Governance report

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Dear Shareholder

On behalf of the Board, I am pleased to present the corporate governance report for the year ended 30 June 2023, which summarises how the Board and our governance has provided leadership over the year in support of the long-term sustainable success of Diageo.

Diageo’s business has grown consistently over the last few years under the leadership of Sir Ivan Menezes, despite the challenges of the pandemic, instability in the global political and economic environment and continued inflationary pressures. We remain deeply grateful for his transformational leadership as we reflect on his sad passing.

Delivering our ambition in such a challenging and turbulent environment requires leadership which is agile and creative, enabling our ambition through Leadership.

Javier Ferrán (Chairman)

Enabling our Ambition through Leadership

evolving to changing circumstances, as well as resilient and committed to our strategy, values and purpose. It is the responsibility of the Board to provide direction for management, setting the strategic aims and performance ambition of the company, centred on Diageo’s strong culture. The Board is also responsible for ensuring that the company has effective operational leadership to implement its strategy of investing for long-term sustainable growth. We were therefore very pleased to welcome Debra Crew back to the Board as Chief Executive in June.

A particular focus of the Board this past year has been on ensuring that Diageo is well-positioned for future growth. This includes managing appropriate allocation of capital such as investing in fast-growing categories, actively managing our footprint and brand portfolio through selective acquisitions and disposals, and investing in the capacity and environmental sustainability of our facilities and supply chain. It also includes ensuring that Diageo is resourced adequately, with performance enabled by highly engaged and motivated employees and a collaborative, values-based and inclusive culture.

We know that achieving this is dependent on the Board providing effective leadership, enabling swift execution of our clear strategy, and we look forward to working with Debra in guiding Diageo to move towards the next phase of delivering sustainable long-term value for our shareholders and other stakeholders.

Compliance with the UK Corporate Governance Code

The Board considers that for the year ended 30 June 2023, Diageo has fully applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 (the Code) except for the pension alignment required under Provision 38, where full compliance was achieved from 1 January 2023 when company pension contributions for the then Chief Executive were aligned to that of the wider workforce.

The table below details where key content on the compliance with the Code can be found in this report.

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<td>Board composition and changes</td>
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| Diageo ranked as the leading FTSE 100 company in the FTSE Women Leaders Review in February 2023 for the third year running, with 63.6% female representation on the Board.  
| Debra Crew rejoined the Board as Chief Executive and Executive Director on 8 June 2023 following the sad passing of Sir Ivan Menezes.  

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<th>Board attendance</th>
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| During Fiscal 23, there were seven scheduled meetings of the Board which Directors attended either physically or remotely using video conference facilities.  
| Directors’ attendance record at the last AGM, scheduled Board and Board Committee meetings, for fiscal 23 is set out in the table below. Attendance is expressed as the number of scheduled meetings attended out of the total number that each Director was eligible to attend or invited to attend.  

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<th>Annual General Meeting</th>
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| This year’s AGM was held on 6 October 2022 at etc:venues St Paul’s, 200 Aldersgate, London.  
| It was held as a hybrid meeting with over 130 people attending physically, including shareholders, proxies, corporate representatives and guests, and with the ability for others to attend remotely or by virtual means using an online platform.  
| All Directors attended the AGM either physically or remotely.  
| During the AGM, the Chief Executive gave a review of the performance of the company during fiscal 22, following which the Chairman took questions from shareholders who were responded to by the Chairman and other Directors.  
| The vote procedure was carried out by way of poll as authorised by the Articles of Association. All resolutions contained in the Notice of Meeting were passed.  

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<td>Non-executive director tenure</td>
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<th>Chairman</th>
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<td>Non-executive director</td>
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<th>Board composition</th>
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<th>Former Directors</th>
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<td>Sir Ivan Menezes(2)</td>
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<td>5/6</td>
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(1) Attended by invitation  
(2) Appointed to the Board on 8 June 2023  
(3) Ceased being a director on 6 June 2023.
1. Javier Ferrán
Chairman
Nationality: Spanish
Appointed: Chairman and Chairman of the Nomination Committee: January 2017 (Appointed Chairman designate and Non-Executive Director: July 2016)
Key strengths: Brings extensive board-level experience from the drinks and consumer products industry, including at chief executive level, and has a wealth of experience in consumer goods through his venture capital activities to draw from in his role as Chairman and leader of the Board.
Current external appointments: Chairman, International Consolidated Airlines Group S.A.; Senior Advisor and chairman of investee company board, BlackRock Long Term Private Capital
Previous relevant experience: Non-Executive Director and Senior Independent Director, Associated British Foods plc; Non-Executive Director, Coca-Cola European Partners plc; Member, Advisory Board of ESADE Business School; President and CEO, Bacardi Limited; Non-Executive Director, SABMiller plc.

2. Debra Crew
Chief Executive
Nationality: American
Appointed: Chief Executive and Executive Director: June 2023
Key strengths: Has broad experience in various consumer products sectors at board, chief executive and management leadership levels, as well as over four years’ experience in non-executive and executive roles at Diageo
Current external appointments: Non-Executive Director, Stanley, Black & Decker, Inc.
Previous Diageo roles: Chief Operating Officer, President, North America; Non-Executive Director, Diageo plc.
Previous relevant experience: Non-Executive Director, Newell Brands; Mondelēz International Inc.; President and CEO, Reynolds American, Inc.; President, PepsiCo North America Nutrition; PepsiCo Americas Beverages, Western Europe Region; various positions with Kraft Foods, Nestlé, S.A., and Mars

3. Lavanya Chandrashekar
Chief Financial Officer
Nationality: American
Appointed: Chief Financial Officer and Executive Director: July 2021
Key strengths: Brings broad financial expertise, commercial skills and strong consumer goods experience to manage the group’s affairs relating to financial controls, accounting, tax, treasury and investor relations.
Previous Diageo roles: Chief Financial Officer, Diageo North America and Global Head of Investor Relations
Previous relevant experience: Vice President Finance, Global Cost Leadership and Supply Chain, Mondelēz International; VP Finance, North America, Mondelēz International; VP Finance, Eastern Europe, Middle East and Africa, Mondelēz International; various senior finance roles at Procter & Gamble

4. Susan Kilcby
Senior Independent Director
Nationality: American/British
Appointed: Senior Independent Director: October 2019 (Appointed Non-Executive Director: April 2018 and Chairman of the Remuneration Committee: January 2019)
Key strengths: Brings wide-ranging corporate governance and board level experience across a number of industries, including a consumer goods sector focus, with particular expertise in mergers and acquisitions, corporate finance and transaction advisory work.
Current external appointments: Non-Executive Chair, Fortune Brands Innovations, Inc.; Non-Executive Director, Unilever PLC, NHS England; Member, the Takeover Panel
Previous relevant experience: Senior Independent Director and Chair of Remuneration Committee, BHP Group Plc; BHP Group Limited; Senior Independent Director, BBA Aviation plc; Chairman, Shire plc; Chairman, Mergers and Acquisitions EMEA; Credit Suisse; Senior Advisor, Credit Suisse; Non-Executive Director, Goldman Sachs International, Feung Green Mountain, L’Occitane International, Coca-Cola HBC

5. Melissa Bethell
Non-Executive Director
Nationality: American/British
Appointed: Non-Executive Director: June 2020
Key strengths: Has extensive international corporate and financial experience, including in relation to private equity, financial sectors, strategic consultancy and advisory services, as well as having strong non-executive experience at board and committee levels across a range of industries, including retail, consumer goods and financial services.
Current external appointments: Non-Executive Director, Tesco PLC, Exor N.V.; Chair, Ocean Outdoor Limited; Senior Advisor, Akaris
Previous relevant experience: Managing Director and Senior Advisor, Private Equity, Bain Capital; Non-Executive Director, Alps S.A., Workday plc, Samsanto S.A.

6. Karen Blackett
Non-Executive Director
Nationality: British
Appointed: Non-Executive Director: June 2022
Key strengths: Brings expertise in marketing, media and the creative industries, as well as broad experience in public policy and strategic initiatives through a number of different government, industry and public bodies.
Current external appointments: UK President, WPP plc; Chancellor, University of Portsmouth; Founding Trustee, BEO (Black Equity Organisation); Non-Executive Director, Creative UK; Non-Executive Director, The Pipeline
Previous relevant experience: UK Race Equality Business Champion, HM Government; Business Ambassador, Department for International Trade, HM Government; Chairman, MediaCom UK & Ireland; Chief Executive Officer, GroupM UK; Chief Executive Officer, MediaCom UK; Chief Operations Officer, MediaCom ENISA; Marketing Director, MediaCom; UK Country Manager, WPP plc.
7. Valérie Chapoulaud-Floquet  
Non-Executive Director  
Nationality: French  
Appointed: Non-Executive Director: January 2021  
Key strengths: Brings strong experience and expertise in the luxury consumer goods sector, having spent her career in the industry working in a number of international markets, including developed and emerging markets, and as a former CEO in the premium drinks industry.  
Current external appointments: Non-Executive Director, Lead Independent Director and Chair of Governance Committee, Danone S.A.; Non-Executive Director, Accor Hotels S.A.; Non-Executive Director, LVMH Group; Non-Executive Director, Louis Vuitton, Louis Vuitton Taiwan, LVMH Group; President South Europe, Louis Vuitton, LVMH Group; President and CEO, Louis Vuitton Americas, LVMH Group; President, Luxury Product Division for the USA, L’Oréal Group.

8. Sir John Manzoni  
Non-Executive Director  
Nationality: British  
Appointed: Non-Executive Director: October 2020  
Key strengths: Has strong commercial executive experience as a former CEO in the energy sector and non-executive board level experience, including in the alcoholic beverage industry, as well as more recent expertise in public policy and government affairs.  
Current external appointments: Chairman, SSE plc; Chairman, Atomic Weapons Establishment; Non-Executive Director, KBR Inc.; Previous relevant experience: Chief Executive of the Civil Service and Permanent Secretary of the Cabinet Office, HM Government; President and Chief Executive Officer, Rémy Cointreau

9. Lady Mendelsohn  
Non-Executive Director  
Nationality: British  
Appointed: Non-Executive Director: September 2014  
Key strengths: Has specialist knowledge and understanding of consumer-facing emerging technologies, privacy and data issues, as well as wide experience of board and committee level appointments across diverse commercial, governmental and charitable institutions, as well as advisory roles in advertising and production of consumer goods.  
Current external appointments: Head of the Global Business Group, Meta Platforms Inc.; Co-President, Nonwood Member, Mayor’s Business Advisory Board; Chair, Follicular Lymphoma Foundation  
Previous relevant experience: Executive Chairman, Rainman; Deputy Chairman, Grey London; Board Director, BHF, Fragrance Foundation; President, Institute of Practitioners in Advertising; Director, Women’s Prize for Fiction; Co-Chair, Creative Industries Council (Member, HMG Industrial Strategy Council); Board Member, CEW; Trustee, White Ribbon Alliance; Chair, Corporate Board, Women’s Aid

10. Alan Stewart  
Non-Executive Director  
Nationality: British  
Appointed: Non-Executive Director: September 2014 (Appointed Chairman of the Audit Committee: January 2007)  
Key strengths: Has a strong background in financial, investment banking and commercial matters, with particular expertise in consumer retail industries, as well as board and committee level experience at industry institutions.  
Current external appointments: Non-Executive Director and Chair of the Remuneration Committee, Reedst Bendiner Group PLC; Non-Executive Director and Chair of Audit Committee, Burberry Group plc; Current external appointments: Non-Executive Director, Tesco Bank; Chief Financial Officer, Marks & Spencer Group plc; AEG; Non-Executive Director, Games Workshop plc; Group Finance Director, WH Smith PLC; Chief Executive, Thomas Cook UK

11. Ireena Vittal  
Non-Executive Director  
Nationality: Indian  
Appointed: Non-Executive Director: October 2020  
Key strengths: Brings a wealth of FMCG experience from a career in executive consulting with a focus on consumer sectors and emerging markets, including India, as well as broad experience in non-executive board roles in the UK and India.  
Current external appointments: Non-Executive Director, Compass Group PLC; Non-Executive and Lead Independent Director, Godrej Consumer Products Limited; Non-Executive Director, Asian Paints Limited  
Previous relevant experience: Head of Marketing and Sales, Hutchinson Max Telecom; Partner, McKinsey and Company; Non-Executive Director, Wipro Limited; Housing Development Finance Corporation Limited; Titan Company Limited; Tata Global Beverages Limited, Tata Industries, GlassSmirth &line Consumer Healthcare
Executive Committee

Expertise and diversity

1. Ewan Andrew
   President, Global Supply Chain & Procurement and Chief Sustainability Officer
   Nationality: British
   Appointed: September 2019
   Previous Diageo roles: Supply Director, International Supply Centre; Senior Vice President, Supply Chain & Procurement, Latin America and Caribbean; Senior Vice President Manufacturing & Distilling, North America; various supply chain, operational management and procurement roles.
   Current external appointments: Member, Scotch Whisky Association Council, Scottish Business Climate Collaboration Board, One Planet Business for Biodiversity Board

2. Soraya Benchikh
   President, Europe
   Nationality: French
   Appointed: January 2023
   Previous Diageo roles: Managing Director, Northern Europe
   Previous relevant experience: Brand CEO and Area Director, East and Southern Africa, President, France and Regional Finance Director, Europe, British American Tobacco

3. Alvaro Cardenas
   President, Latin America and Caribbean
   Nationality: Colombian
   Appointed: January 2021
   Previous Diageo roles: Managing Director, Andean Region; Director, End-to-End Global Commercial Processes; Finance Director, South East Asia Region; PUB (Paraguay, Uruguay and Brazil) Region, Andean Region, Colombia

4. Cristina Diezhandino
   Chief Marketing Officer
   Nationality: Spanish
   Appointed: July 2020
   Previous Diageo roles: Global Category Director, Scotch & Managing Director, Reserve Brands; Managing Director, Caribbean and Central America; Marketing & Innovation Director, Diages Africa; Category Director, Scotch Portfolio & CMO, Global Brand Director, Johnnie Walker
   Previous relevant experience: Corporate Marketing Director, Allied Domeq Spain; marketing roles, Unilever HPC US, UK and Spain

5. Daniel Mobley
   Global Corporate Relations Director
   Nationality: British
   Appointed: June 2017
   Previous Diageo roles: Corporate Relations Director, Europe
   Previous relevant experience: Regional Head of Corporate Affairs, India & South Asia, Regional Head of Corporate Affairs, Africa, Group Head of Government Relations, Standard Chartered; extensive government experience including in HM Treasury and Foreign & Commonwealth Office

6. Hina Nagarajan
   Managing Director and CEO of United Spirits Limited
   Nationality: Indian
   Appointed: July 2021
   Previous Diageo roles: CEO-Designate, United Spirits Limited; Managing Director, Africa Regional Markets
   Previous relevant experience: Managing Director, China & SVP North Asia, Reckitt Benckiser; General Manager, Malaysia & Singapore, Reckitt Benckiser; CEO & MD, Mary Kay India; senior marketing and general management roles, ICICI India and Nestle India

7. Dayalan Nayager
   President, Africa
   Nationality: South African/British
   Appointed: July 2022
   Previous Diageo roles: Managing Director, Great Britain and Ireland, Reckitt Benckiser; Global Travel; Regional Director, Global Travel Europe; Commercial Director, South Africa; Customer Marketing Director, South Africa; Key Account Director, South Africa

8. John O’Keeffe
   President, Asia Pacific & Global Travel
   Nationality: Irish
   Appointed: July 2021
   Previous Diageo roles: President, Africa & Beer; CEO and Managing Director, Guinness Nigeria; Global Head, Innovation; Global Head, Beer and Baileys; Managing Director, Russia and Eastern Europe; various management and marketing positions

9. Louise Prashad
   Chief HR Officer
   Nationality: British
   Appointed: January 2022
   Previous Diageo roles: Global Talent Director; Talent Director, Africa; HR Director, Europe, West Latin America and Caribbean; Global Functions
   Previous relevant experience: various HR roles, Stakis Group and Hilton Hotels

10. Claudia Schubert
    President, North America
    Nationality: American
    Appointed: October 2022
    Previous Diageo roles: President, US Spirits and Canada; General Manager, Continental Europe; President, US Controls States and Canada; President, Diageo Chateau & Estate Wines
    Previous relevant experience: Boston Consulting Group

11. Tom Shropshire
    General Counsel & Company Secretary
    Nationality: American/British
    Appointed: July 2021
    Current external appointments: Member of the Court (Non-Executive Director), The Bank of England; Trustee, New York University School of Law; Member of the Steering Committee, The Parker Review; Trustee, Charity Projects Limited (Comic Relief), Director, Comis; Relief Limited
    Previous relevant experience: Partner & Global US Practice Head, Linklaters LLP

Debra Crew and Lavanya Chandrashekar are also members of the Executive Committee. Their biographies can be found on page 111.
Enabling our ambition

Corporate governance structure and division of responsibilities

Non-Executive Directors
Melissa Bethell, Valerie Chapouillier, Gregor Deml, Sir John Manzoni, Lady Mandy Mandelson, Alistair Stewart, Irene Vitali and Karen Blackett

The Non-Executive Directors, all of whom the Board has determined are independent, experienced and influential individuals from a diverse range of industries, backgrounds and countries.

• Convene and chair the Board and its Committees
• Convene and chair Board Committees
• Convene and chair meetings of Shareholders
• Convene and chair meetings of the Remuneration Committee

Senior Independent Director
Susan Kelsey

• Chairing the Board
• Convene and chair the Board

Company Secretary
Tom Shopshire

• Provides the Governor with secretarial, governance and other support
• Maintains the Board’s records
• Reviews and approves all minutes of meetings

Chief Executive
Debra Crew

• Develops the group’s strategic direction for consideration and approval by the Board
• Implements the strategy agreed by the Board
• Leads the Executive Committee

Chairman
Jodie Fardis

• Responsible for the operation, leadership and governance of the Board
• Ensures all Directors are fully informed of matters and receives precise, timely and clear information sufficient to make informed judgements
• Sets Board agendas and ensures sufficient time is allocated to ensure effective debate to support sound decision making
• Ensures the effectiveness of the Board

Chief Financial Officer
Loruty Ndonga

• Manages the group’s financial affairs
• Manages the group’s financial capital structure

Board of Directors
Composition of the Board
The Board comprises the Non-Executive Chairman, two Executive Directors, the Senior Independent Director, and seven independent Non-Executive Directors. The biographies of all Directors are set out in this Annual Report on pages 101 and 103. Debra Crew was appointed Chief Executive and Director, effective 8 June 2023.

Inclusion and diversity
The Board sees championing inclusion and diversity as one of the key enablers for achieving the company’s global Human Rights Policy which applies to all employees, subsidiaries, and third-party contractors and which has been implemented as part of the Code programme. Our objective is to maintain and sustain an inclusive and diverse business, across all levels, functions and geographies, in order to create a better working environment and a better performing business. As part of this, the Board has adopted a written Board Diversity Policy alongside Diageo’s Code of Business Conduct and associated global policies, which out Diageo’s broader commitment to inclusion and diversity. Diageo strongly supports diversity within its Board, including gender, age, professional diversity, as well as diversity of thought. The Board is comprised of individuals from a diverse range of skills, industries, backgrounds and regions, which enables a broad evolution of all matters considered by the Board and contributes to a culture of collaborative and constructive discussion. The Board’s objective, as set out in its Diversity Policy, is that it shall include no less than 40% female representation (with the ultimate goal being parity between males and females on the Board); and at least one Director from a minority ethnic group. As at 26 July 2023, women make up 73% of the Board and there are four Directors (36%) who self-disclose as being minority ethnic group. Further information about diversity at Board and senior executive levels can be found on page 125 and in the ‘Our people and culture’ and ‘Champion inclusion and diversity’ sections of the Strategic Report on pages 63, 64 and 67 respectively. The Board’s Diversity Policy is available at https://www.diageo.com/en/our-business/corporate-governance/board-diversity.

Outside interests and conflicts
The Board has adopted guidelines for dealing with conflicts of interest, with Directors’ outside interests being regularly reviewed and reviewed and reported in the Annual Report. In the case of a potential conflict, the Nomination Committee considers the circumstances, approves or disapproves, and makes a recommendation to the Board. The Board confirmed that it was not aware of any situations that may or might give rise to conflicts with the interests of the company, other than those that may arise from Directors’ other appointments as disclosed in their biographies.

Duties of the Board
The Board manages overall control of the company’s affairs with reference to the formal schedule of matters reserved for the Board for decision. The schedule was last reviewed in July 2023 and is available at https://www.diageo.com/en/our-business/corporate-governance. In order to fulfil their duties, procedures are in place for Directors to seek both independent advice and the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters. The Board considers a number of factors when making decisions, including the potential impact of those decisions on various stakeholder groups and an assessment of individual Progress and other non-financial targets, including in respect of the company’s commitment to upholding human rights and environmental sustainability. Further information on the Board and the Audit Committee’s role in climate risk governance can be found on page 72. The terms of reference of Board Committees are reviewed annually and the terms of reference of the Remuneration Committee, which require us to describe, in our Annual Report, our corporate governance from two points of view: the first dealing generally with our application of the Code’s main principles and the second dealing specifically with non-compliance with any of the Code and the rules.

Corporate governance requirements
The principal corporate governance rules applying to Diageo (as a UK company listed on the London Stock Exchange) for the year ended 30 June 2023 are contained in the 2018 UK Corporate Governance Code (the Code) and the UK Financial Conduct Authority (FCA) Listing Rules, which require us to disclose, in our Annual Report, our corporate governance from two points of view: the first dealing generally with our application of the Code’s main principles and the second dealing specifically with non-compliance with any of the Code and the rules.

The two descriptions together are designed to give shareholders a picture of governance arrangements in relation to the Code as a core principle of good practice. A copy of the Code is publicly available on the website of the Financial Reporting Council (FRC), www.frc.org.uk. Diageo’s statement as to compliance with the Code and the rules is contained in this Annual Report. Compliance with the provisions of the UK Listing Rules and of the Code’s Transparency Rules and certain related provisions in the Companies Act 2006 (the Act), Diageo is also listed on the New York Stock Exchange (NYSE), and as such is subject to the applicable rules of this exchange and jurisdiction. For example, Diageo is subject to the listing requirements of the NYSE and the rules of the US Securities and Exchange Commission (SEC), as they apply to foreign private issuers. Compliance with the provisions of the US Sarbanes-Oxley Act of 2002 (SOX), as it applies to foreign private issuers, is continually monitored.

Compliance with US corporate governance rules
Under applicable SEC rules and the NYSE’s corporate governance rules for listed companies, Diageo must disclose any significant ways in which its corporate governance practices differ from those followed by US companies under NYSE listing standards. Diageo believes the following to be the significant areas in which there are differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies. This information is also provided on the company’s website at https://www.diageo.com.

• Basis of regulation: UK listed companies are required to include in their annual report a narrative statement of (i) how they have applied the principles of the Code and (ii) whether or not they have complied with the best practice provisions of the Code. NYSE-listed companies must adopt and disclose their corporate governance guidelines. Certain UK companies are required to include in their annual report statements as to (i) how they have complied with Section 303 of the Act, which requires directors to promote the success of the company for the benefit of the members as a whole, having regard to the interests of stakeholders and (ii) how they have engaged with and taken account of the views of the company’s workforce and other stakeholders.

This year, Diageo compiled throughout the year with the best practice provisions of the Code and the disclosure requirements noted above, other than as described on page 9.

• Director independence: The Code requires at least half the Board (excluding the Chairman) to be independent Non-Executive Directors, as determined by affirmatively concluding that a Director is independent in character and judgement and determining whether there are relationships and circumstances which are likely to affect, or could appear to affect, the Director’s judgement. The Code requires the Board to state its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination. NYSE rules require a majority of independent directors, according to the NYSE’s own ‘brightline’ tests and an affirmative determination by the Board that the Director has no material relationship with the listed company. Diageo’s Board has determined in its judgement and without taking into account the NYSE brightline tests, all of the Non-Executive Directors are independent. As such, currently nine of Diageo’s eleven Directors are independent. Further details of this determination in relation to Alan Stewart, Non-Executive Director and Chairman of the Audit Committee, are set out on page 108.
• Chairman and Chief Executive: The Code requires these roles to be separate. There is no corresponding requirement for US companies. Diageo has a separate Chairman and Chief Executive.
• Non-Executive Director meetings: NYSE rules require Non-Management Directors to meet regularly without management and independent directors to meet separately at least once a year. The Code requires Non-Executive Directors to meet without the Chairman present at least annually to assess the Chairman’s performance. During the year, Diageo has complied with these requirements with independent Non-Executive Directors, including the Chairman, meeting without the Executive Directors present four times and independent Non-Executive Directors meeting without the Chairman or Executive Directors present.
• Board committees: Diageo has a number of Board committees that are similar in purpose and constitution to those required by NYSE rules. Diageo’s Audit, Remuneration and Nomination Committees consist entirely of independent Non-Executive Directors. Under NYSE standards, companies are required to have a nominating/“corporate governance” committee, which develops and recommends a set of corporate governance principles and is composed entirely of independent directors. The terms of reference for Diageo’s Nomination Committee, which comply with the Code, do not contain such a requirement. In accordance with the requirements of the Code, Diageo has disclosed on page 113 the results and means of its annual evaluation of the Board, its Committees, and the Directors, and it provides extensive information regarding the Directors’ compensation in the Directors’ remuneration report on pages 121-153.
• Code of ethics: NYSE rules require a Code of Business Conduct and Code of Ethics to be adopted for directors, officers, and employees, and disclosure of these policies for executive directors or officers. Diageo has adopted a Code of Business Conduct for all Directors, officers, and employees, as well as a Code of Ethics for Senior Financial Officers in accordance with the requirements of SOX. See page 121 for further details.
• Compliance certification: NYSE rules require chief executives to certify that the company is in compliance with its NYSE corporate governance rules. Diageo complies with this as an external private issuer but is required to notify the NYSE if any executive officer becomes aware of any non-compliance with NYSE corporate governance standards. Such no notification was necessary during the period covered by this report.

Structure and division of responsibilities

The Board is committed to the highest standards of corporate governance and risk management, which is demonstrated in its established corporate governance framework, illustrated on page 106. This includes the three Board Committees (Audit Committee, Nomination Committee, and Remuneration Committee), as well as management committees which report to the Chief Executive or Chief Financial Officer (Executive Committee, Finance Committee, Audit & Risk Committee and Finance Aliiance Committee). There is a clear separation of the roles of the Chairman, the Senior Independent Director, and the Chief Executive, and established, set out in writing and approved by the Board. A copy of this is available at https://www.diageo.com/en/our-business/corporate-governance. No individual or group dominates the Board’s decision-making processes.

Further details on the Board Committees can be found in the separate reports from each committee on pages 107-153, and details of the Executive Committee can be found on pages 104-105.

Board skills and experience

Having an appropriate mix of experience, expertise, diversity and independence is essential for Diageo’s Board. Such diverse attributes enable the Board as a whole to provide informed opinions and advice on strategy and relevant topics, thereby discharging its duty of oversight. The Board skills matrix helps to identify the experience and expertise of existing Directors, required skills or competencies, and the strategic requirements of the company. Key skills and relevant experience of each Director are set out on pages 101 and 103, and a matrix of the Board’s current skills and experience is set out below.
What we believe matters most to us
• Health, safety, and wellbeing
• Extreme environments
• Responsible marketing
• Social responsibility and citizenship
• Circle of stakeholders

Reporting to the Board
• Regular updates by the Chief Executive Officer, with input from the Chief Financial Officer through Investor Relations programme
• Monthly reports compiled by Investor Relations team

Governments and Regulators
The regulatory environment is critical to the success of our business
• We share information and perspectives with those who influence policy and regulation to enable them to understand our views on areas that can impact public health and our business

Reporting to the Board
• Terms of material contracts with government regulators
• Special or unusual events
• Reports on macro-economic and socio-political events provided to Board

Upcoming priorities
• Monitoring progress on regulatory developments
• Reporting and monitoring on regulatory developments

Stakeholders and why we engage
The development of strong and positive relationships between Diageo and its external stakeholders is an intrinsic part of our purpose and culture. Our stakeholders include not only business partners such as suppliers and customers, our people, and wider government, consumers and the wider communities in which we operate. As noted in the company’s statement on Page 172 of the Companies Act 2015 set out on page 9, in making their decisions and in discharging their duties to promote the success of the company, the Directors must have regard to the interests of its stakeholders. We have summarised below why our stakeholders are important to us, what we believe their principal interests are and how the Board and company seeks to engage and respond.

Stakeholder and why we engage
Our people
• People are at the core of our business
• We aim to build a trusting, respectful and inclusive culture where people feel engaged and fulfilled
• We want our people to be treated with dignity at work and their human rights respected

What we believe matters most to them
• Motivation and engagement
• Diversity and inclusion
• Learning and development opportunities
• Excellent working conditions

Reporting to the Board
• Monthly reports compiled by Investor Relations team
• Monthly reports provided to the Board
• Reports on macro-economic and socio-political events provided to Board

Upcoming priorities
• Monitoring progress on regulatory developments

Consumers
• Understanding our consumers is critical for our long-term growth
• Consumer motivations, attitudes and behaviours
• Sustainability and societal credentials
• Great experiences
• Responsible marketing
• Innovation in heritage brands and creation and nurturing of new brands

What we believe matters most to them
• Choices for brands for different occasions, including no- or lower-alcohol
• Innovation in heritage brands and creation and nurturing of new brands
• Sustainable and socially aware consumers
• Price

Reporting to the Board
• Regular reports from workforce engagement programmes
• Reports prepared as part of the Annual Strategy Conference

What we believe matters most to them
• A portfolio of leading brands that meets evolving consumer preferences
• Identification of opportunities that offer profitable growth
• Insights into consumer behaviour and change trends
• Trusted product quality
• Innovation, promotional support and merchandising
• Availability and reliable supply and sourcing
• Technical expertise
• Consumer insights

Reporting to the Board
• Regular performance updates by the Chief Executive Officer on key consumer trends
• Regular updates by Business Development and Innovation teams on organic and inorganic growth

What we believe matters most to them
• A broad portfolio at multiple price points
• Regular review of innovation pipeline and engagement opportunities
• Ensuring efficient delivery of products to customers
• Direct engagement with key customers during market visits

Reporting to the Board
• Regular reports from workforce engagement activities
• Feedback from works councils, employee and workforce forums, community groups, Your Voice and Pulse surveys and townhall meetings

Upcoming priorities
• Ongoing review of portfolio and category participation opportunities
• Developing pipeline of innovation informed by consumer insights
• Enhancing marketing effectiveness through targeted understanding of consumer motivation

How the Board seeks to engage
• Active dialogue maintained throughout the year as part of the Board’s ongoing workforce engagement programme
• Theatre visits to offices, production and supply chain sites during the year
• Indirect engagement through feedback from works councils, employee and workforce forums, community groups, Your Voice and Pulse surveys and townhall meetings

How the Board seeks to engage
• Monitoring consumer behaviour, motivations and insights
• Reporting as part of the Annual Strategy Conference
• Regular updates by the business on workforce engagement activities

Upcoming priorities
• Ongoing review of innovation pipeline and engagement opportunities
• Establishing and nurturing of new brands
• Review of innovation pipeline and engagement opportunities
• Enhancing relationships between the company and its customers through engagement opportunities

How the Board seeks to engage
• Periodic review of supply chain footprint in key markets to ensure resilience and flexibility, monitoring environmental impacts and efficiencies
• Review and approval of material supply and procurement contracts including for critical raw materials
• Support in improving supplier relationships
• Enhancing relationships with key customers during market visits

How the Board seeks to engage
• Setting targets and monitoring progress on broader societal matters, including promoting positive drinking, inclusion and diversity
• Considering the environmental and socio-economic consequences for communities of its key decisions, including encouraging inclusion and diversity, equal employment opportunities, skills development and support for communities and wider value chains

How the Board seeks to engage
• Regular engagement by key investors and Chief Executive and Chief Financial Officer through Investor Relations programme of events
• Hosting investor event such as the Diageo Shareholders’ Day in June 2023
• Attendance at the Annual General Meeting in October 2023

How the Board seeks to engage
• Regular engagement between key investors and Chief Executive and Chief Financial Officer
• Reporting to the Board
• Regular reports compiled by Investor Relations team
• Reporting to the Board
• Monthly reports compiled by Investor Relations team
• Reports on macro-economic and socio-political events provided to Board

Upcoming priorities
• Monitoring progress on regulatory developments

Upcoming priorities
• Monitoring progress on regulatory developments

What we believe matters most to them
• Impact of our operations on the local economy
• Access to skills development, employment and supplier opportunities
• Inclusion, diversity and talent inclusivity at all levels
• Responsible use of natural resources, biodiversity and sustainability
• Supporting management in improving supplier relationships

What we believe matters most to them
• Strong, mutually beneficial partnerships
• Strategic alignment and go-to-market opportunities
• Fair contract and payment terms
• Collaboration to make innovation happen
• Fair, responsible and transparent supply chains
• Joint risk assessment and mitigation

Upcoming priorities
• Continuing focus on role of supply chain risk register
• Monitoring impact of supply chain disruption on operations, including for critical raw materials

Upcoming priorities
• Continuing focus on role of supply chain risk register
• Monitoring impact of supply chain disruption on operations, including for critical raw materials

Suppliers
• Our suppliers, service providers and agencies are experts in their fields
• We rely on them to deliver high-quality products and market responsibly
• We collaborate with them to improve our collective impact, ensure sustainable and resilient supply chains, and make positive contributions to society

What we believe matters most to them
• Sustainable and socially aware suppliers
• Customer focus, opportunities and risks
• Financial performance
• Corporate governance
• Leadership credentials, experience and succession
• Sustainable and socially aware suppliers
• Customer focus, opportunities and risks
• Financial performance
• Corporate governance
• Leadership credentials, experience and succession

Shows how the Board seeks to engage
• Direct engagement with key customers during market visits
• Indirect engagement through feedback from works councils, employee and workforce forums, community groups, Your Voice and Pulse surveys and townhall meetings

How the Board seeks to engage
• Indirect engagement through feedback from works councils, employee and workforce forums, community groups, Your Voice and Pulse surveys and townhall meetings

How the Board seeks to engage
• Systematic, opportunistic and risk
• Financial performance
• Corporate governance
• Leadership credentials, experience and succession
• Sustainable and socially aware suppliers
• Customer focus, opportunities and risks

What we believe matters most to them
• Joint risk assessment and mitigation
• Joint risk assessment and mitigation
• Joint risk assessment and mitigation
• Joint risk assessment and mitigation
• Joint risk assessment and mitigation

Upcoming priorities
• Joint risk assessment and mitigation
• Joint risk assessment and mitigation
• Joint risk assessment and mitigation
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Upcoming priorities
• Joint risk assessment and mitigation
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Upcoming priorities
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Upcoming priorities
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How the Board seeks to engage
• Setting targets and monitoring progress on broader societal matters, including promoting positive drinking, inclusion and diversity
• Considering the environmental and socio-economic consequences for communities of its key decisions, including encouraging inclusion and diversity, equal employment opportunities, skills development and support for communities and wider value chains

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Principal Board decision – Transforming our business processes and systems

In May 2022, the Board approved the commencement of a multi-year project with the aim of improving both our business processes and upgrading its financial systems and technology. This project is expected to be a significant business change programme introducing more intuitive business processes and technology, to provide better access to data and information in order to enable quicker and more informed decision making. As expected, the implementation over a five-year period, has been designed to enhance Diageo’s business resilience and control environment through simplifying and standardising ways of working across its functional domains. A key part of the project will be the transition to a cloud-based enterprise resource planning platform, SAP S/4 HANA, which will be introduced in a phased approach to-day business activities, enabling the flow of data between the group’s business processes in a way that reduces duplication and provides data integrity. During the course of fiscal 23, the progress of the project has been monitored by both the Board and Audit Committee due to its importance to the company’s controls and reporting capabilities. For example, at its meetings in January 2023 and April 2023 the Audit Committee reviewed reports from the project team and supervised key decisions. These included the appropriate timing and phasing of rollout of the project, the need to standardise controls of end-to-end process ownership through a global process ownership model, the establishment of appropriate governance structures for the project, and the selection and engagement of key third-party suppliers and partners for implementation.

The Board has also considered a number of broader interdependencies between this project and other matters, including its relationship with the company’s culture and values, and the impact of the project on the scope of work of certain other functions. One related matter that was considered is the movement of the group’s functional currency to US dollar which took effect from 1 July 2023, as noted on page 36. As it was important to ensure that the company’s reporting systems were capable of supporting currency conversion, the Board was kept informed of the work being undertaken to prepare the company’s reporting systems to minimise any disruption and ensure a smooth transition. As a result, when the functional currency change took effect, the Board approved go live of the systems change and approved a change in the functional currency to US dollar to provide a better alignment of the reporting of Diageo’s performance with its business expenses. The Board has also decided that commencing with the first quarter of financial year 2024 and paid in April 2024, it intends to declare future dividends denominated in US dollar but that, subject to the relevant resolutions 2024 and paid in April 2024, it intends to declare future dividends that commencing with the interim dividend to be declared in January 2024 and paid in April 2024, it intends to declare future dividends denominated in US dollar that, subject to the relevant resolutions being passed at the forthcoming annual general meeting to be declared in January 2024 and paid in April 2024, it intends to declare future dividends denominated in US dollar but that, subject to the relevant resolutions being passed at the forthcoming annual general meeting to be declared in January 2024 and paid in April 2024, it intends to declare future dividends denominated in US dollar but that, subject to the relevant resolutions being passed at the forthcoming annual general meeting to be declared in January 2024 and paid in April 2024, it intends to declare future dividends denominated in US dollar but that, subject to the relevant resolutions being passed at the forthcoming annual general meeting to be declared in January 2024 and paid in April 2024, it intends to declare future dividends denominated in

Wider stakeholder engagement

Diageo has ambitious goals across a variety of social and environmental targets and has long track record of working with stakeholders to achieve these. For example, the group’s sustainability strategy sets out our ambition to be one of the best performing, most trusted and respected consumer products companies in the world only can be achieved through engagement and partnership with our stakeholders. The Board and its members have engaged directly and indirectly with a number of its key stakeholders during fiscal 23, which has seen continued volatility and uncertainty in many markets and has sought to understand and respond to its stakeholders’ expectations and determining the company’s strategy and goals. These include the following activities:

• During fiscal 23, the Board met with the company’s key customers in North America, discussing their experience of working with Diageo including over the period of the Covid-19 pandemic, how the company’s ‘Raising the Bar’ programme and other support measures assisted them during this period and the impact of inflation and cost-of-living pressures on current consumer trends. The feedback received from customers in the hotel market is also reported to the Board by the Chief Executive in her regular performance summaries. Customer feedback about market trends and competitor activity, as well as an assessment of the company’s portfolio, is an important input into the company’s customer insights tools which are used as a basis for guided forecast, customer development and marketing initiatives.

• The Board has continued its annual cycle of visits to different Diageo offices, including Diageo’s offices in Scotland, in November 2022 for a multi-day meeting including an in-depth discussion of company strategies and future direction within the company’s scotch whisky business. Meeting a broad group of employees supporting the production and distribution businesses enabled a deep understanding of the complexity of long-term forecasting and demand planning on production and maturation timelines for aged liquids. This discussion was also relevant to the Board’s consideration of significant capital investment in our supply chain including in barley supply and maltings capacity, where learnings from our supply sides in Scotland can be applied in relation to developing our supply capacity in other markets, including for example in respect of tequila production in Mexico.

• The Board’s workforce engagement programme is a well-established process with regular engagement sessions held with different parts of the global workforce over the course of the year, involving all Non-Executive Directors. These sessions provide Non-Executive Directors with increased insight into the diversity of experience and culture within the company, which are then fed back to the company’s engagement teams and used to shape our approach to people. See page 74 for this year’s workforce engagement statement. Further details of the programme.

• Engagement with investors and analysts has remained a focus during fiscal 23, with a programme of regular meetings, calls and other engagement activities coordinated by the Investor Relations function. Highlights include participation by Board members, including the former current Chair and Executive Directors and the CFO, alongside other senior executives at the annual Investor Analyst Roadshow. There were 270 contacts with US investors and 156 outside US, consistent with the company’s functional currency and management focus on US and Asia, respectively.

• The implications of the company’s change in third parties and customers, including customer and vendor lifecycle management processes, product sales reporting and returnable packaging management.

Performance evaluation

With the assistance of the Company Secretary, the evaluation of the Board’s effectiveness, including the effectiveness of the Board’s committees, was concluded at the Directors’ meeting on 1 December 2022 to January 2023. The purpose of the evaluation was to review and evaluate how the Board and its Committees operate as measured against current best practice corporate governance principles framed by reference to Principle P1 and Provisions 21, 22 and 23 of the Code. This year’s evaluation was an internally managed process, comprising an online questionnaire for all Directors to complete, designed to gather an assessment of the level of satisfaction with specific areas and to enable excessive or under-represented areas of evaluation focused on Directors’ views on these areas, being (i) Board composition, balance and performance, (ii) Board and Committee topics, support and provision of information, and (iii) Committees’ effectiveness and performance. Responses to questions were sent to the Chairman of the Board and relevant parts of the Committees were also submitted to the respective Committee Chairmen. Following receipt of responses on the evaluation on the Chairman, the Senior Independent Director held a meeting with the Directors without the Chairman present to provide feedback in relation to the Board’s performance. The results of the evaluation were reviewed by the Board at its meeting in January 2023 at which various actions were agreed to be taken. It is the Board’s intention to continue to review annually its performance and that of its Committees and individual Directors, with such evaluation being carried out by an external facilitator every three years. The evaluation will be undertaken in 2023 will be carried out by an external facilitator every three years. The evaluation will be undertaken in 2023 will be carried out by an external facilitator every three years.
Workforce engagement statement

At Diageo, creating an inclusive culture and an environment where people can openly share their views and feel listened to is key to sustaining high levels of engagement and remaining a great place to work.

To help us understand colleagues’ experiences at Diageo, we listen to their views using formal and informal channels. Diageo’s Workforce Engagement programme is an important way for the Board to gather employee insights and feedback on key topics, including culture, strategy and ways of working. It is also a valuable opportunity for teams to have direct access to members of the Board.

Diageo’s Chairman has acted as Non-Executive Director designated to workforce engagement over the past four years. In fiscal 23, together with all Non-Executive Directors, twelve sessions were held with 948 colleagues across all regions, functions and organisational levels.

Sessions have been highly engaging, with the Chairman and Non-Executive Directors. Volunteering open conversations. These have highlighted many positive aspects of Diageo’s culture, as well as areas of opportunity.

The themes emerging from these workforce engagement discussions are:

- Colleagues shared their pride in working for Diageo and attributed this to the company’s advantaged culture, which connects them with Diageo’s purpose and brands, as well as the quality of leadership and management’s focus on performance.
- Diageo’s ongoing commitment to Society 2030: Spirit of Progress targets, including a leadership approach to inclusion and diversity, as well as an embracement of the business in the right way were positive highlights in the discussions.
- The culture of talent across the business is seen as a strength and colleagues spoke positively about learning and career development.
- Overly complex systems and processes were highlighted as barriers that can at times prevent colleagues from operating in the most efficient way. Improvements are being felt, and colleagues spoke positively of Diageo’s investment to invest further in this area, including Diageo’s recently announced five-year investment into the digital transformation.

Colleagues acknowledged positive shifts that are helping to speed up decisions, such as stronger cross-market collaboration, freedom to learn and learn quicker decision-making.

These themes were also reflected in this year’s strong engagement results seen in the global employee survey. Your Voice, which engages employees of all levels from 84% to 94%, and pride in working for Diageo is at all-time high at 91%.

Insights gathered from workforce engagement sessions held by the Board, alongside broader listening tools such as Your Voice survey, have helped to listen and respond to the perspectives of our employees, as well as identify specific areas to further enhance our workforce engagement experience.

In this coming year, Karen Blackett has taken over accountability as the designated Non-Executive Director for workforce engagement. Karen, along with all other Non-Executive Directors, will continue to engage in meaningful conversations with a wide range of colleagues to help shape our culture, policies and ways of working, and ensure these insights help to inform the Board’s decision-making.

Purpose, values and culture

The Board is responsible for establishing Diageo’s purpose, values and culture and for monitoring how embedded that culture is within our business. Diageo’s culture is strongly resonant with our employees, as indicated by the Board’s engagement sessions with Diageo employees through the annual employee surveys. We are very conscious that Diageo must operate with the highest standards of governance, doing business the right way, from top to bottom. This principle is embedded in our Code of Business Conduct and global policies, aligned with our ‘Society 2030: Spirit of Progress’ goals.

Our workforce engagement transitioned from the Chairman to Karen Blackett. For more on workforce engagement, see pages 116.

Workforce engagement programme

Insights drawn from the Board’s annual programme of workforce engagement comes from the Board to monitor and assess the culture of the company, with recommendations being fed back to management regularly with workforce engagement being discussed at Board meetings.

The engagement programme has expanded to enable all Non-Executive Directors to participate by directly engaging with employees from a variety of regions, functions and brands. In the first half of 2023, the role of Non-Executive Director with responsibility for workforce engagement transitioned from the Chairman to Karen Blackett. For more on workforce engagement, see pages 116.

Additional information

Internal control and risk management

An ongoing process has been established for identifying, evaluating and managing risks faced by the group. This process, which complies with the requirements of the Code, has been in place for the full financial year and up to the date the consolidated financial statements were approved and audited with the guidance issued by the FRC in September 2016, entitled “Guidance on Risk Management, Internal Control and Related Financial and Non-Financial Reporting.” The Board confirms that, through the activities of the Audit Committee described below, a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity, has been carried out. These risks and their mitigations are set out above in the section of the Annual Report dealing with principal and emerging risks on pages B8-B9.

The Board acknowledges that it is responsible for the company’s systems of internal control and risk management and for reviewing their effectiveness. The Board confirms that, through the activities of the Audit Committee described in its report, it has reviewed the effectiveness of the company’s systems of internal control and risk management. During the year, the Audit Committee considered the nature and extent of the risks that the Board was willing to take to achieve its strategic goals and reviewed the existing internal statement of risk appetite, which had been updated this year by the Executive Audit & Risk Committee, following which the Audit Committee made a recommendation to the Board which was then approved.

The Audit Committee reviews the company’s principal risks regularly throughout the year in accordance with the risk management schedule by management with each such risk being reviewed by management in the Audit & Risk Committee prior to it being considered by the Audit Committee. The Board also regularly reviews emerging and strategic risks as part of its Annual Strategy Conference, held this year in April in New York, from which a number of topics are identified for more detailed review at either the Board or the Audit Committee over the following 12 months.

The company has in place internal control and risk management systems in relation to the company’s financial reporting and the group’s process for the preparation of consolidated accounts. Further, a review of the contents of the company’s public filings and disclosures in the consolidated financial statements and note financial disclosures, is completed by management through the Firms Assurance Committee to ensure that the contents of the company’s interim and preliminary results announcements, Annual Report and Form 20-F appropriately reflect the non-financial and financial position and results of the group. Further details of this are set out in the Audit Committee report on pages 110-112.

Viability statement

In accordance with the Code, the Board has also considered the company’s long-term viability, based on a robust assessment of its principal and emerging risks. This was done through the work of the Audit Committee which recommended the Viability Statement to the Board. For further information about how the Board has reviewed the long-term prospects of the group, see page 94.

Going concern

Management prepared cash flow forecasts which were also sensitised to reflect severe but plausible downside scenarios taking into consideration the group’s principal risks. In the base case scenario, management included assumptions for mid-single digit sales growth, operating margin improvement and global TSB market share growth. In light of the ongoing geopolitical volatility, the base case outlook and severe but plausible downside scenarios incorporated considerations for a prolonged global recession, supply chain disruptions, higher inflation and further geopolitical deterioration. Even under these scenarios, the group’s liquidity is still expected to remain strong, as it was protected by issuing €500 million of fixed rate euro and $2 billion of fixed rate dollar-denominated bonds in the year ended 30 June 2023. Mitigating actions, should they be required, are all within management’s control and could include reductions in discretionary spending such as acquisitions and capital expenditure, as well as a temporary suspension of the share buyback programme and dividend payments in the next 12 months, or drawer rate on certain facilities. Having considered the outcome of these assessments, the Directors are confident that the company is a going concern for at least 12 months from the date of signing the group’s consolidated financial statements.

Political donations

This year has seen Diageo contribute money for political purposes in the United Kingdom and made no donations to EU political organisations and incurred no EU political expenditure during the year. The group made contributions to UK political parties of £0.5 million during the year (2022: £0.64 million). These contributions were made almost exclusively to federal and state candidates, state political parties and federal leadership committees in North America (consistent with applicable laws), where it is common practice to make political contributions. No particular political persuasion was supported and contributions were made with the aim of promoting a better understanding of the group and its views on commercial matters, as well as a generally improved business environment.
Corporation governance report continued

Directors’ responsibilities in respect of the Annual Report, Form 20-F and financial statements
The Directors are responsible for preparing the Annual Report, the information filed with the SEC on Form 20-F and the group and parent company financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the group consolidated financial statements in accordance with UK-adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 ‘Reduced Disclosure Framework’, and applicable law). In preparing the group consolidated financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs issued by IASB) and United Kingdom Accounting Standards, comprising FRS 101 ‘Reduced Disclosure Framework’ and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the group; the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 ‘Reduced Disclosure Framework’ and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the parent company; and the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In accordance with section 418 of the Companies Act 2006, each of the Directors who held office at the date of the approval of the Directors’ report confirm that, so far as they are aware, there is no relevant audit information of which the group’s and parent company’s auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group’s and parent company’s auditors are aware of that information.

The responsibility statement was approved by a duly appointed and authorised committee of the Board of Directors on 31 July 2023.

Directors’ confirmations
The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group’s and parent company’s position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 101 and 103 confirm that, to the best of their knowledge:

- the group consolidated financial statements, which have been prepared in accordance with UK-adopted international accounting standards, IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 ‘Reduced Disclosure Framework’ and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the parent company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

Role and composition of the Audit Committee
The role of the Audit Committee is fully described in its terms of reference, which are available at https://www.diageo.com/en/our-business/corporate-governance. The members of the Audit Committee are independent Non-Executive Directors being Alan Stewart (Chairman), Sir John Manzoni, Valérie Chapoulaud-Floquet, Michael Blacket, Susan Kirby, Valérie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn and Ireena Vittal. The Chairman of the Board, the Chief Financial Officer, the General Counsel & Company Secretary, the Group Controller, the Head of Global Audit & Risk (GAR), the Chief Business Integrity Officer, the General Counsel Corporate, the Group Chief Accountant and the external auditor regularly attend meetings of the Committee. The Audit Committee met privately with the external auditor, the Chief Business Integrity Officer and the Head of GAR regularly during the year. During the course of the year, the Committee met five times and its duly appointed subcommittee met once. Details of attendance of all Board and Committee meetings by Directors are set out on page 99.

Auditor report

Ensuring integrity across the business

The Committee has also supervised progress in relation to a business transformation project which the company is commencing this year and which, once implemented, will enhance the company’s internal reporting, systems and data management capabilities. Further details of this project are set out on page 112.

Over the past few years, we have been closely following proposed regulatory and reporting changes, including changes to the UK corporate governance and audit regimes, implications of future EU reporting requirements with regard to corporate sustainability and supply chain due diligence, and developments in US disclosure requirements in relation to climate change. This year the Committee has supervised how the company is responding to and preparing for these changes, in particular focusing on its approach as to the development of internal processes and capabilities for the validation and assurance of externally reported information in anticipation of drafting an audit and assurance policy. The company has also taken further steps this year to integrate its financial and non-financial disclosure processes to improve consistency and robustness in reporting with oversight by the Committee. We have also commenced an audit services tender process during fiscal 23 which we expect to complete before the end of the current year.

The performance of the Audit Committee was again evaluated this year and I am pleased to note that feedback from Directors indicated very strong satisfaction with the Committee’s performance. The Committee remains committed to continuing to discharge its duties effectively and diligently during fiscal 24.

Alan Stewart
Chairman of the Audit Committee

Reporting and financial statements
During the year, the Audit Committee reviewed the interim results announcement, including the interim financial statements, the Annual Report and associated preliminary results announcement and Form 20-F, focusing on key areas of judgement and complexity, critical accounting policies, disclosures (including those relating to contingent liabilities, climate change and principal risks), viability and going concern assessments, provisioning and any changes required in these areas or policies. The Audit Committee has also focussed in particular on the company’s approach to assurance and internal approvals processes. The company has again looked to develop its non-financial reporting in a manner that enhances consistent with the financial reporting and throughout the Strategic Report, including in relation to compliance with the recommendations of the Task Force on Climate-related Financial Disclosures.
AUDIT COMMITTEE REPORT continued

Diageo Annual Report 2023

This year the Committee has also had oversight of management’s transformation project to improve Diageo’s internal processes and upgrading its financial system, with a particular focus on its impact on the company’s controls and reporting capabilities. The impact of the change in the company’s functional and presentation currency, which took place in January 2023, was also considered by the Committee. Further details of this project are set out on page 112.

The company has in place internal control and risk management systems in relation to the preparation of the consolidated financial statements and the draft Annual Report is completed by the Filings Assurance Committee (FAC) to ensure that the financial and results of the group are presented fairly. In addition to reviewing draft financial statements for publication at the half and full year, the FAC is responsible for examining the company’s financial and non-financial information and disclosures, the effectiveness of internal controls related to financial and non-financial reporting and disclosures, legal compliance issues and determining whether the company’s disclosures are accurate and adequate. The FAC comprises senior executives such as the Chief Executive, the Chief Financial Officer, the General Counsel Corporate & Deputy Company Secretary, the Group Controller and the Audit Committee’s Chair, the Relations of the Head of GAR and the Chief Business Integrity Officer. The company’s external auditor also attends meetings of the FAC. The Audit Committee reviewed the work of the FAC and a report on the conclusions of the FAC process was provided to the Audit Committee by the Chief Financial Officer.

Diageo has carried out a tender process, under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officer, of the effectiveness of the design and operation of the internal control system. In 2023, as of 30 June, 2023, Diageo’s disclosure controls and procedures were effective. As part of its review of the company’s Annual Report and associated disclosures, the Audit Committee has considered whether the report is ‘fair, balanced and understandable’ and provides the information necessary for shareholders to assess the company’s performance, business model and strategy. The effectiveness of the internal control system is assessed through reports presented by the auditor to the Audit Committee during the year, in January, and year-end, in July. Following completion of the audit process, feedback on its effectiveness was provided through review meetings with the company’s finance team and management and completion of questionnaires, in advance of management and the auditor providing assessments of auditor effectiveness and quality to the Audit Committee for consideration at its meeting in December. The audit was updated to ensure more focus on the extent to which the auditor had challenged management. The auditor’s assessment is undertaken based on guidance issued to audit committees by the FRC in April 2016 and draft Minimum Standards for Audit Committees published by the FRC in November 2022, and includes consideration of the findings of the FRC’s Audit Quality Review undertaken by the FRC in 2021. The FRC’s 2019-20 regulatory review carried out by the PCAOB and the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales, as well as benchmarking of the auditor as against its peers. In this year’s assessment, the overall satisfaction with PwC’s performance was rated as solid, remaining broadly flat as compared to the prior year. Decreases from the prior year resulted from two issues, being the audit process in relation to hyperinflation in Turkey and the audit of certain UK subsidiaries. Consistent strong feedback was provided as to auditor independence, quality control processes, professional expertise, business knowledge and its attitude towards making significant judgements and management, which was consistent with the prior year’s assessment. Simon Jourdain’s disclosure controls include regular feedback on audit matters, better alignment in internal communication, resources and use, proactivity in ensuring efficiency, provision of best practice examples of processes and controls, and transparency on audit activities throughout the year. It was concluded that the relationship between the company and the external auditor was strong and open, with open and clear communications on areas and views which were understood by the FRC. During the external audit, the auditor challenged management on its approach taken to impairment testing, including in relation to the impairment testing of equity method investments in India and Turkey, and other judgemental matters such as the audit of tax balances. The auditor also challenged management while preparing the Annual Report in relation to whether disclosures as to the impact of certain risks in the financial statements were sufficient and consistent with the rules and disclosed in the Strategic Report and where there was sufficient balance in the group’s understanding of these management assertions. The Audit Committee which sought additional evidence from management in support of their assessments, including requesting that independent legal opinions were provided as to certain tax positions.

External auditor independence

The external auditor independence assessment is conducted each year and is not presented in the Annual Report. The Board of Directors provides the Audit Committee with an independent review of the work of the external auditor and how the firm is selected. The Board of Directors assesses the effectiveness of the governance process the threats to independence and the safeguards applied in accordance with the FRC Ethical Standard and US Public Company Accounting Oversight Board rules. These services are set out in full in the policy and are generally those which the external auditor is best placed to provide, which may include reporting required by law or regulation to be performed by the auditor and services where the services are closely linked to audit work and where the auditor’s understanding of the group is relevant to the services. Any FRC permissible service to be provided by the auditor, regardless of the size of the engagement, must be specifically approved by the Audit Committee or its nominated delegate (being the Chairman of the Audit Committee) based on a defined scope of pre-approved services. The policy explicitly specifies the auditor independence review and reporting arrangements for non-audit engagements above the specified threshold of £100,000. Fees paid to the auditor for audit, audit-related and other services are analysed in note 3(b) to the consolidated financial statements. The nature and level of all services provided by the external auditor are factors taken into account by the Audit Committee when it reviews annually the independence of the external auditor. During the year, no non-assurance related services were provided by the external auditor to the company, its subsidiaries or any related entity. From time to time personal services provided to two Non-Executive Directors and the provision of services in connection with the issuance of senior notes by a group company.

Financial expert’, recent and relevant financial experience

The Board has satisfied itself that the membership of the Audit Committee includes at least one Director with recent and relevant financial experience and has competence in accounting and/ or auditing and the sector in which the company operates. The Board has satisfied itself that all members are financially literate and have experience of corporate financial matters. For the purposes of the Code and the relevant rule under SOX, Section 407, the Board has determined that Alan Stewart is independent and may be regarded as an Audit Committee financial expert having financial experience and that all other members of the Audit Committee are independent Non-Executive Directors with relevant financial and sectoral competence. See pages 105 and 106 for further information on the qualifications of Directors.

Internal audit, controls assurance and risk

The company’s internal GAR team undertakes an annual audit and risk plan by delivering a series of internal assurance and audit assignments across a variety of business processes, business units and functions. On the conclusion of each assignment, GAR issues a report on its findings which may also include an overall rating as to the status of the market, process or function being audited, detailed reasoning for the rating and actions to be taken within a specific timeframe. The Audit Committee receives regular reports from the Head of GAR on the latest reports issued.
Business Integrity programmes

Diageo is committed to conducting its business responsibly and in accordance with all laws and regulations to which its business activities are subject. We hold ourselves to the principles in our Code of Business Conduct, which is embedded throughout a comprehensive training and education programme for all employees. Our employees are expected to act in accordance with our values, the Code of Business Conduct and in compliance with applicable laws and regulations. The Audit Committee monitors compliance with the company’s ethical standards through the Business Integrity programme, which helps enhance and protect all aspects of the company’s business. Regular reports are provided to the Audit Committee by the Chief Business Integrity Officer on progress in providing guidance, training and tools for all levels in the business, completion rates for training modules, launch and rollout of new programmes and monitoring of whistleblowing mechanisms and investigating allegations of breaches.

Our Code of Business Conduct, available in 20 languages, sets out what Diageo stands for as a company and how Diageo operates, enabling all employees to understand what is required of them in working for Diageo. Annual training on the Code of Business Conduct and associated policies is mandatory for all managers and their direct reports globally, encompassing over 21,000 eligible employees during the year ended 30 June 2023. Training is delivered in an easily accessible e-learning format, with classroom training delivered to those employees who do not have regular access to a computer. The Code of Business Conduct and other global policies are available at https://www.diageo.com/en/our-business/corporate-governance.

Third-party risk is also managed through our Know Your Business Partner programme, which is designed to help the company evaluate the risk of doing business with a third-party before entering into and during a contractual relationship. Business partners are assessed for potential risks including economic sanctions, bribery and corruption, money laundering, falsification of tax evasion, data privacy and other reputational issues.

Employees and third-party business partners are encouraged to raise concerns about potential breaches of the Code of Business Conduct or policies, either to line managers, legal or HR colleagues, risk, compliance and Business Integrity teams, or to SpeakUp, a confidential whistleblowing mechanism. SpeakUp is a global service administered by an independent provider, accessible online or by telephone. Where legally permitted, it can be used anonymously and reports kept confidential. Allegations are investigated by independent Diageo teams, with progress being monitored by the Business Integrity team. When allegations are substantiated, appropriate disciplinary and corrective actions are taken. The Audit Committee receives and reviews regular reports on allegations, including trends information, root cause analysis and investigation closure rates. Since all of Diageo’s Non-Executive Directors attend the Audit Committee, all Non-Executive Directors who make up the Board routinely review the findings of the company’s whistleblowing processes in accordance with the UK Corporate Governance Code.

Senior financial officers’ code of ethics and dealing code

In accordance with the requirements of SOX and related SEC rules, Diageo has adopted a code of ethics covering its Chief Executive, Chief Financial Officer, and other senior financial officers. During the year, no waivers were granted in respect of, this code of ethics. The full text of the code of ethics is available at https://www.diageo.com/en/our-business/corporate-governance/compliance. Both the Audit & Risk Committee and the Audit Committee regularly review the strategy and operation of the Business Integrity programme through the year.

The company has also adopted a dealing code setting out requirements in relation to dealings in Diageo securities by Directors, Executive Committee members and certain other employees, which is designed to ensure compliance with applicable insider trading and market abuse regulations, in particular the UK Market Abuse Regulation.

Audit and Assurance Policy

During the year management has reviewed its approach to assurance in preparation for drafting and adopting an audit and assurance policy, consistent with the reporting requirements set out in draft legislation proposed by the UK Department for Business and Trade in July 2023. The Committee has reviewed and discussed the principles on which such policy will be based and will continue to monitor management’s development of the policy.

Reported and substantiated breaches

<table>
<thead>
<tr>
<th>Year</th>
<th>Reported</th>
<th>Reported through SpeakUp</th>
<th>Substantiated breaches</th>
<th>Code related breaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>191</td>
<td>487</td>
<td>655</td>
<td>54</td>
</tr>
<tr>
<td>2023</td>
<td>419</td>
<td>629</td>
<td>635</td>
<td>156</td>
</tr>
</tbody>
</table>

Management’s report on internal control over financial reporting

Management, under the supervision of the Chief Executive and Chief Financial Officer, is responsible for establishing and maintaining adequate control over the group’s financial reporting. The Filings Assurance Committee supports the Chief Executive and Chief Financial Officer in ensuring the accuracy of the company’s financial reporting, filings and disclosures. As summarised on page 108, prior to interim reporting and preliminary reporting each year, the Filings Assurance Committee examines the company’s financial information and processes, the effectiveness of its controls in respect of financial reporting, and the contents of its disclosures.

Management has assessed the effectiveness of Diageo’s internal control over financial reporting (as defined in Rules 13(a) (13) and 15d(6)(10) under the United States Securities Exchange Act of 1934) based on the framework in the document ‘Internal Control - Integrated Framework’, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, management concluded that, as at 30 June 2023, internal control over financial reporting was effective. During the period covered by this report, there were no changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of internal control over financial reporting. The same independent registered public accounting firm which audits the group’s consolidated financial statements has performed the effectiveness of the group’s internal control over financial reporting, and has issued an unqualified report thereon, which is included in the integrated audit report which is included in the company’s Form 20-F to be filed with the SEC.

Committee activities

Details of the main areas of focus of the Audit Committee during the year include those summarised below:

<table>
<thead>
<tr>
<th>Area of focus</th>
<th>Activities</th>
</tr>
</thead>
</table>
| Assurance | • Hall and full year external reporting updates  
• Interim and preliminary results review and approval  
• Annual Report and consolidated financial statements, Form 20-F review and approval  
• Implications of group functional and presentation currency change on reporting |
| Internal controls | • GAR updates  
• Controls integrity include breach and reporting update  
• Controls testing update and Section 404 assessment  
• Implications on controls environment of system changes |
| External audit and assurance | • Report on external audit at half and full year periods  
• Insights and observations on reporting review  
• Auditor independence and non-audit work reviews  
• Auditor independence policy review  
• Review of management representation letter  
• Agreements of auditor and review of terms of engagement and fees  
• Auditor performance and effectiveness review and assessment  
• Commencement of auditor tender process  
• Audit regime reform and approach to assurance, preparatory to drafting an audit and assurance policy. |

Key

<table>
<thead>
<tr>
<th>Strategic priorities</th>
<th>Strategic outcomes</th>
</tr>
</thead>
</table>
| Supply chain disruption, counterfeit, product quality, climate change and sustainability, energy, pandemics and business interruption, cyber and IT resilience, pension funding, business transformation and risk reviews. | Efficient growth  
Sustainable growth  
Innovation and growth  
Efficient capital allocation  
Sustainable business model  
Operational excellence. |
Significant issues and judgements

Significant issues and judgements that were considered in respect of the 2023 financial statements are set out below. Our consideration of issues included discussion of the key audit matters as outlined in the appendix to the independent auditors’ report.

Matter considered

The nature and size of any off the line items impacting the quality of the earnings and cash flows.

Item that were to be presented as exceptional

Refer to note 4 of the Financial Statements.

Whether the carrying value of assets, in particular intangible assets, was supportable.

Refer to notes 8, 9, 10 and 13 of the Financial Statements.

Functional currency of Diageo plc and presentation currency of Diageo group.

The Audit Committee agreed that in line with the group’s accounting policy, that sufficient disclosure was provided in the financial statements, and concluded that they were.

The group’s more significant tax exposures and the appropriateness of any related provisions and financial statement disclosures.

The Audit Committee reviewed the methodology applied in conducting impairment assessments and result of management’s impairment assessments that were performed during the year. The Committee was provided with information about the carrying amounts and the key assumptions incorporated in management’s estimate of discounted cash flows of significant assets that are sensitive to key assumptions. The Committee reviewed the key assumptions used in the impairment testing, including management’s cash flow forecasts, growth rates and the discount rate used in value in use calculations and agreed they were appropriate.

The Committee agreed with management’s judgements and conclusions, whereby McIvor’s, some smaller other brands and investments in associates and certain fixed assets have been impaired by £354 million in the year ended 30 June 2023, out of which £330 million was reported as exceptional operating charge. The Committee agreed that the recoverable amount of the company’s other assets was in excess of their carrying value and that appropriate disclosure was provided with respect to assets impaired, and whose value is more sensitive to changes in assumptions.

The appropriateness of the valuation of post employment liabilities, and the recognition of any surplus.

Refer to note 14 of the Financial Statements.

Significant legal matters impacting the group.

The Audit Committee agreed that disclosure of tax risks appropriately addresses the significant change in the international tax environment, and that appropriate provisions and other disclosure with respect to uncertain tax positions were reflected in the financial statements.

The appropriateness of the presentation of results and the recognition of any surplus.

The Audit Committee assessed whether the reporting of those items as exceptional, was in line with the financial statements are consistent with these disclosures.

The group’s more significant tax exposures and the appropriateness of any related provisions and financial statement disclosures.

The Audit Committee reviewed whether the reporting of those items as exceptional, was in line with the group’s accounting policy, and that sufficient disclosure was provided in the financial statements, and concluded that they were.

The appropriateness of the valuation of post employment liabilities, and the recognition of any surplus.

Refer to note 14 of the Financial Statements.

Significant legal matters impacting the group.

The Audit Committee agreed that disclosure of tax risks appropriately addresses the significant change in the international tax environment, and that appropriate provisions and other disclosure with respect to uncertain tax positions were reflected in the financial statements.

The appropriateness of the presentation of results and the recognition of any surplus.

The Audit Committee assessed whether the reporting of those items as exceptional, was in line with the financial statements are consistent with these disclosures.

The group’s more significant tax exposures and the appropriateness of any related provisions and financial statement disclosures.

The Audit Committee reviewed whether the reporting of those items as exceptional, was in line with the group’s accounting policy, and that sufficient disclosure was provided in the financial statements, and concluded that they were.

The appropriateness of the presentation of results and the recognition of any surplus.

The Audit Committee assessed whether the reporting of those items as exceptional, was in line with the financial statements are consistent with these disclosures.

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 Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Iwaoi Yutaka.

Recruitment and election procedures

The recruitment process for Non-Executive Directors includes the development of a candidate profile and the engagement of a 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.

Championing our talent strategy

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, and members’ processes. Further details, including the review’s conclusions, recommendations and actions as presented to the Board in January 2023, are set out on page 102.

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 Benkhris 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
External appointments
During fiscal 21:
- A preliminary assessment of potential internal candidates and their
  suitability as Chief Executive and step down from the Board on 30 June 2023
  for senior roles which is aligned with the company’s long-term strategic
  CEO succession
  appointments and commitments.
- The Director of the company, taking into consideration their external
  interests, reviewed and updated 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. Director’s 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 will 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. The Nomination Committee had an established process for identifying the most suitable

Prior to fiscal 21 and ongoing thereafter:
- 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 should succeed Sir Ivan Menezes as the company’s next Chief Executive.
- The Nomination Committee recommended that the Board approve the appointment of Debra Crew as Diageo’s next Chief Executive. The
  Remuneration Committee conducted a 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 Debra Crew to the Board;
- 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 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:
- An updated role specification for the Chief Executive was prepared, reviewed and approved by the Nomination Committee. Amongst
  other things, this set the role with regards to leadership capabilities, personal characteristics and key
  experiences, within the context of the performance and culture
  desired in Diageo.

 • A focused assessment of potential 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 21:
- 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.

Proposed appointments
- 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.

President and Executive Director
- The Nomination Committee made a recommendation to the Board that Dr. Paul Polman should retire as President and Executive Director and
  take effect earlier than expected, on 8 June 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.
- The Remuneration Committee conducted a 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 Dr. Paul Polman to the Board;
- the consideration of the talent pipeline for potential new President and
  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 recommendation of the Nomination Committee, the Board
  approved his appointment and announced the transition on 28 March 2023. With the 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 President and Executive Director on 28 March 2023.

Prior to fiscal 21 and ongoing thereafter:
- 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 Dr. Paul Polman should succeed Sir Ivan Menezes as the company’s next President and Executive Director.
- The Nomination Committee recommended that the Board approve the appointment of Dr. Paul Polman as President and Executive Director. The
  Remuneration Committee conducted a remuneration arrangements for the appointment of Dr. Paul Polman and the retirement of Sir Ivan
  Menezes.
- The Board unanimously approved the appointment and a regulatory announcement was released on 28 March 2023.

Induction and training
Our customary induction processes for newly appointed Directors include a series of monthly 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 centers and archives in Scotland.

Introduction programmes for new Directors are tailored to suit the particulars of 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 to

Board and Executive Committee reporting on gender identity or sex

<table>
<thead>
<tr>
<th>Number of Board members</th>
<th>Percentage of the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>30%</td>
</tr>
<tr>
<td>Women</td>
<td>70%</td>
</tr>
<tr>
<td>Not specified/prefer not to say</td>
<td>--</td>
</tr>
</tbody>
</table>

Board and Executive Committee reporting on ethnic background

<table>
<thead>
<tr>
<th>Number of Board members</th>
<th>Percentage of the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>White British or other White (including minority-white groups)</td>
<td>73.6%</td>
</tr>
<tr>
<td>Indian</td>
<td>16.3%</td>
</tr>
<tr>
<td>Other Asian</td>
<td>10.0%</td>
</tr>
<tr>
<td>Black/African/Caribbean/Black British</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other ethnic group</td>
<td>--</td>
</tr>
<tr>
<td>Not specified/prefer not to say</td>
<td>--</td>
</tr>
</tbody>
</table>

Board composition

<table>
<thead>
<tr>
<th>Non-Executive Director tenure</th>
<th>Non-Executive Director diversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 3 years</td>
<td>Male</td>
</tr>
<tr>
<td>3 – 6 years</td>
<td>Female</td>
</tr>
<tr>
<td>6 – 9 years</td>
<td>White European</td>
</tr>
</tbody>
</table>

Executive committee nationality

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>British</td>
<td>22%</td>
</tr>
<tr>
<td>American</td>
<td>19%</td>
</tr>
<tr>
<td>Irish</td>
<td>9%</td>
</tr>
<tr>
<td>Indian</td>
<td>8%</td>
</tr>
<tr>
<td>British/African/Indian</td>
<td>8%</td>
</tr>
<tr>
<td>South African/Indian</td>
<td>8%</td>
</tr>
<tr>
<td>Spanish</td>
<td>8%</td>
</tr>
<tr>
<td>Colombian</td>
<td>8%</td>
</tr>
<tr>
<td>French</td>
<td>8%</td>
</tr>
</tbody>
</table>

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 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.