

Independent Limited Assurance Report to the Directors of Diageo plc on selected subject matter

Our limited assurance 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 marked with the symbol Δ in Diageo plc's ('Diageo's') Annual Report ('the Report') for the year ended 30 June 2023 and summarised below (together the 'Subject Matter Information'), has not been prepared, in all material respects, in accordance with "Diageo's Reporting boundaries and methodologies" (the 'Reporting Criteria') set out on pages 242-262 of the Annual Report.

What we assured

The Subject Matter Information needs to be read and understood together with the Reporting Criteria which Diageo's Directors are solely responsible for selecting and applying. The Subject Matter Information are set out below:

Subject Matter Information (for the year ended 30 June 2023 unless otherwise stated)		Location of Subject Matter Information
Environmental and Safety indicators:		
Total volume packaged (litres) ¹	3,801,239,185	page 256
Water use efficiency per litre of product packaged (litres/litre) ²	4.14	pages 5 and 79
Percentage improvement in litres of water used per litre of product packaged from the prior year (percentage) ⁷	(1.2)%	page 79
Percentage reduction in absolute carbon emissions (direct and indirect carbon emissions by weight (market / net based)) from the prior year ⁷	5.4 %	page 82
Total direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO ₂ e) ¹	401	pages 5 and 83
Market based (net) intensity ratio of GHG emissions (g CO ₂ e per litre of packaged product) ²	105	page 83
Percentage reduction in total waste sent to landfill from the prior year ⁷	35.5 %	page 86
Lost time accident frequency rate per 1,000 full-time employees (FTEs) ³	0.91	page 65
Smashed indicators (for the period 1 June 2022 to 31 May 2023):		
Number of people educated on the dangers of underage drinking through a Diageo supported education programme ¹	1,985,817	pages 5 and 58
Number of people who confirmed changed attitudes on the dangers of underage drinking following participation in a Diageo supported education programme ¹	1,548,996	page 58
Inclusion and Diversity indicators:		
The percentage of female leaders globally ⁴	44 %	pages 5 and 67-68
The percentage of ethnically diverse leaders globally ⁵	43 %	pages 5 and 67-68
Water Replenishment indicators:		
Annual volumetric replenishment capacity (m ³) of projects developed ³	1,311,010	page 79
Percentage of water-stressed markets where Diageo have invested in improving access to clean water, sanitation and hygiene near sites and local sourcing areas (FY21-FY23) ⁶	100 %	page 80

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

The scope of our work did not extend to information in respect of earlier periods or to any other information included in, or linked from, the Report.

Our work

Professional standards applied

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).

INDEPENDENT LIMITED ASSURANCE REPORT ON SELECTED SUBJECT MATTER continued

We apply International Standard on Quality Management (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.

Summary of work performed

We performed a limited assurance engagement. Because a limited assurance engagement can cover a range of assurance, we give more detail about the procedures performed, so that the intended users 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.

In performing our assurance procedures, which were based on our professional judgement, we performed the following:

- considered the suitability of the circumstances of Diageo's use of the Reporting Criteria, as the basis for preparing the Subject Matter Information;
- obtained an understanding of Diageo's control environment, processes and systems relevant to the preparation of the Subject Matter Information. Our procedures did not include evaluating the suitability of the design or operating effectiveness of control activities;
- evaluated the appropriateness of measurement and evaluation methods, reporting policies used and estimates made by Diageo, noting that our procedures did not involve testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Diageo's estimates;
- undertook site visits at 12 of Diageo's sites; we selected these sites based on their inherent risk, materiality to the group, and an analysis of unexpected fluctuations in the Subject Matter Information since the prior period. 4 of these sites based in Scotland, Uganda, Ghana and the United States were performed virtually using live feed streaming under our direction. A further 8 sites in Scotland (2), England, India, Nigeria (2), Mexico and Australia were conducted as physical visits;
- performed limited substantive testing on a selective basis of the Subject Matter Information related to the Environmental and Safety indicators listed above, which is aggregated from information submitted by Diageo's operational sites. Testing was conducted as part of the site visits and involved: comparing year on year movements and obtaining explanations from management for significant differences we identified, agreeing arithmetical accuracy and agreeing data points to or from source information to check that the underlying subject matter was complete and accurate, and had been appropriately evaluated or measured, recorded, collated and reported;
- 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 made management enquiries and performed limited substantive testing on a selective basis by sampling 5 out of 35 projects, 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. This testing checked that underlying information had been appropriately evaluated or measured, recorded, collated and reported;
- performed limited substantive testing on a selective basis of the Subject Matter Information related to the Smashed and Inclusion and Diversity indicators. This testing was performed at the Diageo head office, to check that underlying information was complete and accurate, and had been appropriately evaluated or measured, recorded, collated and reported; and
- evaluated the disclosures in, and overall presentation of the Subject Matter Information.

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

Materiality

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Subject Matter Information is likely to arise. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our procedures in support of our conclusion. We believe that it is important that the intended users understand the concept and the level of materiality to place our conclusion in context.

Based on our professional judgement, we determined materiality for the Subject Matter Information as follows:

<i>Overall materiality</i>	<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 considered how the intended users may use the information.</p> <p>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 1,000 FTEs is set at 5%;</p> <p>⁴ 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>⁵ 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>⁶ This metric is a percentage. Any identified misstatement in either the numerator or denominator is considered material.</p> <p>⁷ This metric is a percentage change. A benchmark of 5% has been applied to both the numerator and denominator.</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 assurance matters

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.

Classification of waste

Nature of the issue	<p>Diageo engages a wide range of third parties in the collection, management and disposal of the waste generated through their global operations. As soon as waste 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 then often has to rely on management information provided by third parties to appropriately classify waste - particularly waste sent to landfill.</p> <p>There is a risk that waste is inappropriately classified, by Diageo or a third party, as another waste stream (e.g. 'recycled' despite its final disposal route being to landfill).</p>
How our work addressed the key assurance matter	<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; • Obtained third party confirmations of year to date 'waste to landfill' volumes for a sample of waste handlers servicing the sites; • Obtained and reviewed waste traceability review reports completed by local site management of waste collections made from by third parties; • Attended a waste traceability review conducted by local site management with a third party waste handler; • Reviewed the group management schedule of waste handler reviews, assessing key findings and the broader impact on the group; • Performed substantive testing to confirm accuracy and classification of waste values reported, and for a sample of waste collections (5-15) within management information and corroborated to supporting documentation (e.g. weighbridge tickets); • 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.
Element(s) of the Subject Matter Information most significantly impacted	Percentage reduction in total waste sent to landfill from the prior year

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 health and safety incidents consistently. Whilst this guidance is detailed, there are some complex areas which can sometimes be open to interpretation or judgement, resulting in significant assurance risks around completeness, accuracy, classification and presentation and disclosure.</p> <p>There are complex definitions and exception criteria specific to Lost Time Accidents (LTAs), 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 based on detailed internal definitions and criteria which may not be present in the external criteria.</p>
How our work addressed the key assurance matter	<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 and 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 for 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; • Enquired with the Global Governance team on incident classification where underlying evidence was not clear and obtained additional corroborating evidence, where needed.
Element(s) of the Subject Matter Information most significantly impacted	Lost time accident frequency rate per 1,000 full-time employees

Challenges of non-financial information

The absence of a significant body of established practice upon 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 information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for measuring or evaluating it. The precision of different measurement techniques may also vary.

Reporting on other information

The other information comprises all of the information in the Report other than the Subject Matter Information and our assurance report. The Directors are responsible for the other information. As explained above, 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.

Responsibilities of the Directors

As explained in the Directors' Statement on page 116 of the Annual Report, 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 Report;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining systems, processes and internal controls over the evaluation or measurement of the underlying subject matter to result in Subject Matter Information that is free from material misstatement, whether due to fraud or error; and
- producing the Report, including underlying data and statements of Directors' responsibility, which provides a balanced reflection of Diageo's performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Report.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Diageo.

Use of this report

Our report, including our conclusion, has been prepared solely for the Directors of Diageo in accordance with the agreement between us dated 31 January 2023 (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.

PricewaterhouseCoopers LLP

Chartered Accountants

London

31 July 2023

DIAGEO

Celebrating life,
every day, everywhere

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