Annual statement by the *Chairman of the Remuneration Committee*

Dear Shareholder

I am pleased to present the Directors' remuneration report for the year ended 30 June 2023, which contains:

- The updated Directors' remuneration policy, which shareholders are being asked to approve at the Annual General Meeting (AGM) on 28 September 2023; and
- The annual remuneration report, describing how the current Directors' remuneration policy has been implemented during 2023 and how the policy will be implemented in 2024.

Proposed Directors' Remuneration Policy

The Committee has reviewed the current Directors' remuneration policy and determined that it continues to support the company's strategy and will do so for the next three years. The Committee is therefore asking shareholders to approve our current policy, largely unchanged except for a governance enhancement to the post-cessation shareholding requirement, which further improves shareholder alignment. Executive Directors will now be required to hold 100% of their in-service shareholding level (500% of salary for the CEO and 400% of salary for the CFO) for two years post-exit. We have also improved the level of disclosure of our malus and clawback policy.

As well as submitting an updated Directors' remuneration policy for approval at the AGM in September 2023, shareholders are also being asked to approve the rules of the new Diageo Long-Term Incentive Plan (LTIP), as it is close to its 10-year expiry. No significant changes are being proposed to the rules.

During the year, the Committee reviewed the current Directors' remuneration policy. In doing so, it sought to ensure continued alignment with the delivery of business strategy, our ongoing ability to recruit and retain high-quality, international talent and to meet the expectations of our shareholders and the governance community. Consideration was given to the global nature of the business, which includes a large presence in North America and, therefore, the need to compete for talent in a global pool. Attracting and retaining key talent in an increasingly competitive talent pool is critical for our business and, at all levels, Diageo's talent strategy involves a global approach to internal talent mobility. Remuneration is an important aspect of being able to meet our talent objectives.

On behalf of the Committee, I engaged with our largest shareholders and their representatives on the new policy and considered the feedback received, which was positive. We also reviewed market practice trends in the FTSE 30 (excluding financial services) and our global consumer goods peer group. Further, and in line with our remuneration principles, the Committee considered the remuneration arrangements for the workforce globally when reviewing the policy for Executive Directors.

We value the views we have received from our shareholders and the strong support we have had in recent years. Maintaining both the dialogue and the support continue to be important to the Committee.

In this year's report

CEO transition

On 28 March 2023, we announced that Sir Ivan Menezes would retire on 30 June 2023 and Debra Crew would be appointed as the next CEO from the start of fiscal 24. Following the announcement on 7 June 2023 that Sir Ivan had sadly passed away, Debra Crew was appointed to the Board as CEO and Executive Director on 8 June 2023, having taken over as interim CEO on 5 June due to Sir Ivan's deteriorating health.

We set the salary for Debra Crew at $1,750,000, slightly below Sir Ivan's salary. The Committee determined that this salary level reflects Debra's significant relevant experience, which includes a prior CEO position in the United States and four years with Diageo, including time on the Diageo Board as a Non-Executive Director. The Committee considered both the FTSE 30 pay practices, as well as those of our global peer group when determining the appropriate level of pay for our Chief Executive.

The remuneration arrangements for Sir Ivan were approved within the terms of the Directors' remuneration policy and application of the plan rules on death in service. Further details, including exercises of discretion by the Committee, can be found on page 150.

Business performance and employees

As mentioned elsewhere in the Annual Report, Diageo delivered a strong set of 2023 results during a period of economic volatility and continued inflationary pressures. Both organic net sales and organic operating profit growth were within our medium-term guidance and follow two consecutive years of double-digit growth and are reflected in lower annual incentive outcomes this year relative to the prior two years. Over the year, we gained or held market share in markets that total 70% of our net sales value, delivered further expansion of organic operating margin through productivity savings and return on invested capital was 16.3%.

Colleagues across the business have continued to show resilience, agility and commitment during this period of sustained uncertainty. Diageo continues to focus on being market competitive and pro-active in the ways it supports the wellbeing of employees. Employee engagement has remained high again this year at 84%, two point higher than in 2022. Early in fiscal 23, Diageo made a one-time payment of £1,000 gross (capped at 15% of local equivalent annual salary) to all employees below Executive Committee level to recognise their commitment through challenging times. In addition, ongoing monitoring of the cost-of-living in all our geographies has resulted in off-cycle salary increases in countries experiencing the highest inflation. Other measures, such as financial education and progressive benefit policies have been implemented and more detail can be found on page 148.

Incentive outcomes

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

Annual incentive

For the annual incentive, outcomes under the Net Sales (NSV) and Operating Profit (OP) measures were at and just under target respectively and Operating Cash Conversion (OCC) performance fell short of the minimum threshold required. Further detail is provided on page 140. Following a holistic review of business performance in the year, the Committee concluded that the outcome was fair and did not require any adjustment. Our annual incentive also includes Individual Business Objectives (IBOs) and the outcomes are described on page 140.

Once IBO outcomes are included, overall annual incentive payouts for fiscal 23 were 37% of maximum for Sir Ivan Menezes, 35% of maximum for Debra Crew and 36% of maximum for Lavanya Chandrashekar.

Long-term incentives

Strong financial performance over the three-year period, particularly in respect of growth in organic net sales and profit before exceptional items and tax (PBET), free cash flow (FCF) and share price growth of 26% resulted in a vesting outcome of 99% of maximum for the 2020 performance share awards for the prior CEO, the CEO and the CFO and 78% of maximum for the 2020 share options granted to the prior CEO and the CEO. The 2020 performance share awards were the first Diageo awards which included an Environmental, Social and Governance (ESG) component and the outcomes against these measures show solid progress towards Diageo's 'Society 2030: Spirit of Progress' ambition over this first three-year period.

Prior to confirming the vesting of DLTIP awards, the Committee considered whether there was a compelling case to change the formulaic outcome by reviewing overall business performance and the targets set for these awards. For the 2020 DLTIP awards, the Committee was especially cognisant of investor concerns around the potential for windfall gains given the timing of the grant during the Covid-19 pandemic. The Committee considered various factors, including the share price used to calculate the 2020 awards relative to the prior year's price, the stretch of the targets and the performance relative to peers (see page 142 for more detail). The Committee determined that the outcomes were appropriate and aligned to the assessment of Diageo's underlying business performance over the three-year period and made no adjustment to the vesting levels.

The Committee believes that the incentive plans continue to drive the desired behaviours to support the company's values and strategy and that the Directors' remuneration policy has operated as intended in 2023.

The year ahead and alignment of incentives with strategy

The Committee approved a base salary increase of 4% for the CFO, effective 1 October 2023, having reviewed market practice in the FTSE 30 and our global consumer goods peer group. This increase is below the 2023 salary increase budget for employees in the UK, which was 5%. There will be no increase for the CEO, whose next review will be in October 2024.

The structure and performance measures for the annual and long-term incentives remain unchanged for 2024 as these continue to align with the company's strategic priorities. The annual incentive focuses on net sales growth, operating profit (both of which represent critical measures of growth for Diageo) and operating cash conversion (which recognises the criticality of strong cash performance and cash containment, particularly in the current challenging market conditions) and IBOs add focus on individual strategic and financial objectives. The long-term incentive measures reflect key drivers of long-term growth by incorporating organic net sales, organic profit before exceptional items and tax (PBET), free cash flow (FCF), TSR and key ESG measures (greenhouse gas reduction, water efficiency, positive drinking and gender and ethnic diversity).

We were one of the first companies to include ESG measures in a long-term plan back in 2020, and consequently, as our practices evolve, we recognise that KPIs also need to evolve. The Committee believes in setting targets that incentivise the management team to make the right long-term decisions for all stakeholders and the environment. The water efficiency KPI under the 'Society 2030: Spirit of Progress' goals will, from fiscal 24, use an index approach, which links directly to the underlying water efficiency of the two production pillars of distillation and brewing & packaging. This approach reduces sensitivity to product mix compared to the current measure and the methodology used for each pillar is more consistent with what's used by our industry peers (see page 79 for more detail). The water efficiency component of the 2023 LTIP awards reflects the updated water efficiency index KPI.
As described on page 36 we are changing our functional currency from pounds sterling to US dollars from fiscal 24. The Free Cash Flow (FCF) targets for the 2023 DLTIP awards have therefore been set and disclosed in US dollars (see page 153) and the Free Cash Flow (FCF) targets for the in-flight awards have been translated into US dollars in accordance with the agreed methodology (see pages 144 and 146).

In summary

Diageo's resilient performance in another period of broad and sustained uncertainty is reflected in the incentive outcomes and the decisions the Committee has made, which it considers are in line with the company's philosophy of delivering market competitive pay in return for high performance against the company's strategic objectives.

I hope that you will vote in favour of the proposed Directors' remuneration policy and the Directors' remuneration report for fiscal 23 at the AGM on 28 September 2023.

Finally, and importantly, I would like to personally reiterate the sentiment which has been so well expressed elsewhere in this Annual Report about the sad and shocking loss of our CEO, Sir Ivan Menezes, just weeks before his planned retirement. It was a pleasure and an honour to work with Sir Ivan over the years and my thoughts continue to be with his family at this time.

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

Remuneration principles

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

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

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

Delivery of business strategy

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

Creating sustainable, long-term performance

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

Winning best talent

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

Consideration of stakeholder interests

Executives are focussed on creating sustainable share price growth. The requirement to build significant personal shareholdings in Diageo, and to hold shares acquired from long-term incentive awards for two years post-vesting aligns executives and shareholders. Decisions on executive remuneration are made with consideration of the interests of the wider workforce and other stakeholders, as well as the external climate.

Remuneration *at a glance*

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

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

Planned for year ending 30 June 2024	• 4% salary increase for the CFO, below the annual salary budgets for the wider workforce in the United Kingdom • New CEO appointment from 5 June 2023. No salary increase in fiscal 24	• Allowances and benefits unchanged from prior year • Company pension contributions 14% of salary	• Size of annual incentive award opportunity is unchanged from prior year. For fiscal 24, measures are net sales growth, operating profit growth and operating cash conversion, 80% in total weighted equally, with remaining 20% on individual objectives	• Performance measures are net sales growth, relative TSR, cumulative free cash flow, profit before exceptional items and tax and 'Society 2030: Spirit of Progress' measures • Size of long-term incentive award opportunity is unchanged from prior year	• No change to in-employment shareholding requirement • Post-employment shareholding of 100% of in-year shareholding for two years after leaving the company

Implementation in year ended 30 June 2023	• 3% salary increase for the CEO and CFO, slightly below the annual salary budgets for the wider workforce in the United Kingdom and the United States	• Allowances and benefits unchanged from prior year
		• Company pension contribution:
		  • CEO 20% of salary until 1 January 2023, which was then reduced to 14% of salary
		  • CFO 14% of salary
			• Payout of 32.5% of maximum for the financial elements of the plan
			• Total payout of 37.25% of maximum for the prior CEO, 35.38% for the CEO and 36.0% for the CFO
				• Vesting of 2020 performance shares at 98.7% of maximum for Ivan Menezes, and 98.8% of maximum for Debra Crew and Lavanya Chandrashekar
				• Vesting of 2020 share options at 77.5% of maximum for Ivan Menezes and Debra Crew. Lavanya Chandrashekar did not receive share options in 2020
					• As at 30 June 2023, Ivan Menezes' shareholding was 2,728% of salary
					• As at 30 June 2023, Debra Crew's shareholding was 1% of salary (she has until 8 June 2028 to meet her requirement)
					• As at 30 June 2023, Lavanya Chandrashekar's shareholding was 47% of salary (she has until 1 July 2026 to meet her requirement)

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

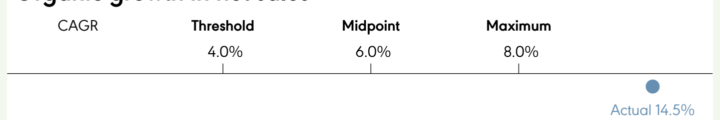
GOVERNANCE REPORT

Pay for performance at a glance

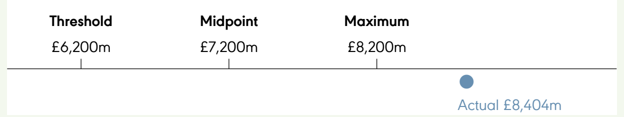
The charts below show performance outcomes against targets for the long-term and annual incentive plans. Targets under both incentive plans are set with reference to Diageo's strategic plan and the historical and forecasted performance of Diageo and its peers.

Long-term incentives (for the period 1 July 2020 to 30 June 2023)

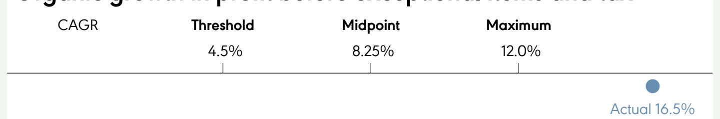
Organic growth in net sales



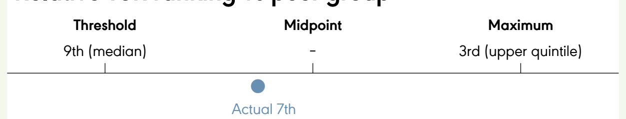
Cumulative free cash flow



Organic growth in profit before exceptional items and tax



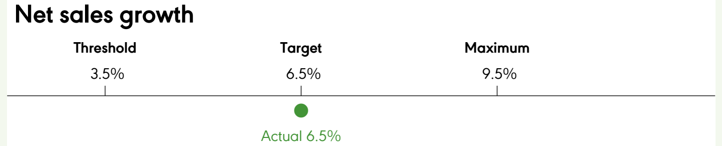
Relative TSR ranking vs peer group



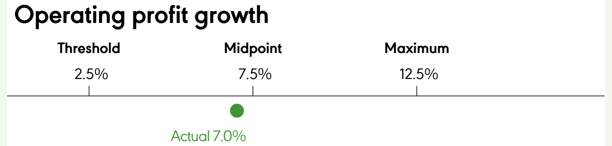
ESG measure	Unit of measurement	Threshold	Midpoint	Maximum	Actual
Carbon reduction	Reduction in greenhouse gas emissions (cum%)	6.3%	10.3%	14.3%	**14.7%**
Water efficiency	Improvement in water efficiency (cum%)	5.8%	8.5%	11.2%	**9.4%**
Positive drinking	Number of people who confirmed changed attitudes on the dangers of underage drinking following participation in a Diageo supported education programme	0.75m	1.00m	1.25m	**2.20m**
Inclusion & diversity	% female leaders globally	41%	42%	43%	**44%**
	% ethnically diverse leaders globally	38%	39%	40%	**43%**

Annual incentive (for the period 1 July 2022 to 30 June 2023)

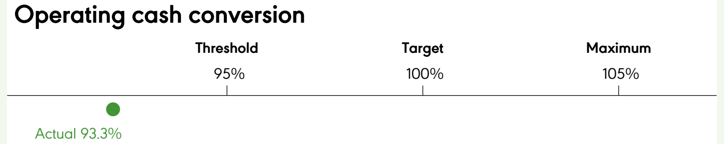
Net sales growth



Operating profit growth

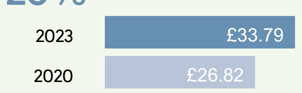


Operating cash conversion



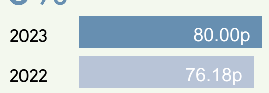
Diageo's share price growth over the period 30 June 2020 to 30 June 2023

26%



Growth in dividend distribution to shareholders in year ended to 30 June 2023

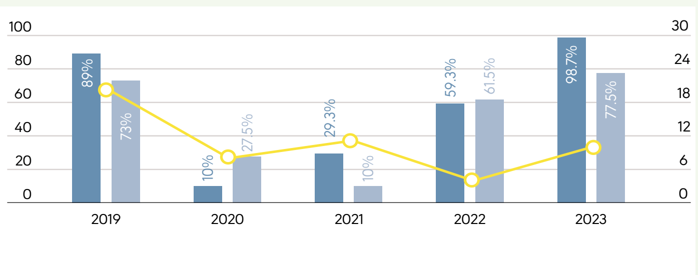
5%



Historic reward outcomes under the annual and long-term incentive plans over the past five years are shown below. Vesting outcomes under the long-term incentive plan are shown against annualised total shareholder return for the three-year period ended in the year of vesting (i.e. annualised TSR for the three years ended 30 June 2023 is shown against the vesting outcome for the 2020 long-term incentive awards vesting in 2023). Outcomes against annual incentive financial measures are shown against organic operating profit growth for each respective financial year, as disclosed in prior-year annual reports.

5-year vesting outcomes of long-term incentives

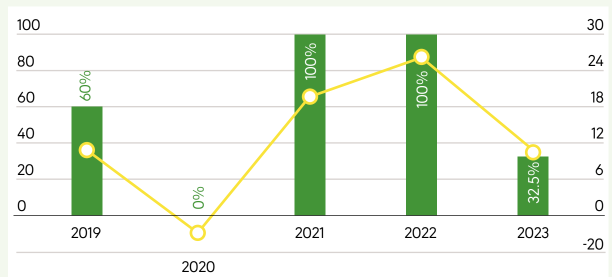
Executive Director vesting outcome (% of maximum) Annualised TSR %



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

5-year history of annual incentive payouts

Payout (% of maximum) Operating profit growth %



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

Remuneration Committee Governance

Remuneration Committee

The Remuneration Committee consists of the following independent Non-Executive Directors: Susan Kilsby, Melissa Bethell, Valérie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart, Ireena Vittal and Karen Blackett. Susan Kilsby is the Chair of the Remuneration Committee and also the Senior Independent Director. The Chairman of the Board and the Chief Executive are invited to attend Remuneration Committee meetings, except when their own remuneration is being discussed. The Chief Human Resources Officer and Global Performance and Reward Director are also invited by the Remuneration Committee to provide their views and advice. The Chief Financial Officer may also attend to provide performance context to the Committee during its discussions about target setting and incentive outcomes. The Remuneration Committee's terms of reference are available in the corporate governance section of the company's website and on request from the Company Secretary.

The Remuneration Committee is responsible for all executive remuneration decisions throughout the year, which includes setting financial targets for the annual and long-term incentive plans and the outcomes under these plans. During fiscal 23, the Remuneration Committee also reviewed the Directors' remuneration policy and consulted with Diageo's largest investors in preparation for seeking shareholder approval at the 2023 AGM, as well as the CEO transition arrangements and the death-in-service remuneration arrangements following the sad passing of Sir Ivan Menezes. The Committee considered the remuneration policy and practices in the context of the principles of the Corporate Governance Code, as follows:

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

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

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

Predictability – the pay opportunity under different performance scenarios is set out on page 136 of this report;

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

Alignment with culture – non-financial objectives may be incentivised under the individual business objective element of the annual incentive plan and 'Society 2030: Spirit of Progress' (ESG) priorities are incentivised under the long-term incentive plan, which reinforces the company's purpose and values. The design of remuneration and the measures used, reflect Diageo's culture.

External advisors

During the year ended 30 June 2023, the Remuneration Committee received advice on Directors' remuneration from both Deloitte and FIT. FIT was appointed as the Committee's new external advisor in October 2022.

The fees paid to Deloitte in fiscal 23 (until the end of their appointment) for advice provided to the Committee were £33,900. The fees paid to FIT in fiscal 23 since their date of appointment were £114,265. All fees were determined on a time and expenses basis.

The Committee is satisfied that FIT's (and previously Deloitte's) engagement partners, and the teams that provide remuneration advice to the Committee, have no connections with Diageo that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. Deloitte provided and continues to provide unrelated services to the company in the areas of immigration and management consultancy. FIT does not provide Diageo with any other services. Deloitte and FIT are founder members of the Remuneration Consultants Group (RCG) which is responsible for developing and maintaining the Code of Conduct for Consultants to Remuneration Committees of UK listed companies. FIT attended Remuneration Committee meetings during the year following their appointment and the Committee is satisfied that the advice it has received has been objective and independent.

Statement of voting

The following table summarises the details of votes cast in respect of the resolutions on the Directors' remuneration policy at the 2020 AGM and the Directors' remuneration report (excluding the policy) at the 2022 AGM.

		For	Against	Total votes cast	Abstentions
Directors' remuneration policy[1]	Total number of votes	1,644,443,671	121,538,951	1,765,982,622	3,321,427
	Percentage of votes cast	93.12%	6.88%	100%	n/a
Directors' remuneration report (excluding the policy)[2]	Total number of votes	1,612,245,424	88,630,650	1,700,876,074	28,285,201
	Percentage of votes cast	94.79%	5.21%	100%	n/a

(1) As shown on pages 89–94 of the 2020 Annual Report.
(2) As shown on pages 106–112 and 119–131 of the 2022 Annual Report.

Directors' remuneration policy

This section of the report sets out the 2023 Directors' remuneration policy which will be put to a binding vote at the AGM on 28 September 2023 and, if approved, will apply with effect from 1 July 2023.

The current policy, which was approved by shareholders in September 2020, can be found on the company's website at https://www.diageo.com/en/our-business/corporate-governance/remuneration-at-diageo.

The Remuneration Committee discussed the details of the policy over a series of meetings, taking into account the strategic priorities of the business and evolving market practice. An external perspective was provided by the Remuneration Committee's advisor and the Remuneration Committee Chair engaged with the company's 20 largest shareholders and their representatives regarding the policy proposals. As referenced in the Remuneration Committee Chair's letter, the Committee believes the current policy continues to support the business strategy and therefore the new policy being put forward for shareholder approval remains largely the same. The key change from the current policy relates to the increase in post-cessation shareholding requirement which requires 100% of the in-service shareholding requirement (or, if lower, their actual shareholding on cessation) to be held for two years after leaving (from 100% in the first year and 50% in the second year under the current policy). We have improved disclosures by providing more detail on our malus and clawback policy, the shareholding requirements and the enforcement mechanism for the post-cessation shareholding requirements. Some minor editorial changes have also been made.

The Committee reserves the right to make minor changes to the policy, where required for regulatory, tax or administrative reasons.

Base salary

Purpose and link to strategy

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

Operation

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

Opportunity

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

Benefits

Purpose and link to strategy

Provides market-competitive and cost-effective benefits as part of remuneration packages designed to attract and retain the best global talent.

Operation

- The provision of benefits typically depends on the country of residence of the Executive Director and may include but is not limited to a company car or travel allowance, the provision of a contracted car service or equivalent, product allowance, life insurance, accidental death and disability insurance, medical and dental cover, tax support and tax return preparation costs.
- The Remuneration Committee has discretion to offer additional allowances, or benefits, to Executive Directors, if considered appropriate and reasonable. These may include, but are not limited to, relocation expenses, housing allowance and school fees where a Director is asked to relocate from his/her home location as part of their appointment. Where appropriate, for example in relation to relocation benefits, the company may also meet the tax costs associated with the benefit provision.

Opportunity

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

Post-retirement provision

Purpose and link to strategy

Provides competitive post-retirement benefits which are part of remuneration packages designed to attract and retain the best global talent.

Operation

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

Opportunity

- The maximum pension contribution, or cash alternative allowance, for Executive Directors is 14% of salary. The current CEO and CFO receive a pension contribution of 14% of salary, in line with the UK workforce.

Annual Incentive Plan (AIP)

Purpose and link to strategy

Incentivises delivery of Diageo's annual financial targets and the achievement of key individual objectives which are chosen to align with the business strategy and create a platform for sustainable longer-term performance. Compulsory deferral of a minimum of one-third of any annual incentive earned into shares for three years promotes longer-term alignment of Executive Directors' interests with shareholders' interests.

Operation

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

Opportunity

For threshold performance, up to 50% of salary may be earned, with up to 100% of salary earned for on-target performance and a maximum of 200% of salary payable for outstanding performance. The maximum includes the deferred share element but excludes dividend equivalents payable in respect of deferred share awards.

Performance conditions

Annual incentive plan awards are normally based 70%-100% on financial measures which may include, but are not limited to, measures of sales, profit and cash, and 0%-30% on broader objectives based on strategic goals and/or individual contribution.
The Remuneration Committee has discretion to amend the performance measures in exceptional circumstances if it considers it appropriate to do so, e.g. in cases of accounting policy changes, merger and acquisition activities or disposals. Any such amendments would be fully disclosed and explained in the following year's annual report on remuneration.

Diageo Long-Term Incentive Plan (DLTIP)

Purpose and link to strategy

Provides a long-term incentive to achieve key performance measures which support the company's strategy, and to align interests with shareholders.

Operation

- An annual grant of performance shares and/or market-price share options which vest subject to a performance test and continued employment, normally over a period of three years.
- Measures and stretching targets are reviewed annually by the Remuneration Committee for each new award.
- The Remuneration Committee has the authority to exercise discretion to adjust the vesting outcome based on its assessment of the overall business performance over the performance period. This may include the consideration of factors such as holistic performance relative to peers, stakeholder outcomes and significant investment projects, for example.
- Following vesting, there is normally a further retention period of two years. Executive Directors are able to exercise an option or sell sufficient shares to cover any tax liability when an award vests, provided they retain the net shares arising for the two-year retention period.
- Notional dividends accrue on performance share awards to the extent that the performance conditions have been met, delivered as shares or cash at the discretion of the Remuneration Committee at the end of the vesting period.
- The Remuneration Committee has discretion to apply malus or clawback to bonus as detailed in the 'Malus and Clawback' section below.

Opportunity

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

Diageo Long-Term Incentive Plan (DLTIP) continued

Performance conditions

The vesting of awards is linked to a range of measures which may include, but are not limited to:

- a growth measure (e.g. net sales growth, operating profit growth);
- a measure of efficiency (e.g. operating margin, cumulative free cash flow, return on invested capital);
- a measure of Diageo's performance in relation to its peers (e.g. relative total shareholder return); and
- a measure relating to our 'Society 2030: Spirit of Progress' (environmental, social or governance) priorities.

Measures that apply to performance shares and market-price options may differ, as is the case for current awards. Weightings of these measures may also vary year on year.

The Remuneration Committee has discretion to amend the performance conditions in exceptional circumstances if it considers it appropriate to do so, e.g. in cases of accounting policy changes, merger and acquisition activities or disposals. Any such amendments would be fully disclosed and explained in the following year's annual report on remuneration.

Malus and Clawback

Under the AIP and DLTIP, the Remuneration Committee has discretion to apply malus and clawback in the circumstances specified in the applicable malus and clawback policy from time to time in place, for example:

- Material misstatement of results or an error resulting in overpayment.
- Risk failure resulting in material financial loss or any business area being the subject of a regulatory investigation or in breach of regulation.
- Employee misconduct/disciplinary action.
- Employee accountability for material reputational damage to the group which could have been avoided.
- In respect of the application of malus, deterioration in the financial situation of the Group which limits the ability to fund incentive awards.
- Any other matter which, in the reasonable opinion of the Remuneration Committee, is required to be considered to comply with prevailing legal and/or regulatory requirements.

The malus and clawback provisions may be invoked for one year following an AIP cash payment and two years following a DLTIP vesting. Where the Remuneration Committee determines that malus and/or clawback will apply, the Remuneration Committee has discretion to determine the basis of application and the means by which malus and/or clawback will be implemented.

The malus and clawback policy will be reviewed from time to time to ensure that the policy is compliant with any regulatory requirements, such as the NYSE listing rules.

All-employee share plans

Purpose and link to strategy

To encourage broader employee share ownership through locally approved plans.

Operation

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

Opportunity

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

Performance conditions

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

Shareholding requirement

Purpose and link to strategy

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

Operation

- The minimum in-employment shareholding requirement is 500% of base salary for the Chief Executive and 400% of base salary for any other Executive Directors.
- Executive Directors are normally expected to build up their in-employment shareholding within five years of their appointment to the Board.
- Shares that count towards these minimum shareholding requirements are shares beneficially held by the Executive Director and their connected persons, including Deferred Bonus Share Plan (DBSP) shares within the three-year deferral period, on a net (if post-tax deferral)/notional net (if pre-tax deferral) of tax basis.
- Executive Directors are restricted from selling more than 50% of shares which vest under the long-term incentive plan or deferred bonus share plan (excluding the sale of shares to cover tax on vesting and other exceptional circumstances to be specifically approved by the Chief Executive and/or Chairman), until the shareholding requirement is met.
- In order to provide further long-term alignment with shareholders, Executive Directors will normally be expected to maintain a Diageo shareholding of 100% of the in-employment shareholding requirement (or, if lower, their actual shareholding on cessation) for two years after leaving the company.
- The Executive Directors enter into a deed undertaking to comply with the requirement and committing to hold the required number of shares in a specified nominee account.

Chairman of the Board and Non-Executive Directors' fees

Purpose and link to strategy

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

Operation

- Fees for the Chairman and Non-Executive Directors are normally reviewed every year.
- A proportion of the Chairman's annual fee may be used for the monthly purchase of Diageo ordinary shares, which have to be retained until the Chairman retires from the company or ceases to be a Director.
- Fees are reviewed in light of market practice in the FTSE 30, excluding financial services companies, and anticipated workload, tasks and potential liabilities.
- The Chairman and Non-Executive Directors do not participate in any of the company's incentive plans nor do they receive pension contributions or benefits. Their travel and accommodation expenses in connection with attendance at Board meetings (and any tax thereon) are paid by the company.
- The Chairman and the Non-Executive Directors are eligible to receive a product allowance or cash equivalent at the same level as the Executive Directors.
- All Non-Executive Directors have letters of appointment. A summary of their terms and conditions of appointment is available at www.diageo.com. The Chairman of the Board, Javier Ferrán, was re-appointed on 6 October 2022 for a three-year term, terminable on three months' notice by either party or, if terminated by the company, by payment of three months' fees in lieu of notice.

Opportunity

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

Policy considerations

Performance measures

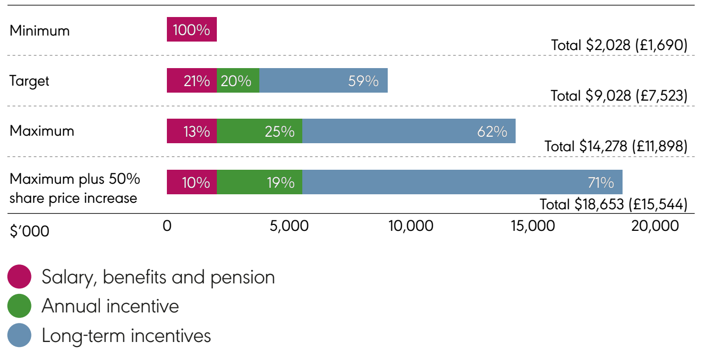
Further details of the performance measures under the fiscal 24 annual incentive plan and measures and targets for DLTIP awards to be made in September 2023, are set out in the annual report on remuneration, on page 153. Annual incentive targets will be disclosed retrospectively in next year's annual report on remuneration as they are deemed by the Board to be commercially sensitive until after the end of the fiscal year.

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

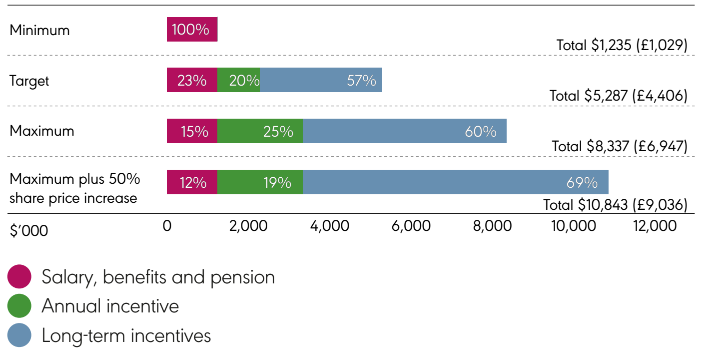
Projected total remuneration scenarios

The graphs below illustrate scenarios for the projected total remuneration of Executive Directors at four different levels of performance: minimum, target, maximum, and maximum including assumed share price appreciation of 50%. The impact of potential share price movements is excluded from the other three scenarios. These charts reflect projected remuneration for the year ending 30 June 2024.

Debra Crew



Lavanya Chandrashekar



Basis of calculation and assumptions:

The 'Minimum' scenario shows fixed remuneration only, i.e. base salary for the year ending 30 June 2024, value of benefits received in the year ended 30 June 2023, or the projected annual benefit value for year ending 30 June 2024 in the case of the newly appointed CEO, and the pension benefits to be accrued over the year ending 30 June 2024. These are the only elements of the Executive Directors' remuneration packages that are not subject to performance conditions.

The 'Target' scenario shows fixed remuneration as described above, plus a target payout of 50% of the maximum annual incentive and a midpoint payout of 60% of the maximum long-term incentive awards.

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

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

For long-term incentives, the awards are treated as though they were granted entirely as performance share awards.

The amounts shown in sterling are converted using the cumulative weighted average exchange rate for the year ended 30 June 2023 of £1 = $1.20.

Approach to recruitment remuneration

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

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

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

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

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

Executive Director	Date of service contract
Debra Crew	28 March 2023
Lavanya Chandrashekar	13 January 2021

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

Non-Executive Directors' unexpired terms of appointment

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

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

Payments under previous policies

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

Approach to stakeholder engagement

Shareholder engagement

The Committee is interested in the views of investors and maintains an ongoing dialogue with a broad group of shareholders and institutional advisors on remuneration matters. In advance of finalising our proposed policy to be approved at the 2023 AGM, the Chair of the Remuneration Committee consulted with the company's largest shareholders and their representatives about the policy and the implementation plan for fiscal 24. The responses received from shareholders were supportive of the proposed change to enhance the post-cessation shareholding requirement, as well as the planned implementation for fiscal 24.

Employee engagement on executive remuneration

The Chairman of the Board led global workforce engagement sessions throughout the year and there were focus group sessions led by other Non-Executive Directors (more information can be found in the corporate governance section on page 110). As part of this engagement, there was a session where the Chairman shared information with employees about executive remuneration, including the Directors' remuneration policy, the role of the Remuneration Committee, executive remuneration principles and structure and how executive pay aligns with pay for the wider workforce.

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

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

Consideration of wider workforce remuneration

When reviewing Executive Directors' salaries, the Committee takes into account the company's salary budgets for key geographies and, each year, the Committee has a session reviewing various aspects of workforce remuneration to deepen its understanding of employee pay arrangements. There is clear alignment in the approach to pay for executives and the wider workforce in the way that remuneration principles are followed, as well as the mechanics of the salary review process and incentive plan design, which are broadly consistent throughout the organisation. The performance measures under the annual incentive plan and long-term incentive plan are the same for executives and other eligible employees. The key differences are that a larger percentage of Executive Directors' remuneration is performance related than that of other employees and salary, benefits and incentive participation levels vary according to role, seniority and business priorities.

When reviewing the Directors' remuneration policy, the Committee considered the remuneration arrangements for the workforce globally, as well as market practice in the FTSE 30 (excluding financial services) and Diageo's global consumer peer group. The Chairman also explains the Directors' remuneration policy to employees and seeks their feedback as part of the workforce engagement sessions, as described above. Given the minimal changes proposed for the 2023 Directors' remuneration policy, employees were not specifically consulted on this.

Annual report on remuneration

The following section provides details of how the company's 2020 remuneration policy was implemented during the year ended 30 June 2023, and how the Remuneration Committee intends to implement the proposed remuneration policy in the year ending 30 June 2024.

Single total figure of remuneration for Executive Directors (audited)

The table below details the Executive Directors' remuneration for the year ended 30 June 2023.

	Ivan Menezes[1] [2]				Debra Crew[1] [2]				Lavanya Chandrashekar[1]			
	2023 £ '000	**2023 $ '000**	2022 £ '000	2022 $ '000	**2023 £ '000**	**2023 $ '000**	2022 £ '000	2022 $ '000	**2023 £ '000**	**2023 $ '000**	2022 £ '000	2022 $ '000
Fixed pay												
Salary [3]	**£1,403**	**$1,683**	£1,277	$1,699	**£105**	**$126**	n/a	n/a	**£831**	**$997**	£733	$975
Benefits [4]	**£124**	**$149**	£133	$177	**£4**	**$5**	n/a	n/a	**£53**	**$63**	£429	$571
Pension[5]	**–**	**–**	£209	$278	**£10**	**$13**	n/a	n/a	**£110**	**$133**	£103	$138
Total fixed pay[9]	**£1,527**	**$1,832**	£1,619	$2,153	**£120**	**$145**	n/a	n/a	**£993**	**$1,193**	£1,265	$1,684
Performance related pay												
Annual incentive[6]	**£1,019**	**$1,223**	£2,413	$3,209	**£79**	**$95**	n/a	n/a	**£603**	**$723**	£1,320	$1,755
Long-term incentives[7]	**£8,036**	**$9,643**	£3,312	$4,405	**£204**	**$245**	n/a	n/a	**£286**	**$343**	£121	$161
Other incentives [8]	**–**	**–**	–	–	**–**	**–**	n/a	n/a	**£3**	**$4**	n/a	n/a
Total variable pay[9]	**£9,055**	**$10,866**	£5,724	$7,613	**£284**	**$340**	n/a	n/a	**£892**	**$1,070**	£1,440	$1,916
Total single figure of remuneration[9]	**£10,582**	**$12,698**	£7,343	$9,767	**£403**	**$485**	n/a	n/a	**£1,885**	**$2,263**	£2,706	$3,599

Notes

(1)	Exchange rate	The amounts shown in US dollars are converted to sterling using the cumulative weighted average exchange rate for the respective financial year. For the year ended 30 June 2023, the exchange rate was £1 = $1.20 and for the year ended 30 June 2022, the exchange rate was £1 = $1.33. Ivan Menezes, Debra Crew and Lavanya Chandrashekar are paid in US dollars.	
(2)	CEO transition	Ivan Menezes' pay and benefits reflects time served in fiscal 2023 up to and including the date of his death-in-service, which was also his last day of employment (6 June 2023). Debra Crew's pay and benefits reflect the period 5 to 30 June 2023 only, following her appointment as interim CEO on 5 June 2023 and CEO and Executive Director on 8 June 2023.	
(3)	Salary	Ivan Menezes' salary figure includes an amount of £42k in respect of untaken annual leave.	
(4)	Benefits	The benefits numbers include the gross value of all taxable benefits. For Ivan Menezes, these include medical insurance (£17k), company car allowance (£17k), contracted car service (£19k), tax return preparation (£68k), product allowance, life and long-term disability cover. Debra Crew's benefits for the period 5 to 30 June include flexible benefits allowance (£1.2k), travel allowance (£798), tax return preparation (£1.4k), product allowance and life and long-term disability cover. Lavanya Chandrashekar's benefits include flexible benefits allowance (£20k), travel allowance (£11k), tax return preparation (£14.4k), product allowance and life and long-term disability cover.	
(5)	Pension	Pension benefits earned during the year represents the increase in the pension fund balances over the year in the Diageo North America Inc. pension plans over and above the increase due to inflation. Ivan Menezes was a deferred member of the UK Diageo Pension Scheme (DPS) since 31 January 2012 and the pension amount that accrued in excess of inflation over each of 2022 and 2023 under this scheme was nil. Debra Crew started to accrue benefits in the Supplemental Executive Retirement Plan (SERP) from 1 October 2022. Lavanya Chandrashekar started accruing benefits in the SERP from 1 July 2021. The company pension contribution has been 14% of salary from 1 January 2023 for all Executive Directors, aligned to the rate for the UK workforce.	Page 143
(6)	Annual incentive	The performance achieved under the fiscal 23 annual incentive plan resulted in an outcome of 32.5% of maximum for the financial elements of the plan, which represented 80% of the maximum incentive opportunity. Taking account of performance against Individual Business Objectives (IBOs), the annual incentive payout is 37.25% of maximum for Ivan Menezes, 35.38% of maximum for Debra Crew and 36.0% of maximum for Lavanya Chandrashekar. For Debra Crew, the 2023 amount reflects the period 5 to 30 June 2023 (as a proportion of the financial year). In accordance with their elections to defer post-tax, one-third of the annual incentive for fiscal 23 shown in the table above for Debra Crew (which relates to the period 5 to 30 June 2023) and Lavanya Chandrashekar will be deferred into owned shares which are held for three years in a nominee account. The annual incentive for Ivan Menezes will be paid entirely in cash, the Committee having exercised discretion to waive the one-third deferral into shares (see page 150 for more details.	Page 140
(7)	Long-term incentives	Long-term incentives represent the estimated gain (based on the average three-month ADR price to 30 June 2023 of $178.52) delivered through share options and performance shares where performance conditions have been met in the respective financial year. It also includes the value of additional shares earned in lieu of dividends on these vested performance shares. For Ivan Menezes, the 2023 long-term incentives amount comprises performance shares and share options awarded in 2020 and vesting at 98.7% and 77.5% of maximum respectively. For Debra Crew, the 2023 amount reflects the period 5 to 30 June (as a proportion of the three-year performance period). The 2020 performance shares and share options were granted before she became an Executive Director, and due to a slightly different vesting schedule for awards granted below the Board, vested at 98.8% and 77.5% of maximum respectively. Lavanya Chandrashekar's 2020 performance share award was also granted before she became an Executive Director and vested at 98.8% of maximum. Of the 2023 long-term incentive amounts shown in the table above, £2,954k for Ivan Menezes, £67k for Debra Crew and £72k for Lavanya Chandrashekar related to share price appreciation over the fiscal 21 to fiscal 23 performance period. For 2022, long-term incentives comprise performance shares and share options awarded in 2019 that vested in September 2022 at 59.3% and 61.5% of maximum respectively for Ivan Menezes and performance shares that vested at 59.8% for Lavanya Chandrashekar, including dividend equivalents on performance shares. 2020 long-term incentive amounts have been restated to reflect the ADR share price on the vesting date of $175.09 instead of the average three-month ADR share price used in last year's report of $190.22.	Page 141
(8)	Other incentives	Other incentives include the grant face value of awards made under the all-employee share plans. Awards do not have performance conditions attached.	
(9)	Totals	Some figures and sub-totals add up to slightly different amounts than the totals due to rounding.	

Looking back on 2023

Annual incentive plan (AIP) payouts for 2023 (audited)

AIP payout for the year ended 30 June 2023

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

Group financial measures[1]

Measure	Weighting	Threshold	Target	Maximum	Actual	Payout (% of total AIP opportunity)
Payout opportunity (% maximum)		25%	50%	100%		
Net sales (% growth)[2]	26.67%	3.5%	6.5%	9.5%	**6.5%**	**13.34%**
Operating profit (% growth)[2]	26.67%	2.5%	7.5%	12.5%	**7.0%**	**12.67%**
Operating cash conversion[3]	26.67%	95.0%	100.0%	105.0%	**93.3%**	**–**
Full year performance for 1 July 2022 - 30 June 2023	**80.00%**					**26.00%**

Individual business objectives

Measure (IBOs equally weighted) and target	Weighting	Result	Payout (% of total AIP opportunity)
Ivan Menezes Chief Executive	**20.00 %**		**11.25%**
Global market share performance • Grow or hold total trade market share in 2/3rds of total net sales in measured markets.	10.00 %	• We gained or held total trade market share in markets that total 70% of our net sales in fiscal 23[6]	5.00%
Positive drinking Continued improvement in Positive Drinking in fiscal 23 • Educate 809,000 people on the dangers of underage drinking. • Progress towards a cumulative total of 1 billion people with dedicated responsible drinking messaging by 2030. • Help create a thriving hospitality sector post Covid-19 where responsible drinking is the norm by reaching 19,400 people by the end of fiscal 23 through skills building programmes.	10.00 %	Positive drinking targets for fiscal 23 have been exceeded as set out below: • By the end of fiscal 23, we had educated just under 2 million people on the dangers of underage drinking, far exceeding the target. • The 2030 target of reaching 1 billion people with dedicated responsible drinking messaging has been met several years earlier than planned. • Significant achievement with Diageo markets across the world reaching 31,600 people with business and hospitality skills training.	6.25%
Lavanya Chandrashekar Chief Financial Officer	**20.00 %**		**10.00%**
Global operating margin • Deliver Operating Margin in line with fiscal 23 Annual Operating Plan (AOP).	10.00 %	• Achieved a performance level just below AOP for fiscal 23.	3.75%
Finance Transformation • Reduce time taken to set up customers in specified markets, thereby increasing speed to market and supporting growth. • Reduce finance organisation costs (people and indirect) by £10 million. • Close 80% of audit management action plans on time. • Improve Service Level Agreement(SLA) performance by resolving 80% of both critical and high priority incidents within the specified SLA timeframe.	10.00 %	There has been over delivery on the finance transformation milestones for fiscal 23 as follows: • Delivered a new integrated customer account solution into six markets making customer set up time faster than the target of 10 business days. • Delivered finance productivity savings of greater than £18m. • Closure of 100% of all audit management actions, where these were required. • SLA improvement target exceeded for high priority incidents and just under target for critical incidents.	6.25%

Notes

The AIP payout for Debra Crew is based 80% on performance against the group financial measures as noted in the table at the top of this page and 20% on performance against IBOs. Debra Crew's IBOs for fiscal 23 related to her role as Chief Operating Officer (COO), prior to appointment as CEO late in the financial year following the death in service of Ivan Menezes. The first of two equally weighted IBOs for the COO role (growing or holding total trade market share in 2/3rds of total net shares in measured markets) was aligned to Ivan Menezes's goal and was achieved. Ms Crew's second IBO for the COO role was to grow value market share in North America Total Beverage Alcohol, whilst driving operating margin in line with Annual Operating Plan (AOP) targets and there was satisfactory delivery under this IBO. The resulting overall IBO outcome was 9.38% out of a total of 20%.

Payout

	Group (weighted 80%)	IBO (weighted 20%)	Total (% max)	Total (% annual salary)	Total ('000)[4] GBP	Total ('000) USD
Ivan Menezes[(4),(5)]	26.00%	11.25%	**37.25%**	69.40%	**£1,019**	$1,223
Debra Crew[(4),(5)]	26.00%	9.38%	**35.38%**	5.40%	**£79**	$95
Lavanya Chandrashekar[(4),(5)]	26.00%	10.00%	**36.00%**	72.00%	**£603**	$723

(1) Performance against the AIP measures is calculated using 2023 budgeted exchange rates and is measured on a currency-neutral basis.
(2) For AIP purposes, Net Sales Value (NSV) growth and Operating Profit (OP) growth are calculated on budgeted currency exchange rates, after adjustments for acquisitions and disposals and incorporates the organic treatment of hyperinflationary economies.
(3) For AIP purposes, Operating Cash Conversion (OCC) is calculated by dividing cash generated from operations excluding cash inflows/outflows in respect of exceptional items, dividends, maturing inventories and post-employment payments in excess of the amount charged to operating profit by operating profit before depreciation, amortisation, impairment and exceptional items. The measure incorporates the organic treatment of hyperinflationary economies. The ratio is stated at the budgeted exchange rate for the year.
(4) AIP payments are calculated using base salary as at 30 June 2023, in line with the global policy that applies to other employees across the company. For Ivan Menezes, the payment reflects time employed in fiscal 23 up to and including 6 June 2023. For Debra Crew, the payment disclosed reflects the period 5 to 30 June, covering the period from appointment as interim CEO on 5 June 2023 to the end of the fiscal year and is based on her CEO salary which applied from 5 June 2023.
(5) In accordance with the 2020 remuneration policy and their individual elections to defer post tax, one-third of Debra Crew's and Lavanya Chandrashekar's after tax AIP payout disclosed in the table above will be deferred into Diageo shares, which will be held for three years in a nominee account. These shares will be acquired in September 2023 and the number of shares will be disclosed in the 2024 remuneration report. The Committee waived the deferral requirement in respect of Ivan Menezes.
(6) Market share reflects internal estimates incorporating Nielsen, Association of Canadian Distillers, CGA, Dichter and Neira, Frontline, Intage, IRI, ISCAM, NABCA, Scentia, State Monopolies, TRAC, Ipsos and other third-party providers.
(7) No discretion was exercised by the Remuneration Committee in determining the AIP outcome.

Long-term incentive plans (LTIPs) vesting in 2023 (audited)

Long-term incentive awards are made under the Diageo Long-Term Incentive Plan (DLTIP), which was approved by shareholders at the AGM in September 2014, which will be presented for shareholder renewal at the AGM in September 2023. Awards are designed to incentivise Executive Directors and senior managers to deliver long-term sustainable performance and are subject to performance conditions measured over a three-year period. Awards are granted on an annual basis in both performance shares and share options. Awards granted to Executive Directors vest at 20% of maximum for threshold performance, and 100% of the award will vest if the performance conditions are met in full, with a straight-line payout between threshold and maximum.

Share options – granted in September 2020, vesting in September 2023 (audited)

In September 2020, Ivan Menezes and Debra Crew (although not an Executive Director at the time of grant) received share option awards over ADRs under the DLTIP, with an exercise price of $133.88. The award was subject to a performance condition assessed over a three-year period based on the achievement of the following equally weighted performance measures:

- Relative total shareholder return (TSR) ranked against the TSR of a peer group of international drinks and consumer goods companies; and
- Cumulative free cash flow (FCF)

The vesting profile for grants to Executive Directors for relative TSR is shown below:

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

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

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

Performance shares – awarded in September 2020, vesting in September 2023 (audited)

In September 2020, Ivan Menezes, Debra Crew and Lavanya Chandrashekar (Ms Crew and Ms Chandrashekar were not Executive Directors at the time of grant) received performance share awards under the DLTIP. Awards vest after a three-year period subject to the achievement of three performance conditions outlined below:

- Organic Net Sales Value (NSV) growth (weighted 40%);
- Profit Before Exceptional items and Tax (PBET) growth (weighted 40%); and
- ESG measures (water efficiency, carbon reduction, positive drinking & diversity & inclusion) weighted 20%.

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

Vesting outcome for 2020 performance share and share option awards in September 2023 (audited)

The 2020 performance share award vested at 98.7% of maximum for Ivan Menezes and 98.8% of maximum for Debra Crew and Lavanya Chandrashekar. The 2020 share options vested at 77.5% of maximum for Ivan Menezes and Debra Crew, as detailed below:

Vesting of 2020 DLTIP[5]	Weighting	Threshold	Midpoint	Maximum	Actual	Ivan Menezes vesting (% maximum)[5]	Debra Crew vesting (% maximum)[5][6]	Lavanya Chandrashekar vesting (% maximum)[5][6]
Vesting if performance achieved (% maximum)		20%/25%	60%/62.5%	100%				
Organic net sales growth (NSV)[1]	40.0%	4.0%	6.0%	8.0%	14.5%	40.0%	40.0%	40.0%
Profit before exceptional items and tax (PBET) growth[2]	40.0%	4.5%	8.25%	12.0%	16.5%	40.0%	40.0%	40.0%
Carbon reduction (ESG)	5.0%	6.3%	10.3%	14.3%	14.7%	5.0%	5.0%	5.0%
Water efficiency (ESG)	5.0%	5.8%	8.5%	11.2%	9.4%	3.7%	3.8%	3.8%
Positive drinking (ESG)	5.0%	0.75m	1.0m	1.25m	2.2m	5.0%	5.0%	5.0%
Inclusion & diversity - % female leaders globally (ESG)	2.5%	41.0%	42.0%	43.0%	44.0%	2.5%	2.5%	2.5%
Inclusion & diversity - % ethnically diverse leaders globally (ESG)	2.5%	38.0%	39.0%	40.0%	43.0%	2.5%	2.5%	2.5%
Vesting of performance shares (% maximum)						**98.7%**	**98.8%**	**98.8%**
Cumulative free cash flow (FCF)[3]	50.0%	£6,200m	£7,200m	£8,200m	£8,404m	50.0%	50.0%	n/a
Relative total shareholder return[4]	50.0%	9th	-	3rd	7th	27.5%	27.5%	n/a
Vesting of share options (% maximum)						**77.5%**	**77.5%**	**n/a**

(1) Net Sales Value (NSV) growth is calculated on budgeted currency exchange rates, after adjustments for acquisitions and disposals and incorporates the organic treatment of hyperinflationary economies.
(2) Profit before exceptionals and tax growth is presented on a constant currency basis and it excludes the impact of acquisitions and disposals. The impact of hyperinflation on operating profit is considered under the same organic methodology as for net sales while the impact on other lines (primarily on finance charges) is excluded. This metric also includes adjustment to exclude the fair value remeasurement of contingent considerations, earn out arrangements and biological assets and to exclude post-employment credits. Furthermore, the metric excluded the interest on current year's share repurchase program (SRP) and excludes the year-over-year change of M&A related interest.
(3) Cumulative FCF is based on the outcome for each of the three years within the performance period, measured before exceptional items and on an FX neutral basis by adjusting actual outcomes back to the base year exchange rates, and incorporates the organic treatment of hyperinflationary economies. Furthermore, the cash flow impact of any material business development activities such as share repurchase programmes, acquisitions and disposals, which were not known and planned at the beginning of the vesting period, are excluded from the 3-year performance.
(4) Relative total shareholder return (TSR) is measured as the percentage growth in Diageo's share price (assuming all dividends and capital distributions are re-invested) compared to the TSR of a peer group of 16 international drinks and consumer goods companies. TSR calculations are based on an averaging period of 6 months and converted to a common currency (US dollars). Calculation is performed and provided by FIT.
(5) No discretion was exercised by the Remuneration Committee in determining the long-term incentive outcomes.
(6) At the time of grant of the 2020 awards, Debra Crew and Lavanya Chandrashekar were not Executive Directors. The vesting schedule for awards granted to executives below the Board has a threshold vesting of 25% of maximum (62.5% at midpoint). Vesting at threshold for awards granted to Executive Directors is 20% of maximum (60.0% at midpoint). No options were granted to Lavanya Chandrashekar in 2020 as she was not on the Executive Committee at the time of grant.

Summary of performance share awards and options vesting (audited)

	Award	Award Date	Awarded (ADRs)	Vesting (% Max)	Vesting (ADRs)	Option price	ADR price	Dividend equivalent share	Estimated value ($'000)[1]	Estimated value (£'000)
Ivan Menezes	Performance shares	03/09/2020	43,377	98.7%	42,813	–	$178.52	2,796	$8,142	£6,785
	Share options	03/09/2020	43,377	77.5%	33,617	$133.88	$178.52	–	$1,501	£1,251
Debra Crew	Performance shares	03/09/2020	1,176[2]	98.8%	1,161		$178.52	75	$221	£184
	Share options	03/09/2020	714[2]	77.5%	553	$133.88	$178.52		$25	£21
Lavanya Chandrashekar	Performance shares	03/09/2020	1,827	98.8%	1,805	–	$178.52	117	$343	£286

(1) The total long-term incentives value shown in the single figure of remuneration on page 139 is split between performance shares and share options in the table above and is based on an average ADR price for the last three months of the fiscal year ($178.52).
(2) The value of performance share awards and options awarded and vesting included in the table above for Debra Crew are pro-rata amounts reflecting the period from 5 to 30 June as a proportion of the three-year performance period, as shown in the single figure of remuneration on page 139. The 1,176 pro-rata performance shares awarded comprises 714 performance shares granted under the DLTIP (total award of 30,076 ADRs) and 462 performance shares granted under the DESAP (total award of 19,494 ADRs), which was granted in recognition of equity which was forfeited on joining Diageo. The pro-rata share options number reflects 714 share options granted under the DLTIP (total award of 30,076 ADRs)

In considering the vesting outcome of the 2020 DLTIP awards, the Remuneration Committee was especially cognisant of investor concerns around the potential risk of windfall gains following volatility in global stock markets at the time of grant as a result of the Covid-19 pandemic. The Committee considered a number of factors including share price movement over the performance period (up 26%), Diageo's underlying financial performance, historical award and vesting levels and absolute award value. The Committee noted that the 2020 DLTIP awards were made in September 2020 and, in line with usual Diageo practice, the number of awards granted was determined using a six-month average share price up to 30 June. This helps to smooth out share price volatility and, at $143.63 for the 2020 grants, the price used to calculate the awards was only around 10% lower than the prior year's price. The Committee considered Diageo's overall business performance and value created for shareholders and other relevant factors over the period and determined that the outcomes were fair and appropriate and made no adjustment to the payouts. It also considered the level of difficulty of the targets set at a time of uncertainty and determined that the vesting outcome was consistent with Diageo's long-term performance and returns to shareholders. Diageo's compound annual growth in net sales and profit over this period have also been at the top end of the global peer group.

Pensions and benefits in the year ended 30 June 2023

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

Pension arrangements (audited)

Ivan Menezes was a member of the Diageo North America Inc. Supplemental Executive Retirement Plan (SERP), with an accrual rate of 20% of base salary until 1 January 2023 when it was reduced to 14% of base salary, until his date of death of 6 June 2023. Debra Crew and Lavanya Chandrashekar are members of the SERP with an accrual rate of 14% of base salary respectively during the year ended 30 June 2023. The SERP is an unfunded, non-qualified supplemental retirement programme. Under the plan, accrued company contributions are subject to quarterly interest credits. Under the rules of the SERP, Debra Crew and Lavanya Chandrashekar can withdraw the balance of the plan six months after leaving service or age 55, if later and the balance may be withdrawn in either a lump sum or five equal annual instalments, depending on the size of the balance.

Ivan Menezes, Debra Crew and Lavanya Chandrashekar participated in the US Cash Balance Plan and the Benefit Supplemental Plan (BSP), until August 2012, 30 September 2022 and June 2021 respectively, and have accrued benefits under both plans. The Cash Balance Plan is a qualified funded pension arrangement. Employer contributions were 10% of pay capped at the Internal Revenue Service (IRS) limit. The BSP is a non-qualified unfunded arrangement; notional employer contributions were 10% of pay above the IRS limit. Interest (notional for the BSP) is credited quarterly on both plans.

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

Upon death in service on 6 June 2023, a life insurance benefit of $3 million became payable by the insurance provider for Ivan Menezes. In the event of death in service, a lump sum of six times base salary is payable to Debra Crew and Lavanya Chandrashekar.

The table below shows the pension benefits accrued by each Executive Director as at year end (or to 6 June 2023 in the case of Ivan Menezes). The accrued United Kingdom benefits for Ivan Menezes are annual pension amounts, whereas the accrued US benefits for Ivan Menezes, Debra Crew and Lavanya Chandrashekar are one-off cash balance amounts.

	30 June 2023		30 June 2022	
Executive Director	**UK pension £'000 p.a.**	**US benefit £'000**	UK pension £'000 p.a.	US benefit £'000
Ivan Menezes[1]	**75**	**9,563**	75	9,251
Debra Crew[2]	**Nil**	**761**	Nil	761
Lavanya Chandrashekar[3]	**Nil**	**413**	Nil	302

(1) Ivan Menezes' US benefits are higher at 6 June 2023 than at 30 June 2022 by £312k. The breakdown of this relates to £452k of which is due to pension benefits earned over the year (none of which is over and above the increase due to inflation - as reported in the single figure of remuneration, see page 139), £103k of which is due to interest earned on his deferred US benefits until his death in service and a reduction of (£243k) which is due to exchange rate movements over the year.
(2) Debra Crew's US benefits are the same at 30 June 2023 than at the date of her appointment to interim CEO and Executive Director and CEO. The breakdown of this relates to £10k of which is due to pension benefits earned over the year (all of which is over and above the increase due to inflation - as reported in the single figure of remuneration, see page 139), £1k of which is due to interest earned on her deferred US benefits over the year and a reduction of (£11k) of which is due to exchange rate movements over the year.
(3) Lavanya Chandrashekar's US benefits are higher at 30 June 2023 than at 30 June 2022 by £111k. The breakdown of this relates to £122k of which is due to pension benefits earned over the year (£110k of which is over and above the increase due to inflation - as reported in the single figure of remuneration, see page 139), £7k of which is due to interest earned on her deferred US benefits over the year and a reduction of (£18k) of which is due to exchange rate movements over the year.

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

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

Long-term incentive awards made during the year ended 30 June 2023 (audited)

On 3 September 2022, Ivan Menezes, Debra Crew and Lavanya Chandrashekar received awards of performance shares and market-priced share options under the DLTIP based on a percentage of base salary as outlined below. Ms Crew was not an Executive Director at the time of grant. The three-year period over which performance will be measured is 1 July 2022 to 30 June 2025.

The performance measures and targets for awards made in September 2022 are outlined below. Net sales and profit before exceptional items and tax are key levers for driving top and bottom line growth. The free cash flow measure was selected because it represents a robust measure of cash performance consistent with typical external practice and is a key strategic priority. Total shareholder return, the only relative performance measure under the plan, provides good alignment with shareholder interests and increases the leverage based on share price growth. Finally, the environmental, social and governance (ESG) measure (20% of total performance share award), which was introduced in 2020, reinforces the stretching and strategically important goals under the 'Society 2030: Spirit of Progress' ambition, Diageo's 10-year action plan to help create an inclusive and sustainable world. The definition of the ESG measures was set out on page 130 of the annual remuneration report for fiscal 22.

	Performance shares								Share options	
2022 DLTIP	Organic net sales growth	Organic profit before exceptional items and tax growth	Reduction in greenhouse gas emission	Water efficiency	Changed attitudes on dangers of underage drinking	% Female leaders	% Ethnically diverse leaders	Cumulative free cash flow[1]	Relative TSR
Weighting	40%	40%	5%	5%	5%	2.5%	2.5%	50%	50%
Target range	4.5% - 8.5%	5% - 12%	10.7% - 17.6%	6.3% - 12.1%	2.6m - 4.0m	45% - 47%	42% - 44%	$10,175m - $12,569m	Median - upper quintile

(1) The cumulative free cash flow (FCF) targets have been restated in USD following the change in reporting currency from fiscal 24 onwards (original GBP target range was £7,650m - £9,450m). More details can be found on page 36.

20% (25% for Ms Crew as the awards were made before she became an Executive Director) of DLTIP awards will vest at threshold, with vesting in a straight line up to 100% if the maximum level of performance is achieved. As explained in the remuneration policy, one performance share is deemed equal in value at grant to three share options.

Executive Director	Date of grant	Plan	Share type	Awards made during the year	Exercise price	Face value $'000	Face value (% of salary)
Ivan Menezes	02/09/2022	DLTIP - share options	ADR	33,845	$176.95	$6,610	375%
Ivan Menezes	02/09/2022	DLTIP - performance shares	ADR	33,845	–	$6,610	375%
Debra Crew	02/09/2022	DLTIP - share options	ADR	26,629	$176.95	$5,200	360%
Debra Crew	02/09/2022	DLTIP - performance shares	ADR	26,629	–	$5,200	360%
Lavanya Chandrashekar	02/09/2022	DLTIP - share options	ADR	18,512	$176.95	$3,615	360%
Lavanya Chandrashekar	02/09/2022	DLTIP - performance shares	ADR	18,512	–	$3,615	360%

The proportion of the awards outlined above that will vest is dependent on the achievement of performance conditions and continued employment, and the actual value received may be nil. The vesting outcomes will be disclosed in the 2025 annual remuneration report.

In accordance with the plan rules, the number of performance shares and share options granted under the DLTIP was calculated by using the average closing ADR price for the last six months of the preceding financial year ($195.29). This price is used to determine the face value in the table above. In accordance with the plan rules, the exercise price was calculated using the average closing ADR price of the three days preceding the grant date ($176.95).

Outstanding share plan interests (audited)

Plan name	Date of award	Performance period	Year of vesting	Award calculation share price	Exercise price	Number of shares/ options at 30 June 2022 [1]	Granted	Vested/ exercised	Dividend equivalent Shares released	Lapsed	Number of shares/ options at 30 June 2023	Share type
Ivan Menezes												
DLTIP – share options[3]	Sep 2017	2017-2020	2020		$134.06	14,098					14,098	ADR
DLTIP – share options[3]	Sep 2018	2018-2021	2021		$140.89	4,284					4,284	ADR
DLTIP – share options[3]	Sep 2019	2019-2022	2022		$170.28	38,827				14,949	23,878	ADR
Total vested but unexercised share options in Ordinary shares[2]											**169,040**	**ORD**
DLTIP - share options[4] [5] [9]	Sep 2020	2020-2023	2023		$133.88	43,377					43,377	ADR
DLTIP – share options[6] [9] [11]	Sep 2021	2021-2024	2024		$194.75	36,675				12,248	24,427	ADR
DLTIP - share options[7] [9] [11]	Sep 2022	2022-2025	2025		$176.95		33,845			22,574	11,271	ADR
Total unvested share options subject to performance in Ordinary shares[2]											**316,300**	**ORD**
DLTIP - performance shares	Sep 2019	2019-2022	2022	$160.46		38,827		23,024	1,476	15,803	0	ADR
DLTIP - performance shares[4] [5] [9]	Sep 2020	2020-2023	2023	$143.63		43,377					43,377	ADR
DLTIP - performance shares[6] [9]	Sep 2021	2021-2024	2024	$174.97		36,675				12,248	24,427	ADR
DLTIP - performance shares[7] [9]	Sep 2022	2022-2025	2025	$195.29			33,845			22,574	11,271	ADR
Total unvested shares subject to performance in Ordinary shares[2]											**316,300**	**ORD**
Debra Crew												
DLTIP - share options[4] [5]	Sep 2020	2020-2023	2023		$133.88	30,076					30,076	ADR
DLTIP – share options[6] [11]	Sep 2021	2021-2024	2024		$194.75	27,019					27,019	ADR
DLTIP - share options[7] [11]	Sep 2022	2022-2025	2025		$176.95		26,629				26,629	ADR
Total unvested share options subject to performance in Ordinary shares[2]											**334,896**	**ORD**
DLTIP - performance shares[4] [5]	Sep 2020	2020-2023	2023	$143.63		30,076					30,076	ADR
DLTIP - performance shares[6]	Sep 2021	2021-2024	2024	$174.97		27,019					27,019	ADR
DLTIP - performance shares[7]	Sep 2022	2022-2025	2025	$195.29			26,629				26,629	ADR
DESAP - performance shares[4][5][8]	Sep 2020	2020-2023	2023	$143.63		19,494					19,494	ADR
DESAP - performance shares[8]	Mar 2022	2023-2025	2026	$197.06		8,796					8,796	ADR
DESAP - performance shares[8]	Mar 2022	2024-2026	2027	$197.06		8,930					8,930	ADR
DESAP - performance shares[8]	Mar 2022	2025-2027	2028	$197.06		8,930					8,930	ADR
Total unvested shares subject to performance in Ordinary shares[2]											**519,496**	**ORD**
DESAP – restricted stock units [8]	Mar 2022		2027	$197.06		8,796					8,796	ADR
DESAP – restricted stock units [8]	Mar 2022		2028	$197.06		8,930					8,930	ADR
DESAP – restricted stock units [8]	Mar 2022		2029	$197.06		8,930					8,930	ADR
Total unvested shares not subject to performance in Ordinary shares[2], [8]											**106,624**	**ORD**
Lavanya Chandrashekar												
DLTIP – share options[3]	Sep 2018	2018-2021	2021		$140.89	3,832					3,832	ADR
DLTIP – share options[3]	Sep 2018	2018-2021	2021		$140.89	1,064					1,064	ADR
Total vested but unexercised share options in Ordinary shares[2]											**19,584**	**ORD**
DLTIP – share options[6] [11]	Sep 2021	2021-2024	2024		$194.75	20,060					20,060	ADR
DLTIP – share options[7] [11]	Sep 2022	2022-2025	2025		$176.95		18,512				18,512	ADR
Total unvested share options subject to performance in Ordinary shares[2]											**154,288**	**ORD**
DLTIP – performance shares	Sep 2019	2019-2022	2022	$160.46		1,444		863	55	581	–	ADR
DLTIP – performance shares[4] [5]	Sep 2020	2020-2023	2023	$143.63		1,827					1,827	ADR
DLTIP – performance shares[6]	Sep 2021	2021-2024	2024	$174.97		20,060					20,060	ADR
DLTIP – performance shares[7]	Sep 2022	2022-2025	2025	$195.29			18,512				18,512	ADR
Total unvested shares subject to performance in Ordinary shares[2]											**161,596**	**ORD**
DLTIP – restricted stock units [10]	Sep 2019	2019-2022	2022	$160.46		1,567		1,567	1,567		–	ADR
DLTIP – restricted stock units [10]	Sep 2020	2020-2023	2023	$143.63		2,635					2,635	ADR
Total unvested shares not subject to performance in Ordinary shares[2],[10]											**10,540**	**ORD**

(1) For unvested awards, this is the number of shares/options initially awarded. For exercisable share options, this is the number of outstanding options. All share options have an expiry date of 10 years after the date of grant.
(2) ADRs have been converted to ORDs (one ADR is equivalent to four ordinary shares) for the purpose of calculating the total number of vested and unvested shares and options.
(3) The total number of share options granted under the DLTIP in September 2017, 2018 and 2019 showing as outstanding as at 30 June 2023 are vested but unexercised share options.
(4) Performance shares and share options granted under the DLTIP in September 2020 and due to vest in September 2023 are included here as unvested share awards subject to performance conditions, although the awards have also been included in the single figure of remuneration table on page 139, since the performance period ended during the year ended 30 June 2023.
(5) Details of the performance conditions attached to DLTIP and DESAP awards of performance shares and share options granted in 2020 are organic net sales growth (4%-8%), organic growth in profit before exceptional items and tax (4.5%-12%), reduction in greenhouse gas emissions (6.3% - 14.3%), improvement in water efficiency (5.8%-11.2%), changing attitudes on dangers of underage drinking (0.75m-1.25m), % of female leaders (41%-43%), % of ethnically diverse leaders (38%-40%), cumulative free cash flow (£6,200m-£8,200m) and relative total shareholder return (median-upper quintile).
(6) Details of the performance conditions attached to DLTIP awards of performance shares and share options granted in 2021 are organic net sales growth (5%-9%), organic growth in profit before exceptional items and tax (6.5%-13.5%), reduction in greenhouse gas emissions (19.1%-27.1%), improvement in water efficiency (6.3%-12.1%), changing attitudes on dangers of underage drinking (2.3m-3.7m), % of female leaders (44%-46%), % of ethnically diverse leaders (39%-41%), cumulative free cash flow ($10,058m-$12,488m) and relative total shareholder return (median-upper quintile).
(7) Details of the performance conditions attached to DLTIP awards of performance shares and share options granted in 2022 are organic net sales growth (4.5%-8.5%), organic growth in profit before exceptional items and tax (5.0%-12.0%), reduction in greenhouse gas emissions (10.7%-17.6%), improvement in water efficiency (6.3%-12.1%), changing attitudes on dangers of underage drinking (2.6m-4.0m), % of female leaders (45%-47%), % ethnically diverse leaders (42%-44%), cumulative free cash flow ($10,175m-$12,569m) and relative total shareholder return (median-upper quintile).
(8) The performance shares awarded to Debra Crew in 2020 under the Diageo Exceptional Stock Award Plan (DESAP) were granted in recognition of equity which was forfeited on joining Diageo in 2020 and have the same performance measures and targets as the 2020 DLTIP performance shares (see footnote 5). Debra Crew was granted a number of performance shares and restricted stock units under the DESAP in March 2022 for incentive and retention purposes. The DESAP performance shares will vest based on a performance hurdle of winning or holding market share in at least 2/3rs of total NSV in measured markets over the respective three-year performance periods (F23-F25 for awards due to vest in September 2026, F24-F26 for awards due to vest in September 2027 and F25-F27 for awards due to vest in September 2028). The DESAP restricted stock units vest subject to continued employment up to the vesting date.
(9) In accordance with the policy and plan rules treatment on death-in-service, the 2020, 2021 and 2022 awards for Ivan Menezes vested early on 2 August 2023 based on an assessment of performance as at 30 June 2023. Further information can be found on page 150.
(10) Lavanya Chandrashekar was granted a number of restricted stock units prior to her appointment as CFO and joining the Board.
(11) The Free Cash Flow (FCF) performance targets for both the 2021 and 2022 DLTIP awards have been restated in USD following the change in functional currency. More details can be found on page 36.

Directors' shareholding requirement and share interests (audited)

The beneficial interests of the Directors who held office during the year ended 30 June 2023 (and their connected persons) in the ordinary shares (or ordinary share equivalents) of the company are shown in the table below.

	Ordinary shares or equivalent[1],[2]					
	26 July 2023	30 June 2023 (or date of cessation, if earlier)	30 June 2022 (or date of appointment if later)	Shareholding requirement (% salary)[3]	Shareholding at 25 July 2023 (% salary)[3]	Shareholding requirement met
Chairman						
Javier Ferrán[7]	**310,720**	**310,468**	307,288			
Executive Directors						
Ivan Menezes[4],[7]	**1,141,234**	**1,141,234**	1,078,566	500%	2,728%	Yes
Debra Crew[7],[8]	**260**	**260**	n/a	500%	1%	No - to be met by June 2028
Lavanya Chandrashekar [5],[6],[7]	**11,113**	**11,109**	6,228	400%	47%	No - to be met by July 2026
Non-Executive Directors						
Susan Kilsby[7]	**2,600**	**2,600**	2,600			
Melissa Bethell	**2,668**	**2,668**	2,668			
Valérie Chapoulaud-Floquet	**2,098**	**2,098**	2,055			
Sir John Manzoni	**2,929**	**2,929**	2,870			
Lady Nicola Mendelsohn	**5,000**	**5,000**	5,000			
Alan Stewart	**7,269**	**7,269**	7,120			
Ireena Vittal	**–**	**–**	–			
Karen Blackett	**–**	**–**	–			

Notes
(1) Each person listed beneficially owns less than 1% of Diageo's ordinary shares. Ordinary shares held by Directors have the same voting rights as all other ordinary shares.
(2) Any change in shareholding between the end of the financial year on 30 June 2023 and the last practicable date before publication of this report, being 26 July 2023, is outlined in the table above.
(3) Both the shareholding requirement and shareholding at 26 July 2023 are expressed as a percentage of base salary on 30 June 2023 and calculated using a three-month average share price for period ending 30 June 2023 of £35.11.
(4) In addition to the number of shares reported in the table above, Ivan Menezes' estate holds 169,040 vested but unexercised share options.
(5) Lavanya Chandrashekar's 2022 Deferred Bonus Plan Shares (1,698 ADRs) are included in the total share interests shown above.
(6) In addition to the number of shares reported in the table above, Lavanya Chandrashekar holds 19,584 vested but unexercised share options.
(7) Javier Ferrán, Ivan Menezes, Debra Crew, Lavanya Chandrashekar and Susan Kilsby have share interests in ADRs (one ADR is equivalent to four ordinary shares). The share interests in the table are stated as ordinary share equivalents.
(8) Debra Crew joined Diageo in 2020 and her first tranche of Diageo share awards will vest in September 2023.

Relative importance of spend on pay

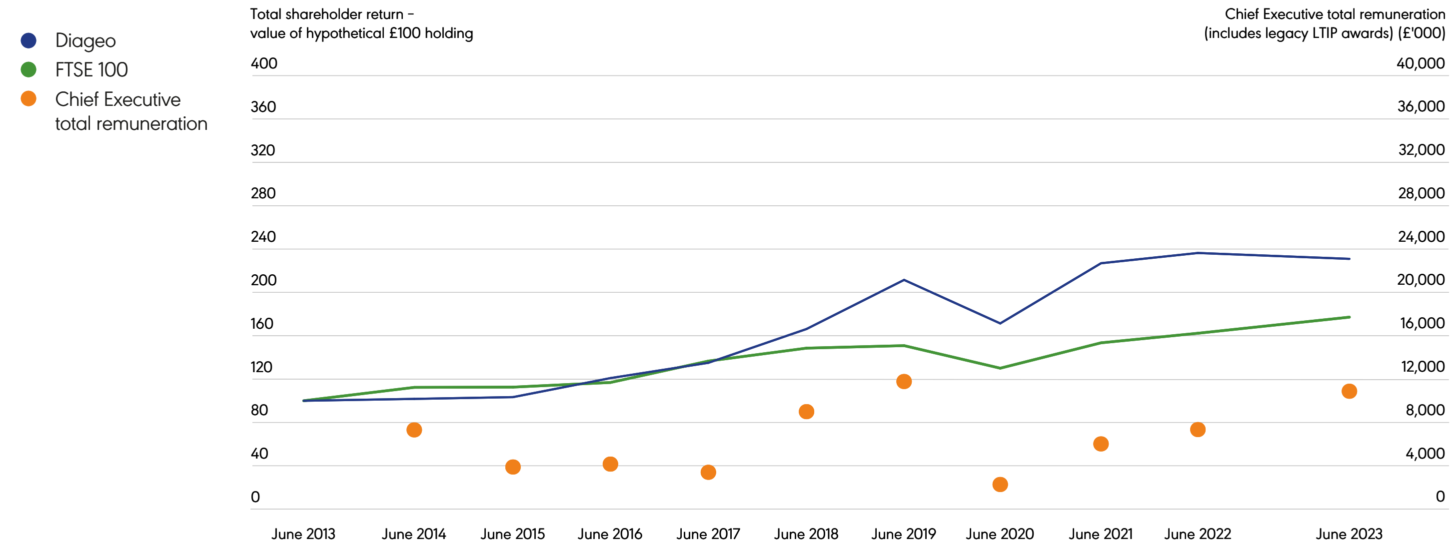
The graphs below illustrate the relative importance of spend on pay (total remuneration of all group employees) compared with distributions to shareholders (total dividends plus the share buyback programme but excluding transaction costs), and the percentage change from the year ended 30 June 2022 to the year ended 30 June 2023. There are no other significant distributions or payments of profit or cash flow.

Distributions to shareholders
(21.5)%

Staff pay
1.9%

CEO total remuneration and TSR performance

The graph below shows the total shareholder return for Diageo plc and the FTSE 100 Index since 30 June 2013 and demonstrates the relationship between pay and performance for the Chief Executive, using current and previously published single total remuneration figures. The FTSE 100 Index has been chosen because it is a widely recognised performance benchmark for large companies in the United Kingdom.



	Ivan Menezes[(1)] £'000 F14	Ivan Menezes[(1)] £'000 F15	Ivan Menezes[(1)] £'000 F16	Ivan Menezes[(1)] £'000 F17	Ivan Menezes[1] £'000 F18	Ivan Menezes[(1)] £'000 F19	Ivan Menezes[(1)] £'000 F20	Ivan Menezes[(1)] £'000 F21	Ivan Menezes[(1)] £'000 F22	**Ivan Menezes[(1)] £'000 F23**	**Debra Crew[(1)] £'000 F23**
Chief Executive total remuneration (includes legacy DLTIP awards)	7,312	3,888	4,156	3,399	8,995	11,776	2,273	6,019	7,343	**10,582**	**403**
Annual incentive[(2)]	9.0%	44.0%	65.0%	68.0%	70.0%	61.0%	0.0%	93.8%	93.8%	**37.3%**	**35.4%**
Share options[(2)]	71.0%	0.0%	0.0%	0.0%	60.0%	73.1%	27.5%	10.0%	61.5%	**77.5%**	**77.5%**
Performance shares[(2)]	55.0%	33.0%	31.0%	0.0%	70.0%	89.3%	10.0%	29.3%	59.3%	**98.7%**	**98.8%**

(1) To enable comparison, Ivan Menezes' and Debra Crew's single total figure of remuneration has been converted into sterling using the average weighted exchange rate for the relevant financial year. The figure represented in the graph for fiscal 23 is the combined single figure total for Ivan Menezes and Debra Crew.
(2) % of total maximum opportunity.

Remuneration for the wider workforce and CEO pay ratio

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

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

During the year, the Chairman explained the directors' remuneration policy and alignment with wider workforce pay to employees as part of the workforce engagement sessions.

Remuneration Committee review of wider workforce pay
Each year, the Remuneration Committee has a detailed session reviewing wider workforce remuneration. In fiscal 23, the review focussed on the prior year's annual reward cycle outcomes, including improvements made to base pay competitive positions, the level of differentiation across our reward programmes, gender pay equity analysis, how cost-of-living challenges were addressed and how we have used reward structures to attract talent in key skills areas. The all-employee reward priorities for the coming year were also reviewed by the Committee. Information on wider workforce reward is also provided as required throughout the year to enable the Committee to consider the broader employee context when making executive remuneration decisions, for example the annual salary increase budgets by country.

Supporting our employees
We continue to focus on all aspects of the wellbeing of our employees. Early in fiscal 2023, we made a one-time recognition payment of £1,000 gross (capped at 15% of local equivalent annual salary) to thank employees for their ongoing efforts and support them with the rising cost of living in many locations. Since then, the Executive Committee has continued to monitor the cost-of-living in all our geographies using a formal monitoring process and has implemented actions as required, for example off-cycle salary increases in 16 high-inflation geographies. We have also provided financial education to all employees to support them in managing their personal finances more effectively.

Other reward based initiatives include the roll out of a new recognition platform into North America and the UK, with more regions planned for fiscal 24. We have deployed global support for menopause, including a global app for employees.

We continue to innovate with market leading benefit policies that support and demonstrate our commitment to diversity and inclusion, including increasing the provision of fertility support and personal counselling. We have continued to evolve our flexible working policy, creating guidelines to empower employees and leaders to decide how, when and where they create their best work, making sure our people consider what works best for the individual's and team's success.

The renewed focus on our employee assistance programmes continued with the deployment of a global mental health online tool in November 2022. This enables employees to proactively manage their mental health and covers key topics like sleep, diet, relationships and managing stress. To date the tool has been downloaded by over 4.7k employees, which is 19% of the global population.

CEO pay ratio

In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, the table below sets out Diageo's CEO pay ratios for the year ended 30 June 2023. These CEO pay ratios provide a comparison of the Chief Executive's total remuneration, comprising the sum of both Ivan Menezes and Debra Crew's total single figure of remuneration, converted into sterling, with the equivalent remuneration for the employees paid at the 25th (P25), 50th (P50) and 75th (P75) percentile of Diageo's workforce in the United Kingdom. Also shown are the salary and total remuneration for each quartile employee.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	**Option A[(2)]**	**232:1**	**178:1**	**137:1**
2023	Total pay and benefits	£47,295	£61,733	£80,159
2023	Salary	£33,137	£44,398	£54,679
2022 [(1)]	Option A[(2)]	146:1	114:1	90:1
2021	Option A[(2)]	127:1	100:1	79:1
2020	Option A[(2)]	50:1	38:1	31:1
2019	Option A[(2)]	265:1	208:1	166:1

(1) 2022 CEO pay ratios have been updated to reflect the value of the updated 2022 single figure which incorporates long-term incentives based on the actual share price at vesting, rather than the average share price in the last three months of the financial year which had been used for the 2022 disclosure.
(2) Only people employed in the United Kingdom and with the same number of contractual working hours throughout the full 12-month period have been included in the calculation. Inclusion of employees outside of this group would require a complex simulation of full-time annual remuneration based on a number of assumptions and would not have a meaningful impact on the ratio.

Methodology

Consistent with the approach for Diageo's disclosure in previous years, the methodology used to identify the employees at each quartile for 2023 is Option A, as defined in the regulations. We believe this is the most robust and accurate approach, and is in line with shareholder expectations.

Total full-time equivalent remuneration for employees reflects all pay and benefits received by an individual in respect of the relevant year and has, other than where noted below, been calculated in line with the methodology for the 'single figure of remuneration' for the Chief Executive (shown on page 139 of this report). The total remuneration calculations were based on data as at 30 June 2023. Actual remuneration was converted into the full-time equivalent for the role and location by pro-rating earnings to reflect full-time contractual working hours and these figures were then ranked to identify the employees sitting at the percentiles. To ensure that the total remuneration for the selected median, 25th and 75th percentile employee is sufficiently representative of those positions, we calculated the total remuneration for a number of employees above and below each of the selected median, 25th and 75th percentile UK employees and used the median value. In light of financial performance outcomes being signed off close to the publication of the Annual Report, the Diageo Group business multiple, which is applicable to the majority of UK employees, has been used to calculate all payments under the annual incentive, although some employees may receive a variation on this multiple in practice. Pension values for each employee are not calculated on an actuarial basis as for the Chief Executive, but rather as the notional cost of the company's pension contribution during the financial year, according to the relevant section of the pension scheme for each individual. This approach allows meaningful data for a large group of people to be obtained in a more efficient way.

Points to note for the year ended 30 June 2023

Diageo has delivered a strong set of results for fiscal 23 during a period of volatility, however payouts under the annual incentive plan both for Diageo's Chief Executive and the wider UK workforce are lower than the prior two years which saw double digit growth in organic net sales and operating profit. The annual incentive plan outcome is directly linked to awards made under the Freeshares scheme, which all UK employees are eligible to participate in. The median remuneration and resulting pay ratio for 2023 are consistent with the pay and progression policies for Diageo's UK employees as a whole and reflect the impact of performance-related pay on total remuneration for the year. As the Chief Executive has a larger proportion of their total remuneration linked to business performance than other employees in the UK workforce, the ratio has increased versus last year due to a significantly higher performance outcome under the 2020 long-term incentives which vested this year, compared to the 2019 awards which vested last year which has more than made up for the lower bonus outcome this year and resulted in a higher value used for the Chief Executive's remuneration. However, total remuneration for employees is reduced by the lower bonus outcome for fiscal 23 relative to fiscal 22.

Change in pay for Directors compared to wider workforce

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

	2023			2022			2021			2020		
	Salary	**Bonus**	**Benefits**	Salary	Bonus	Benefits	Salary	Bonus	Benefits	Salary	Bonus	Benefits
Plc employee average[(1)]	**9.0%**	**(61.3%)**	**(7.2%)**	11.1%	25.8%	10.5%	5.1%	N/A[(5)]	38.8%	7.5%	(100.0%)	9.0%
Average global employee[(2)]	**12.9%**	**(41.6%)**	**17.0%**	6.4%	38.4%	11.7%	–	278.8%	12.6%	5.3%	(67.8)	6.9%
Executive Directors[(3)]												
Ivan Menezes[(6)]	**–**	**–**	**–**	2.3%	4.4%	59.5%	0.7%	N/A[(5)]	(10.7)%	2.7%	(100.0)%	0.8%
Debra Crew[(5)]	**N/A[(5)]**	**N/A[(5)]**	**N/A[(5)]**	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]
Lavanya Chandrashekar	**2.3%**	**(58.8%)**	**(89.4%)**	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]	N/A[(5)]
Non-Executive Directors[(4)]												
Melissa Bethell [(7)]	**3.0%**	**–**	**10.1%**	2.3%	–	16.0%	N/A[(5)]	–	–	–	–	–
Karen Blackett [(5)]	**N/A[(5)]**	**–**	**N/A[(5)]**	N/A[(5)]	–	N/A[(5)]	–	–	–	–	–	–
Valérie Chapoulaud-Floquet [(7)]	**3.0%**	**–**	**108.5%**	–	–	–	N/A[(5)]	–	–	–	–	–
Javier Ferrán (Chairman)	**2.3%**	**–**	**(22.4%)**	8.3%	–	28.8%	0.0%	–	0.0%	0.0%	–	0.0%
Susan Kilsby [(7)]	**2.6%**	**–**	**125.7%**	3.8%	–	300.0%	9.6%	–	(87.7%)	37.3%	–	68.9%
Sir John Manzoni [(7)]	**3.0%**	**–**	**20.0%**	–	–	–	–	–	–	–	–	–
Lady Mendelsohn	**3.0%**	**–**	**0.0%**	2.3%	–	0.0%	3.2%	–	0.0%	3.3%	–	0.0%
Alan Stewart	**3.2%**	**–**	**0.0%**	4.7%	–	0.0%	2.4%	–	0.0%	2.5%	–	0.0%
Ireena Vittal [(7)]	**3.0%**	**–**	**734.0%**	–	–	–	–	–	0.0%	–	–	0.0%

(1) Around 60 UK-based employees are employed by Diageo plc. Their remuneration has been calculated in line with the approach used for the CEO pay-ratio calculation and the average year-on-year change has been reported. Only those employed during the full financial year have been included in calculations.
(2) Calculated by dividing staff cost related to salaries, bonus and benefits by the average number of employees on a full-time equivalent basis, as disclosed in note 3c to the financial statements under staff costs and average number of employees on page 178, but reduced to account for the inclusion of Executive Directors in reported figures. The salary, bonus and benefits cost data used for calculation are subsets of the Wages and salaries figure disclosed in this note. The salary data used for this calculation has been adjusted to exclude costs related to severance payments which are included in staff costs, and last year's disclosure has been updated in line with this for consistency. In line with the approach for Directors, the bonus values used for the calculation reflect the bonus earned in relation to performance during the relevant financial year.
(3) Calculated using the data from the single figure table in the annual report on remuneration (page 139) in US dollars, reflecting payment currency for Ivan Menezes, Debra Crew and Lavanya Chandrashekar.
(4) Calculated using the fees and taxable benefits disclosed under Non-Executive Directors' remuneration in the table on page 151. Taxable benefits for Non-Executive Directors comprise a product allowance as well as expense reimbursements relating to attendance at Board meetings, which may vary year-on-year.
(5) N/A refers to a nil value in the previous year or an incomplete prior year, meaning that the year-on-year change cannot be calculated.
(6) The year-on-year percentage change for Ivan Menezes for 2023 is not included as we are not reporting full year values for 2023.
(7) The increase in benefits value in fiscal 23 relates to an increase in travel expenses due to more in-person meetings taking place in fiscal 23.

Payments to former Directors (audited)

There were no payments to former Directors in the year ended 30 June 2023.

Payments for loss of office (audited)

Details of Sir Ivan Menezes' salary, benefits and bonus payable up to and including the date of his death, which was also his last day of employment (6 June 2023) are set out in the single total figure table on page 139. The time pro-rated bonus is based on full year performance and is payable at the normal time entirely in cash, the Committee having exercised its discretion to waive the one-third payment in deferred shares. Sir Ivan's deferred bonus shares from fiscal 21 and fiscal 22 vested on the date of death in accordance with the plan rules.

Sir Ivan's unvested long-term incentive awards granted in 2020, 2021 and 2022 vested early on 2 August 2023 in accordance with the treatment under the plan rules on death-in-service, subject to an assessment against the performance measures and time pro-rating. The Committee exercised its discretion under the policy to slightly extend the time pro-rating from 6 to 30 June 2023 on compassionate grounds to reflect the full fiscal 23 year. The 2020 award vested based on actual performance measured over the full three-year period to 30 June 2023 as disclosed on pages 141 and 142. The 2021 and 2022 awards vested subject to an assessment by the Committee against the performance measures as at 30 June 2023. Sir Ivan was originally awarded 36,675 PSP and 36,675 SESOP options in 2021 which were each time pro-rated to 24,427 awards. The 2021 PSP award vested at 81.2% and the 2021 SESOP award vested at 10.0%. The 2022 awards (33,845 PSP awards and 33,845 SESOP awards) were each time pro-rated to 11,271 awards and vested at 48.0% (PSP) and 0.0% (SESOP). The total vesting value of the 2021 and 2022 awards was $3,693k and $987k respectively, calculated based on the average Diageo ADR share price over the three months from 1 April 2023 to 30 June 2023 of $178.52. The Committee has chosen not to disclose the detail of performance relative to the targets set for each performance measure for the 2021 and 2022 awards, measured over the shortened period, on the basis that the information is regarded as commercially sensitive. SESOP options will be exercisable for 24 months from the date of death (already vested options) and the date of vesting (options vesting early on 2 August 2023), the Committee having exercised discretion to extend from 12 months to give the estate sufficient time to exercise the options. The two-year post-vesting holding periods will not apply and the post-employment shareholding requirement falls away.

Sir Ivan's 2006 employment contract provided for lifetime medical cover for Sir Ivan and his spouse on a cost sharing basis with the company. The lifetime medical cover will continue for Sir Ivan's surviving spouse, the company cost of which for the first year is $12,381, based on 2023 rates. The company will continue to provide tax support up to a maximum annual amount of £28,000 (excl. VAT) for fees incurred in connection with UK and US tax return submissions up to and including the 2023 US tax return and the 2023/24 UK tax return, which are the final returns required to be submitted on behalf of Sir Ivan before tax filings become a matter for his estate. Upon death-in-service, a life assurance benefit of $3 million became payable by the insurance provider and Sir Ivan's pension benefits will be treated in accordance with the terms of the relevant pension plans.

Non-Executive Directors

Fee policy

Javier Ferrán's fee as non-executive Chairman was increased by 3% from £650,000 per annum to £670,000 on 1 October 2022. The Chairman's fee is appropriately positioned against our comparator group of FTSE 30 companies excluding financial services. The Executive Directors and the Chairman also approved an increase in the base fee for Non-Executive Directors of 3% (from £101,000 to £104,000), effective 1 October 2022.

Per annum fees	2023 £'000	2022 £'000
Chairman of the Board	**670**	650
Non-Executive Directors		
Base fee	**104**	101
Senior Non-Executive Director	**30**	30
Chairman of the Audit Committee	**35**	35
Chairman of the Remuneration Committee	**35**	35

Single total figure of remuneration for Non-Executive Directors' (audited)

	Fees £'000		Taxable benefits £'000[(1)]		Total £'000[(4)]	
	2023	2022	**2023**	2022	**2023**	2022
Chairman						
Javier Ferrán[(2)]	**665**	650	**1**	2	**666**	652
Non-Executive Directors						
Melissa Bethell	**103**	100	**2**	1	**105**	102
Karen Blackett[(3)]	**103**	8	**1**	–	**104**	9
Valérie Chapoulaud-Floquet	**103**	100	**10**	5	**113**	105
Susan Kilsby	**168**	164	**11**	5	**179**	169
Sir John Manzoni	**103**	100	**2**	1	**105**	102
Lady Mendelsohn	**103**	100	**1**	1	**104**	102
Alan Stewart	**138**	134	**1**	1	**139**	135
Ireena Vittal	**103**	100	**10**	1	**113**	102

(1) Taxable benefits include a product allowance and expense reimbursements relating to travel, accommodation and subsistence in connection with attendance at Board meetings during the year, which are deemed by HMRC to be taxable in the United Kingdom. The amounts in the single total figure of remuneration table above include any tax gross-ups on the benefits provided by the company on behalf of the Directors. Non-taxable expense reimbursements have not been included in the single figure of remuneration table above.
(2) £100,000 of Javier Ferrán's net remuneration in the year ended 30 June 2023 was used for the monthly purchase of Diageo ordinary shares, which will be retained until he retires from the company or ceases to be a Director for any other reason.
(3) Karen Blackett was appointed to the Board on 1 June 2022.
(4) Some figures add up to slightly different totals due to rounding.

Looking ahead to 2024

Salary increases for the year ending 30 June 2024

The Remuneration Committee reviewed base salaries for Executive Committee members and agreed the following increase for the Chief Financial Officer, effective 1 October 2023.

Debra Crew's salary for the CEO role became effective when she was appointed as interim CEO on 5 June 2023. Her next salary review will be in October 2024.

	Debra Crew		Lavanya Chandrashekar	
Salary at 1 October ('000)	2023	2022	2023	2022
Base salary	**$1,750**	n/a	**$1,044**	$1,004
% increase (over previous year)	**n/a**	n/a	**4%**	3%

Annual incentive design for the year ending 30 June 2024

The measures and targets for the annual incentive plan are reviewed annually by the Remuneration Committee and are carefully chosen to drive financial and individual business performance goals related to the company's short-term strategic operational objectives. The plan design for Executive Directors for the year ending 30 June 2024 will comprise the following performance measures and weightings (no change from last year), with targets set for the full financial year:

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

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

Details of the targets for the year ending 30 June 2024 will be disclosed retrospectively in next year's annual report on remuneration, by which time they will no longer be deemed commercially sensitive by the Board.

The annual incentive opportunity for Executive Directors will remain consistent with prior years, equal to 100% of base salary at target, with a maximum opportunity of 200% of base salary.

Long-term incentive awards to be made in the year ending 30 June 2024

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

As per last year, DLTIP awards to be made in September 2023 will comprise awards of both performance shares and share options, based on stretching targets against the key performance measures as outlined in the table on page 153, assessed over a three-year performance period. The relative total shareholder return measure is based on the same constituent group and vesting schedule as outlined on page 141.

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

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

- reduction in greenhouse gas emissions in our direct operations (scope 1&2);
- improvement in the water efficiency index;
- number of people who confirm changed attitudes to the dangers of underage drinking after participating in a Diageo-supported education programme; and
- inclusion and diversity (percentage of female leaders globally and percentage of ethnically diverse leaders globally).

From fiscal 24, the water efficiency KPI under the 'Society 2023: Spirit of Progress' goals will use an index approach which links directly to the underlying water efficiency of the two production pillars of distillation and brewing & packaging. This methodology is described further on page 79 and the water efficiency component of the 2023 DLTIP awards reflects the updated 'Society 2030: Spirit of Progress' KPI.

Awards are calculated on the basis of a six-month average share price for the period ending 30 June 2023.

It is intended that a DLTIP award to the equivalent of 500% of base salary will be made to Debra Crew in September 2023, comprising 375% of salary in performance shares and the equivalent of 125% of salary in market price performance-based share options. It is intended that a DLTIP award to the equivalent of 480% of salary will be made to Lavanya Chandrashekar in September 2023, comprising 360% of salary in performance shares and the equivalent of 120% of salary in market price share options. In performance share equivalents, one market price option is valued at one-third of a performance share.

The table below summarises the annual DLTIP awards to Debra Crew and Lavanya Chandrashekar to be made in September 2023.

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

Performance conditions for long-term incentive awards to be made in the year ending 30 June 2024

	Performance shares								Share options		
			Environmental, social & governance (ESG)								
	Organic net sales (CAGR)	Organic profit before exceptional items and tax (CAGR)	Greenhouse gas reduction	Water efficiency index [1]	Positive drinking	% Female leaders	% Ethnically diverse leaders	Vesting schedule	Relative Total Shareholder Return	Cumulative free cash flow ($m) [2]	Vesting schedule
Weighting (% total)	40%	40%	5%	5%	5%	2.5%	2.5%		50.0%	50.0%	
Maximum	8.0%	11.5%	25.9%	8.3%	4.2m	49%	46%	100%	3rd and above	$12,600	100%
Midpoint	6.0%	8.0%	21.9%	6.0%	3.5m	48%	45%	60%	–	$11,000	60%
Threshold	4.0%	4.5%	17.9%	3.7%	2.8m	47%	44%	20%	9th and above	$9,400	20%

(1) For more information on the water efficiency index, see pages 152 and 79.
(2) The cumulative free cash flow targets are shown in USD following the change in functional currency from GBP to USD from fiscal 24. More details on this can be found on page 36.

Additional information

Key management personnel related party transactions (audited)

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

Diageo plc has granted rolling indemnities to the Directors and the Company Secretary, uncapped in amount, in relation to certain losses and liabilities which they may incur in the course of acting as Directors or Company Secretary (as applicable) of Diageo plc or of one or more of its subsidiaries. These indemnities continue to be in place at 30 June 2023.

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

Statutory and audit requirements

This report was approved by a duly authorised Committee of the Board of Directors and was signed on its behalf on 31 July 2023 by Susan Kilsby who is Chair of the Remuneration Committee.

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

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

PwC has audited the report to the extent required by the regulations, being the sections headed Single total figure of remuneration for Executive Directors (and notes), Payments to former Directors, Payments for loss of office, Annual incentive plan (AIP) payouts for 2023, Long-term incentive plans (DLTIPs) vesting in 2023, Pensions and benefits, Directors' shareholding requirement and share interests, Outstanding share plan interests, Non-Executive Directors' remuneration and Key management personnel related party transactions.

The annual remuneration report is subject to an advisory vote by shareholders at the AGM on 28 September 2023. The Directors' remuneration policy is subject to a binding vote by shareholders at the AGM on 28 September 2023. Terms defined in this Directors' remuneration report are used solely herein.