

Independent Limited Assurance Report to the Directors of Diageo plc

1. Our unmodified conclusion

Based on the procedures we have performed, as described under “Summary of work performed” and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information described below (together the ‘Subject Matter Information’) marked with the symbol Δ in Diageo plc’s (‘Diageo’s’) Annual Report and ESG Reporting Index (together ‘the Reports’) for the year ended 30 June 2022, has not been prepared, in all material respects, in accordance with “Diageo’s Reporting boundaries and methodologies” (the ‘Reporting Criteria’) set out on pages 90 - 110 of the ESG Reporting Index.

What we assured

The Subject Matter Information needs to be read and understood together with the Reporting Criteria which Diageo is solely responsible for selecting and applying.

Subject Matter Information (for the year ended 30 June 2022 unless otherwise stated)		Location of Subject Matter Information
Environmental and Safety indicators:		
Total volume packaged (litres) ¹	4,239,215,340	ESG Reporting Index
Direct carbon emissions by weight (market/net based) (1,000 tonnes CO ₂ e) ¹	436	ESG Reporting Index
Indirect carbon emissions by weight (market/net based) (1,000 tonnes CO ₂ e) ¹	11	ESG Reporting Index
Total direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO ₂ e) ¹	447	Annual Report
Direct carbon emissions by weight (location/gross based) (1,000 tonnes CO ₂ e) ¹	554	ESG Reporting Index, Annual Report
Indirect carbon emissions by weight (location/gross based) (1,000 tonnes CO ₂ e) ¹	158	ESG Reporting Index, Annual Report
Total direct and indirect carbon emissions by weight (location/gross based) (1,000 tonnes CO ₂ e) ¹	712	ESG Reporting Index, Annual Report
Total direct (renewable and non-renewable) energy consumption (TJ) ¹	11,119	ESG Reporting Index
Direct energy efficiency (MJ/litre packaged) ¹	2.6	ESG Reporting Index
Indirect energy efficiency (MJ/litre packaged) ¹	0.5	ESG Reporting Index
Total direct and indirect energy efficiency (MJ/litre packaged) ¹	3.1	ESG Reporting Index
Market based (net) intensity ratio of GHG emissions (g CO ₂ e per litre of packaged product) ²	106	ESG Reporting Index
Location based (gross intensity) ratio of GHG emissions (g CO ₂ e per litre of packaged product) ²	168	ESG Reporting Index, Annual Report

Total mains water withdrawn (cubic metres) ¹	9,272,326	ESG Reporting Index
Total groundwater withdrawn (cubic metres) ¹	6,462,048	ESG Reporting Index
Total surface water withdrawn (cubic metres) ¹	1,780,834	ESG Reporting Index
Total water withdrawn (cubic metres) ¹	17,515,208	ESG Reporting Index
Water use efficiency per litre of product packaged (litres/litre) ²	4.13	Annual Report
Wastewater polluting power ('BOD'), total under direct control (tonnes) ¹	28,430	ESG Reporting Index
Total volume of waste sent to landfill (tonnes) ¹	168	ESG Reporting Index
Percentage reduction in absolute carbon emissions (direct and indirect carbon emissions by weight (market / net based)) from the prior year ⁸	5.3%	ESG, Reporting Index, Annual Report
Percentage improvement in litres of water used per litre of product packaged from the prior year ⁸	3.7%	Annual Report
Percentage reduction in wastewater polluting power ('BOD'), total under direct control (tonnes) from the prior year ⁸	3.7%	ESG Reporting Index
Percentage reduction in total waste sent to landfill from the prior year ⁸	-265%	Annual Report
Scope 3 distribution and logistics GHG emissions (CO2e tonnes) for the year ended 30 June 2021 ¹	279,820	Scope 3 Logistics CO2e emissions Report
Lost time accident frequency rate per 1,000 full-time employees (FTEs). ³	0.92	ESG Reporting Index, Annual Report
Smashed – underage drinking programme indicators (for the period 1 June 2021 to 31 May 2022):		
Number of people educated on the dangers of underage drinking through a Diageo supported education programme ¹	607,374	Annual Report
Number of people who confirmed changed attitudes on the dangers of underage drinking following participation in a Diageo supported education programme ¹	491,128	Annual Report
DRINKiQ indicator:		
Number of markets that have launched DRINKiQ ⁴	21	Annual Report
Inclusion and Diversity indicators:		
The percentage of female leaders globally ⁵	44%	ESG Reporting Index, Annual Report
The percentage of ethnically diverse leaders globally ⁶	41%	Annual Report
Water Replenishment indicators:		
Annual volumetric replenishment capacity (m3) of projects developed ³	1,058,822	Annual Report
Percentage of water-stressed markets where Diageo have invested in improving access to clean water, sanitation and hygiene near sites and local sourcing areas (in the current or prior year) ⁷	88.9%	Annual Report

The footnote refers to our assessment of materiality discussed in section 2 of this report.



Basis for our conclusion

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board.

Our independence and quality control

We have complied with the Institute of Chartered Accountants in England and Wales Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards).

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

2. Our work

The scope of our work and our responsibilities

Our responsibilities are to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error, and to issue a report containing our independent conclusion formed on the basis of our work. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions the Directors would take on the basis of the Subject Matter Information, for example in relation to management's long term incentive plan.

Limited assurance can cover a range of assurance from low (i.e. just above assurance that is likely to enhance the intended user's confidence about what has been assured to a degree that is clearly more than inconsequential) to just below reasonable assurance. Because the level of assurance in a limited assurance engagement varies in this way, we give more detail about the procedures performed, so that the Directors can understand the nature, timing and extent of procedures we performed as context for our conclusion. These procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Limited assurance is not a guarantee that a conclusion reached in accordance with professional standards will always detect a material misstatement when it exists.

Summary of work performed

Our work, which was the basis for our conclusion, comprised the following procedures:

- considered the suitability of Diageo's use of the Reporting Criteria, as the basis for preparing the Subject Matter Information;
- through inquiries and by performing walkthrough procedures with Diageo's management responsible for the Subject Matter Information, we have obtained an understanding of the control environment, processes and systems relevant to its preparation;
- evaluated whether Diageo's methods for developing estimates are reasonable and have been consistently applied. We did not separately develop our own estimates against which to evaluate Diageo's;
- the Subject Matter Information related to Environmental and Safety indicators is aggregated from information submitted by Diageo's operational sites. To understand the key processes and controls for reporting site performance data, we selected 12 of Diageo's sites based on their inherent risk, materiality and an analysis of unexpected fluctuations in the Subject Matter Information since the prior period. 9 of these sites based in Australia, Cameroon, Kenya, Seychelles, Turkey and the United States were performed virtually using live feed streaming under our direction. A further 3 sites in India, the United Kingdom and United States were conducted as physical visits;
- the Subject Matter Information related to Water Replenishment indicators is aggregated from the specific water replenishment programmes undertaken by Diageo. In order to understand the key processes and controls for reporting we sampled 5 out of 34 projects, including 1 in India that we visited physically, based on their inherent risk and

- materiality to the annual volumetric water replenishment capacity. This specifically focused on understanding how programmes are selected and implemented by implementation partners on behalf of Diageo;
- we performed limited substantive testing of the Subject Matter Information related to the Smashed, DRINKiQ, Inclusion and Diversity, and Water Replenishment indicators. This testing was performed at the Diageo head office, with some testing undertaken remotely at sites to check that underlying information had been appropriately evaluated or measured, recorded, collated and reported. Whilst the extent and nature of the testing varies according to each metric, as an example, for 4 of the 21 countries where DRINKiQ is live, we performed testing of over their DRINKiQ URL at different dates in the assurance process to confirm existence and availability across the year;
 - for selected metrics we compared year on year movements and made inquiries of management to obtain explanations for significant differences or movements we identified;
 - we have reperformed the calculation for each aspect of the Subject Matter Information to ensure its mathematical accuracy; and
 - reviewed the disclosure and presentation of the Subject Matter Information in conjunction with the Reporting Criteria.

Our procedures did not include evaluating the suitability of design or operating effectiveness of control activities.

Materiality

The scope of our work was influenced by our application of the concept of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement and the nature, timing and extent of our procedures in support of our conclusion. We believe that it is important that the Directors understand the scope and the concept of materiality in order to understand the assurance that our conclusion provides.

We determined materiality for the Subject Matter Information as follows:

<p><i>Overall materiality</i></p>	<p>Materiality differs depending upon the nature of the Subject Matter Information. We apply professional judgement to consider the most appropriate materiality benchmark for each aspect of the Subject Matter Information, having taken due regard to how the Directors may use the information. The benchmark approach for each aspect of the Subject Matter Information is indicated in the table by one of the following numbers;</p> <p>¹ This metric is an absolute number. A benchmark materiality of 5% has been applied.</p> <p>² This metric measures intensity, which is calculated as a ratio between 2 different numbers. A benchmark of 5% has been applied to both the numerator and denominator used in the calculation.</p> <p>³ This metric is a ratio. Each misclassified lost time accident is considered material whilst materiality for FTEs is set at 5%;</p> <p>⁴ This metric is an absolute number. Each individual market is considered material;</p> <p>⁵ This metric is a percentage. A benchmark materiality of 2.5% has been applied to both the number of female leaders and total number of leaders used in the percentage calculation.</p> <p>⁶ This metric is a percentage. A benchmark materiality of 2.5% has been applied to both the number of ethnically diverse leaders and total number of leaders used in the percentage calculation.</p> <p>⁷ This metric is a percentage. Any identified misstatement in either the numerator or denominator is considered material.</p> <p>⁸ This metric is a percentage change. A benchmark of 5% has been applied to both the numerator and denominator and the mathematical accuracy of the percentage change has been recalculated.</p>
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We also agreed to report to the Directors misstatements ('reportable misstatements') identified during our work at a level below overall materiality, as well as misstatements below that lower level, that in our view warranted reporting for qualitative reasons. The Directors are responsible for deciding whether adjustments should be made to the Subject Matter Information in respect of those items.

Key areas of focus

We considered the following areas to be those that required our particular focus and discussed these areas with Diageo's management. This is not a complete list of all areas of focus identified by our work.

Use of third party contractors	
Nature of the issue	<p>Diageo engages with a wide range of third party providers across their operations. Several of these contractors are required to provide information critical to the complete and accurate reporting of the Subject Matter Information.</p> <p>This is especially relevant in relation to the provision of waste management services, where third parties routinely dispose of waste on behalf of Diageo in a manner set out in contracts. As soon as waste matter leaves a site, Diageo is no longer in control of the waste journey taken and there is a loss of visibility of waste disposal routes. Diageo often use management information provided by third party waste handlers as part of their management information. Another example would be in relation to upstream logistics providers; Diageo relies on these third parties for the collection and delivery of its finished goods. Diageo often relies on delivery data provided by different distribution providers in local markets to determine Diageo's Category 4 scope 3 emissions.</p>
How our work addresses the key area of focus	<p>Whilst our testing approach in relation to third parties is unique to each individual aspect of the Subject Matter Information, the following are examples of work performed at some of the 12 Diageo sites selected in relation to waste specifically:</p> <ul style="list-style-type: none"> • Performed walkthrough procedures to gain an understanding of the end-to-end waste journey for selected waste streams, and enquired with local management to understand how they are comfortable with data obtained from third party waste handlers; • Enquired with third party waste handlers to understand how they compile their management information they send to Diageo; • Obtained an understanding of any specific contractual obligations in place on third party waste handlers in relation to sending waste to landfill; • Where the number of waste collections exceeded 200 at a site, performed substantive testing for a sample of 5-15 waste collections within management information and corroborated to weighbridge tickets, to confirm accuracy and classification of waste values reported; • Obtained and reviewed waste traceability audit reports completed by local site management of waste collections made from by third parties; • Obtained weighbridge calibration certificates, or equivalent documents, to confirm accuracy of actual waste collection volumes; • Obtained and reviewed calculations performed by selected waste handlers to report total waste sent to landfill figures; and • Obtained and assessed reasonableness of estimation methodologies applied locally in the absence of reliable third party data, and validated data inputs.
Subject Matter Information most significantly impacted	<ul style="list-style-type: none"> • Total volume of waste sent to landfill (tonnes), • Scope 3 distribution and logistics GHG emissions (CO₂e tonnes) for the year ended 30 June 2021, • Number of people educated on the dangers of underage drinking through a Diageo supported education programme, and • Lost time accident frequency rate per 1,000 full-time employees (FTEs) (as temporary site-based contractors who work under Diageo's direct day-to-day supervision is included within the 'employee' definition).
Application of complex criteria	
Nature of the issue	<p>Diageo has extensive internal risk management and assurance guidance to support local site management teams to collate and report Subject Matter Information consistently. Whilst this guidance is detailed, there are some metrics that have complex areas (e.g. key terms/definitions), which can sometimes be open to interpretation or judgemental,</p>

	<p>resulting in elevated assurance risks around completeness, accuracy, classification and presentation and disclosure.</p> <p>This is especially relevant for safety incident reporting, where there are complex definitions and exception criteria, which determine whether an incident is reportable and how it should be classified. For example, in relation to the lost time accident reporting, judgements can arise in interpreting key definitions: work-related or job restriction.</p>
How our work addresses the key area of focus	<p>Whilst our testing approach in relation to judgements is unique to each individual aspect of the Subject Matter Information, the following are examples of work performed at some of the 12 Diageo sites selected in relation to lost time accident reporting specifically:</p> <ul style="list-style-type: none"> • Obtained an understanding of local safety governance and escalation channels available to local site management; • Performed walkthrough procedures to gain an understanding of local incident reporting procedures to ensure assess consistency when utilising classification guidance; • Enquired with local site management to understand how they classify incidents for complex or unusual incidents; • Performed substantive testing over all lost time accidents reported to date, and a sample of between 5-15 other incidents to confirm classification; • Obtained additional corroborating evidence where underlying incident reporting was not sufficient to substantiate incident classification. In some instances, these were escalated and discussed with Global Governance. <p>Additional testing has also been performed at a group-level, specifically:</p> <ul style="list-style-type: none"> • Substantive testing for a sample of 20 incidents globally not classified as a lost time accident (e.g. medical treatment case or first aid case) to ensure incident classification was appropriate. Australia was targeted as a market as part of sample selection whilst other incidents were randomly selected; • Enquired with the Global Governance team on incident classification for a sample where underlying evidence was not clear and obtained additional corroborating evidence, where needed.
Subject Matter Information most significantly impacted	<ul style="list-style-type: none"> • Lost time accident frequency rate per 1,000 full-time employees, • Annual volumetric replenishment capacity (m3) of projects developed

Challenges of non-financial information

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities, and over time.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for determining such information. The precision of different measurement techniques may also vary.

3. Reporting on other information

The other information comprises all of the information in the Reports other than the Subject Matter Information and our assurance report. The Directors are responsible for the other information. Our conclusion does not extend to the other information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.



4. Responsibilities of the Directors

As explained in the Directors' Statement on page 98 of the Annual Report, which extends to the ESG Reporting Index, the Directors of Diageo are responsible for:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring or evaluating the underlying subject matter;
- ensuring that those criteria are relevant and appropriate to Diageo and the intended users of the Reports;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining systems, processes and internal controls over information relevant to the evaluation or measurement of the Subject Matter Information, which is free from material misstatement, whether due to fraud or error, against the Reporting Criteria; and
- producing the Reports, including underlying information and statements of Directors' responsibility, which provide an accurate, balanced reflection of Diageo's performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Reports.

5. Use of this report

This report, including our conclusion, has been prepared solely for the Directors of Diageo in accordance with the agreement between us dated 8th February 2022 (as varied). To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Board of Directors and Diageo for our work or this report except where terms are expressly agreed between us in writing.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers LLP'.

PricewaterhouseCoopers LLP

**Chartered Accountants
London
27 July 2022**