

## Nomination Committee report



Dear Shareholder

On behalf of the Nomination Committee I would like to present its report for the year ended 30 June 2019.

Following the announcement in December 2018 that Ursula Burns would no longer be joining the Board as a Non-Executive Director, the Committee began the search for a new Non-Executive Director. The Committee engaged Egon Zehnder (which has no other connection with the company) to identify potential candidates and following a detailed selection process, the Committee recommended the appointment of Debra Crew as a Non-Executive Director to the Board, which subsequently approved the appointment with effect from 18 April 2019. Debra's significant experience in FMCG and in executive management as a former CEO should serve Diageo well and complement the current Board.

The Committee also considered the independence of Lord Davies of Abersoch whose tenure will exceed nine years in September 2019. Lord Davies has agreed to extend his term for an additional year and to stand for re-election at the 2019 AGM in order to ensure continuity of Board membership, pending recruitment of additional Directors to the Board, and to enable the company to benefit from his experience in British politics and international trade relations at a time of particular uncertainty in these two areas. The Committee was satisfied that Lord Davies demonstrated sufficient independence of thought and challenge in his contributions to the discussions of the Board and that therefore his independence is not likely to be impaired. Accordingly the Committee recommended to the Board that it approve the continuation by Lord Davies as Senior Independent Director for the period until the conclusion of the 2020 AGM and to recommend his re-election to the Board on this basis at the 2019 AGM. The company does not intend that Lord Davies will seek re-election at the 2020 AGM.

As part of the annual Board evaluation, all members of the Nomination Committee completed an evaluation of the Committee. This concluded that the performance of the Committee had improved, with clearer understanding of the talent pipeline, requisite skill sets and recruitment processes, although this understanding requires embedding over time. Further details of the evaluation can be found on page 73.

**Javier Ferrán**  
Chairman of the Nomination Committee

### Role of the Nomination Committee

The Nomination Committee is responsible for keeping under review the composition of the Board and succession to it, and succession planning for senior leadership positions. It makes recommendations to the Board concerning appointments to the Board.

The recruitment process for Non-Executive Directors typically includes the development of a candidate profile and the engagement of a professional search agency (which has no other connection with the company) specialising in the recruitment of high calibre Non-Executive Directors. Reports on potential appointees are provided to the Committee, which, after careful consideration, makes a recommendation to the Board.

Any new Directors are appointed by the Board and, in accordance with the company's articles of association, they must be elected at the next AGM to continue in office. All existing Directors retire by rotation every year.

The formal role of the Nomination Committee is set out in its terms of reference. These were updated in April 2019 and are available at [www.diageo.com/en-row/ourbusiness/aboutus/corporategovernance](http://www.diageo.com/en-row/ourbusiness/aboutus/corporategovernance).

### Composition of the Nomination Committee

The Nomination Committee comprises Javier Ferrán (Committee Chairman), Lord Davies, Debra Crew, Susan Kilsby, Ho KwonPing, Nicola Mendelsohn and Alan Stewart.

### Induction, training and business engagement

There is a formal induction programme for new Directors, which includes meeting with Executive Committee members and other senior executives individually and visiting a number of operations and sites around the group. Following her appointment, the induction process for Debra Crew is ongoing and, so far, has included attending the Annual Strategy Conference where she met all members of the Board and Executive Committee and attending a presentation on the strategic plan for scotch whisky distillation held at one of the company's distilleries in Scotland. Ms Crew is also having induction meetings with senior members of management and is participating in the arranged programme to get to know the business and its operations.

Following the initial induction for Non-Executive Directors, a continuing understanding of the business is developed through appropriate business engagements. Visits to customers, engagements with employees, and brand events were arranged during the year.

In addition, Executive Committee members and other senior executives are invited, as appropriate, to Board and strategy meetings to make presentations on their areas of responsibility. The company's policy is for all Directors to attend the AGM.

All Directors are also provided with the opportunity, and encouraged, to attend regular training to ensure they are kept up to date on relevant legal and governance developments or changes and best practice and changing commercial and other risks.

### Activities of the Nomination Committee

The principal activities of the Nomination Committee during the year were: the consideration of potential new Non-Executive Directors; the review of individual Director performance; a review of the Executive Committee membership and succession planning for it and for senior leadership positions, in addition to a review of diversity within the group; and the continuing independence of Lord Davies.