
Total unvested share options subject to performance in Ords[2]												**80,240**
DLTIP - performance shares	Sep 2018	2018-2021	2021	ADR	$139.41		1,593		503	28	1,090	0
DLTIP - performance shares[4,5]	Sep 2019	2019-2022	2022	ADR	$174.72		1,444					1,444
DLTIP - performance shares[6]	Sep 2020	2020-2023	2023	ADR	$133.70		1,827					1,827
DLTIP - performance shares[7]	Sep 2021	2021-2024	2024	ADR	$195.97			20,060				20,060
Total unvested shares subject to performance in Ords[2]												**93,324**
DLTIP - restricted stock units	Sep 2018	2018-2021	2021	ADR	$139.41		766		766			0
DLTIP - restricted stock units	Sep 2018	2018-2021	2021	ADR	$139.41		1,774		1,774			0
DLTIP - restricted stock units	Sep 2019	2019-2022	2022	ADR	$174.72		1,567					1,567
DLTIP - restricted stock units	Sep 2020	2020-2023	2023	ADR	$133.70		2,635					2,635
Total unvested shares not subject to performance in Ords[2,9]												**16,808**

1. For unvested awards this is the number of shares/options initially awarded. For exercisable share options, this is the number of outstanding options. All share options have an expiry date of 10 years after the date of grant.
2. ADRs have been converted to Ords (one ADR is equivalent to four ordinary shares) for the purpose of calculating the total number of vested and unvested shares and options.
3. The total number of share options granted under the DLTIP in September 2017 and 2018 showing as outstanding as at 30 June 2022 are vested but unexercised share options.
4. Performance shares and share options granted under the DLTIP in September 2019 and due to vest in September 2022 are included here as unvested share awards subject to performance conditions, although the awards have also been included in the single figure of remuneration table on page 119, since the performance period ended during the year ended 30 June 2022.
5. Details of the performance conditions attached to DLTIP awards of performance shares and share options granted in 2019 are organic net sales growth (3.75%-6%), organic growth in profit before exceptional items and tax (4.5%-10.5%), cumulative free cash flow (£8,600m-£9,600m) and relative total shareholder return (median-upper quintile).
6. Details of the performance conditions attached to DLTIP awards of performance shares and share options granted in 2020 are organic net sales growth (4%-8%), organic growth in profit before exceptional items and tax (4.5%-12%), reduction in greenhouse gas emissions (6.3%-14.3%), improvement in water efficiency (5.8% - 11.2%), changing attitudes on dangers of underage drinking (0.75m-1.25m), % of female leader (41% - 43%), ethnically diverse leaders (38% - 40%), cumulative free cash flow (£6,200m-£8,200m) and relative total shareholder return (median-upper quintile).
7. Details of the performance conditions attached to DLTIP awards of performance shares and share options granted in 2021 are organic net sales growth (5%-9%), organic growth in profit before exceptional items and tax (6.5%-13.5%), reduction in greenhouse gas emissions (19.1%-27.1%), improvement in water efficiency (6.3% - 12.1%), changing attitudes on dangers of underage drinking (2.3m-3.7m), % of female leader (44% - 46%), ethnically diverse leaders (39% - 41%), cumulative free cash flow (£7,450m-£9,250m) and relative total shareholder return (median-upper quintile).
8. Ivan Menezes must retain the net shares resulting from the award that vested (including dividend equivalent shares) on 3 September 2021 until 3 September 2023 under the post vesting retention period.
9. Lavanya Chandrashekar was granted a number of restricted stock units prior to her appointment as CFO and joining the Board.
10. On 14 September 2021, Ivan Menezes exercised 23,229 share options under his 2015 award. The option price was $104.93 and the share price at exercise was $193.55. On 15 September 2021, Ivan Menezes exercised the remaining 6,666 share options under his 2015 award. The option price was $104.93 and the share price at exercise was $192.04. Ivan Menezes also exercised 39,734 share options under 2016 award - the option price was $113.66 and the share price at exercise was $192.04.

Directors' shareholding requirements and share and other interests (audited)

The beneficial interests of the Directors who held office during the year ended 30 June 2022 (and their connected persons) in the ordinary shares (or ordinary share equivalents) of the company are shown in the table below.

	Ordinary shares or equivalent[1,2]					
	26 July 2022	**30 June 2022 (or date of departure, if earlier)**	30 June 2021 (or date of appointment if later)	Shareholding requirement (% salary)[3]	Shareholding at 26 July 2022 (% salary)[3]	Shareholding requirement met
Chairman						
Javier Ferrán[7,9]	**307,522**	**307,288**	254,242			
Executive Directors						
Ivan Menezes[4,5,7]	**1,078,566**	**1,078,566**	1,145,894	500%	3,093%	Yes
Lavanya Chandrashekar[6,7]	**6,228**	**6,228**		400%	31%	No - to be met by July 2026
Non-Executive Directors						
Susan Kilsby[7]	**2,600**	**2,600**	2,600			
Melissa Bethell	**2,668**	**2,668**				
Valérie Chapoulaud-Floquet	**2,055**	**2,055**	2,017			
Sir John Manzoni	**2,870**	**2,870**	2,816			
Lady Mendelsohn	**5,000**	**5,000**	5,000			
Alan Stewart	**7,120**	**7,120**	7,069			
Ireena Vittal	**0**	**0**				
Karen Blackett[8]	**0**	**0**				

Notes
1. Each person listed beneficially owns less than 1% of Diageo's ordinary shares. Ordinary shares held by Directors have the same voting rights as all other ordinary shares.
2. Any change in shareholding between the end of the financial year on 30 June 2022 and the last practicable date before publication of this report, being 26 July 2022, is outlined in the table above.
3. Both the shareholding requirement and shareholding at 26 July 2022 are expressed as a percentage of base salary on 30 June 2022 and calculated using an average share price for the year ended 30 June 2022 of £36.89.
4. In addition to the number of shares reported in the table above, Ivan Menezes holds 73,528 vested but unexercised share options.
5. Ivan Menezes 2021 Deferred Bonus Plan Shares (2,826 ADSs) is included in his total share interests shown above.
6. In addition to the number of shares reported in the table above, Lavanya Chandrashekar holds 19,584 vested but unexercised share options.
7. Javier Ferrán, Ivan Menezes, Lavanya Chandrashekar and Susan Kilsby have share interests in ADRs (one ADR is equivalent to four ordinary shares); the share interests in the table are stated as ordinary share equivalents.
8. Karen Blackett joined the Board on 1 June 2022.
9. With regard to Javier Ferrán, included in the number of shares reported in the table above are 180,000 ordinary shares which Javier Ferrán transferred to his daughters as a gift during the financial year. While his daughters are not his connected persons, he has a power of attorney to make investment decisions to buy and sell shares on behalf of his daughters.

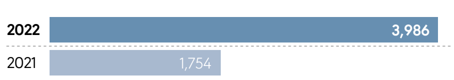
Relative importance of spend on pay

The graph below illustrates the relative importance of spend on pay (total remuneration of all group employees) compared with distributions to shareholders (total dividends plus the share buyback programme but excluding transaction costs), and the percentage change from the year ended 30 June 2021 to the year ended 30 June 2022. There are no other significant distributions or payments of profit or cash flow.

Relative importance of spend on pay – percentage change

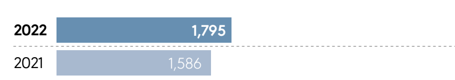
Distributions to shareholders

127.3%



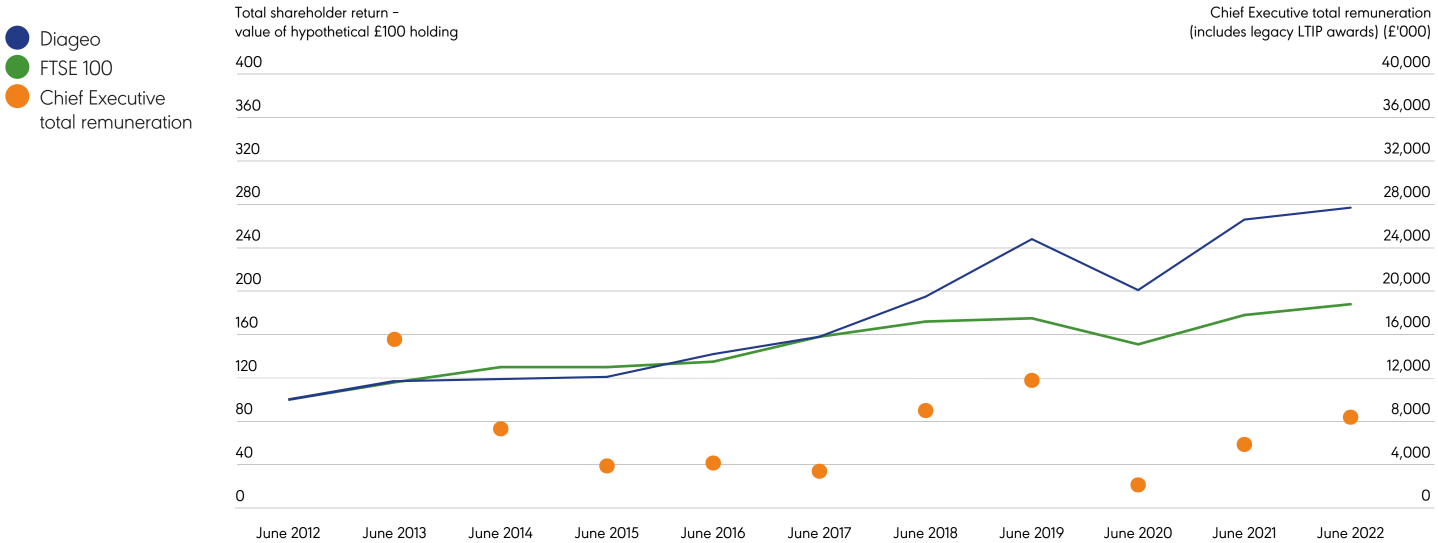
Staff pay

13.2%



Chief Executive total remuneration and TSR performance

The graph below shows the total shareholder return for Diageo and the FTSE 100 Index since 30 June 2012 and demonstrates the relationship between pay and performance for the Chief Executive, using current and previously published single total remuneration figures. The FTSE 100 Index has been chosen because it is a widely recognised performance benchmark for large companies in the United Kingdom.



	Paul S Walsh £'000 F13	Ivan Menezes[1] £'000 F14	Ivan Menezes[1] £'000 F15	Ivan Menezes[1] £'000 F16	Ivan Menezes[1] £'000 F17	Ivan Menezes[1] £'000 F18	Ivan Menezes[1] £'000 F19	Ivan Menezes[1] £'000 F20	Ivan Menezes[1] £'000 F21	**Ivan Menezes[1] £'000 F22**
Chief Executive total remuneration (includes legacy LTIP awards)	15,557	7,312	3,888	4,156	3,399	8,995	11,776	2,273	6,019	**7,881**
Annual incentive[2]	51%	9%	44%	65%	68%	70%	61.0%	0%	93.75%	**93.75%**
Share options[2]	100%	71%	0%	0%	0%	60%	73.1%	27.5%	10.0%	**61.5%**
Performance shares[2]	95%	55%	33%	31%	0%	70%	89.3%	10.0%	29.3%	**59.3%**

1. To enable comparison, Ivan Menezes' single total figure of remuneration has been converted into sterling using the average weighted exchange rate for the relevant financial year.
2. % of maximum opportunity

Pay for Directors in the context of wider workforce remuneration

There is clear alignment in the approach to pay for executives and the wider workforce in the way that remuneration principles are followed, as well as the mechanics of the salary review process and incentive plan design, which are broadly consistent throughout the organisation. There is a strong focus on performance-related pay, and the performance measures under the annual incentive plan and long-term incentive plan are the same for executives and other eligible employees. The reward package for Executive Directors is consistent with that of the senior management population, however, a much higher proportion of total remuneration for the Executive Directors is linked to business performance, compared to the rest of the employee population.

The structure of the reward package for the wider employee population is based on the principle that it should enable Diageo to attract and retain the best talent within our broader industry. It is driven by local market practice, as well as level of seniority and accountability, reflecting the global nature of our business. Diageo is committed to fostering an inclusive and diverse workplace, and creating a culture where every individual can thrive. Reflective of this, pay parity and consistency of treatment for all employees are critical to the reward practices across the organisation. The reward framework is regularly reviewed to ensure employees are rewarded fairly and appropriately, in line with the business strategy, performance outcomes, competitive market practice and our diversity agenda.

CEO pay ratio

In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, the table on the next page sets out Diageo's CEO pay ratios for the year ended 30 June 2022. These CEO pay ratios provide a comparison of the Chief Executive's total remuneration – converted into sterling – with the equivalent remuneration for the employees paid at the 25th (P25), 50th (P50) and 75th (P75) percentile of Diageo's workforce in the United Kingdom. Also shown are the salary and total remuneration for each quartile employee.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A[2]	265:1	208:1	166:1
2020[1]	Option A[2]	50:1	38:1	31:1
2021	Option A[2]	127:1	100:1	79:1
2022	**Option A[2]**	**157:1**	**122:1**	**96:1**
2022	Total pay and benefits	£50,260	£64,627	£81,888
2022	Salary	£30,765	£43,920	£52,833

1. 2021 CEO pay ratios have been updated to reflect the value of the updated 2021 single figure which incorporates long-term incentives based on actual share price at vesting, rather than the average share price in the last three months of the financial year which had been used for the 2021 disclosure.
2. Only people employed in the United Kingdom and with the same number of contractual working hours throughout the full 12-month period have been included in the calculation. Inclusion of employees outside of this group would require a complex simulation of full-time annual remuneration based on a number of assumptions and would not have a meaningful impact on the ratio.

Methodology

Consistent with the approach for Diageo's disclosure in previous years, the methodology used to identify the employees at each quartile for 2022 is Option A, as defined in the regulations. We believe this is the most robust and accurate approach, and is in line with shareholder expectations.

Total full-time equivalent remuneration for employees reflects all pay and benefits received by an individual in respect of the relevant year and has, other than where noted below, been calculated in line with the methodology for the 'single figure of remuneration' for the Chief Executive (shown on page 117 of this report). The total remuneration calculations were based on data as at 30 June 2022. Actual remuneration was converted into the full-time equivalent for the role and location by pro-rating earnings to reflect full-time contractual working hours and these figures were then ranked to identify the employees sitting at the percentiles. In light of financial performance outcomes being signed off close to the publication of the Annual Report, the Diageo Group Business Multiple – applicable to the majority of UK employees – has been used to calculate all payments under the annual incentive, although some employees may receive a variation on this multiple in practice. Pension values for each employee are not calculated on an actuarial basis as for the Chief Executive, but rather as the notional cost of the company's pension contribution during the financial year, according to the relevant section of the pension scheme for each individual. This approach allows meaningful data for a large group of people to be obtained in a more efficient way.

Points to note for the year ended 30 June 2022

Strong business performance in the year ended 30 June 2022 is reflected in the payout under the annual incentive plans both for Diageo's Chief Executive and the wider UK workforce. The annual incentive plan outcome is directly linked to awards made under the Freeshares scheme – which all UK employees are eligible to participate in. The median remuneration and resulting pay ratio for 2022 are consistent with the pay and progression policies for Diageo's UK employees as a whole and reflect the impact of performance-related pay on total remuneration for the year. As the Chief Executive has a larger proportion of his total remuneration linked to business performance than other employees in the UK workforce, the ratio has increased versus last year due to a higher performance outcome under the 2019 long term incentive which vested this year compared to the 2018 awards which vested last year.

Supporting our people and investing in talent

Our focus remains firmly on the wellbeing of our employees and in the year ended 30 June 2022, we continued to provide stability and support to our workforce. Recently, we launched our Global Wellbeing Philosophy, outlining our commitment to creating an environment where people can thrive, along with practical frameworks and tools to support our people in managing their wellbeing. In addition to local wellbeing initiatives, such as free Wellbeing Day and Mental Health capability programmes, we are designing our new office spaces with Wellbeing at the heart. For example, our new Global Headquarters in Soho, London is equipped with wellness and fitness classes and a quiet multi-faith room.

We remain committed to attracting and retaining the right talent. We carefully monitor our total remuneration levels for all roles to ensure we are paying competitively and appropriately. Our incentive plans are designed to be easily understood and reward our people for supporting the delivery of key strategic milestones. Benefits such as competitive pension schemes, the opportunity to participate in employee share-ownership schemes, a product allowance to help employees enjoy Diageo products, generous leave policies, healthcare and life insurance remain key parts of our total reward offering.

Towards the end of fiscal 22, the Diageo Executive Committee considered the impact that the volatile macro-economic environment was having on the cost of living around the world. In addition to continuing to put in place support and tools to help employees be at their best and promote positive mental, physical and financial wellbeing, it was decided to give all Diageo employees below Executive Committee level a one-time, special recognition payment of £1,000 gross (capped at 15% of local equivalent annual salary) as a thank you for their contribution and commitment through challenging times. The Executive Committee will continue to monitor the macro-economic environment and impact on employees.

Change in pay for Directors compared to wider workforce

The table below shows the percentage change in Directors' remuneration and average remuneration of employees on an annual basis. Given the small size of Diageo plc's workforce, data for all employees of the group has also been included.

Year-on-year change in pay for Directors compared to the global average employee

	2022			2021			2020		
	Salary	**Bonus**	**Benefits**	Salary	Bonus	Benefits	Salary	Bonus	Benefits
Plc employee average[1]	**11.1 %**	**25.8 %**	**10.5 %**	5.1%	N/A	38.8%	7.5%	(100.0%)	9.0%
Average global employee[2]	**6.4 %**	**38.4 %**	**11.7 %**	–%	278.8	12.6	5.3%	(67.8)	6.9%
Executive Directors[3]									
Ivan Menezes[8]	**2.3 %**	**4.4 %**	**59.5 %**	0.7%	N/A[5]	(10.7%)	2.7%	(100.0%)	0.8%
Lavanya Chandrashekar	N/A[5]	N/A[5]	N/A[5]	N/A[5]	N/A[5]	N/A	N/A	N/A	N/A
Non-Executive Directors[4]									
Melissa Bethell	2.3%	–	16.0%	N/A[5]	–	–	–	–	–
Valérie Chapoulaud-Floquet[6]	–	–	–	N/A[5]	–	–	–	–	–
Javier Ferrán (Chairman)	8.3%	–	28.8%	0.0%	–	0.0%	0.0%	–	0.0%
Susan Kilsby[7]	3.8%	–	300.0%	9.6%	–	(87.7%)	37.3%	–	68.9%
Sir John Manzoni[6]	–	–	–	–	–	–	–	–	–
Lady Mendelsohn	2.3%	–	0.0%	3.2%	–	0.0%	3.3%	–	0.0%
Alan Stewart	4.7%	–	0.0%	2.4%	–	0.0%	2.5%	–	0.0%
Ireena Vittal[6]	–	–	–	–%	–	0.0%	–%	–	0.0%
Karen Blackett	N/A[5]	–	N/A[5]	–	–	–	–	–	–

1. Around 50 UK-based employees are employed by Diageo plc. Their remuneration has been calculated in line with the approach used for the CEO pay-ratio calculation and the average year-on-year change has been reported. Only those employed during the full financial year have been included in calculations.
2. Calculated by dividing staff cost related to salaries, bonus and benefits by the average number of employees on a full-time equivalent basis, as disclosed in note 3c to the financial statement under staff costs and average number of employees on page 155, but reduced to account for the inclusion of Executive Directors in reported figures. The salary, bonus and benefits cost data used for calculation are subsets of the Wages and salaries figure disclosed in this note. The salary data used for calculation has been adjusted to exclude costs related to severance payments which are included in staff costs, and last year's disclosure has been updated in line with this for consistency. In line with the approach for Directors, the bonus values used for the calculation reflect the bonus earned in relation to performance during the relevant financial year.
3. Calculated using the data from the single figure table in the annual report on remuneration (page 119) in US dollars, as both Ivan Menezes and Lavanya Chandrashekar are paid in this currency.
4. Calculated using the fees and taxable benefits disclosed under non-executive directors' remuneration in the table on the next page. Taxable benefits for non-executive directors comprise a product allowance as well as expense reimbursements relating to attendance at Board meetings, which may be variable year-on-year. In the year ended 30 June 2021, no travel expenses were incurred as travel was restricted as a result of the pandemic.
5. N/A refers to a nil value in the previous year, meaning that the year-on-year change cannot be calculated.
6. No year-on-year change in pay has been reported for Valérie Chapoulaud-Floquet, Sir John Manzoni and Ireena Vittal as there is no comparable remuneration data for the year ended 30 June 2021 as they joined the Board mid F21.
7. The percentage increase in benefits for Susan Kilsby reflects an increase travel expenses.
8. The percentage increase in benefits for Ivan Menezes reflects an increase in tax support services.

Payments to former Directors (audited)

A payment was made to Kathryn Mikells at the start of the year ended 30 June 2022 as described below. These details were previously disclosed in the 2021 Directors' remuneration report.

Payments for loss of office (audited)

As reported last year, Kathryn Mikells left the company on 30 June 2021. In accordance with the approved 2020 remuneration policy and her service contract which provided for a 12-month notice period, Kathryn Mikells received half of the payment in lieu of the remainder of her notice period (six months and twelve days) in July 2021 in respect of salary, benefits and pension ($362,174). No further payments were made as a result of Kathryn Mikells taking up alternative employment (announced on 19 July 2021). The Committee also exercised its discretion, in accordance with the plan rules and the remuneration policy, to prorate to the leaving date all unvested long-term incentive awards. In September 2022, Kathryn's 2019 performance shares and share options are due to vest at 59.3% and 61.5% respectively with a total estimated value of $2.16m. These awards remain subject to a subsequent two-year holding period. The post-employment shareholding requirement policy applies for a period of two years post-exit, requiring Kathryn to hold Diageo shares equal to 400% of salary until 30 June 2022 and 200% of salary until 30 June 2023. In line with internal policies and the remuneration policy, the company supported Kathryn Mikells with the cost of her repatriation back to the United States. This support amounted to a grossed up value of £200,000. Further costs included shipping costs of £23,507, £7,640 in flights and £12,000 of legal support. Kathryn Mikells will also be provided with tax return preparation support for a period of up to three years following her departure (up to a maximum cost of £15,000 per annum).

Non-Executive Directors

Fee policy

Javier Ferrán's fee as non-executive Chairman was increased from £600,000 per annum to £650,000 on 1 July 2021. This was a planned increase for 1 January 2020 that was deferred, at the Chairman's request, due to the Covid-19 pandemic. There had been no prior increase since his appointment on 1 January 2017. The Chairman's fee is appropriately positioned against our comparator group of FTSE 30 companies excluding financial services. The Executive Directors and the Chairman also approved an increase in the base fee for non-executive directors of 3% (from £98,000 to £101,000) and an increase in the Audit and Remuneration Committee Chair fees from £30,000 to £35,000, effective 1 October 2021.

Per annum fees	January 2022 £'000	January 2021 £'000
Chairman of the Board	**650**	600
Non-Executive Directors		
Base fee	**101**	98
Senior Non-Executive Director	**30**	30
Chairman of the Audit Committee	**35**	30
Chairman of the Remuneration Committee	**35**	30

Non-Executive Directors' remuneration for the year ended 30 June 2022 (audited)

	Fees £'000		Taxable benefits[1] £'000		Total £'000[4]	
	2022	2021	**2022**	2021	**2022**	2021
Chairman						
Javier Ferrán[2]	**650**	600	**2**	1	**652**	601
Non-Executive Directors						
Susan Kilsby	**164**	158	**5**	1	**169**	159
Melissa Bethell	**100**	98	**1**	1	**102**	99
Valérie Chapoulaud-Floquet	**100**	49	**5**	1	**105**	50
Sir John Manzoni	**100**	74	**1**	1	**102**	75
Lady Mendelsohn	**100**	98	**1**	1	**102**	99
Alan Stewart	**134**	128	**1**	1	**135**	129
Ireena Vittal	**100**	73	**1**	1	**102**	74
Karen Blackett[3]	**8**	n/a	**–**	n/a	**9**	n/a

1. Taxable benefits include a product allowance and expense reimbursements relating to travel, accommodation and subsistence in connection with attendance at Board meetings during the year, which are deemed by HMRC to be taxable in the United Kingdom. The amounts in the single figure of total remuneration table above include any tax gross-ups on the benefits provided by the company on behalf of the Directors. Non-taxable expense reimbursements have not been included in the single figure of remuneration table above.
2. £100,000 of Javier Ferrán's net remuneration in the year ended 30 June 2022 was used for the monthly purchase of Diageo ordinary shares, which must be retained until he retires from the company or ceases to be a Director for any other reason.
3. Karen Blackett was appointed to the Board on 1 June 2022.
4. Some figures add up to slightly different totals due to rounding.

Looking ahead to 2023

Salary increases and pension reductions for the year ending 30 June 2023

In May 2022, the Remuneration Committee reviewed base salaries for senior management and agreed the following increases for the Chief Executive and Chief Financial Officer, effective 1 October 2022.

On 1 January 2023, Ivan Menezes pension contribution will reduce from 20% of base salary to 14% in line with the wider workforce.

	Ivan Menezes		Lavanya Chandrashekar	
Salary at 1 October ('000)	**2022**	2021	**2022**	2021
Base salary	**$1,763**	$1,711	**$1,004**	**$975**
% increase (over previous year)	**3%**	3%	**3%**	–

Annual incentive design for the year ending 30 June 2023

The measures and targets for the annual incentive plan are reviewed annually by the Remuneration Committee and are carefully chosen to drive financial and individual business performance goals related to the company's short-term strategic operational objectives. The plan design for Executive Directors in the year ending 30 June 2023 will comprise the following performance measures and weightings, with targets set for the full financial year:

- **net sales** (% growth) (26.67% weighting): a key performance measure of year-on-year top line growth;
- **operating profit** (% growth) (26.67% weighting): stretching profit targets drive operational efficiency and influence the level of returns that can be delivered to shareholders through increases in share price and dividend income not including exceptional items or exchange;
- **operating cash conversion** (26.67% weighting): ensures focus on efficient cash delivery by the end of the year; and
- **individual business objectives** (20% weighting): measurable deliverables that are specific to the individual and are focussed on supporting the delivery of key strategic objectives.

The Committee has discretion to adjust the payout to reflect underlying business performance and any other relevant factors.

Details of the targets for the year ending 30 June 2023 will be disclosed retrospectively in next year's annual report on remuneration, by which time they will no longer be deemed commercially sensitive by the Board.

Long-term incentive awards to be made in the year ending 30 June 2023

The long-term incentive plan measures are reviewed annually by the Remuneration Committee and are selected to reward long-term consistent performance in line with Diageo's business strategy and to create alignment with the delivery of value for shareholders. The Committee has ensured that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour.

As per last year, DLTIP awards made in September 2022 will comprise awards of both performance shares and share options, based on stretching targets against the key performance measures as outlined in the table below, assessed over a three-year performance period. The relative total shareholder return measure is based on the same constituent group and vesting schedule as outlined on page 121.

The performance share element of the DLTIP applies to the Executive Committee and the top level of senior leaders across the organisation worldwide, whilst the share option element is applicable to a much smaller population comprising only members of the Executive Committee. One market price option is valued at one-third of a performance share.

The ESG measure comprises four goals reflecting the 'Society 2030: Spirit of Progress' strategy, to make a positive impact on the environment and society. Each goal is weighted equally:

- reduction in greenhouse gas emissions;
- improvement in water efficiency;
- number of people who confirmed changed attitudes to the dangers of underage drinking, after participating in a Diageo supported education programme; and
- inclusion and diversity metric (one measure on % female leaders globally, and another measure on % ethnically diverse leaders globally).

Awards are calculated on the basis of a six-month average share price for the period ending 30 June 2022.

It is intended that a DLTIP award of 500% of base salary will be made to Ivan Menezes in September 2022, comprising 375% of salary in performance shares and 125% of salary in market price share options. It is intended that a DLTIP award of 480% of salary will be made to Lavanya Chandrashekar in September 2022, comprising 360% of salary in performance shares and 120% of salary in market price share options. In performance share equivalents; one market price option is valued at one-third of a performance share.

The table below summarises the annual DLTIP awards to Ivan Menezes and Lavanya Chandrashekar to be made in September 2022.

	Chief Executive	Chief Financial Officer
Grant value (% salary)	Performance share equivalents (1 share: 3 options)	
Performance shares	375%	360%
Share options	125%	120%
Total	**500%**	**480%**

Performance conditions for long-term incentive awards to be made in the year ending 30 June 2023

	Performance shares								Share options		
			Environmental, social & governance (ESG)								
	Organic net sales (CAGR)	Organic profit before exceptional items and tax (CAGR)	Greenhouse gas reduction[1]	Water efficiency	Positive drinking	% Female leaders	% Ethnically diverse leaders	Vesting schedule	Relative Total Shareholder Return	Cumulative free cash flow (£m)	Vesting schedule
Weighting (% total)	40%	40%	5%	5%	5%	2.5%	2.5%	100%	50.0%	50.0%	100%
Maximum	8.5%	12.0%	17.6%	12.1%	4.0m	47%	44%	100%	3rd and above	£9,450	100%
Midpoint	6.5%	8.5%	14.2%	9.2%	3.3m	46%	43%	60%	–	£8,550	60%
Threshold	4.5%	5.0%	10.7%	6.3%	2.6m	45%	42%	20%	9th and above	£7,650	20%

1. Further context for the 2022 long-term incentive greenhouse gas reduction targets is set out on page 31.

Additional information

Emoluments and share interests of senior management

The total emoluments for the year ended 30 June 2022 of the Executive Directors and the Executive Committee members (together, the senior management) of Diageo comprising base salary, annual incentive plan, share incentive plan, termination payments and other benefits were £23.9 million (2021 - £24.9 million).

The aggregate amount of gains made by the senior management from the exercise of share options and from the vesting of awards during the year was £19.1 million. In addition, they were granted 718,092 performance-based share options under the Diageo Long-Term Incentive Plan (DLTIP) during the year at a weighted average share price of 3,609 pence, exercisable by 2031. In addition, they were granted 435 options over ordinary shares under the UK savings-related share options scheme (SAYE). They were also awarded 680,438 performance shares under the DLTIP in September 2021, which will vest in three years subject to the relevant performance conditions. A further award of 142,977 restricted shares subject to performance, and 127,867 restricted shares not subject to performance were also granted during the year.

Senior management options over ordinary shares

At 26 July 2022, the senior management had an aggregate beneficial interest in 1,842,518 ordinary shares in the company and in the following options over ordinary shares in the company:

	Number of options	Weighted average exercise price (£)	Exercise period
Ivan Menezes	549,044	30.67	2020-2031
Lavanya Chandrashekar	99,824	33.73	2021-2031
Other[1]	1,349,935	30.14	2015-2031

1. Other members of the Executive Committee

Key management personnel related party transactions (audited)

Key management personnel of the group comprises the Executive and Non-Executive Directors, the members of the Executive Committee and the Company Secretary.

Diageo plc has granted rolling indemnities to the Directors and the Company Secretary, uncapped in amount, in relation to certain losses and liabilities which they may incur in the course of acting as Directors or Company Secretary (as applicable) of Diageo plc or of one or more of its subsidiaries. These indemnities continue to be in place at 30 June 2022.

Other than disclosed in this report, no Director had any interest, beneficial or non-beneficial, in the share capital of the company. Save as disclosed above, no Director has or has had any interest in any transaction which is or was unusual in its nature, or which is or was significant to the business of the group and which was effected by any member of the group during the financial year, or which having been effected during an earlier financial year, remains in any respect outstanding or unperformed. There have been no material transactions during the last three years to which any Director or officer, or 3% or greater shareholder, or any spouse or dependent thereof, was a party. There is no significant outstanding indebtedness to the company from any Directors or officer or 3% or greater shareholder.

Statutory and audit requirements

This report was approved by a duly authorised Committee of the Board of Directors and was signed on its behalf on 27 July 2022 by Susan Kilsby who is Chair of the Remuneration Committee.

The Board has followed the principles of good governance as set out in the UK Corporate Governance Code and complied with the regulations contained in the Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules of the Financial Conduct Authority and the relevant schedules of the Companies Act 2006.

The Companies Act 2006 and the Listing Rules require the company's auditor to report on the audited information in their report and to state that this section has been properly prepared in accordance with these regulations.

PwC has audited the report to the extent required by the regulations, being the sections headed Single total figure of remuneration for Executive Directors (and notes), Payments to former Directors, Payments for loss of office, Annual incentive plan (AIP), Long-term incentive plans (LTIPs), Pension arrangements, Directors' shareholding requirements and share and other interests, Outstanding share plan interests, Non-Executive Directors' remuneration and Key management personnel related party transactions.

The Directors' remuneration report (excluding the policy) is subject to shareholder approval at the AGM on 6 October 2022; terms defined in this remuneration report are used solely herein.