

# Championing our talent strategy



## Dear Shareholder

I am pleased to provide the report of the Nomination Committee for the year ended 30 June 2023.

A key responsibility for the Committee is to ensure adequate succession planning for Board appointments, maintenance of a pipeline of strong candidates for potential nomination as directors, and supervising transitions for new appointments. During this year, the Committee had oversight of the transition of Chief Executives with Debra Crew succeeding Sir Ivan Menezes after ten years of dedicated leadership of the company. This transition was well underway when Ivan sadly passed away following a brief illness, with Debra taking over earlier than expected.

We welcome Debra back to the Board and congratulate her on her appointment. The Committee was unanimous in deciding that Debra is the right person to lead Diageo into the next phase of growth, with her deep understanding of the company and its stakeholders coupled with her broad experience in other consumer goods industries.

This year the Committee also managed the evaluation of the effectiveness of the Board, its Committees, members and processes. Further details, including the review's conclusions, recommendations and actions as presented to the Board in January 2023, are set out on page 113.

The Committee has also been involved in reviewing talent planning and succession of Executive Committee membership, with two changes being implemented or approved during the year. Claudia Schubert was appointed as President, North America in October 2022 and Soraya Benchikh assumed the role of President, Europe in January 2023. I congratulate Claudia and Soraya on their appointments and look forward to working with them.

**Javier Ferrán**  
Chairman of the Nomination Committee

## Role and composition of the Nomination Committee

The Nomination Committee is responsible for keeping under review the composition of the Board and succession to it, reviewing succession planning for key Executive Committee roles, and succession planning and overall talent strategy for senior leadership positions, including in relation to ensuring and encouraging diversity in leadership positions. It makes recommendations to the Board concerning appointments to the Board. More details on the role of the Nomination Committee are set out in its terms of reference which are available at <https://www.diageo.com/en/our-business/corporate-governance>.

The Nomination Committee comprises Javier Ferrán (Committee Chairman), Melissa Bethell, Karen Blackett, Susan Kilsby, Valérie Chapoulard-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Ireena Vittal.

## Recruitment and election procedures

The recruitment process for Non-Executive Directors includes the development of a candidate profile and the engagement of a professional search agency specialising in the recruitment of high-calibre candidates. We have engaged executive search companies Egon Zehnder and Russell Reynolds Associates (neither of which have a connection with the company other than acting as an executive search agency) to assist with our current recruitment and pipelining requirements.

In the case of Executive Director or Executive Committee appointments, an executive leadership assessment may be carried out by an external professional agency. Reports on potential appointees are provided to the Committee, which, after careful consideration, makes a recommendation to the Board. In determining its recommendations, the Committee has regard to a broad range of factors including the candidate's background, skillset and experience, their ability to express independent judgement and participate across a broad range of topics, including on sustainability and societal matters, their ability to devote sufficient time to the company and whether their appointment would contribute towards the Board's diversity objectives which are set out in the Board Diversity Policy. This policy, which applies to the Board and its Committees, reflects the Board's belief that it is critical that Board membership includes a diverse range of skills, professional and industry backgrounds, geographical experience and expertise, gender, tenure, ethnicity and diversity of thought.

Any new Directors are appointed by the Board and, in accordance with the company's articles of association, they must be elected at the next AGM to continue in office. All existing Directors retire by rotation and stand for re-election every year. The company's policy is for all Directors to attend the AGM, either physically or by video conference as permitted by the company's Articles of Association. Details of attendance of all Board and Committee meetings by Directors are set out on page 99.

## NOMINATION COMMITTEE REPORT continued

### External appointments

While the Board does not have a written policy as regards the maximum number of other appointments that Directors should have, before recommending new appointments to the Board, the Nomination Committee considers other demands on candidates' time. As a general principle, the Committee takes the view that Non-Executive Directors should have no more than four, and Executive Directors no more than one, listed mandates in addition to their role as a director of the company. Once appointed, any proposed additional external appointments are also reviewed by the Nomination Committee to ensure that the additional demands on a Director's time will not impact on the Director's ability to perform his or her role as a Director of the company before the additional appointment is recommended for approval by the Board. Directors' interests are reviewed and updated at each Board meeting. The Board has concluded that each Non-Executive Director has sufficient time to discharge their duties as a director of the company, taking into consideration their external appointments and commitments.

### CEO succession

It is the role of the Nomination Committee to have oversight of the company's senior leadership development and succession plans, ensuring that the company has a pipeline of high-quality candidates for senior roles which is aligned with the company's long-term strategic ambitions and diverse leadership requirements. In March 2023, it was announced that, after ten years in role, Sir Ivan Menezes would retire as Chief Executive and step down from the Board on 30 June 2023 and that Debra Crew, then Chief Operating Officer, would take over as Chief Executive effective 1 July 2023. Sir Ivan, who was one of the UK's longest serving FTSE 100 chief executives, had led the company through an outstanding period of change, growth and performance.

As succession planning is an ongoing process, the Nomination Committee had an established process for identifying the most suitable person for the role of Chief Executive including a shortlist of potential successors which was kept under review in anticipation of a transition. As part of this process, the Nomination Committee conducted a review of potential candidates including a number of internal candidates on the company's internal succession plan as well as external candidates. The review included candidates who had different backgrounds and experience, and included diverse candidates. Following this review, the Nomination Committee made a recommendation to the Board that Debra Crew was the most suitable successor to Sir Ivan, having been a highly valued member of the Executive Committee with an impressive track record at both Diageo and other global consumer goods companies. Acting on the recommendation of the Nomination Committee, the Board approved her appointment and announced the transition on 28 March 2023. With the sad passing of Sir Ivan in early June 2023 after a brief illness, Debra's appointment as Chief Executive and Executive Director took effect earlier than expected, on 8 June 2023.

Set out below are the principal steps taken in relation to the announcement of the appointment of a new Chief Executive on 28 March 2023:

#### Prior to fiscal 21 and ongoing thereafter:

- A preliminary assessment of potential internal candidates and their development plans was reviewed, as part of annual talent and succession review with the Board.

#### During fiscal 21:

- An updated role specification for the Chief Executive was prepared, reviewed and approved by the Nomination Committee. Amongst other things, this set out the requirements for the role with regards to leadership capabilities, personal characteristics and key experiences, within the context of the performance and culture needed in Diageo.

- The Nomination Committee reviewed the results of an external talent benchmarking exercise conducted by an executive search firm, alongside continued assessment of the development of candidates on Diageo's internal succession plan.

#### Commencing during fiscal 21 and subject to ongoing review thereafter:

- A focussed longlist of external candidates was reviewed by the Nomination Committee, together with internal candidates.
- Internal candidates were invited to take part in a formal assessment process overseen by the Chairman supported by the Chief HR Officer.
- A panel of Nomination Committee members met shortlisted candidates for formal panel interviews with the Chairman and the Non-Executive Directors.
- Development plans were drawn up for internal candidates to enable the Nomination Committee to review progress on a periodic basis.

#### During fiscal 22:

- Periodic regular review of the development progress of internal candidates was undertaken by the Nomination Committee.
- The role specification was kept under ongoing review to ensure it reflected developments in Diageo's business context and any emerging requirements.

#### During fiscal 23:

- Proposed remuneration arrangements for the incoming and outgoing Chief Executives were reviewed and approved by the Remuneration Committee.
- The Nomination Committee recommended that the Board approve the appointment of Debra Crew as Diageo's next Chief Executive. The Remuneration Committee approved remuneration arrangements for the appointment of Debra Crew and the retirement of Sir Ivan Menezes.
- The Board unanimously approved the appointment and a regulatory announcement was released on 28 March 2023.

### Activities of the Nomination Committee

The principal activities of the Nomination Committee during the year were:

- the consideration, selection and recommendation as to the appointment of and transition plan for a new Chief Executive;
- the consideration of the talent pipeline for potential new Non-Executive Directors and other appointments to the Board;
- the design and conduct of the annual review of Board, Committee and individual Director effectiveness and performance and a review of the findings of the review and recommended actions;
- consideration and approval of the report of the Committee in the company's Annual Report and consolidated financial statements for the year ended 30 June 2023;
- consideration and recommendation to the Board of proposed changes in Directors' outside interests and any potential conflicts of interest; and
- a review of the succession plans for Executive Committee roles, including potential candidates for such roles, their backgrounds and experience, and how such candidates would contribute towards the company's diversity objectives.

### Evaluation

As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee. Feedback indicated that the Committee was effective and that Directors were satisfied with its performance, that it had managed the Chief Executive succession during the year well and that its processes were robust, transparent and effective. Further details of the evaluation can be found on page 113.

## Induction and training

Our customary induction processes for newly appointed Directors includes individual meetings with Executive Committee members and other senior executives, visits to the company's production facilities and offices including the company's head office in London and the group's spirits production facilities, scotch brand homes, visitor centres and archives in Scotland.

Induction programmes for new Directors are tailored to suit the particular background and experience of the individual Director, with the Committee advising on priorities for that individual and tracking induction activity. These induction processes supplement existing practices whereby a continuing understanding of the business is developed through appropriate business engagements for Non-Executive Directors such as visits to customers, engagements with employees, and brand events worked into the annual cycle of Board meetings. Training on specific areas of risk and detailed reviews of strategic matters are provided by Executive Committee members, other internal senior leaders and external guest speakers and specialists through presentations, roundtable discussions and other sessions as part of the Board's Annual Strategy Conference and during the year as part of Board and Audit Committee meetings. In addition, Executive Committee members and other senior executives are invited, as

appropriate, to Board and strategy meetings to make presentations on their areas of responsibility. All Directors are also provided with regular briefings to ensure they are kept up to date on relevant legal and governance developments or changes, best practice developments and changing commercial and other risks.

## Diversity

The Board has a longstanding commitment to prioritise diversity and supports the recommendations of the FTSE Women Leaders Review (previously the Hampton-Alexander Review) on gender diversity and the Parker Review on ethnic diversity. The Board Diversity Policy sets out specific objectives with parity between male and female members of the Board being the ultimate goal in terms of gender diversity, with a commitment to have no less than 40% female representation on the Board, and having at least one Director reflecting ethnic diversity as defined in accordance with the Parker Review. The Committee is pleased to confirm that both these objectives have currently been met. The Board Diversity Policy also sets out the Board's support for management's actions to increase the proportion of senior leadership roles held by women and by people from minority backgrounds and other under-represented groups. As at 30 June 2023, the percentage of women on the Executive Committee and their direct reports is 43%.

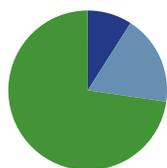
### Board and Executive Committee reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	3	27.3 %	1	7	50.0 %
Women	8	72.7 %	3	7	50.0 %
Not specified/prefer not to say	-	-	-	-	-

### Board and Executive Committee reporting on ethnic background

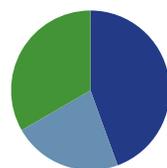
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	63.6 %	3	8	57.1 %
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	3	27.3 %	1	3	21.4 %
Black/African/Caribbean/Black British	1	9.1 %	-	1	7.2 %
Other ethnic group, including Arab	-	-	-	2	14.3 %
Not specified/prefer not to say	-	-	-	-	-

#### Board composition



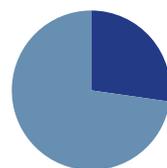
- Chairman
- Executive Director
- Non-Executive Director

#### Non-Executive Director tenure



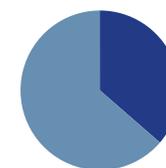
- 0 - 3 years
- 3 - 6 years
- 6 - 9 years

#### Board gender diversity



- Male
- Female

#### Board ethnic diversity



- Directors of colour
- White European

### Executive committee nationality



- British
- American
- American/British
- Colombian
- French
- Indian
- Irish
- South African/British
- Spanish

### Board diversity data

- Directors are defined as all Non-Executive and Executive Directors appointed to the Board. Board diversity related data are collated directly from each Director annually using a questionnaire and are given on a self-identifying basis.
- Directors of colour are defined in accordance with the Parker Review definitions as those "who identify as or have evident heritage from African, Asian, Middle Eastern, Central and South American regions".
- All Board diversity data above are given as at 30 June 2023.