DIAGEO

Annual Report 2023

"Ivan was undoubtedly one of the finest leaders of his generation. He was there at the creation of Diageo and over 25 years, shaped the company to become one of the best performing, most trusted and respected consumer companies. I saw first-hand his steadfast commitment to our people and to creating a culture that enabled everyone to thrive. He invested his time and energy in people at every level of the company and saw potential that others may have overlooked. This is one of many reasons why he was beloved by our employees, past and present.

Ivan's energy and his commitment to diversity created an inclusive business and enabled Diageo to have a positive impact on the communities we serve. His passion for our brands was second-to-none and in his heart, he remained the Johnnie Walker marketer from his early days. The desire to build the world's best brands never left him. We are truly privileged to have had the opportunity to work alongside such a thoughtful and passionate colleague and friend – a true gentleman. He has built an extraordinary legacy."

Javier Ferrán
Chairman

In memory of *Sir Ivan Menezes*

1959-2023

Career highlights

Ivan Manuel Menezes was born on 10 July 1959, in Pune, India. He held UK and US citizenship, and Overseas Citizenship for India.

Ivan joined Diageo at its creation in 1997 and held many senior positions in a career spanning over 25 years at the company. He had been the Strategy Director for Guinness plc, and when Diageo was created through the merger of Guinness plc and Grand Metropolitan, Ivan was appointed Group Integration Director tasked with integrating this 'merger of equals.'

He became Global Marketing Director, UDV, in 1998 and was responsible for developing the now iconic 'Keep Walking' campaign for Johnnie Walker.

He subsequently held several senior positions within Diageo including Chief Operating Officer; President, Diageo North America; Chairman, Diageo Asia Pacific; and Chairman, Diageo Latin America and Caribbean.

Ivan was appointed to the Board as an Executive Director of Diageo in July 2012 and served as Chief Executive Officer since July 2013. He was due to retire on 30 June 2023.

During his decade as Chief Executive, Ivan oversaw an outstanding period of change, growth and high performance. Diageo made huge strides towards his ambition for the company to become one of the best performing, most trusted and respected companies in the world.

Now selling over 200 brands in nearly 180 countries, today Diageo is the number one company by retail sales value in international spirits, including tequila[1], a category in which only eight years ago the company had no substantive position.

Ivan was particularly proud to announce that in December 2022, Guinness was ranked the number one selling beer by value for the first time in the on-trade in Great Britain.[2]

Ivan was an inspirational champion for both women and ethnic minorities in business. In 2008, there were no women on Diageo's Executive Committee; today, over half are women, including his successor as Chief Executive, the Chief Financial Officer and the Presidents of Diageo's largest markets – North America, Europe and India, and almost half of the Executive Committee are ethnically diverse.

Ivan was determined to be a pioneer on environmental, social and governance (ESG) issues, committing that Diageo would have a positive impact on society everywhere it operates. Diageo reduced carbon emissions in absolute terms under his leadership – even as the company significantly increased production and sales.

Over the last five years, Diageo's total shareholder returns have outperformed the FTSE 100, and the company has continued its progressive policy to increase dividends every year.

In January 2023, Ivan was awarded a knighthood for services to business and to equality in His Majesty The King's 2023 New Year Honours List.

(1) IWSR, 2022
(2) CGA, 4 weeks to 3 December 2022

Celebrating life, every day, everywhere

We are a global leader in spirits. From centuries-old names to the latest innovations, we have over 200 brands and sell in nearly 180 countries.

At Diageo, we are committed to building and sustaining the very best portfolio of brands, in what we believe to be the most exciting consumer products category.

Take a look at how we build **our brands**

p6-7

Read our **Chief Executive's** statement

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Find out about our **investment case**

p14-15

See our **core competencies** in action

p26-31

Visit diageo.com for more information

Cover: Guinness in the on-trade

A *brilliant blend* of people and brands

Since its formation more than 25 years ago, Diageo has been committed to building and nurturing some of the world's most iconic brands which are rooted in culture and local communities.

From a pint of Guinness to a Johnnie Walker highball, a Don Julio margarita to a Tanqueray and tonic, the brands behind our drinks have become household names. And whether local or global, all our products share a common goal: to be part of celebrations, big or small.

Our position across total beverage alcohol (TBA) means we have a long runway for quality, sustainable growth and we are confident in our ability to deliver. We believe the TBA market remains very attractive; over the past five years it has grown at a 4% compound annual growth rate (CAGR) by retail sales value, with spirits growing considerably faster at a 6% CAGR.[1]

Two years ago we set out our 2030 share ambition to grow from a 4% to 6% value share of TBA. We are proud to be almost a third of the way there; we are now the leading international spirits player, holding a ~4.7% value share.[1] But we are confident that there is still plenty of headroom to grow.

The secret to our success is our understanding of those we serve. We constantly strive to know the consumers of our brands and our on-trade and off-trade customers better than anyone else. And we have invested in new digital and data capabilities to constantly evolve our insights, putting people at the heart of the way we make, market and sell our brands. With the right product in the right place at the right price, we are well positioned to win new consumers and retain existing ones.

But we know consumer habits are changing. Today, people prioritise quality over quantity – they are drinking better. We encourage this 'premiumisation'; in fact, in every region of the world, we have been steadily positioning our portfolio to capitalise on this long-term trend.

We believe premiumisation goes hand in hand with moderation. And as we grow, we are committed to always encouraging moderation through the promotion of responsible drinking across our markets – it's good for consumers, and good for business.

With more than 100 manufacturing sites and over 30,000 employees around the world, our culture is rooted in a deep sense of our purpose, the personal connections we have to our brands, our relationships with each other and our passion to win in the marketplace. Our footprint is truly global and we push ourselves to be worthy of people's trust everywhere we live, work, source and sell.

We are currently three years into our ten-year ESG action plan, 'Society 2030: Spirit of Progress'. This starts with our people. We are creating an inclusive culture and providing them with the skills and opportunities to progress. We are also focussed on protecting the natural world, preserving the water and resources on which we depend. By 2030, our ambition is to achieve net zero emissions across our direct operations (Scope 1 and 2) and to work in partnership with our suppliers to halve the emissions in our supply chain (Scope 3).

We know that purpose goes hand in hand with performance – never one without the other. This is why our ambition is to become one of the best performing, most trusted and respected consumer products companies.

We delivered over £3.1 billion through dividends and share buybacks to our shareholders in fiscal 23. And future investors can be confident too: we aim to consistently re-invest back into the business to continue growing.

Our consumer insights, strong sense of purpose and pursuit of financial excellence fuel our passion to become one of the best brand builders in the world.

In 1759, when Arthur Guinness signed a 9,000-year lease on the St James's Gate brewery in Dublin, he wanted his business to last. This visionary thinking underpins why we must continue to do business the right way, from grain to glass.

(1) IWSR, 2022

Colleague in The Bar at Home

Fiscal 23 financial performance

Volume
(equivalent units)

EU243.4m
(2022: EU263.0m)

Reported movement	(7)% ↓
Organic movement[1]	(1)% ↓

Net sales[2]

£17,113m
(2022: £15,452m)

Reported movement	11% ↑
Organic movement[1]	6% ↑

Operating profit

£4,632m
(2022: £4,409m)

Reported movement	5% ↑
Organic movement[1]	7% ↑

Net cash from operating activities

£3,024m
(2022: £3,935m)

2023 free cash flow[1]	£1,800m
2022 free cash flow[1]	£2,783m

Earnings per share (eps)

164.9p
(2022: 140.2p)

Reported movement	18% ↑
Eps before exceptional items movement[1]	8% ↑

Total recommended dividend per share[3]

80.00p
(2022: 76.18p)

5% ↑

Visit diageo.com for more information

Fiscal 23 non-financial performance

Positive drinking

1,985,817Δ
(2022: 607,374)

Number of people educated on the dangers of underage drinking through a Diageo supported education programme

Inclusion and diversity

44%Δ
(2022: 44%)

Percentage of female leaders globally

43%Δ
(2022: 41%)

Percentage of ethnically diverse leaders globally

Water efficiency[4]

4.14l/lΔ
(2022: 4.09l/l)

Water use efficiency per litre of product packaged (litres/litre)

Carbon emissions[4]

401Δ
(2022: 424)

Total direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO_2e)

(1) See Definitions and reconciliation of non-GAAP measures to GAAP measures on pages 232-239
(2) Net sales are sales less excise duties
(3) Includes recommended final dividend of 49.17p
(4) In accordance with Diageo's environmental reporting methodologies and, where relevant, WRI/WBCSD GHG Protocol; data for the baseline year 2020 and for the intervening period up to the end of last financial year has been restated where relevant

Δ Within the scope of PricewaterhouseCoopers LLP's (PwC) independent limited assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

Unless otherwise stated in this document, percentage movements refer to organic movements. For a definition of organic movement and reconciliation of all non-GAAP measures to GAAP measures, see pages 232-239. Share refers to value share. Percentage figures presented are reflective of a year-on-year comparison, namely 2022-2023, unless otherwise specified.

Brand building *expertise*

Our portfolio offers something for every taste and celebration.

From much-loved, established brands, such as Johnnie Walker, to the latest innovations, like Tanqueray 0.0, we create products, tastes and experiences for people to enjoy.

This requires focus and investment in what we call a brilliant blend of 'creativity with precision'. We combine data, insights and innovation with the creative flair our consumers expect from us as a custodian of some of the most iconic brands in the world.

Innovative spirit

We want to build brands that will stand the test of time. This is why we strive to move at pace with the latest consumer trends. And while we honour the past, we are passionate about creating the brands of the future.

Redefining categories

With a rich and actively managed portfolio and a proven innovation capability, we are well placed to seize new opportunities, recruit new consumers, continue to premiumise and drive ongoing performance.

Advantaged portfolio

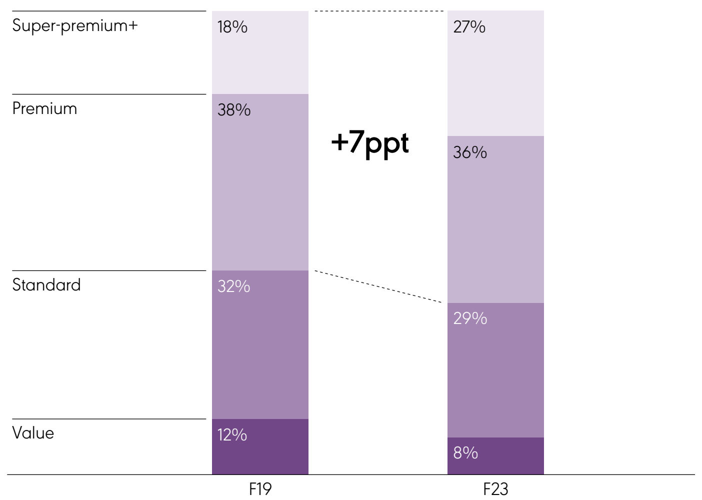
The breadth and depth of our portfolio has helped us grow across most categories, with strong net sales growth in our three largest categories: scotch, tequila and beer.

Premium-plus brands contributed 63% of reported net sales growth and drove 57% of organic net sales growth in fiscal 23.

Organic net sales growth by category

Scotch	12%
Tequila	19%
Vodka	1%
Canadian whisky	(9)%
Rum	2%
Liquers	(1)%
Gin	5%
IMFL whisky	15%
Chinese white spirits	(14)%
US whiskey	(4)%
Beer	9%
Ready to drink	0%

Reported net sales by price tier, F19–F23



Super-premium and above price points

Reported net sales[1]

£4,559m ↑

Premium price points

Reported net sales[1]

£6,258m ↑

Standard and below price points

Reported net sales[1]

£6,296m ↑

(1) Net sales are sales less excise duties

Recommended final dividend per share

49.17p ↑

2022: 46.82p

Total dividend per share(1)

5% to 80.00p ↑

2022: 76.18p

Total shareholder return

(2)% ↓

2022: 4%

(1) Includes recommended final dividend of 49.17p

A solid platform for *future growth*

It is impossible to reflect on the past year without thinking of Sir Ivan Menezes.

Ivan's leadership defined the culture of Diageo: diverse, creative, agile and entrepreneurial, passionately engaged, and committed to social responsibility and environmental sustainability. Today, our culture is our greatest strength in an uncertain world, and the living embodiment of Ivan's legacy at Diageo. He will be missed by all of us.

Global environment

The last year has been another period of broad and sustained uncertainty, and we continue to see re-adjustment in working patterns and consumer behaviour following the Covid-19 pandemic. Major economies are facing the challenge of inflation, compounding cost-of-living pressures. Geopolitical uncertainty remains elevated, and the terrible conflict in Ukraine continues.

As ever, my colleagues have responded to this operating environment with resilience and entrepreneurialism. On behalf of the Board, I would like to thank them for their sustained commitment and hard work.

Dealing with uncertainty and volatility is the 'new normal' – and is likely to remain so for some time. While this inevitably brings some short-term challenges, especially for consumer goods companies like ours, the breadth and depth of our portfolio and our geographical footprint, harnessed to the passion and agility of our colleagues, mean we are well positioned to navigate those challenges and to take advantage of emerging opportunities, as we have done successfully in recent years.

Long-term view of the business

Despite this ongoing turbulence, the fundamentals of our category remain attractive, and we are well-placed to realise its potential. The growth of a global middle class and the appetite for increasing premiumisation and to 'drink better, not more' are long-term, sectoral trends. We expect to continue to drive value growth in the total beverage alcohol (TBA) category as hundreds of millions of consumers become able to access the premium drinks market, often moving away from informal or illicit alcohol in the process.

At the same time, we have significant headroom to grow within TBA, reflected in our medium-term ambition to grow our value share of the global market by 50%, from 4% to 6% by 2030. We believe that share growth will be driven by sustained investment in our brands and targeted innovation to respond to evolving consumer needs and tastes. Combined with active portfolio management, we believe that continuing to invest in our brands now is fundamental to sustaining performance for the future.

Long-term value creation

Diageo continues to deliver long-term value creation for our shareholders. We achieved another strong year of performance for fiscal 23. We grew organic net sales by 6.5% at the top end of guidance, with strong price/mix performance mitigating a modest decline in volume. Pre-exceptional earnings per share increased 7.6%. We increased our final dividend by 5%, reflecting our continued strong performance and our commitment to a progressive dividend policy.

Our philosophy of investing over the long-term can occasionally impact return on average invested capital (ROIC) in the short-term, as it did in fiscal 23. ROIC was 16.3%, a decline of 50bps. In fiscal 23 we increased capex, invested in maturing stock and continued to actively and strategically manage our portfolio through acquisitions and disposals. Finally, total shareholder return (TSR) for the ten-year and five-year periods of 9% and 7%, respectively remains strong despite the 12-month return of (2)% for fiscal 23 which was mainly driven by a lower year-on-year share price.

Employee engagement

This was my final year as the lead Board member for workforce engagement. I have enormously enjoyed engaging with hundreds of colleagues at all levels across Diageo, and I continue to be impressed by their passion. My fellow Board member, Karen Blackett OBE, has taken up this important role from July 2023.

That passion is reflected once again in the results of our annual Your Voice employee survey. Employee engagement remains very high at 84% – two points ahead of last year, while pride in Diageo is at an all-time high of 91% – 14 points above our external benchmark. The proportion of our colleagues who would recommend Diageo as a place to work is also the highest ever recorded, and our Net Promoter Score now stands at +36.

I believe that our culture – the combination of passion and commitment with agility, speed and entrepreneurial talent – is a major differentiator for Diageo and a significant source of our ongoing competitive advantage.

Board changes

I would like to extend a very warm welcome to Debra Crew who re-joins the Board having taken over as Chief Executive a little sooner than we had planned.

At our Annual General Meeting (AGM) in September, Lady Mendelsohn will have reached her nine-year term as a Non-Executive Director and will not stand for re-appointment. On behalf of our Board, employees and shareholders, I would like to express my heartfelt thanks to Nicola for her significant contribution to Diageo.

Alan Stewart will also reach his nine-year anniversary in September; however, he will stand for re-appointment for a further year at the request of the company to enable a smooth transition during fiscal 24 to a successor who will take over as Chair of the Audit Committee.

Leadership

The Board diligently planned for Ivan's succession, and we are delighted to have appointed a leader of Debra's calibre to the role.

Debra has been a highly valued member of Diageo's leadership team in recent years with an impressive track record of delivery both at Diageo and across other global consumer goods companies. She has deep consumer industry expertise as well as proven strategic capabilities, strong operational performance and a clear ability to build and lead teams.

I have no doubt that Diageo is in the right hands for the next phase of its growth and I look forward to working with Debra in her new role.

Delivering 'Society 2030: Spirit of Progress'

I am encouraged by the energy, progress and ingenuity I see in our work to deliver our 'Society 2030: Spirit of Progress' ESG action plan. For example, agave is a key ingredient in our tequilas, and we have been using targeted drone technology on our agave farms in Jalisco, Mexico to help us minimise water and fertiliser use.

We expect this innovation to contribute to our 2030 target to deliver a 40% improvement in water use efficiency in water stressed areas. We are proud that Don Julio Blanco has become the first brand to receive Environmentally Responsible Agave certification from the Tequila Regulatory Council and the government of Jalisco.

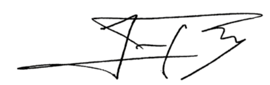
We also believe in the power of partnerships. In the UK, we're investing in a new recycled aluminium production facility, saving raw materials and cutting carbon emissions. Our backing will help the British Aluminium Consortium for Advanced Alloys, a collective of industry experts, develop a closed-loop, circular approach to aluminium. Its recycling and manufacturing plant will roll hundreds of thousands of tonnes of aluminium sheet – enough for over 400 million Guinness and premixed Gordon's and tonic cans a year.

We have again incorporated the Task Force on Climate-related Financial Disclosures framework into our reporting. While our analysis indicates the financial impact is not likely to be significant to 2030, we know that managing the increasing climate risks we face, such as water stress, remains a priority.

Summary

While sustained volatility and uncertainty will continue to present challenges for the consumer goods sector, we believe Diageo remains well-positioned and resilient. We are diversified by category, price point and geography. Our people are highly engaged and have a track record of delivery through uncertainty. And, our continued investment in our brands and deep understanding of our consumers position us well to capture opportunities in TBA, a market we believe has very attractive fundamentals.

Diageo's Board and leadership team remain focussed on securing long-term, sustainable value creation, by nurturing Diageo's culture, building our brands, and delivering our Performance Ambition.

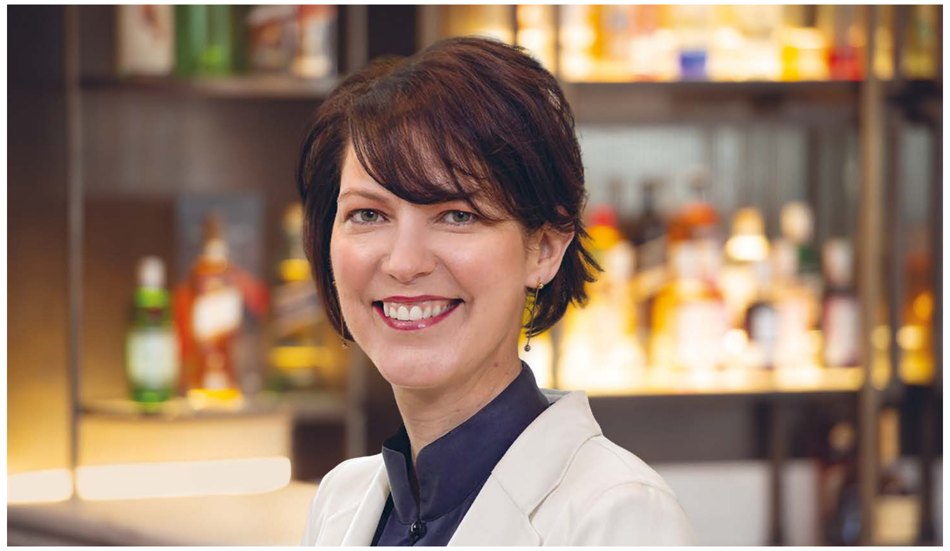


Javier Ferrán
Chairman

Statement on Section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires the Directors to promote the success of the company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision-making. In making decisions, the Directors consider what is most likely to promote the success of the company for its shareholders in the long term, as well as the interests of the group's stakeholders. The Directors understand the importance of taking into account the views of stakeholders and the impact of the company's activities on local communities, the environment, including climate change, and the group's reputation.

Read more about how stakeholders were taken into account in decision-making on pages 110-113



Another year of *strong performance*

Like everyone at Diageo, I will miss Ivan's kindness, wisdom and counsel in the months and years ahead. It was an extraordinary privilege to know, work with and learn from Ivan over the last four years, and to benefit from his experience and generosity of spirit. Together with all my colleagues, I am determined that we will build on and do justice to his legacy.

Reported volume movement
(7.4)% ↓
2022: 10.3%

Organic volume movement
(0.8)% ↓
2022: 10.3%

Reported net sales movement
10.7% ↑
2022: 21.4%

Organic net sales movement
6.5% ↑
2022: 21.4%

Reported operating profit movement
5.1% ↑
2022: 18.2%

Organic operating profit movement
7.0% ↑
2022: 26.3%

Fiscal 23 performance

Diageo today is a business built to deliver resilient performance, even in turbulent times. We are geographically diverse, with a product portfolio built on long-term investment in our brands, and a culture that delivers everyday efficiency while pursuing opportunities with focus and agility.

Those underlying strengths are reflected in our performance over the last year. We drove strong growth in four of our five regions, with Europe and Asia Pacific growing double-digit. Even with North America sales flat, following a period of very rapid growth, we have still been able to deliver overall organic net sales value growth of 6.5% within our medium-term guidance, and organic operating margin expanded by 15bps.

Our pre-exceptional earnings per share rose 7.6% in fiscal 23 to 163.5 pence. And, we have once again been able to increase the dividend by 5% to a full-year dividend of 80.00 pence.

Fiscal 23 also saw standout performance from our scotch, tequila and beer categories. Scotch grew 12%, tequila grew 19% and beer was up 9% respectively. Johnnie Walker, the world's leading international spirit brand, delivered another year of strong double-digit growth, increasing 15%. Tequila continues to have strong consumer momentum and our global market share of tequila rose 120bps to just over 23% of retail sales value. We also launched our strategy to ignite a new 'Golden Age for Guinness', with immediate results: organic net sales were up 16% in the period, and in December 2022, Guinness became the number one beer brand by value share in the on-trade in Great Britain.[1]

We have also continued to benefit from sustained investment in our brand portfolio, with our premium-plus brands now accounting for 57% of net sales growth. Our premium-plus brands now account for 63% of Diageo's net sales, up 7ppts from fiscal 19.

While I am pleased that our business can deliver this performance even in the face of significant turbulence in major markets, the prospect of ongoing volatility in our operating environment means that there is no room for complacency. We will continue to deliver investment in our brands for the long-term hand-in-hand with efficiency in our day-to-day operations. At the same time, I want to see our execution focus sharpen as we sustain high-quality growth and continue to build market share.

Engine for growth

We are confident that Diageo remains well-positioned to deliver our medium-term guidance of consistent organic net sales growth in the range of 5% to 7% and sustainable organic operating profit of 6% to 9%. To achieve this, winning quality market share remains a primary focus and it is one of the key areas of opportunity I see for improvement in fiscal 24. With our advantaged portfolio of brands, core capabilities and competitive advantages, I believe we can drive market share gains of at least two-thirds of our total net sales value. I'm pleased that we gained or held share in markets that total 70% of our net sales value in fiscal 23.[2]

Productivity, our culture of everyday efficiency and smart investment will be critical to deliver our medium-term guidance. Notably, we unlocked a further £450 million of productivity savings during fiscal 23.

Even as the leading company in international spirits, as of 2022, we only held a ~4.7% share of the TBA market.[3] This is up from 4% in 2020 when we set our ambition to deliver a 50% increase by 2030. The opportunity is significant. We are a company with a diversified geographic footprint and advantaged portfolio in a very large and attractive industry. Our business is set up for consistent, sustainable long-term growth driven by premiumisation and active portfolio management.

Doing business the right way

Doing business the right way remains at the heart of our plans for growth, and we have made good progress in the past year on our 'Society 2030: Spirit of Progress' ESG action plan to build a responsible, inclusive and sustainable business as we grow.

We want to change the way people drink for the better, recognising that there is no drink of moderation, only the practice of moderation. This is why we promote moderate drinking and invest in education and programmes to discourage the harmful use of alcohol. Increasingly we are fully integrating our work to promote responsible drinking into our brand messages, such as in Captain Morgan's 'Enjoy Slow' campaign last year.

We continue to build a strong, diverse leadership team to better reflect the consumers we serve. 44% of our leaders globally are female, maintaining our progress against our 2030 ambition to reach 50%, while 43% of our leadership are now ethnically diverse, an increase of 2% from fiscal 22.

We have also made significant headway on our objective to embed sustainability in our business. We have continued our progress towards our net zero carbon goal in our direct operations by 2030, with an absolute Scope 1 and 2 greenhouse gas emission reduction of 5.4% in fiscal 23. This was partly the result of our continuing investments in renewable energy, which now accounts for 45% of our total energy use, an increase of 1.9% from fiscal 22.

Our other major sustainability focus is on water stewardship. In the last year, we have reduced the amount of water it takes to make each litre of our brands by 2.6% in our water-stressed areas.

We also completed water efficiency projects that will deliver future benefit in several water-stressed areas including Kenya, Uganda and Nigeria. Beyond our own operations, we are working in partnership with CARE to empower women and make them stewards of our investments in water sanitation in the communities in which we live and work around the world.

Looking forward

I am very proud to become the Chief Executive of Diageo at a moment of enormous potential for our business. We believe the TBA market is the most exciting and creative consumer category in the world. Within it, spirits continue to gain share, and premiumisation is proving to be a resilient trend.

Diageo is well-placed to take advantage of these opportunities. Our geographic reach offers not just resilience through diversification, but also exposure to consumers looking to 'drink better, not more' around the world. Our long-term investment in building and actively shaping our portfolio gives us an advantaged position in the market, and our deep understanding of our consumers allows us to strengthen our relationship with them as we innovate to meet their needs and expectations. Underpinning these advantages, our core capabilities in digital, world-class brand building, supply chain and everyday efficiency allow us to execute effectively and with precision, while our 'Society 2030: Spirit of Progress' ESG action plan ensures that our business will become more responsible, diverse and sustainable as it grows.

These are strengths that we will build on in the year ahead. With the potential we see across our business and our brands, we are confident that we will continue to navigate successfully through a volatile external environment while delivering our medium-term guidance: consistent organic net sales growth in the range of 5% to 7% and sustainable organic operating profit of 6% to 9%. At the same time, we remain focussed on investing in our brands to meet our ambition of increasing Diageo's share of the total beverage alcohol market by 50%, from 4% to 6%, over the decade to 2030.

Debra Crew
Chief Executive

(1) CGA, 4 weeks to 3 December 2022
(2) Internal estimates incorporating Nielsen, Association of Canadian Distillers, Dichter & Neira, Frontline, INTAGE, IRI, ISCAM, NABCA, Scentia, State Monopolies, TRAC, IPSOS and other third-party providers. All analysis of data has been applied with a tolerance of +/- 3 bps. Percentages represent percent of markets by total Diageo net sales contribution that have held or gained total trade share fiscal year to date. Measured markets indicate a market where we have purchased any market share data. Market share data may include beer, wine, spirits or other elements. Measured market net sales value sums to 87% of total Diageo net sales value in fiscal 23
(3) IWSR, 2022

An attractive industry with a runway *for growth*

Total beverage alcohol (TBA) has seen a strong record of value growth over the last 10 years. And international spirits, where Diageo is the number one player, has grown faster than TBA.[1]

We believe TBA presents sustainable long-term growth opportunities for Diageo, underpinned by attractive consumer fundamentals. This includes three key factors: a growing middle class; increased spirits penetration; and premiumisation in both developed and emerging markets.

Retail sales value of global alcohol market[1]

$1.17 trillion

Equivalent units of alcohol sold[1]

5.4 billion

1 Consumer base that can afford premium spirits is growing

The latest projections by the United Nations suggest that the global population could grow to around 8.5 billion by 2030.[2]

Globally, an emerging middle class continues to grow in key markets such as China, where it is estimated that, between 2022 and 2030, the middle class and affluent consumer will increase by 80 million, reaching nearly 40% of the population.[3]

This continued growth of the 'middle class and above' income bracket should enable 470 million[4] more consumers to access and enjoy our brands by 2032.

2 Consumers are increasingly choosing spirits over beer and wine

Over the past five years, the TBA market worldwide grew at a 4% compound annual growth rate.[1] Spirits grew considerably faster at a 6% compound annual growth rate as consumers increasingly move away from beer and wine.[1]

Spirits, which are versatile and adaptable, have a strong position and considerable runway for growth given consumers' interest in new serves suitable for a broader range of occasions, including with food and at home.

3 Consumers across the world are trading up, choosing superior quality

Consumers are 'drinking better, not more' and are increasingly choosing brands and categories that stand out for superior quality, authenticity and taste.

We call this trend premiumisation, in which consumers have a greater desire to explore new aspirational experiences, driving demand for quality drinks at a range of price points.

(1) IWSR, 2022
(2) United Nations Department of Economic and Social Affairs, Population Division, 2022
(3) Mind the Generation Gap, Boston Consulting Group, 2023
(4) World Bank, 2022

546 million
new legal purchase age consumers estimated to enter the market by 2033[4]

470 million
estimated to join the middle class and above income bracket by 2032[4]

+9%
increase in spirits TBA share[1]

Ketel One Bloody Mary

Investing for the long term

Diageo has a bold ambition and is well-positioned to capture more of the total beverage alcohol (TBA) market opportunity.

With only 4.7% of global TBA share[1], we believe we have significant headroom for sustainable, long-term growth, and our ambition is to outperform the market and increase our TBA value share to 6% by 2030.

Increasing spirits penetration

Diageo has a diversified footprint globally with an advantaged portfolio of brands. The breadth and depth of our portfolio across attractive categories and price points positions us to capture large consumer growth opportunities, and provides resilience to international trading volatility. Globally, there is a significant opportunity to increase spirits penetration.

In markets where the spirits category is less mature, our mainstream brands give emerging market consumers access to our products at affordable prices. For example McDowell's No. 1 in India and Black & White in Latin America offer quality products at more affordable price points and give opportunities to consumers to trade up in the future.

Quality growth for Guinness

Beer is our second largest category after scotch. Our business model for the category is differentiated, increasingly asset-light, highly profitable and provides exposure to both emerging and developed markets. We use a variety of routes to the consumer, depending on the most efficient model for each market. Guinness leads our beer portfolio and is available in more than 100 countries and territories.

Read more about how Guinness became the number one pint in Great Britain on pages 26-27

Active portfolio management

We use our deep consumer insights to acquire strategic brands in higher-growth categories. In fiscal 23, we acquired Balcones Distilling, a leading producer of award-winning super-premium and above US whiskey. We also acquired Don Papa Rum, a super-premium dark rum from the Philippines, strengthening our position in the rum category, which is premiuimsing.

Our active portfolio management also includes strategic disposals. In fiscal 23, we sold Guinness Cameroun S.A., following a strategic review which identified a more efficient model to support the strong growth of the brand in Cameroon. We also disposed of Archers, as well as the disposal and franchising of a portfolio of brands in India.

Our core competencies

Diageo is a world-class brand builder and has supply chain expertise, as well as an entrepreneurial spirit and advantaged culture.

Our world-class brand building is underpinned by deep consumer understanding, which fuels innovation and recruits consumers. We combine our consumer insights with marketing creativity which we execute with precision. This is underpinned by smart investment in marketing effectiveness tools, such as Catalyst, Sensor and CreativeX.

We believe that our diverse supply chain across the markets where we source, make and sell is a key competitive advantage. We leverage the scale and breadth of our business to build strategic relationships with suppliers that deliver regular cost savings, which we reinvest. Our culture of everyday efficiency and strong pipeline of productivity initiatives drove £450 million of savings in fiscal 23, fuelling sustained investment in brand building.

We are consumer-focussed and brand obsessed, and our workforce is encouraged to have an entrepreneurial spirit, where new ways of thinking are welcomed. Our ability to adapt to market challenges and our consistent focus on consumers and trade partners are the foundations from which we deliver our Performance Ambition. As an organisation, we are restless and we work hard to operate with agility and urgency to deliver consistent quality growth.

Read more about our core competencies on pages 26-31

Delivering consistent performance and quality growth

To help ensure we deliver consistent performance and sustainable quality growth, we invest smartly in the areas we believe will bring the greatest benefits: capital expenditure for our strategic categories, digital capabilities, our ambitious sustainability agenda and our supply chain agility programme.

Production capacity and maturing inventories

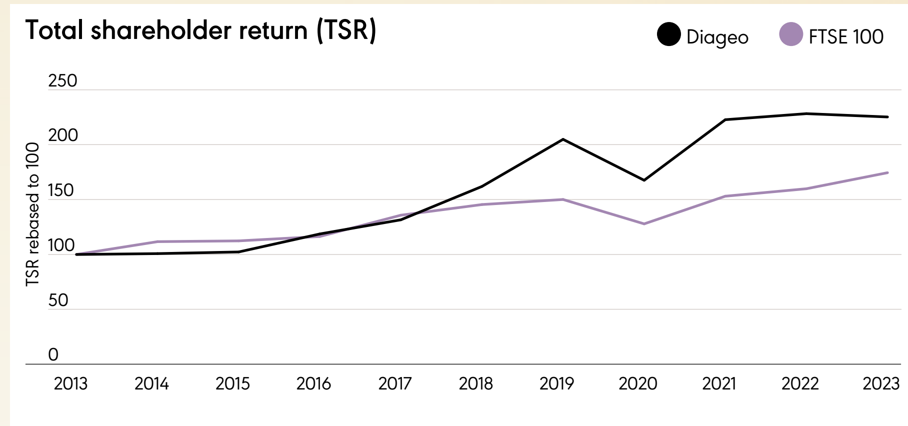
In fiscal 23, scotch and tequila grew by 12% and 19% in net sales, respectively. Investing capital in production capacity is key to delivering long-term sustainable growth. We are investing in new whiskey distilleries in North America and China and increasing our tequila manufacturing footprint in Mexico.

We are also investing in maturing inventories to support the future growth of these fast-growing categories. Over the last five years, we have increased maturing inventories from £4.0 billion to £5.8 billion, including investments of £0.6 billion in fiscal 23.

(1) IWSR, 2022

Shareholder *value creation*

We expect to deliver organic net sales growth consistently in the range of 5% to 7% and organic operating profit growth sustainably in the range of 6% to 9% for fiscal 23 to fiscal 25. Sustainable top-line growth and productivity savings enable smart re-investment to drive long-term growth.



Digital and data capabilities

We're investing in transformational digital and data capabilities. In marketing, CreativeX, our latest tool, enables us to assess the effectiveness of our digital content before deployment to ensure we provide the perfect serve of advertising content to consumers. It is now deployed in markets covering 75% of our net sales value. We're also supporting our customers and our global sales teams leverage data and insights from digital tools such as EDGE365 to extend our sales reach and improve our execution.

Continuing the digital transformation journey we embarked on in 2017, in fiscal 23, we launched a five-year programme to modernise our IT environment and standardise our business operations. This makes us more agile in our response to customer needs, provides us with world-class actionable insights and allows us to be more efficient in our day-to-day operations.

Investing in sustainability

By 2030, we expect to have invested around £1 billion of capital to support our drive to be global champions for water stewardship and a strong contributor to a low-carbon world. We are doing this by improving water use efficiency, investing in water replenishment, using renewable energy, scaling circular solutions and implementing regenerative agriculture. These investments will also help us to be more efficient, reduce our resource consumption, develop innovative solutions and ensure a more resilient supply chain.

Baileys over ice

Delivering our *Performance Ambition*

At the core of our strategy is the flywheel for growth. After several years of strong performance at Diageo, it has a proven track record.

Our six strategic priorities support the achievement of our ambition to be one of the best performing, most trusted and respected consumer products companies in the world. Through these priorities, we deliver the strategic outcomes against which we measure our performance.

Read more on pages 18-23

OUR STRATEGIC PRIORITIES

OUR STRATEGIC OUTCOMES

EG
Efficient growth
Consistently grow organic net sales, grow operating profit, deliver strong free cash flow

CVC
Consistent value creation
Top-tier total shareholder returns, increase return on invested capital

CT
Credibility and trust
Trusted by stakeholders for doing business the right way, from grain to glass

EP
Engaged people
High-performing and engaged teams, continuous learning, inclusive culture

Sustain quality growth

Creating sustainable and consistent quality growth is at the heart of our ambition to be one of the best performing consumer products companies. It means delivering consistent net sales and margin growth as well as top-tier shareholder returns.

Read more on pages 18-19

Embed everyday efficiency

Everyday efficiency creates the fuel that allows us to invest smartly and sustain quality growth. At its heart, everyday efficiency is a mindset and a culture, which everyone in Diageo is encouraged to bring to life in their daily work.

Read more on pages 20-21

Invest smartly

We are investing in the future success of our business – but that investment needs to be smart to support the delivery of consistent performance and enable sustainable, quality growth.

Read more on pages 22-23

Promote positive drinking

We are determined to change the way the world drinks for the better. We will promote moderation and continue to invest in education programmes around the world to help reduce the harmful use of alcohol. As we reach more people with our programmes, we will change attitudes on underage drinking, drink driving and binge drinking.

Read more on pages 58-60

Champion inclusion and diversity

We believe that everybody should be able to thrive in an environment that values their contribution and celebrates what makes them unique. Across Diageo, we champion inclusion and diversity, from how we attract, recruit and develop our teams, to representation in our supply chain, the ways we portray the richness of society across our brands and our work to make a positive difference in our communities.

Read more on pages 67-70

Pioneer grain-to-glass sustainability

We are focussed on preserving the resources upon which our business and our communities depend. We are working to preserve water for life, accelerate to a low-carbon world and become sustainable by design – helping to create a better future for communities everywhere.

Find out more about our performance against all our 'Society 2030: Spirit of Progress' ESG action plan on pages 57-87.

Read more on pages 71-87

Sustain *quality* growth

To achieve our ambition of being one of the best performing, most trusted and respected consumer products companies in the world, delivering and sustaining quality growth is key. This means consistent net sales and margin growth, as well as top-tier shareholder returns.

Delivering sustained, quality growth is not new to us. Brands such as Johnnie Walker and Don Julio show how the right approach to quality, brand building, innovation and investing for the long-term can build lasting value.

Case study: Johnnie Walker

Johnnie Walker has been a key driver of our strong scotch performance this year, seeing sales growth of 15%.

This is the brand's third consecutive year of double-digit net sales growth, with sales at an all-time high.

Premiumising scotch

Johnnie Walker's growth has been primarily driven by premiumisation. Ensuring we offer consumers choice and provide options to easily trade up (e.g. moving from Johnnie Walker Red Label to Johnnie Walker Black Label) have meant that price and volume have had strong growth across all our regions and variants. In fact, the proportion of net sales from Johnnie Walker premium products – Johnnie Walker Black Label and above – reached 73% for the first time in fiscal 23.

This broad-based strong volume, price and mix performance allowed us to offset record inflation seen globally as well as strong foreign exchange headwinds to grow gross margin by +1.1ppt.

Record share performance

Johnnie Walker has also extended its lead as number one international spirits brand by 34bps.[1] Every month, 93 million people who choose to drink alcoholic beverages choose Johnnie Walker.[2]

As ever, this year we also looked to the future, and continued to invest ahead with a record high advertising and promotion (A&P) spend of £545 million and 22% sales return on A&P investment level with all markets increasing spend versus last year.

Sustaining quality growth in Latin America and Caribbean

This financial year, Johnnie Walker's performance in Latin America and Caribbean stands out, with the region heavily focussed on premiumisation.

Net sales grew +16% to a record high, and gross margin percent grew +1ppt. Likewise A&P grew +36% which funded double-digit net sales growth of core variants (Johnnie Walker Red Label +15%, Johnnie Walker Black Label +18% and Johnnie Walker Blue Label +22%). We were also excited to roll out Johnnie Walker Blonde special edition across Mexico, Brazil and Chile.

(1) IWSR, 2022
(2) How the world drinks, Kantar 2022
(3) CGA, 4 weeks to 3 December 2022

Johnnie Walker Gold Label Reserve (left)

Johnnie Walker Blonde (right)

To sustain quality growth, we focus on: developing new brands of the future; balancing volume, price and mix – what we call Revenue Growth Management; executing the most effective route to our consumers; and working with governments and stakeholders around the world to ensure our brands compete on a more equal playing field for alcohol taxation and regulatory policy.

Alongside this, we have a disciplined approach to portfolio management, making acquisitions and disposals in line with our strategy.

Examples of progress in fiscal 23:

- We drove strong growth in four of our five regions, with Europe and Asia Pacific growing double-digit
- Continued to generate quality growth across key brands, including Guinness, which became the number one beer in the Great Britain on-trade for the first time in December 2022.[3]
- Launched new innovations in premium categories, including Don Julio Rosado in tequila and Elusive Expressions in scotch
- Made considered acquisitions focussed on fast-growing, premium categories such as Don Papa Rum and Mr Black coffee liqueur
- Equally we made considered disposals in aid of our long-term growth ambitions, including the sale of Archers and the sale and franchise of selected local brands in India

Embed everyday *efficiency*

Everyday efficiency creates the fuel that allows us to invest smartly and sustain quality growth. We want to ensure our resources are deployed where they are most effective.

This means using technology and data analytics to make better, faster decisions. It also means simplifying our business so that we can better meet the needs of our consumers and customers.

Case study: Logistics reinvention

Through our logistics interventions, we are driving sufficiency, efficiency, sustainability, agility and resilience by focussing on five key areas.

1 Synchronised fulfilment

We revised our operating strategy by identifying never out of stock and strategic brands and products, which account for 80% of our revenue. Focussing on these stock keeping units has enabled us to service our customers faster, cutting cost, lead-time and carbon.

2 Alternative routes, ports, carriers and modes

In order to avoid congestion, we contracted alternative transportation routes, ports, carriers and modes. For example, we transferred a significant portion of our movements in Scotland from ships to rail.

3 Multi-dimensional partnerships with suppliers, customers and industry

We built stronger partnerships with our customers, our suppliers and the industry, working closer and more collaboratively. For example, we evolved our partnership with ocean freight carrier CMA, becoming their largest transatlantic customer to better support both parties.

4 Supply network design and investment

We studied our logistics process end-to-end, from the plant to the customer, which helped us anticipate and manage disruptions, allowing us to deliver to markets more quickly and efficiently. Additionally, by using regional hubs, we also brought products closer to our end customers and consumers.

5 Digitisation

All of this has been underpinned by strategic interventions on digitisation. We have real-time insights to anticipate supply chain blockages, enabling us to take timely action. We have been spearheading the use of automation such as bots and intelligent automation as a way to make the best decision at any point. We are also implementing artificial intelligence in our order cycle to optimise product availability, container fill rate and pricing.

Colleague in Cambus (left)

Guinness keg plant (right)

In the face of heightened inflation, more than ever, we have focussed on agility and speed to enable efficiencies across everything we do. These savings have been realised and have enabled us to continue to meet the needs of our customers and consumers, whilst still generating sufficient amounts to reinvest smartly.

Examples of progress in fiscal 23:

- Delivered £450 million annualised savings across the end-to-end value chain
- Began the first year of the five-year supply chain agility programme which will strengthen and make fit for the future our supply chain
- Made an £82 million saving from procurement efficiency, which was impactful across all regions
- Drove greater efficiency in our advertising and promotional (A&P) investment, with savings made through marketing effectiveness

Invest *smartly*

We continually invest in the future success of our business – but that investment needs to be smart to support the delivery of consistent performance and enable sustainable, quality growth.

This year, we have balanced quality growth and volume by driving pricing and mix to increase premiumisation. We have also optimised commercial decisions to best sustain long-term growth.

Case study: Tequila

With the popularity of tequila on the rise[1], we saw an opportunity to be a driver of growth in the category.

We did this by investing in strategic key areas.

Investing in new distilleries

In September 2021, we announced plans to expand our tequila manufacturing footprint in Mexico through an investment of more than £400 million.

In fiscal 23, £160 million of this investment was spent on the construction of two new distilleries in the state of Jalisco, building further resiliency into our tequila supply chain and supporting growth in the category by increasing production capacity. Because of this, we can now operate 24 hours a day.

The first of the two distilleries is expected to be operational by fiscal 24 Q1, and the second expected in fiscal 25 Q1.

Using new technologies to drive efficiency

As part of our 'Society 2030: Spirit of Progress' ESG action plan, we have been investing in innovative environmentally friendly technologies. This includes drones which can count the number of agave plants in a field with greater accuracy and efficiency than manual processes.

Traditionally, spraying agave fields was done manually and had to take place in the night or very early in the morning. Operating in darkness created high complexity, including the risk of injury, wildlife attacks and exposure to harmful agricultural supplies.

Using drones has not only ensured the safety of our workers, but has also meant we can spray between 20-30 hectares of agave a day, the equivalent of the work of 30 people.

Saving water

The drone is also more efficient from a water saving perspective, using 70% less water than manual applications, as well as decreasing costs and having a positive impact on our carbon footprint through reducing the requirement for vehicles.

Because of this, water savings in fiscal 23 are expected to be 5.5 million litres, aiding us further in our water stewardship ambitions.

Digitising our supply chain

As we seek to further digitise our supply chain processes, we have designed and implemented the first ever digital planning tool on aged liquid, including the rotation of barrels between different age groups.

In addition, we have introduced an advanced supply planning tool which should enable us to drive end-to-end scenario planning and inventory optimisation.

The investment actions that we are taking now, and those we have planned for the future, will support our plans to take tequila global.

(1) IWSR, 2022

Casamigos mason jar (above)

Drone in agave field in Jalisco (right)

We are constantly making investments across our business in different areas to ensure we are delivering consistent growth.

This includes investing in our supply chain, including transforming the end-to-end supply network across our physical assets, as well as in our technical and digital capabilities.

Examples of progress in fiscal 23:

- Maintained our 18% investment in A&P, enabling us to continue to invest behind and grow our brands
- Invested in premium, high-growth categories, such as tequila, as well as brands like Don Papa Rum
- We significantly stepped up investments in key digital and experiential areas, including our Direct to Consumer (D2C) platform
- In sustainability, we invested capex in data foundations and decarbonising our supply chain
- Committed more than £60 million in capex funding for water efficiency projects over the next three years
- We have hired colleagues with the aim of building the internal capabilities necessary to deliver on our 2030 target

Creating a *sustainable business*

We deliver our strategic priorities through a business model that leverages global and local expertise, has the consumer at its heart and puts our responsibilities to our stakeholders front and centre. Since launching our 'Society 2030: Spirit of Progress' ESG action plan, we have set out to help create a more inclusive and sustainable world, creating a positive impact in our company, and for our society.

What we do

1. We source
From smallholder farmers in Africa and Mexico to multinational companies, we work with our suppliers to procure high-quality raw materials and services, with environmental sustainability in mind. Where it is practicable, we source locally

2. We innovate
Using our deep understanding of trends and consumer socialising occasions, we focus on driving sustainable innovation that provides new products and experiences for consumers, whether they choose to drink alcohol or not

3. We make
We distil, brew and bottle our spirits and beer brands through a globally coordinated supply operation, working to the highest quality and manufacturing standards. Where it makes sense, we produce locally

4. We transport
We move our products to where they need to be in the world, whether that's from a local distillery in market or shipping scotch around the world

5. We sell to customers
We grow by working closely with our customers. Our global and local sales teams use our data, digital tools and insights to extend our sales reach, improve our execution and help generate value for us and for our customers. When our customers grow, we grow too

6. We market to consumers
We invest in world-class marketing to responsibly build vibrant brands that resonate with our consumers. We have a rigorous global Marketing Code and belong to the Global Alliance for Responsible Media, working with peers to push for further consumer and brand safeguards

7. We help consumers celebrate
We continually evolve our data tools to understand consumers' attitudes and motivations. We convert this information into insights which enable us to respond with agility to our consumers' interests and preferences

Our core competencies

The ability to work our business model hard to deliver success comes from our strength across several key areas. These core competencies set us apart from our competition.

World-class brand building
Our track record shows us to be experts in innovation and brand building. This is vital in order to first make the right products, and then be able to take those products to consumers and help them celebrate.

Read more on pages 26-27

Supply chain efficiency
We are constantly striving for excellence across our supply chain, finding ways to improve across all components and sites, whether that's research and development, brewing or packaging.

Read more on pages 28-29

Entrepreneurial spirit
Our inclusive, collaborative culture enables us to work together in a dynamic and agile manner, creating a vibrant workplace as well as delivering our Performance Ambition.

Read more on pages 30-31

Creating value

Our business model allows us to create value across four main areas:

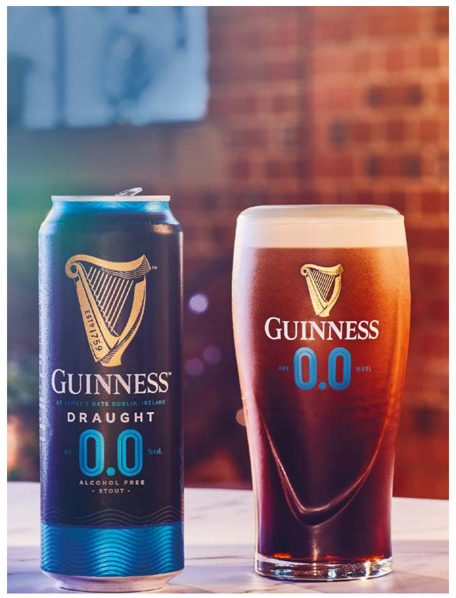
- **Financial** - for our investors
- **Human** - for our people, suppliers, customers and consumers
- **Social** - for our communities
- **Natural** - for our environment

Smirnoff orange smash

The year Guinness became Great Britain's *favourite* pint

Great Britain loves Guinness.

So much so, for the first time ever, in December 2022, Guinness became Britain's number one beer in the on-trade.[1]



Secrets to success

Guinness, which has been around for over two centuries, still manages to firmly embed itself in culture with its visual distinctiveness. In Great Britain, 'the black stuff' is heavily associated with events like St Patrick's Day and the Six Nations rugby – because of this, Guinness saw a record on-trade share of 12.1% in March 2023.[2]

But the brand is not only focussed on select moments or seasons. Guinness has been making its biggest marketing investment to date in celebrations around the calendar such as Christmas and summer – including launching the 'Lovely Day For A Guinness' campaign which truly captures the summer feeling.

Guinness also has an ability to spot trends and jump on new opportunities. This year, the brand partnered with the Women's Six Nations and viral DJ, Fred Again.

Choosing authentic partners in Great Britain, who are both established and emerging in terms of recognition, has enabled the brand to increase +60bps to 3.6% among women and +80bps to 7.7% amongst 18-34 year olds.[3]

While the recipe remains relatively unchanged, the Guinness brand is continually evolving and we actively pursue innovation. In fact, we are currently sustaining our biggest innovation pipeline in the last 30 years.

This includes scaling up our alcohol-free option, Guinness 0.0, growing our distribution and introducing new packs in the off-trade and launching in the on-trade. In the off-trade, the Guinness 0.0 four-pack was recently the number one non-alcoholic item by value and volume in Great Britain.[4]

And, in support of our 'Society 2030: Spirit of Progress' ESG action plan to promote positive drinking, we put Guinness 0.0 at the heart of the Six Nations Championship.

New products have also been key. 'Guinness Nitrosurge', a first-of-its-kind device that allows Guinness fans to enjoy the two-part pour at home, was rolled out in Great Britain in fiscal 23, premiumising the Guinness experience in new spaces.

These unique abilities are underpinned by world-class brand building. We are consistently leveraging our distinctive assets and deep understanding of our consumers, all powered by precision marketing.

This is the reason why in fiscal 23, more new consumers drank Guinness than ever before.

(1) CGA, 4 weeks to 3 December 2022
(2) Neilsen, 2023
(3) Kantar, 2023
(4) IWSR, 2022

Guinness 0.0. (above)

'Lovely Day For A Guinness' campaign (right)

Unboxing premium scotch to *reduce waste*

A little over 150 years ago, Johnnie Walker had a packaging problem. Too many bottles were being broken in transit over choppy seas. The solution? The iconic 'square' bottle: packaging that could be stacked safely and efficiently.

Today, we continue that tradition of finding new ways to solve problems.

Bottles included in the trial

Diageo remains as proud of its whiskies as ever, and no less careful with its packaging. But in the modern world, the task is different. Our packaging is already robust; now it must become sustainable too.

Packaging is synonymous with waste, and too many industries have adopted a 'take-make-dispose' model. At Diageo, we want to change this. We believe convenience should not come at the cost of our natural resources.

At the beginning of fiscal 23, we began a thorough review of our whiskies and came to the conclusion that not only could we change our packaging, but in some places, we could get rid of it altogether.

This is why we started our work to phase out cardboard gift boxes across a selection of products in our premium scotch portfolio. After all, the luxury of our products is in the liquid, not the packaging.

Solving a problem at scale

The next step was to bring a team together. With the sheer scale of the project, and the range of packaging across different markets, we gathered a group with global and cross-functional expertise. The taskforce worked to scope out the project, agree timelines, communicate to customers and make sure every market was aligned. To minimise disruption to our supply chain, the project was initially rolled out across selected markets, testing the consumer response and assessing if waste could really be reduced.

After a successful test, we were able to expand the project internationally. The first phase was delivered over fiscal 23, and we plan to roll it out to new markets in fiscal 24. The work is a continuation of Diageo's 'Society 2030: Spirit of Progress' ESG action plan to help create a more inclusive and sustainable world.

Promising results

In fiscal 23, this new workstream has resulted in:

141 million
cardboard boxes eliminated from our supply chain

c.5,520 tonnes
reduction in carbon emissions

Bottling Johnnie Walker (left)

Challenging traditional *marketing concepts* in Brazil

In fiscal 23, organic net sales in Latin America and Caribbean increased by 9% and we plan to keep growing.

Part of our growth plan in the region is making critical investments in one of the most rapidly advancing parts of our business: digital marketing.

Growing our e-commerce offering

For more than a decade, our award-winning website, TheBar.com, has helped customers to make cocktails at home. It has also been a key driver of our digital performance, connecting people directly to Diageo's brands through recipes, luxury gifts and personalised engraving. Brazil now hosts the site's biggest operation worldwide, with an omnichannel approach that combines physical stores and online engagement in a powerful media engine.

Expertise across borders

This year, we also set up Diageo's first digital hub in Latin America, allowing us to share analytics, media insights, online commerce and scalable content across countries.

The new hub has helped us engage more closely with the people buying our brands. It means we can create more relevant content, engage in live conversations, and be more responsive to what consumers are saying online.

The hub has also enabled Diageo to scale up its key capabilities from one market to another – getting data from Colombia to Mexico, fast. Artificial intelligence helps tailor our work to local social media algorithms, which has enabled us to optimise our media in more than 37% of the region.

Led by consumers

In Brazil, we have invested in a new content laboratory. This is an interactive, digital platform run by a team of creators who monitor everything consumers are talking about, searching for, listening to or sharing online – in real time. It's part of our evolution from precision marketing to predictive marketing, not only listening to what consumers want, but anticipating future trends, too. The content lab is a complete shift in communication, putting our brands at the heart of communities.

Together, these innovations are challenging the notions of traditional marketing. Diageo's digital tools mean communication is no longer one-way, with brands talking to consumers, but consumers talking to each other: a more collective way of engaging with online culture. And it's working. Since our content lab was launched, Diageo's whisky brands in the region have expanded their leading share of consumer engagement, growing 'talkability' share by +7ppt.[1]

(1) Sprinklr, 2022

Colleagues meeting (above)

Johnnie Walker Brasil Instagram (right)

Monitoring performance and *progress*

Reported measures

Net sales growth (%)

2023	10.7
2022	21.4
2021	8.3
2020	(8.7)
2019	5.8

Definition

Sales growth after deducting excise duties.

Operating profit growth (%)

2023	5.1
2022	18.2
2021	74.6
2020	(47.1)
2019	9.5

Operating profit growth, including exceptional operating items.

Basic earnings per share (pence)

2023	164.9
2022	140.2
2021	113.8
2020	60.1
2019	130.7

Profit attributable to equity shareholders of the parent company, divided by the weighted average number of shares in issue.

Non-GAAP measures

Organic net sales growth (%)[1]

6.5% R K

2023	6.5
2022	21.4
2021	16.0
2020	(8.4)
2019	6.1

Definition

Sales growth after deducting excise duties, excluding the impact of exchange rate movements, hyperinflation adjustment and acquisitions and disposals.

Why we measure

This measure reflects our delivery of efficient growth and consistent value creation. Organic net sales growth is the result of the choices we make between categories and market participation, and reflects Diageo's ability to build brand equity, increase prices and grow market share.

Performance

Reported net sales grew 10.7%, driven by strong organic growth and favourable foreign exchange impacts. Organic net sales growth of 6.5% reflects 7.3 percentage points of positive price/mix and a decline in organic volume of 0.8%. Four out of five regions delivered growth, despite lapping strong double-digit growth at the group level in fiscal 22. Price/mix was driven by price increases and premiumisation.

More detail on page 37

Organic operating profit growth (%)[1]

7.0% R K

2023	7.0
2022	26.3
2021	17.7
2020	(14.4)
2019	9.0

Organic operating profit growth is calculated on a constant currency basis, excluding the impact of exceptional items, certain fair value remeasurement, hyperinflation adjustment and acquisitions and disposals.

The movement in operating profit measures our delivery of efficient growth and consistent value creation. Consistent operating profit growth is a business imperative, driven by investment choices, our focus on driving out costs across the business and improving mix.

Reported operating profit grew 5.1%, mainly driven by growth in organic operating profit and positive impacts from exchange rate movements. These favourable items were largely offset by the negative impact of exceptional operating items, primarily non-cash impairments related to India and the supply chain agility programme. Organic operating profit grew 7.0%, ahead of organic net sales growth, driven by growth across all regions except North America.

More detail on page 37

Earnings per share before exceptional items (pence)[1]

163.5p R K

2023	163.5
2022	151.9
2021	117.5
2020	109.4
2019	130.8

Profit before exceptional items attributable to equity shareholders of the parent company, divided by the weighted average number of shares in issue.

Earnings per share reflects the profitability of the business and how effectively we finance our balance sheet. Eps measures our delivery of efficient growth in the year and consistent value creation over time.

Basic eps increased 24.7 pence, mainly driven by organic operating profit growth and exceptional items, partially offset by increased finance charges and higher tax. Basic eps before exceptional items increased 11.6 pence.

More detail on page 38

(1) Organic net sales growth, organic operating profit growth, earnings per share before exceptional items, free cash flow and return on average invested capital are non-GAAP measures. See definitions and reconciliation of non-GAAP measures to GAAP measures on pages 232-239.

(2) For reward purposes this measure is further adjusted for the impact of exchange rates, hyperinflation adjustment and other factors not controlled by management, to ensure focus on our underlying performance drivers.

Reported measures

Net cash from operating activities (£ million)

2023	3,024
2022	3,935
2021	3,654
2020	2,320
2019	3,248

Definition

Net cash from operating activities comprises the net cash flow from operating activities as disclosed on the face of the consolidated statement of cash flows.

Return on closing invested capital (%)

2023	40.5
2022	35.1
2021	33.2
2020	17.2
2019	32.9

Profit for the year divided by net assets at the end of the financial year.

Non-GAAP measures

Free cash flow (£ million)[1],[2]

1,800m R K

2023	1,800
2022	2,783
2021	3,037
2020	1,634
2019	2,608

Definition

Free cash flow comprises the net cash flow from operating activities aggregated with the net cash received/paid for working capital loans receivable and other investments, and the net cash expenditure paid for property, plant and equipment, and computer software.

Why we measure

Free cash flow is a key indicator of the financial management of the business. Free cash flow reflects the delivery of efficient growth and consistent value creation as it measures the cash generated by the business to fund payments to our shareholders and future growth.

Performance

Net cash from operating activities was £3,024 million, a decrease of £911 million compared to fiscal 22. Free cash flow declined by £983 million to £1,800 million. Free cash flow declined as strong growth in operating profit and favourable foreign exchange impacts were more than offset by higher year-on-year working capital outflows, tax payments, interest paid and capital investment.

More detail on page 39

Return on average invested capital (ROIC) (%)[1]

16.3% K

2023	16.3
2022	16.8
2021	13.5
2020	12.4
2019	15.1

Profit before finance charges and exceptional items attributable to equity shareholders divided by average invested capital. Invested capital comprises net assets aggregated with exceptional restructuring costs and goodwill at the date of transition to IFRS, excluding net post employment benefit assets/liabilities, net borrowings and non-controlling interests.

ROIC is used by management to assess the return obtained from the group's asset base. Over time, ROIC reflects consistent value creation, as the returns Diageo generates from its asset base are both reinvested in the business and used to generate returns for investors through dividends and return of capital programmes.

ROIC decreased 50bps, mainly driven by increased capex, maturing stock investment and continued portfolio optimisation through acquisitions and disposals. The decline was partially offset by higher organic operating profit growth, net of higher tax.

More detail on page 39

Total shareholder return (TSR) (%)

(2)% R K

2023	(2)
2022	4
2021	32
2020	(19)
2019	27

Percentage growth in the value of a Diageo share (assuming all dividends and capital distributions are re-invested).

Diageo's Directors have a fiduciary responsibility to maximise long-term value for shareholders. TSR measures consistent value creation as it reflects the returns Diageo has delivered to investors in the year and over time. We also monitor our relative TSR performance against our peers.

TSR was down 2% over the past 12 months driven by the lower year-on-year share price.

R **Remuneration:** Some KPIs are used as a measure in the incentive plan for the remuneration of executives. See our Directors' remuneration report from page 126 for more detail.

K **KPI:** Key Performance Indicator

Non-financial performance

Positive drinking

R K

Number of people educated on the dangers of underage drinking through a Diageo supported education programme	1,985,817 (2022: 607,374) Total to date: 3.8m[1]

Definition

Number of people educated on the dangers of underage drinking through a Diageo supported education programme.

Why we measure

We want to change the way the world drinks for the better by promoting moderation and addressing the harmful use of alcohol. We build credibility and trust by transparently reporting the total number of people educated on the dangers of underage drinking. This figure also demonstrates our commitment to engaging people on the dangers of harmful alcohol use.

Performance

This year we implemented SMASHED Live in 10 new countries and SMASHED Online in 12 new countries. We educated 1,985,817 young people about the dangers of underage drinking.

More detail on page 58

Employee engagement (%)

84%

K

2023	84%
2022	82%
2021	81%
2020	N/A[2]
2019	80%

Definition

Measured through our Your Voice survey; includes metrics for employee satisfaction, advocacy and pride.[3]

Why we measure

Employee engagement is a key enabler of our performance, as our people deliver our strategy. The survey allows us to measure the extent to which employees believe we are living our values and is a measure of our culture. Reflecting on the results of our employee engagement level and taking action where needed each year helps us build credibility and trust with our people.

Performance

This year 90% of our people completed our Your Voice survey. 84% were identified as engaged. 91% declared themselves proud to work for Diageo, 84% would recommend Diageo as a great place to work and 77% were extremely satisfied with Diageo as a place to work.

More detail on page 63

Health and safety (LTA)

0.91

K

2023	0.91
2022	0.92
2021	1.03
2020	0.60
2019	0.98

Definition

Number of accidents per 1,000 full-time employees, directly supervised temporary staff and contractors resulting in time lost from work of one calendar day or more.

Why we measure

Health and safety is a basic human right; our Zero Harm philosophy is that everyone should go home safe and healthy, every day, everywhere. The LTA measure demonstrates our engagement with our people on safety and delivering on our Zero Harm philosophy and through reduced LTA builds credibility and trust.

Performance

This year's rate of 0.91 is a marginal improvement on fiscal 22 performance. Whilst the numbers of lost-time accidents decreased, the severity rate relating to lost-time accidents increased due to a carry-over of days lost for accidents in 2022. Severity rate is a measure of the seriousness of the incident and consequent absence from work.

More detail on page 65

(1) The baseline year for our 'Society 2030: Spirit of Progress' goals is 2020 unless otherwise stated. For our target to educate 10 million young people, parents and teachers on the dangers of underage drinking the baseline year is 2018.
(2) Because of the Covid-19 pandemic, in 2020 we did not run a full Your Voice survey. Instead we used a pulse survey tool to listen to employees' feedback and learn from their experiences of working during the pandemic. We therefore do not have a comparable employee engagement metric for 2020.
(3) In 2021, we updated the way we measure employee engagement in our Your Voice survey to bring it in line with standard practice. The 2019 survey results have been restated to reflect the use of the same three questions applied in the 2021-2023 surveys (satisfaction, advocacy and pride).
(4) In accordance with Diageo's environmental reporting methodologies and, where relevant, WRI/WBCSD GHG Protocol; data for 2019, the baseline year 2020 and for the intervening period up to the end of last financial year has been restated where relevant.

Non-financial performance

Inclusion and diversity

R K

Percentage of female leaders globally	44% (2022: 44%)
Percentage of ethnically diverse leaders globally	43% (2022: 41%)

Definition

The percentage of women and the percentage of ethnically diverse individuals who are in Diageo leadership roles.

Why we measure

Nurturing an inclusive and diverse culture drives commercial performance and is the right thing to do. Transparently reporting the gender and ethnic diversity of our leadership cohort reflects our commitment to consistent value creation through our diverse workforce, building credibility and trust with our stakeholders and engaging with our people on inclusion and diversity.

Performance

This year 44% of our leadership roles were held by women, the same percentage as last year and 43% of our leaders were ethnically diverse, compared with 41% last year.

More detail on page 67

Water efficiency[4]

4.14

R K

2023	4.14
2022	4.09
2021	4.26
2020	4.57
2019	4.70

Definition

Water use efficiency per litre of product packaged (litres/litre).

Why we measure

Water is the main ingredient in all of our brands. We aim to improve efficiency, and minimise our water use, particularly in water-stressed areas. Reporting on our efforts to increase water efficiency builds credibility and trust and helps us engage with our stakeholders on this important topic. Our efforts to increase our water efficiency also reflect our commitment to deliver consistent value creation by future proofing our business to the impacts of climate change.

Performance

Fiscal 23 saw changes to our production profile which drove a 1.2% reduction in efficiency overall despite implementation of a number of water efficiency projects. Our water efficiency has increased by 9.4% against the 2020 baseline.

More detail on page 79

Carbon emissions[4]

401

R K

2023	401
2022	424
2021	445
2020	470
2019	508

Definition

Total direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO_2e).

Why we measure

Mitigating our impact on climate change is a business imperative. Reporting in detail on our efforts to reduce carbon emissions from our direct operations, even when it is challenging to do, demonstrates our commitment to reduce our contribution to global warming and helps build credibility and trust. This is an important topic for our business and external stakeholders and supports our commitment to consistent value creation by future proofing our business.

Performance

Our direct operations carbon emissions reduced by 5.4% in fiscal 23. The main drivers contributing to the lower emissions are the beneficial impact from our East Africa biomass plants and increases in use of liquid biofuel and renewable electricity.

More detail on page 82

R **Remuneration:** Some KPIs are used as a measure in the incentive plan for the remuneration of executives. See our Directors' remuneration report from page 126 for more detail.

K **KPI:** Key Performance Indicator

Chief Financial Officer's introduction

"I am encouraged by our fiscal 23 results which were in line with our medium-term guidance despite ongoing economic volatility and continued inflationary pressure. Our diversified portfolio and profitable growth algorithm continue to deliver sustainable growth, and our consistent productivity savings enables us to smartly reinvest in our brands.

I am pleased with our performance in fiscal 23. We delivered a strong set of results, despite ongoing global economic volatility and continued inflationary pressure. Both organic net sales and organic operating profit growth were within our medium-term guidance. Our advantaged portfolio of brands and diversified global footprint continue to fuel sustainable growth on top of two consecutive years of double-digit growth.

Our profitable growth algorithm underpins this strong top line performance. Our focus on quality sustainable growth is backed by investing smartly in marketing and data analytics tools to support our outstanding brand-building capabilities, active portfolio management and consumer-led innovation. Combined with our agile and dynamic supply chain and operational capabilities, they enable us to deliver sustainable, long-term growth. Alongside premiumising our portfolio, we are strategically increasing price and driving productivity, all of which enables us to invest smartly in the long-term.

We drove £450 million in productivity savings in fiscal 23 and delivered our highest-ever contribution from supply initiatives. These productivity savings fuelled a 6% increase in marketing spend and delivered organic operating margin expansion of 15bps.

We continued our disciplined conversion of profit into cash and delivered free cash flow of £1.8 billion. Strong operating discipline led to a reduction in debtors. However, creditors declined due to the moderation of sales growth in the year. We remain a progressive dividend payer and in addition to completing our £4.5 billion multi-year return of capital programme, we also returned an additional half a billion pounds of capital to shareholders. In total, we returned £3.1 billion to shareholders through dividends and share buybacks in fiscal 23.

Our core capabilities, strategic priorities and highly-engaged people give me confidence in our ability to navigate short-term volatility and uncertainty while continuing to drive sustainable long-term growth and deliver shareholder value.

Finally, starting in fiscal 24, in line with reporting requirements the functional currency of Diageo plc changed from sterling to US dollar. Diageo has also changed its presentation currency to US dollar."

Lavanya Chandrashekar (Chief Financial Officer)

Reported net sales growth
10.7% ↑

Net cash from operating activities
£3,024m ↓

Organic net sales growth[1]
6.5% ↑

Free cash flow[1]
£1,800m ↓

Reported operating profit growth
5.1% ↑

Return on closing invested capital
40.5% ↑

Organic operating profit growth[1]
7.0% ↑

Return on average invested capital[1]
16.3% ↓

Basic earnings per share
164.9 pence ↑

Total shareholder return
(2)% ↓

Earnings per share before exceptional items[1]
163.5 pence ↑

(1) Organic net sales growth, organic operating profit growth, earnings per share before exceptional items, free cash flow and return on average invested capital are non-GAAP measures. See definitions and reconciliation of non-GAAP measures to GAAP measures on pages 232-239.

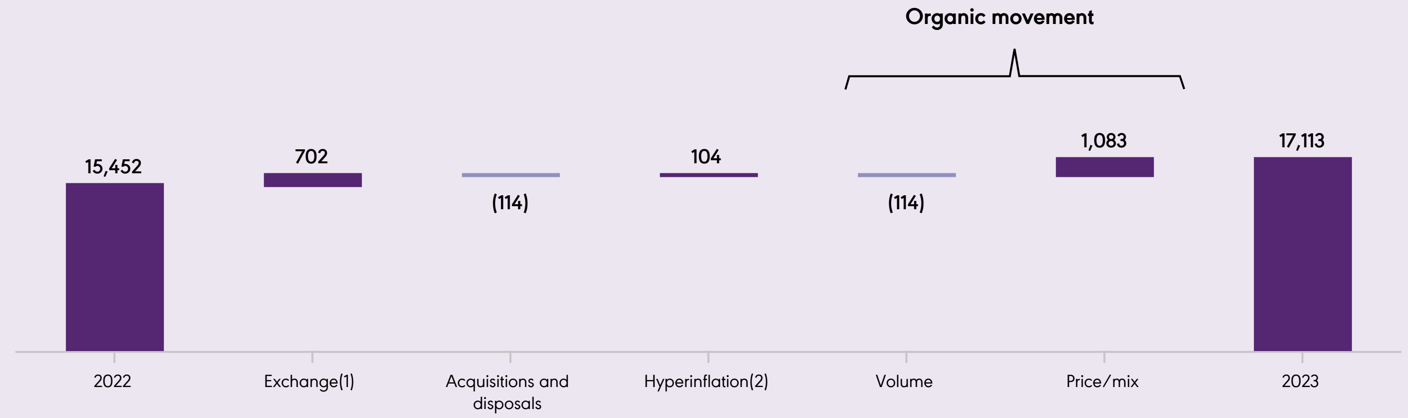
Net sales (£ million)

Reported net sales grew 10.7%

Organic net sales grew 6.5%

Reported net sales grew 10.7%, driven by strong organic growth and favourable foreign exchange impacts.

Organic net sales growth of 6.5% reflects 7.3 percentage points of positive price/mix and a decline in organic volume of 0.8%. Four out of five regions delivered growth, despite lapping strong double-digit growth at the group level in fiscal 22. Price/mix was driven by price increases and premiumisation.



(1) Exchange rate movements reflect the adjustment to recalculate the reported results as if they had been generated at the prior period weighted average exchange rates.
(2) See pages 181 and 232-239 for details of hyperinflation adjustment.

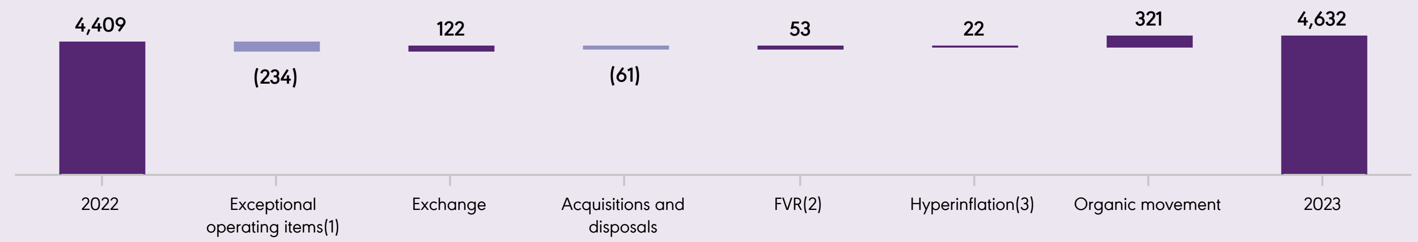
Operating profit (£ million)

Reported operating profit grew 5.1%

Organic operating profit grew 7.0%

Reported operating profit grew 5.1%, mainly driven by growth in organic operating profit and positive impacts from exchange rate movements. These favourable items were largely offset by the negative impact of exceptional operating items, primarily non-cash impairments related to India and the supply chain agility programme.

Organic operating profit grew 7.0%, ahead of organic net sales growth, driven by growth across all regions except North America.



(1) For further details on exceptional operating items see pages 179-181.
(2) Fair value remeasurements. For further details see page 55.
(3) See pages 181 and 232-239 for details of hyperinflation adjustment.

Operating margin (%)

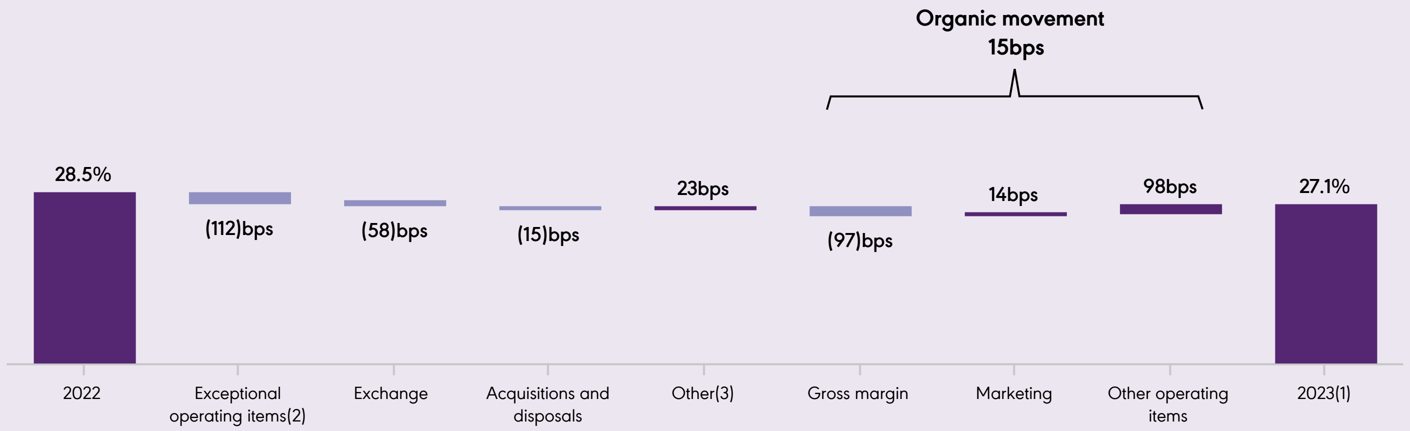
Reported operating margin declined by 147bps

Organic operating margin expanded by 15bps

Reported operating margin declined by 147bps, with organic operating margin expansion more than offset by exceptional operating items, negative impact of foreign exchange, acquisitions, disposals and other items.

Organic operating margin expanded by 15bps, reflecting disciplined cost management despite inflation. Strong operating margin expansion in Asia Pacific, Africa and Latin America and Caribbean was partially offset by declines in North America and Europe.

Organic gross margin declined by 97bps, primarily driven by cost pressures. Price increases more than offset the absolute impact of cost inflation.



(1) Operating margin in waterfall is rounded to nearest decimal place.
(2) For further details on exceptional operating items see pages 179-181.
(3) Fair value remeasurements and hyperinflation adjustment. For further details on fair value remeasurements see page 55. See pages 181 and 232-239 for details of hyperinflation adjustment.

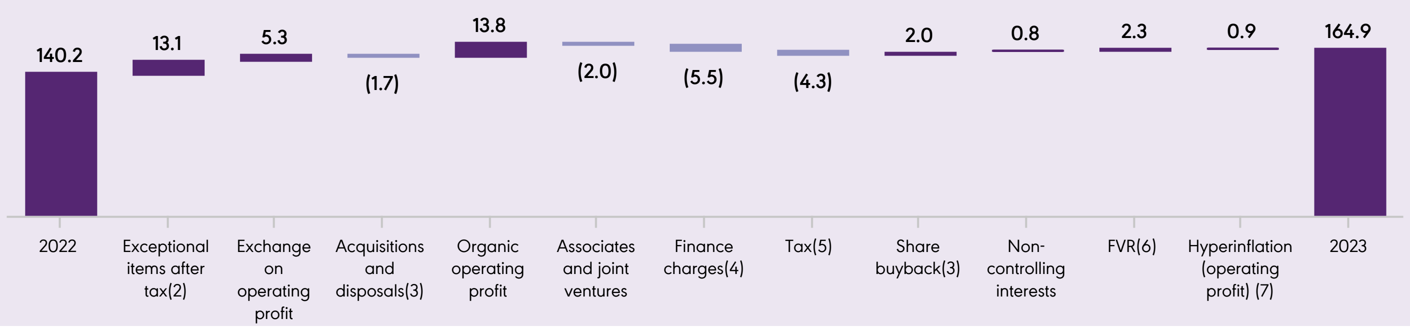
Basic earnings per share (pence)

Basic eps increased 17.6% from 140.2 pence to 164.9 pence

Basic eps before exceptional items[1] increased 7.6% from 151.9 pence to 163.5 pence

Basic eps increased 24.7 pence, mainly driven by organic operating profit growth and exceptional items, partially offset by increased finance charges and higher tax.

Basic eps before exceptional items increased 11.6 pence.



(1) See pages 232-239 for explanation of the calculation and use of non-GAAP measures.
(2) For further details on exceptional items see pages 179-181.
(3) Includes finance charges net of tax.
(4) Excludes finance charges related to acquisitions, disposals, share buybacks and includes finance charges related to hyperinflation adjustments.
(5) Excludes tax related to acquisitions, disposals and share buybacks.
(6) Fair value remeasurements. For further details see page 55.
(7) Operating profit hyperinflation adjustment movement was £12 million compared to fiscal 22 (F23 – £22 million; F22 – £10 million).

Net cash from operating activities and free cash flow (£ million)

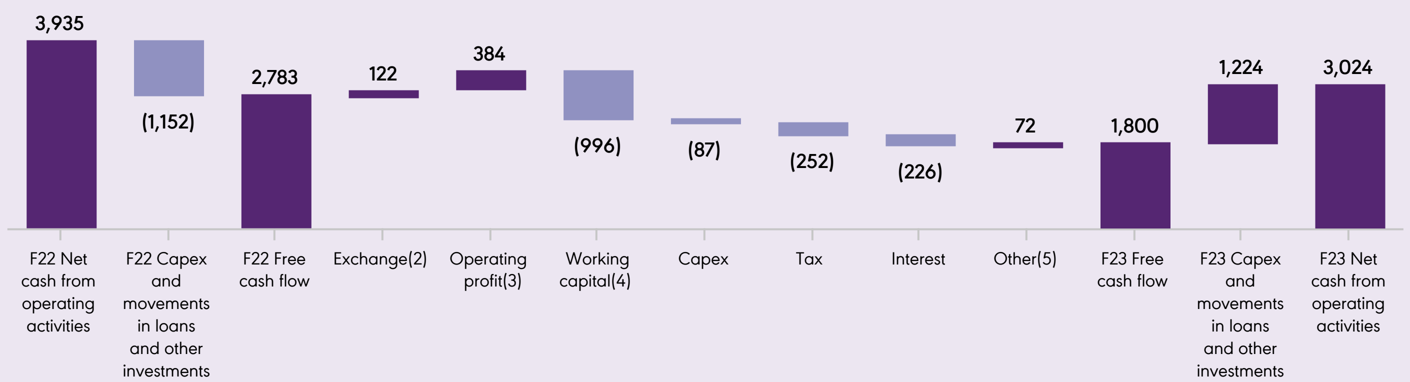
Generated £3,024 million net cash from operating activities[1] and £1,800 million free cash flow

Net cash from operating activities was £3,024 million, a decrease of £911 million compared to fiscal 22. Free cash flow declined by £983 million to £1,800 million.

Free cash flow declined as strong growth in operating profit and favourable foreign exchange impacts were more than offset by higher year-on-year working capital outflows, tax payments, interest paid and capital investment.

The higher year-on-year working capital outflow was primarily driven by normalisation of creditors relative to fiscal 22 as our growth rate moderated in fiscal 23.

The additional tax payments were the result of increased profit impacting tax instalments and higher balancing payments. The increase in interest paid reflects the higher interest rate environment globally.

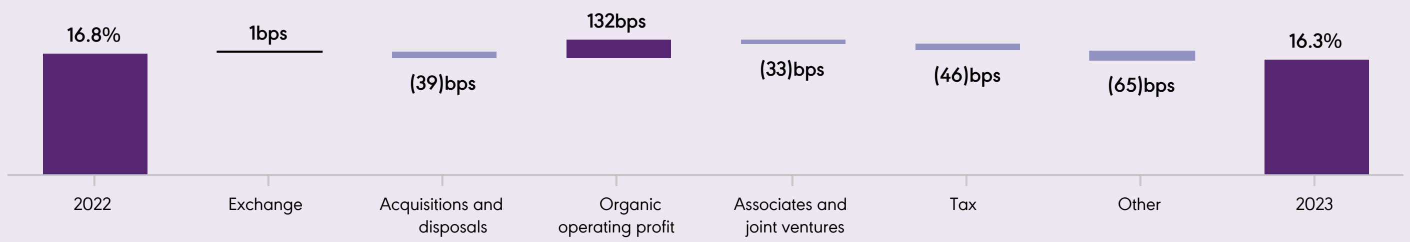


(1) Net cash from operating activities excludes net capex (2023 – £(1,167) million; 2022 – £(1,080) million) and movements in loans and other investments.
(2) Exchange on operating profit before exceptional items.
(3) Operating profit excludes exchange, depreciation and amortisation, post employment charges of £36 million and other non-cash items.
(4) Working capital movement includes maturing inventory.
(5) Other items include dividends received from associates and joint ventures, movements in loans and other investments and post employment payments.

Return on average invested capital (%)[1]

ROIC decreased (50)bps

ROIC decreased (50)bps, mainly driven by increased capex, maturing stock investment and continued portfolio optimisation through acquisitions and disposals. The decline was partially offset by higher organic operating profit growth, net of higher tax.

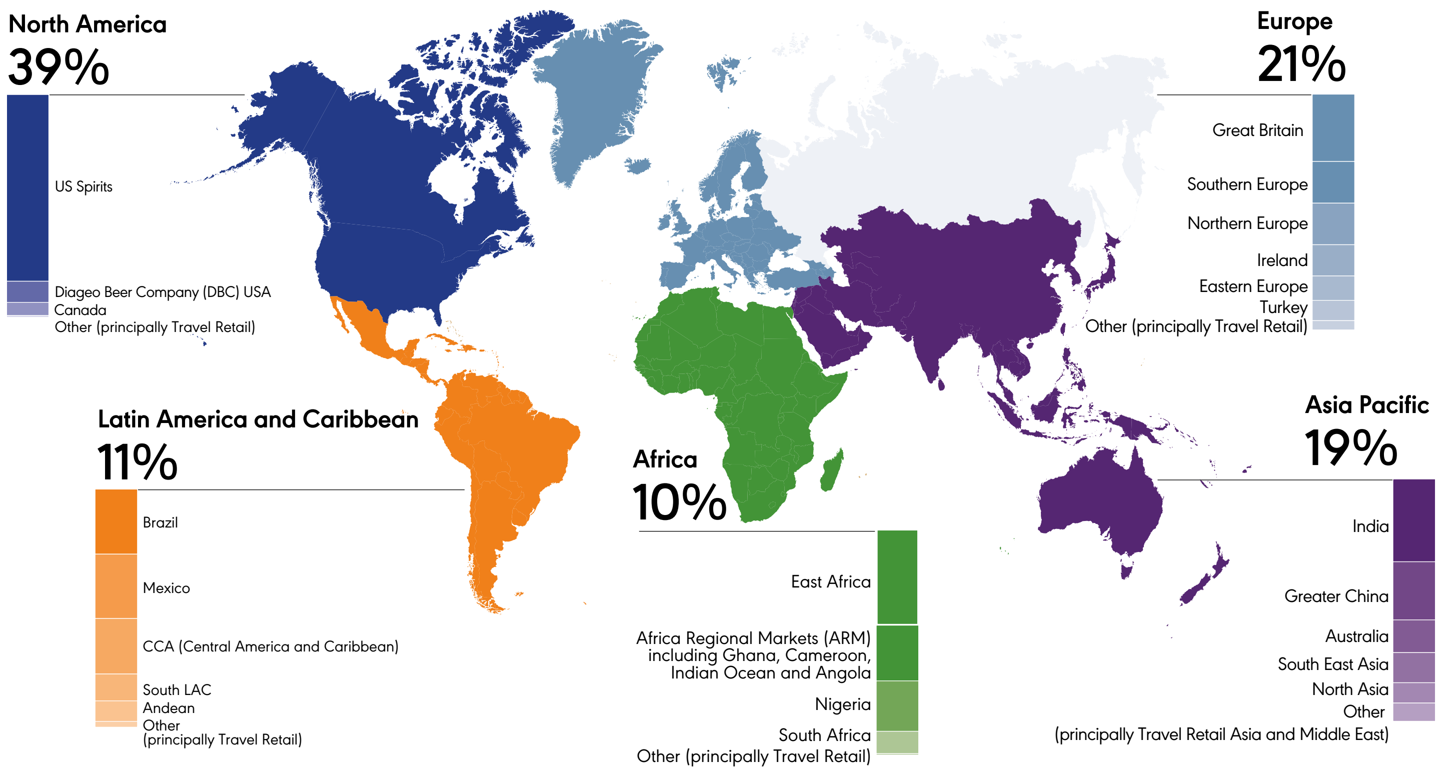


(1) ROIC calculation excludes exceptional operating items from operating profit. For further details on ROIC see page 238.

Our *global* reach

Our regional profile maximises the opportunity for growth in our sector. Where our products are sold each market is accountable for its own performance and driving growth.

% share of reported net sales by region[1][2]



(1) The above map is intended to illustrate general geographic regions where Diageo has a presence and/or in which its products are sold. It is not intended to imply that Diageo has a presence in and/or that its products are sold in every country or territory within a geographic region.
(2) Based on reported net sales for the year ended 30 June 2023. Does not include corporate net sales of £88 million (2022 – £54 million).

Fiscal 23	North America	Europe	Asia Pacific	Latin America and Caribbean	Africa
Volume (EUm)	52.4	51.3	80.8	26.2	32.7
Reported net sales[1] (£ million)	6,758	3,569	3,200	1,799	1,699
Reported operating profit[2] (£ million)	2,592	1,097	432	661	176
Operating profit before exceptional items[3] (£ million)	2,689	1,105	905	661	220
Water efficiency (litres per litre of product packaged)	5.11	4.98	2.91	4.15	3.19
Total direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO_2e)	83	194	9	26	89
Average number of employees[4]	3,115	10,062	9,000	4,325	3,735

(1) Excluding corporate net sales of £88 million (2022 – £54 million).
(2) Excluding net corporate operating costs of £326 million (2022 – £238 million).
(3) Excluding exceptional operating charges of £622 million (2022 – £388 million) and net corporate operating costs of £326 million (2022 – £238 million).
(4) Employees have been allocated to the region where they live.

Production facilities

The company owns manufacturing production facilities across the globe, including distilleries, breweries, packaging plants, maturation warehouses, cooperages, and distribution warehouses. Diageo's brands are also produced at plants owned and operated by third parties and joint ventures at several locations around the world. We believe that our facilities are in good condition and working order. We have adequate capacity to meet our current needs, and, in the beer and spirit categories, we have undertaken activities to increase our production capacity to address our anticipated future demand.

The major facilities with locations, principal activities, and products are presented in the below table.

Location	Principal activities	Products
United Kingdom	distilling, bottling, warehousing, cooperage	beer, scotch, gin, vodka, rum, ready to drink, non-alcoholic
Ireland	distilling, brewing, bottling, warehousing	beer, liqueur, Irish whiskey, non-alcoholic
Italy	distilling, bottling, warehousing	vodka, rum, ready to drink, non-alcoholic
Turkey	distilling, bottling, warehousing	raki, vodka, gin
North America	distilling, bottling, warehousing	vodka, gin, rum, Canadian whisky, US whiskey, ready to drink
Brazil	distilling, bottling, warehousing	cachaça, vodka, ready to drink
Mexico	distilling, bottling, warehousing	tequila
East Africa	distilling, brewing, bottling, packaging, warehousing	beer, rum, vodka, gin, whisky, brandy, liqueur
Nigeria	distilling, brewing, bottling, packaging	beer, rum, vodka, gin
South Africa	distilling, bottling, warehousing	rum, vodka, gin
ARM	distilling, brewing, bottling, warehousing	beer, vodka, gin
India	distilling, bottling, warehousing	rum, vodka, Indian-Made Foreign Liquor (IMFL), whisky, scotch, gin
Australia	distilling, bottling, warehousing	rum, vodka, gin, ready to drink

For more details about our capital investments please see page 267.

Our route to consumer

We have five different route to consumer models across our business. Most of the regions employ four of the five high level models defined below; however, how each model operates in certain countries will vary, as will the percentage of net sales delivered through the respective models in each market.

Wholesalers and Distributors

Diageo sells to a wholesaler or distributor who also sells a range of other brands and categories directly to end outlets where consumers can purchase our brands. Where required, this model may include a government control board (or similar), such as in certain states in the US and Canada.

Modern Trade

Diageo sells directly to a customer who owns and manages retail outlets, who then in turn sells to consumers via their outlets.

eMarketplace

Diageo sells to a third-party digital market place customer where that customer sells to B2B customers and consumers.

Direct to Consumer

Diageo sells directly to consumers, predominantly through portals such as Thebar.com, which is a growing route to consumer model for our business. It allows for direct interface with our consumers rather than through third-party sites as in the eMarketplace model above.

Direct to Store

Diageo sells and delivers directly to end outlets rather than via a central purchasing customer as in the Modern Trade model above. This model is less common than the other models. For example, it is used in Ireland for beer distribution.

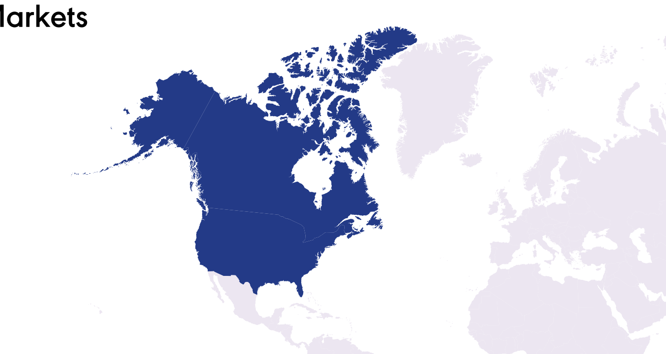
North America

North America is the largest market for Diageo and represents over one-third of our net sales. We have a well-positioned portfolio of brands that leans into premiumisation and high-growth categories such as whiskey and tequila. Our strategy is focused on accelerating sustainable growth through data-led insights, targeted investment, and excellence in innovation and our route to market.

Key financials

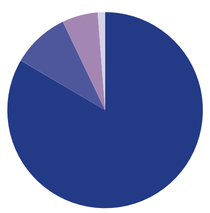
	2022 £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	Other[1] £ million	2023 £ million	Reported movement %
Net sales	6,095	632	20	11	–	6,758	11
Marketing	1,200	122	15	22	1	1,360	13
Operating profit before exceptional items	2,454	249	(12)	(57)	55	2,689	10
Exceptional operating items[2]	(1)					(97)	
Operating profit	2,453					2,592	6

Markets



The above map is intended to illustrate general geographic regions where Diageo has a presence and/or in which its products are sold. It is not intended to imply that Diageo has a presence in and/or that its products are sold in every country or territory within a geographic region.

Reported net sales by market (%)

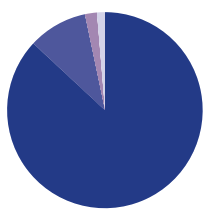


Markets and categories	Organic volume movement %	Reported volume movement %	Organic net sales movement %	Reported net sales movement %
North America[3]	(5)	(4)	–	11
US Spirits[3]	(6)	(6)	(1)	10
DBC USA[4]	(3)	(3)	1	12
Canada	(2)	(2)	4	8
Spirits[3]	(5)	(4)	–	11
Beer	(2)	(2)	2	12
Ready to drink	(11)	(11)	(16)	(10)

(1) Fair value remeasurements. For further details see page 55.
(2) For further details on exceptional operating items see pages 179-181.
(3) Reported volume movement has been impacted by acquisitions and/or disposals. For further details see pages 232-236.
(4) Certain spirits-based ready to drink products in certain states are distributed through DBC USA and those net sales are captured within DBC USA.

Brands

Reported net sales by category (%)



Global giants, local stars and reserve[5]	Organic volume movement[6] %	Organic net sales movement %	Reported net sales movement %
Crown Royal	(12)	(10)	–
Don Julio	8	13	25
Casamigos[7]	6	13	26
Johnnie Walker	(5)	(10)	(1)
Smirnoff	(1)	4	14
Captain Morgan	(5)	(1)	9
Ketel One	(3)	–	11
Guinness	4	9	20
Baileys	(4)	1	11
Bulleit whiskey[8]	(8)	(6)	4
Buchanan's	–	9	21

(5) Spirits brands excluding ready to drink and non-alcoholic variants.
(6) Organic equals reported volume movement.
(7) Casamigos trademark includes both tequila and mezcal.
(8) Bulleit whiskey excludes Bulleit Crafted Cocktails.

Regional performance:

- Reported net sales grew 11%, primarily driven by a favourable foreign exchange impact from the strengthening US dollar.
- Organic net sales were flat as growth in Canada and Diageo Beer Company USA (DBC USA) were offset by a decline in US Spirits.
- Strong price/mix growth was offset by a decline in volume, while the region held share of TBA.
- US Spirits net sales declined 1%, lapping strong double-digit growth impacted by distributor stock replenishment and increased inventories of imported products in fiscal 22. Depletion growth was approximately two percentage points ahead of shipment growth in fiscal 23, with some variation across brands. Overall inventory levels at distributors at the end of fiscal 23 were in line with historical levels.
- DBC USA net sales grew 1% reflecting strong growth in Guinness, partially offset by a decline in Smirnoff flavoured malt beverages.
- Organic operating margin declined by 101bps, primarily driven by cost inflation and an adverse category mix. Strategic price increases and productivity savings more than offset the absolute impact of cost inflation.
- Marketing investment grew 2% as we continue to invest and support growth across key categories.
- Doubling the number of brands running responsible drinking campaigns, we reached more than 150 million consumers. We also led efforts with Black, Latino, and Native American organisations to address the harmful use of alcohol in the United States through our Multicultural Consortium for Responsible Drinking.
- Our operations reduced Scope 1 and 2 carbon emissions by 17% through continued energy efficiency and renewable energy initiatives. Key factors in this included a full year of operation for our carbon neutral distillery at Lebanon, powered by 100% renewable electricity, and running our Valleyfield site on renewable natural gas.
- Due to higher volume of distilled products going to maturation, overall water efficiency decreased by 0.8%. We implemented water-saving initiatives across our sites that enabled us to reduce total water usage compared to last year.

Market highlights - US Spirits:

- Tequila net sales grew 15%, and drove significant share gains in both the spirits industry and tequila category. Casamigos net sales grew 14% driven by strong price/mix and volume growth, and the launch of Casamigos Cristalino. Don Julio net sales grew 13%, primarily driven by aged variants and the launch of ultra-premium Don Julio Rosado Reposado. Both Casamigos and Don Julio shipments grew ahead of depletions as supply availability enabled distributors to increase inventory to more optimal levels.
- Crown Royal whisky net sales declined 10%, lapping inventory replenishment in fiscal 22 when the brand recovered from supply constraints. Crown Royal gained double-digit share of the Canadian whisky category, and depletions grew ahead of shipments in fiscal 23.
- Vodka net sales declined 7%, primarily due to Cîroc, partially offset by growth in Smirnoff. Smirnoff growth of 4% was driven by core and flavoured variants. Ketel One net sales were flat, reflecting growth in the core variant offset by a decline in Ketel One Botanicals. Cîroc net sales declined 32% as consumers shifted into other spirits categories.
- Johnnie Walker net sales declined 13%. Johnnie Walker gained share of the scotch category driven by Johnnie Walker Black Label and Johnnie Walker Blue Label, and depletions grew ahead of shipments.
- Rum net sales declined 1%, primarily due to Captain Morgan, which declined 2%. Zacapa grew 13% driven by super-premium and luxury variants.
- Bulleit whiskey net sales declined 6%, lapping inventory replenishment in fiscal 22 when the brand recovered from supply constraints. Bulleit whiskey gained both spirits industry and US whiskey category share, and depletions grew double-digit.
- Buchanan's net sales grew 10%, primarily driven by the launch of Buchanan's Pineapple, an innovation that gained spirits industry share. Buchanan's scotch declined 4%, but gained both spirits industry and scotch category share, and depletions grew ahead of shipments.
- Single Malts net sales grew 25%, primarily driven by ultra-premium Lagavulin 16YO and luxury innovation Lagavulin 11YO Charred Oak Cask.
- Spirit-based ready to drink (RTD) net sales declined 44% primarily due to lapping the launch of Crown Royal RTD in fiscal 22 and Loyal 9 underperformance in certain US states.

Europe

Europe is a diverse region with a trend-leading on-trade channel and tourism hotspots, all of which offer a strong platform for the development of our premium brands. We hold a leadership positions across major categories and markets, and have been able to achieve strong share gains in the last fiscal to deliver another year of double-digit organic net sales growth.

Key financials

	2022 £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	Other[1] £ million	Hyperinflation[2] £ million	2023 £ million	Reported movement %
Net sales	3,212	(85)	(9)	347	–	104	3,569	11
Marketing	577	3	2	42	–	11	635	10
Operating profit before exceptional items	1,017	5	(31)	103	(11)	22	1,105	9
Exceptional operating items[3]	(146)						(8)	
Operating profit	871						1,097	26

Markets

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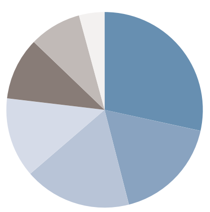
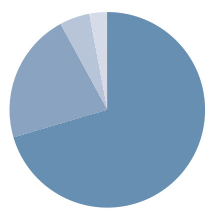
Reported net sales by market (%)



Markets and categories	Organic volume movement %	Reported volume movement %	Organic net sales movement %	Reported net sales movement %
Europe[4]	–	–	11	11
Great Britain[4]	(8)	(8)	7	6
Southern Europe[4]	4	5	12	13
Northern Europe[4]	8	6	11	12
Ireland[4]	3	3	16	18
Eastern Europe[4]	(15)	(15)	(3)	–
Turkey[4]	9	9	38	10
Spirits[4]	–	–	10	10
Beer	5	5	18	20
Ready to drink[4]	(2)	(2)	10	12

Brands

Reported net sales by category (%)



Global giants and local stars[5]	Organic volume movement[6] %	Organic net sales movement %	Reported net sales movement %
Guinness	6	20	21
Johnnie Walker	18	29	25
Baileys	(3)	(1)	1
Smirnoff	(1)	14	16
Captain Morgan	–	9	10
Tanqueray	–	6	7
J&B	(7)	(1)	2
Yeni Raki	–	7	(10)

(1) Fair value remeasurements. For further details see page 55.
(2) See pages 181 and 232-239 for details of hyperinflation adjustment.
(3) Exceptional items are in respect of Diageo's decision, announced on 28 June 2022, to wind down its operations in Russia. For further details on exceptional operating items see pages 179-181.
(4) Reported volume movement has been impacted by acquisitions and/or disposals. For further details see pages 232-236.
(5) Spirits brands excluding ready to drink and non-alcoholic variants.
(6) Organic equals reported volume movement, except for Tanqueray and J&B, which had reported volume movement of 1% and (6)% respectively.

Regional performance:

- Reported net sales grew 11%, driven by organic growth and the hyperinflation adjustment[1] related to Turkey, partially offset by an unfavourable impact from foreign exchange.
- Organic net sales grew 11%, driven by double-digit growth across most markets. Growth was mainly driven by price/mix, while holding volume.
- Price/mix was primarily driven by strong price increases across all markets, and supported by positive mix in beer and scotch.
- Spirits net sales grew 10%, driven by growth in scotch, vodka, tequila. Johnnie Walker grew 29% driven by Northern Europe, Southern Europe and Travel Retail.
- Beer net sales grew 18%, driven by price increases and volume growth. Guinness net sales grew 20% and gained share in the on-trade in Great Britain and Ireland.
- Organic operating margin declined by 13bps, primarily driven by cost inflation, partially offset by price increases, improved category mix and productivity savings.
- Marketing investment grew 7%, with focused investment in Tanqueray, Johnnie Walker, Baileys and Guinness.
- The SMASHED programme educated 112,910 young people on the dangers of underage drinking.
- We built strong momentum in year two of our water replenishment projects in Turkey, generating the annual capacity to replenish 137,349m^3 water.
- Scope 1 and 2 carbon emissions increased by 35%, primarily driven by increased scotch distillation. To mitigate some of this growth we switched some key distilleries (Auchroisk, Talisker and Cardhu) to biofuels. Our GHG emissions for beer stayed flat, even though production volumes were higher than planned.
- Water efficiency decreased by 2.4% due to the volume of distilled product increasing faster than packaged product, because of its maturation period. For beer, optimising pasteurisation in Runcorn and water recovery in St James's Gate led to a 9% improvement in water efficiency.
- In year two of our three-year Guinness regenerative agriculture pilot, launched in February 2022, we recruited 44 farms across Ireland and gathered baseline data to let us accurately track the project's impact.

(1) See pages 181 and 232-239 for details of hyperinflation adjustment.

Market highlights:

- Great Britain net sales grew 7%, mostly driven by strong performance in Guinness with strong market share gains. Spirits net sales growth was driven by tequila, vodka and RTDs, partially offset by gin.
- Northern Europe net sales grew 11%. Growth was primarily driven by scotch with strong double-digit growth in Johnnie Walker, and strong growth in vodka and tequila. Spirits gained market share.
- Southern Europe net sales grew 12%, led by strong performance in scotch, in addition to tequila and gin. Growth reflected continued recovery in the on-trade and increased tourism, alongside market share gains in spirits.
- Ireland net sales grew 16%, primarily driven by growth in Guinness reflecting share gains in a recovering on- trade.
- Eastern Europe net sales declined 3%, due to the suspension of exports to and sales in Russia as announced in March 2022 and the winding down of its operations announced in June 2022. In the rest of the market, spirits grew double-digit and gained market share primarily driven by Johnnie Walker.
- Turkey net sales grew 38%, with volume growth of 9%. Growth was driven by price increases in response to inflation and higher excise duties. Growth was broad-based, led by scotch, vodka and raki.

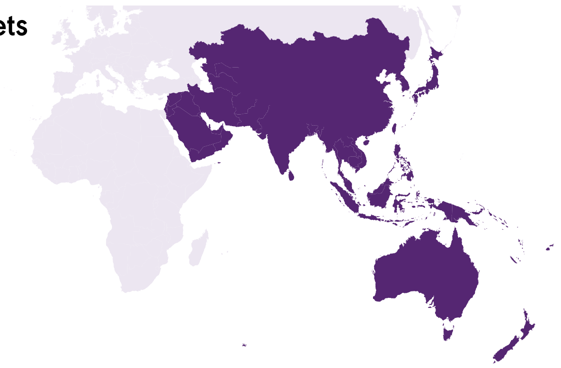
Asia Pacific

In Asia Pacific, our focus is to grow in both developed and emerging markets across our entire portfolio. We manage our portfolio to meet the increasing demands of the growing middle class, and aim to inspire our consumers to drink better, not more.

Key financials

	2022 £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	2023 £ million	Reported movement %
Net sales	2,884	65	(102)	**353**	**3,200**	**11**
Marketing	490	10	–	**46**	**546**	**11**
Operating profit before exceptional items	711	15	(21)	**200**	**905**	**27**
Exceptional operating items[1]	(241)				**(473)**	
Operating profit	470				**432**	**(8)**

Markets



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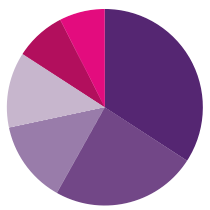
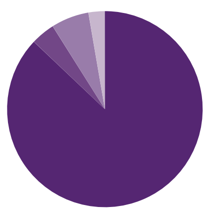
Reported net sales by market (%)



Markets and categories	Organic volume movement %	Reported volume movement %	Organic net sales movement %	Reported net sales movement %
Asia Pacific[2]	5	(14)	13	11
India[2]	6	(18)	17	7
Greater China	(2)	(2)	(4)	(1)
Australia	(10)	(10)	2	5
South East Asia[2]	20	20	33	36
North Asia	6	6	15	14
Travel Retail Asia and Middle East	38	38	67	65
Spirits[2][3]	6	(15)	14	11
Beer	5	5	10	12
Ready to drink	(8)	(8)	1	4

Brands

Reported net sales by category (%)



Global giants and local stars[3]	Organic volume movement[4] %	Organic net sales movement %	Reported net sales movement %
Johnnie Walker	13	29	30
Shui Jing Fang[5]	(15)	(14)	(12)
McDowell's	(1)	4	7
Guinness	4	10	13
The Singleton	26	26	31
Smirnoff	8	15	19
Windsor	29	41	42
Black & White	28	36	39

(1) For further details on exceptional operating items see pages 179-181.
(2) Reported volume movement has been impacted by acquisitions and/or disposals. For further details see pages 232-236.
(3) Spirits brands excluding ready to drink and non-alcoholic variants.
(4) Organic equals reported volume movement.
(5) Growth figures represent total Chinese white spirits of which Shui Jing Fang is the principal brand.

Regional performance:

- Reported net sales grew 11%, primarily reflecting strong organic growth and a favourable impact from foreign exchange.
- Organic net sales grew 13%. All markets grew, except Greater China, with strong double-digit growth in India, South East Asia, Travel Retail Asia and Middle East and North Asia.
- Price/mix of 7% was led by strong price increases across all markets. Positive mix was driven by strength in premium-plus scotch in most markets. Volume grew 8% in premium-plus price tiers.
- Spirits net sales grew 14%, primarily driven by double-digit growth in scotch, the region's largest category. IMFL whisky[1] also contributed to growth, partially offset by a decline in Chinese white spirits.
- Organic operating margin expanded by 363bps as the benefits from the continued recovery of Travel Retail, price increases and operational efficiencies more than offset the impact of cost inflation.
- Marketing investment grew 9%, with focused investment in scotch in South East Asia, India, and Greater China.
- Advocating for responsible consumption of alcohol through DRINKiQ and brand campaigns, we reached more than 134 million consumers with messages that promote moderation.
- The SMASHED programme educated 340,216 young people on the dangers of underage drinking.
- We trained more than 8,236 people on business and hospitality skills through our Learning for Life programme and delivered 38,467 training sessions through Diageo Bar Academy.
- Our water efficiency improved by 16.2% this year, mainly by focussing on continuous improvement across the region. We piloted waterless cooling towers successfully in India and plan to introduce them more widely.
- Our Scope 1 and 2 carbon emissions decreased by 9%, mainly because of a green energy tariff in Australia and focussed energy improvement across the region.

(1) Indian-Made Foreign Liquor (IMFL) whisky.

Market highlights:

- India net sales grew 17%, driven by strong consumer demand and continued premiumisation. IMFL whisky and scotch delivered double-digit growth. Scotch growth was driven by Black Dog, Johnnie Walker Black Label and Black & White.
- Greater China net sales declined 4%. Strong performance in scotch was more than offset by a decline in Chinese white spirits which continued to be impacted by Covid-19 restrictions, especially in the on-trade. Scotch grew 13%, driven primarily by Taiwan, with strong performance in the super-premium-plus segment led by Johnnie Walker and The Singleton.
- Australia net sales grew 2%, primarily driven by price increases. Growth was led by rum, tequila and beer.
- South East Asia net sales grew 33%, benefitting from a strong recovery following the easing of Covid-19 restrictions and strong growth in the super-premium-plus segment. Scotch grew 31%, mostly driven by Johnnie Walker premium variants, and single malts, primarily The Singleton and Mortlach.
- North Asia (Korea and Japan) net sales grew 15%, benefitting from the recovery of the on-trade. Growth was primarily driven by double-digit growth in Windsor and Johnnie Walker premium-plus variants led by Johnnie Walker Blue Label and Johnnie Walker Black Label.
- Travel Retail Asia and Middle East net sales grew 67% primarily driven by Johnnie Walker premium-plus variants, led by Johnnie Walker Blue Label and Johnnie Walker Black Label.

Latin America and Caribbean

In Latin America and Caribbean (LAC), we are aiming to increase our market share through focussed consumer-centric delivery across core categories including scotch, gin, tequila and vodka. We do this through targeted marketing investment in consumer focussed occasions where traditionally non-spirit TBA products have had a strong presence.

Key financials

	2022 £ million	Exchange £ million	Acquisitions and disposals £ million	**Organic movement £ million**	**Other[1] £ million**	**2023 £ million**	**Reported movement %**
Net sales	1,525	129	3	**142**	**–**	**1,799**	**18**
Marketing	243	18	1	**34**	**–**	**296**	**22**
Operating profit	538	52	–	**62**	**9**	**661**	**23**

Markets

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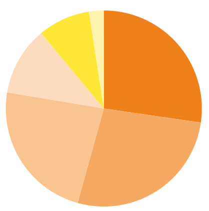
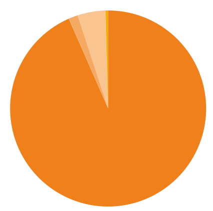
Reported net sales by market (%)



Markets and categories	**Organic volume movement %**	**Reported volume movement %**	**Organic net sales movement %**	**Reported net sales movement %**
Latin America and Caribbean[2]	**(3)**	**(3)**	**9**	**18**
Brazil[3]	**(1)**	**3**	**8**	**29**
Mexico[2]	**(4)**	**(3)**	**9**	**30**
CCA	**1**	**1**	**14**	**21**
South LAC[3]	**(3)**	**(11)**	**21**	**–**
Andean[2]	**(24)**	**(24)**	**(7)**	**(13)**
Spirits[2]	**(3)**	**(3)**	**11**	**19**
Beer	**9**	**9**	**16**	**25**
Ready to drink	**(13)**	**(13)**	**(7)**	**–**

Brands

Reported net sales by category (%)



Global giants and local stars[4]	**Organic volume movement[5] %**	**Organic net sales movement %**	**Reported net sales movement %**
Johnnie Walker	**4**	**16**	**23**
Buchanan's	**(5)**	**6**	**11**
Don Julio	**6**	**22**	**40**
Old Parr	**10**	**20**	**26**
Smirnoff	**3**	**18**	**24**
Black & White	**(7)**	**13**	**26**
Tanqueray	**–**	**–**	**5**
Baileys	**(18)**	**(5)**	**1**

(1) Fair value remeasurements. For further details see page 55.
(2) Reported volume movement has been impacted by acquisitions and/or disposals. For further details see pages 232-236.
(3) From 1 July 2022 Uruguay and Paraguay domestic channels moved on a management basis from PUB (Paraguay, Uruguay and Brazil) to PEBAC (Peru, Ecuador, Bolivia, Argentina and Chile) and the new cluster has been called South LAC. This reflects how management reviews performance.
(4) Spirits brands excluding ready to drink and non-alcoholic variants.
(5) Organic equals reported volume movement.

Regional performance:

- Reported net sales grew 18%, reflecting organic growth and a favourable impact from foreign exchange, mainly due to a strengthening of the Mexican peso and Brazilian real.
- Organic net sales grew 9%, with most markets delivering growth, despite lapping strong double-digit growth in fiscal 22. Growth was broad-based across price tiers, except for value, which declined as a result of our premiumisation strategy. Strong price/mix was partially offset by a 3% decline in volume, primarily in the value price tier. Double-digit sales growth in the first half of fiscal 23 was followed by inventory normalisation in the second half.
- Price/mix was driven by strong price increases across all markets, and positive mix supported by the strength in premium-plus scotch in most markets.
- Spirits net sales grew 11%, primarily led by double-digit growth in scotch, particularly Johnnie Walker Black Label, Johnnie Walker Red Label and Old Parr. Growth was also driven by strong double-digit growth in Don Julio and Smirnoff.
- Organic operating margin expanded by 72bps. The positive impact of price increases, premiumisation, leverage on operating costs and one-off tax benefits more than offset the increases in marketing investment and cost inflation.
- Marketing investment grew 14%, ahead of organic net sales growth, with increased investment in most markets.
- We reached more than 176 million people with campaigns promoting moderation. They included 'Derribando Mitos', a campaign created in fiscal 21 for Peru and expanded this year to the Caribbean and Central America market. It aims to challenge myths about alcohol consumption. In fiscal 23, 'Derribando Mitos' reached more than 51 million people.
- The SMASHED programme educated 984,213 young people on the dangers of underage drinking.
- We reduced our Scope 1 and 2 carbon emissions by 32%. Tequila was the biggest contributor, through new or upgraded biomass boilers in Mexico, and our changing production mix has also played a part.
- We generated the annual capacity to replenish more than 280,977 m^3 through water sanitation and hygiene, tree planting and water catchment rehabilitation projects for communities in Brazil and Mexico.

Market highlights:

- Brazil net sales grew 8%, led by double-digit growth in Johnnie Walker and Old Parr. Growth was driven by price increases and higher marketing investment, leading to market share growth.
- Mexico net sales grew 9%, primarily driven by scotch and tequila. Scotch growth was led by Johnnie Walker Red Label and Johnnie Walker Black Label, driven by price increases. Tequila growth was driven by price increases, the lapping of aged liquid supply constraints in fiscal 22 and increased marketing investment.
- Central America and Caribbean (CCA) net sales grew 14%, mainly driven by scotch and tequila. Growth was driven by price increases, premiumisation and continuing momentum in the on-trade. Scotch growth was mostly driven by Johnnie Walker Black Label and Buchanan's, supported by increased marketing investment. Tequila growth was driven by Don Julio 1942.
- South LAC (Argentina, Bolivia, Chile, Ecuador, Paraguay, Peru and Uruguay) net sales grew 21%, primarily driven by scotch, vodka and gin. Growth was driven by price increases and premiumisation, partially offset by a decline in volume.
- Andean (Colombia and Venezuela) net sales declined 7%, due to an adverse macroeconomic environment in Colombia. Strong price increases and premiumisation were more than offset by a decline in volume.

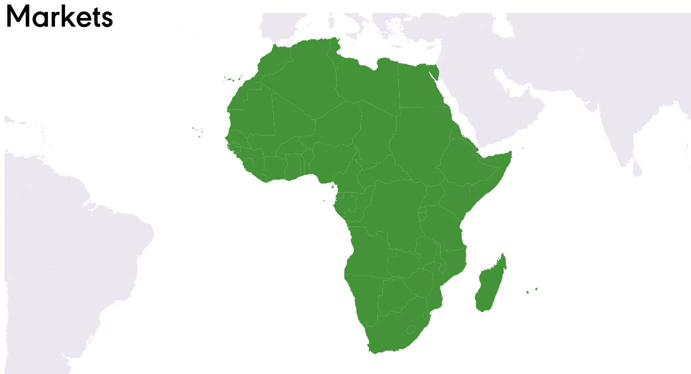
Africa

In Africa, our strategy is to grow our beers fast and our spirits faster. Our operating model seeks to build resilience, agility and strength into our African businesses as they develop. We drive smart investments through local manufacturing, innovation and partnerships to unlock growth.

Key financials

	2022	Exchange	Acquisitions and disposals	Organic movement	2023	Reported movement
	£ million	£ million	£ million	£ million	£ million	%
Net sales	1,682	(40)	(26)	83	1,699	1
Marketing	199	(3)	(5)	4	195	(2)
Operating profit before exceptional items	315	(141)	9	37	220	(30)
Exceptional operating items[1]	–				(44)	
Operating profit	315				176	(44)

Markets



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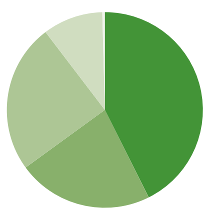
Reported net sales by market (%)

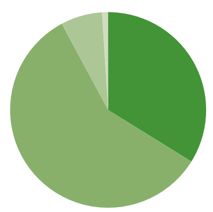


- East Africa
- Africa Regional Markets
- Nigeria
- South Africa
- Other (principally Travel Retail)

Markets and categories	Organic volume movement %	Reported volume movement %	Organic net sales movement %	Reported net sales movement %
Africa[2]	(7)	(8)	5	1
East Africa	(7)	(7)	(2)	–
Nigeria	(4)	(4)	11	12
Africa Regional Markets[2]	(1)	(9)	22	(5)
South Africa	(18)	(18)	1	(3)
Spirits[2]	(2)	(2)	8	7
Beer[2]	(13)	(14)	3	(3)
Ready to drink[2]	–	(4)	11	5

Brands

Reported net sales by category (%)



- Spirits
- Beer
- Ready to drink
- Other

Global giants and local stars[3]	Organic volume movement[4] %	Organic net sales movement %	Reported net sales movement %
Guinness	(8)	7	1
Johnnie Walker	5	11	8
Smirnoff	(23)	(6)	(9)
Other beer:			
Malta Guinness	(7)	22	2
Senator	(17)	(4)	(4)
Tusker	(8)	(5)	(4)
Serengeti	(7)	(1)	8

(1) For further details on exceptional operating items see pages 179-181.
(2) Reported volume movement has been impacted by acquisitions and/or disposals. For further details see pages 232-236.
(3) Spirits brands excluding ready to drink and non-alcoholic variants.
(4) Organic equals reported volume movement, except for Guinness and Malta Guinness, which had reported volume movement of (9)% and (9)% respectively.

Regional performance:

- Reported net sales grew 1%, primarily driven by organic growth and disposals, mostly offset by an unfavourable impact from foreign exchange.
- Organic net sales grew 5%, with growth across all markets, except East Africa. Growth was driven by price increases, partially offset by a decline in volume.
- Price/mix of 12% was driven by price increases across all markets and positive mix. Volume declines were primarily in the value and standard price tiers.
- Spirits net sales grew 8%, driven by growth in international spirits particularly Johnnie Walker Black Label, and Orijin.
- Beer net sales grew 3%, with strong growth in Africa Regional Markets and Nigeria, partially offset by a decline in East Africa. Growth was primarily driven by Malta Guinness and Guinness, which grew 22% and 7% respectively.
- Organic operating margin expanded by 126bps, primarily driven by price increases, productivity savings, positive category mix and lapping prior year one-off costs. These impacts were partially offset by cost inflation.
- Marketing investment grew 2%, focused on supporting spirits premiumisation and Guinness.
- The SMASHED programme educated 548,478 young people on the dangers of underage drinking.
- We reduced our Scope 1 and 2 carbon emissions by 33%, thanks largely to commissioning and optimising three biomass facilities in Kenya and Uganda.
- Our water efficiency decreased by 2.6% because of lower production volumes. We partly mitigated this by commissioning our water recovery plants in Nigeria and further optimising our water recovery plants in Kenya and Uganda.
- We trained more than 9,517 people (51% women) in business and hospitality skills through our Learning for Life programme in seven countries, including for the first time, Mozambique.
- Our community water, sanitation and hygiene (WASH) programmes provided clean water, sanitation and hygiene for water-stressed communities near our sites in all our water-stressed markets.

Market highlights:

- East Africa net sales declined 2%. Growth in spirits was more than offset by a volume decline in beer following price and duty increases. Spirits growth was primarily driven by scotch, particularly Johnnie Walker.
- Africa Regional Markets net sales grew 22% led by growth in beer, primarily driven by Malta Guinness supported by price increases. Spirits growth was primarily driven by Johnnie Walker Black Label.
- Nigeria net sales grew 11%. Growth was led by Guinness and Orijin.
- South Africa net sales grew 1%, primarily driven by growth in tequila and rum, which offset declines in vodka and gin. Super-premium-plus brands grew strongly at 38%.

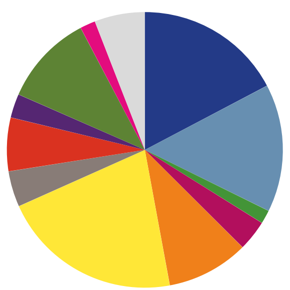
Category and brand review

Key categories

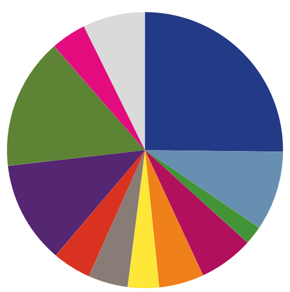
	Organic volume movement[1] %	Organic net sales movement %	Reported net sales movement %	Reported net sales by category %
Spirits[2]	**–**	**6**	**12**	**79**
Scotch	2	12	16	25
Tequila	10	19	32	12
Vodka[3][4]	(3)	1	7	9
Canadian whisky[5]	(10)	(9)	–	6
Rum[4]	(7)	2	9	5
Liqueurs	(4)	(1)	3	5
Gin[4]	–	5	8	5
IMFL whisky[5]	8	15	–	4
Chinese white spirits[5]	(15)	(14)	(12)	3
US whiskey[5]	(8)	(4)	7	2
Beer	**(7)**	**9**	**9**	**15**
Ready to drink	**(6)**	**–**	**3**	**4**

(1) Organic equals reported volume movement except for spirits (7)%, tequila 11%, vodka (4)%, gin (1)%, IMFL whisky (20)%, US whiskey (7)%, beer (8)% and ready to drink (7)%.
(2) Spirits brands excluding ready to drink and non-alcoholic variants.
(3) Vodka includes Ketel One Botanical.
(4) Vodka, rum and gin include IMFL variants.
(5) See pages 42-43 for details of Canadian whisky, US whiskey and pages 46-47 for details of IMFL whisky and Chinese white spirits.

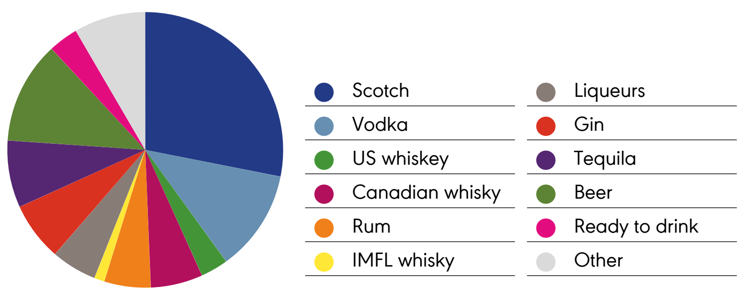
Reported volume by category



Reported net sales by category



Reported marketing spend by category



- Spirits net sales grew 6%, with flat volume. Growth was across most categories, including double-digit performance in scotch, tequila and IMFL whisky.
- Scotch net sales grew 12%, with 2% volume growth. Growth was led by Johnnie Walker, with strong growth of 15%, and scotch malts also grew strongly at 16%.
  - Johnnie Walker Black Label grew 16%, with particularly strong growth in Asia Pacific, where it grew 30%.
  - Johnnie Walker Blue Label grew 3%, supported by the return of Travel Retail.
  - Johnnie Walker Red Label grew 16%, with double-digit growth in all regions except Africa.
  - Scotch malts grew 16%, primarily driven by strong double-digit growth in Asia Pacific and North America.
- Tequila net sales grew 19%, reflecting strong performance of Don Julio and Casamigos which grew 20% and 16% respectively, driven by North America.
- Vodka net sales grew 1% with a volume decline of 3%. Declines in North America and Africa were offset by double-digit growth across all other regions.
- Rum net sales grew 2% driven by Captain Morgan growth across all regions except North America. Rum volume declined 7%.
- Liqueurs net sales declined 1%, driven by Godiva.
- Beer net sales grew 9%, with growth in all regions driven by strong performance from Guinness in Great Britain, Ireland, North America and Africa.
- Ready to drink net sales were flat, with growth in Europe and Africa offset by a decline in North America.

Global giants, local stars and reserve[1]:

	Organic volume movement[2] %	Organic net sales movement %	Reported net sales movement %
Global giants			
Johnnie Walker	9	15	19
Guinness	1	16	17
Smirnoff	(2)	8	14
Baileys	(5)	–	5
Captain Morgan	(2)	5	11
Tanqueray	(4)	1	6
Local stars			
Crown Royal	(12)	(10)	–
Buchanan's	(3)	7	15
McDowell's	(1)	4	6
Shui Jing Fang[3]	(15)	(14)	(12)
Old Parr	9	18	24
Black & White	2	20	28
J&B	(9)	(3)	–
Yenì Raki	–	8	(10)
Windsor	29	41	42
Bundaberg	–	18	21
Ypióca	(9)	7	21
Reserve			
Don Julio	11	20	32
Casamigos[4]	7	15	27
Scotch malts	3	16	19
Ketel One[5]	(3)	1	11
Bulleit whiskey[6]	(9)	(6)	4
Cîroc vodka	(23)	(23)	(17)

(1) Brands excluding ready to drink, non-alcoholic variants and beer except Guinness.
(2) Organic equals reported volume movement except for Guinness 0% and McDowell's (2)%.
(3) Growth figures represent total Chinese white spirits of which Shui Jing Fang is the principal brand.
(4) Casamigos trademark includes both tequila and mezcal.
(5) Ketel One includes Ketel One vodka and Ketel One Botanical.
(6) Bulleit whiskey excludes Bulleit Crafted Cocktails.

Global giants
39% of Diageo's reported net sales and grew 10%.

Local stars
18% of Diageo's reported net sales and declined 2%.

Reserve
29% of Diageo's reported net sales and grew 7%.

Summary income statement

	30 June 2022	Exchange (a)	Acquisitions and disposals (b)	Organic movement[1]	Fair value remeasurement (d)	Hyperinflation[1]	30 June 2023
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Sales	22,448	588	(683)	1,091	–	71	23,515
Excise duties	(6,996)	114	569	(122)	–	33	(6,402)
Net sales	15,452	702	(114)	969	–	104	17,113
Cost of sales	(5,973)	(363)	84	(522)	5	(63)	(6,832)
Gross profit	9,479	339	(30)	447	5	41	10,281
Marketing	(2,721)	(151)	(15)	(152)	(1)	(11)	(3,051)
Other operating items	(1,961)	(66)	(16)	26	49	(8)	(1,976)
Operating profit before exceptional items	4,797	122	(61)	321	53	22	5,254
Exceptional operating items (c)	(388)						(622)
Operating profit	4,409						4,632
Non-operating items (c)	(17)						328
Net finance charges	(422)						(594)
Share of after tax results of associates and joint ventures	417						370
Profit before taxation	4,387						4,736
Taxation (e)	(1,049)						(970)
Profit for the year	3,338						3,766

(1) For the definition of organic movement and hyperinflation see pages 232-233.

(a) Exchange

The impact of movements in exchange rates on reported figures for operating profit was principally in respect of the favourable exchange impact of the strengthening of the US dollar and Mexican peso against the sterling, partially offset by the weakening of the Nigerian naira, Ghanaian cedi and the Turkish lira.

The effect of movements in exchange rates and other movements on profit before exceptional items and taxation for the year ended 30 June 2023 is set out in the table below.

	Gains/ (losses) £ million
Translation impact	246
Transaction impact	(124)
Operating profit before exceptional items	122
Net finance charges – translation impact	(32)
Net finance charges – transaction impact	6
Net finance charges	(26)
Associates – translation impact	8
Profit before exceptional items and taxation	104

	Year ended 30 June 2023	Year ended 30 June 2022
Exchange rates		
Translation £1 =	$1.20	$1.33
Transaction £1 =	$1.30	$1.29
Translation £1 =	€1.15	€1.18
Transaction £1 =	€1.16	€1.15

(b) Acquisitions and disposals

The acquisitions and disposals movement in the year ended 30 June 2023 was primarily attributable to the disposal of the United Spirits Limited (USL) Popular brands and Guinness Cameroun S.A.

See pages 186-189 for further details.

(c) Exceptional items

In the year ended 30 June 2023, exceptional operating items were a loss of £622 million (2022 – a loss of £388 million), mainly due to charges related to brand impairment (£498 million) and the supply chain agility programme (£100 million).

In the year ended 30 June 2023, exceptional non-operating items were a gain of £328 million (2022 – a loss of £17 million), mainly driven by the gain in relation to the sale of Guinness Cameroun S.A. (£310 million).

See pages 179-181 for further details and the definition of exceptional items.

(d) Fair value remeasurement

The adjustments to marketing and other operating expenses were the elimination of fair value changes to contingent consideration liabilities and earn out arrangements in respect of prior year acquisitions of £113 million gain for the year ended 30 June 2023 and £65 million gain for the year ended 30 June 2022.

(e) Taxation

The reported tax rate for the year ended 30 June 2023 was 20.5% compared with 23.9% for the year ended 30 June 2022.

Included in the tax charge of £970 million in the year ended 30 June 2023 is a net exceptional tax credit of £186 million, including an exceptional tax credit of £124 million in respect of brand impairments, mainly the McDowell's brand, a tax credit of £57 million in respect of the deductibility of fees paid to Diageo plc for guaranteeing externally issued debt of its US group entities, a tax credit of £23 million in respect of the supply chain agility programme, partly offset by a tax charge of £42 million in respect of the sale of Guinness Cameroun S.A.

The reported tax charge for the year ended 30 June 2022 included an exceptional tax credit of £31 million, comprising exceptional tax credits of £35 million and £20 million on the impairment of the McDowell's and Bell's brands respectively, partly offset by an exceptional tax charge of £23 million in respect of the gain on the sale of the Picon brand and a further tax charge of £3 million in respect of winding down operations in Russia.

The tax rate before exceptional items for the year ended 30 June 2023 was 23.0% compared with 22.5% for the year ended 30 June 2022.

We expect the tax rate before exceptional items for the year ending 30 June 2024 to be in the region of 24%.

(f) Dividend

The group aims to increase the dividend each year. The decision in respect of the dividend is made with reference to the dividend cover, as well as current performance trends, including sales and profit after tax together with cash generation. Diageo targets dividend cover (the ratio of basic earnings per share before exceptional items to dividend per share) within the range of 1.8-2.2 times. For the year ended 30 June 2023, dividend cover is 2.0 times. The recommended final dividend for the year ended 30 June 2023, to be put to the shareholders for approval at the Annual General Meeting is 49.17 pence, an increase of 5% on the prior year final dividend. This would bring the full year dividend to 80.00 pence per share, an increase of 5% on the prior year. The group will keep future returns of capital, including dividends, under review through the year ending 30 June 2024, to ensure Diageo's capital is allocated in the best way to maximise value for the business and its stakeholders.

Subject to approval by shareholders, the final dividend will be paid to holders of ordinary shares and US ADRs on the register as of 25 August 2023. The ex-dividend date both for holders of ordinary shares and for US ADR holders is 24 August 2023. The final dividend, once approved by shareholders, will be paid to shareholders on 12 October 2023 and payment to US ADR holders will be made on 17 October 2023. A dividend reinvestment plan is available to holders of ordinary shares in respect of the final dividend and the plan notice date is 22 September 2023.

(g) Return of capital

Diageo completed a total of £1.4 billion return of capital for the year ended 30 June 2023, which included £0.9 billion related to the successful completion of Diageo's previous share buyback programme in which £4.5 billion of capital was returned to shareholders, and returned an additional £0.5 billion of capital to shareholders which was announced as a new share buyback programme on 16 February 2023 and completed on 2 June 2023.

In the year ended 30 June 2023, the company purchased 37.8 million ordinary shares (2022 – 61.2 million) at a cost of £1,381 million (including transaction costs of £13 million) (2022 – £2,284 million including transaction costs of £16 million). All shares purchased under the share buyback programme were cancelled.

Movement in net borrowings and equity

Movements in net borrowings

	2023 £ million	2022 £ million
Net borrowings at the beginning of the year	(14,137)	(12,109)
Free cash flow (1)	1,800	2,783
Acquisitions (2)	(342)	(206)
Investment in associates (2)	(93)	(65)
Sale of businesses and brands (3)	462	82
Share buyback programme (4)	(1,381)	(2,284)
Net sale of own shares for share schemes (5)	29	18
Purchase of treasury shares in respect of subsidiaries	–	(15)
Dividends paid to non-controlling interests	(97)	(81)
Net movements in bonds (6)	889	742
Purchase of shares of non-controlling interests (7)	(146)	–
Net movements in other borrowings (8)	59	79
Equity dividend paid	(1,761)	(1,718)
Net decrease in cash and cash equivalents	(581)	(665)
Net increase in bonds and other borrowings	(950)	(825)
Exchange differences (9)	159	(334)
Other non-cash items (10)	(32)	(204)
Net borrowings at the end of the year	(15,541)	(14,137)

(1) See page 39 for the analysis of free cash flow.

(2) In the year ended 30 June 2023, acquisitions included upfront payments of €246 million (£218 million) for Kanlaon Limited and Chat Noir Co. Inc. (the owner of Don Papa Rum) and $102 million (£89 million) for Balcones Distilling.

In the year ended 30 June 2022, acquisitions included the final earn-out payment in respect of the Casamigos acquisition amounting to $113 million (£83 million) and upfront payment of £62 million for 21Seeds.

In the years ended 30 June 2023 and 2022, investment in associates included additional investments in a number of Distill Ventures associates.

(3) In the year ended 30 June 2023, sale of businesses and brands included the disposal of Guinness Cameroun S.A. beer business for a net cash consideration, net of disposal costs, of £354 million and the disposal of the Popular brands of Diageo's USL business, for a cash consideration, net of disposal costs, of £83 million.

In the year ended 30 June 2022, sale of businesses and brands included the cash received on the disposal of Picon brand, net of transaction costs.

(4) See more details of Diageo's return of capital programmes above on this page.

(5) Net sale of own shares comprised receipts from employees on the exercise of share options of £51 million (2022 – £32 million) less purchase of own shares for the future settlement of obligations under the employee share option schemes of £22 million (2022 – £14 million).

(6) In the year ended 30 June 2023, the group issued bonds of $2,000 million (£1,788 million - net of discount and fee) and €500 million (£441 million - net of discount and fee), and repaid bonds of $1,650 million (£1,340 million). In the year ended 30 June 2022, the group issued bonds of €1,650 million (£1,371 million - net of discount and fee) and £892 million (including £8 million discount and fee), and repaid bonds of €900 million (£769 million) and $1,000 million (£752 million).

(7) On 24 March 2023, Diageo completed the purchase of an additional 14.97% of the share capital of East African Breweries PLC (EABL). This increased Diageo's controlling shareholding position in EABL from 50.03% to 65.00%.

(8) In the year ended 30 June 2023, the net movements in other borrowings principally arose from the increase in commercial paper, collateral and bank loan balances offset by cash outflows of foreign currency swaps and forwards and repayment of lease liabilities. In the year ended 30 June 2022, the net movements in other borrowings principally arose from cash movements of foreign currency swaps and forwards partially offset by the repayment of lease liabilities.

(9) In the year ended 30 June 2023, exchange gains arising on net borrowings of £159 million were primarily driven by favourable exchange movements on US dollar and euro denominated borrowings and unfavourable exchange movements on cash and cash equivalents, foreign currency swaps and forwards. In the year ended 30 June 2022, exchange losses arising on net borrowings of £334 million were primarily driven by adverse exchange movements on US dollar denominated borrowings, partially offset by favourable movement on euro denominated borrowings, cash and cash equivalents, foreign currency swaps and forwards.

(10) In the year ended 30 June 2023, other non-cash items were principally in respect of additional leases entered into during the year partially offset by fair value movements of interest rate hedging instruments. In the year ended 30 June 2022, other non-cash items were principally in respect of additional leases entered into during the year.

Movements in equity

	2023 £ million	2022 £ million
Equity at the beginning of the year	**9,514**	8,431
Adjustment to 2021 closing equity in respect of hyperinflation in Turkey (1)	**–**	251
Adjusted equity at the beginning of the year	**9,514**	8,682
Profit for the year	**3,766**	3,338
Exchange adjustments (2)	**(686)**	799
Remeasurement of post employment benefit plans net of taxation	**(469)**	497
Purchase of shares of non-controlling interests (3)	**(146)**	–
Hyperinflation adjustments net of taxation (1)	**143**	291
Associates' transactions with non-controlling interests	**(7)**	–
Dividend to non-controlling interests	**(97)**	(72)
Equity dividend paid	**(1,762)**	(1,718)
Share buyback programme (4)	**(1,273)**	(2,310)
Other reserve movements	**309**	7
Equity at the end of the year	**9,292**	9,514

(1) See pages 181 and 232-239 for details of hyperinflation adjustments.

(2) Exchange movements in the year ended 30 June 2023 primarily arose from exchange loss driven by the Turkish lira, the Indian rupee and the Chinese yuan, partially offset by gains in Mexican peso and US dollar. Exchange movements in the year ended 30 June 2022 primarily arose from exchange gains driven by the US dollar and the Indian rupee, partially offset by Turkish lira.

(3) On 24 March 2023, Diageo completed the purchase of an additional 14.97% of the share capital of East African Breweries PLC (EABL). This increased Diageo's controlling shareholding position in EABL from 50.03% to 65.00%.

(4) See page 55 for details of Diageo's return of capital programmes.

Post employment benefit plans

The net surplus of the group's post employment benefit plans decreased by £564 million from £1,151 million at 30 June 2022 to £587 million at 30 June 2023. The decrease in net surplus was predominantly attributable to the unfavourable change in the market value of assets held by the post employment benefit plans in the UK which was partially offset by the favourable change in the discount rate assumptions in the UK due to the increase in returns from 'AA' rated corporate bonds used to calculate the discount rates on the liabilities of the post employment benefit plans (from 3.8% to 5.2%). The net operating profit charge before exceptional items increased by £36 million from £39 million for the year ended 30 June 2022 to £75 million for the year ended 30 June 2023.

During the year ended 30 June 2023, following a remeasurement of the Diageo Lifestyle Plan, Diageo made a £16 million one-off deficit contribution to satisfy minimum funding requirement.

Total cash contributions by the group to all post employment benefit plans in the year ending 30 June 2024 are estimated to be approximately £75 million ($95 million).

'Society 2030: Spirit of Progress' – putting positive societal impact at the heart of our business strategy

We are a successful global business, building and nurturing some of the world's most recognised brands. A fundamental part of our success is being responsible. That is about making sure we are inclusive and sustainable, and acknowledging that our impact and influence extend beyond our own operations. It is also about being accountable and transparent – which is why we report our non-financial performance in this section.

Responding to the issues that matter

'Society 2030: Spirit of Progress' is our global programme addressing the most material[1] issues facing our company, people, brands, suppliers and communities. Its ambitions are embedded in our business strategy, and it aims to make a positive impact on people and the planet everywhere we live, work, source and sell.

The programme builds on our earlier progress on environmental, social and governance (ESG) issues. At the heart of 'Society 2030: Spirit of Progress' are three priorities:

- Promote positive drinking – changing the way the world drinks, for the better.
- Champion inclusion and diversity – creating an inclusive and diverse culture for a better business.
- Pioneer grain-to-glass sustainability – preserving the natural resources we all depend on.

We have set 25 targets across a range of ESG issues that matter to our business, to the communities we work with, to society as a whole and to the planet. We've mapped these targets to the objectives and timeline of the UN's 2030 Sustainable Development Goals. While we have made significant progress against many of our targets, there is still much to do. In some cases, we set our targets with the expectation that we'd need innovation to reach them, and we still do. We also regularly review our material issues to make sure the 'Society 2030: Spirit of Progress' plan is still fit for purpose to address the issues most material to our business and our impact on people and the planet. While we made no changes to our plan or targets in fiscal 23, we will continue to assess them and expect to refine and possibly reframe our approach to material issues in fiscal 24.

This section of the Annual Report sets out our progress against our targets in fiscal 23, and our future plans. It contains reporting on other aspects of our non-financial performance, as part of our continuing drive to be transparent and accountable. This includes reporting on how we are addressing climate change risk against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It also includes information about our approach to human rights, business integrity, our people and health and safety, all of which are fundamental to our long-term success as a responsible business.

A better world, a better business

By working towards our goals, we are doing the right thing by contributing to a better society and a healthier planet. We believe we are also making ourselves a better, more competitive business, and one that is more resilient for the long term.

(1) Our latest materiality assessment is included in our ESG Reporting Index.

More specifically, 'Society 2030: Spirit of Progress' helps us to:

- Manage our risks from climate change, and spot opportunities to innovate.
- Attract the best, most diverse talent.
- Make our supply chains more resilient.
- Enhance our reputation with our investors, consumers and other stakeholders.
- Strengthen our brands.

Governance

Both the Board and the Executive Committee oversee our 'Society 2030: Spirit of Progress' plan. The Board conducts regular reviews of our most material issues, our strategy to address those issues and our targets used to measure our strategy in action. Our Chief Executive, Debra Crew, is ultimately accountable for overall performance against ESG targets, while responsibility for the component parts of 'Society 2030: Spirit of Progress' is shared between members of our Executive Committee. At the local and market level, our regional presidents and general managers have frontline responsibility, supported by our Global Spirit of Progress Director and team. The markets are also supported by Executive Committee members representing global functions.

Linking performance to remuneration

Five of our targets are key performance indicators for our business as a whole, which is why they are also linked to our senior leaders' long-term incentive plans. The goals in our long-term incentive plans include:

- Number of people who confirm changed attitudes to the dangers of underage drinking after participating in a Diageo-supported education programme.
- Inclusion and diversity (one measure of the percentage of female leaders globally and another measure of the percentage of ethnically diverse leaders globally).
- Improvement in water efficiency.
- Reduction in greenhouse gas emissions in our direct operations (Scope 1 & 2).

This represents all three strategic priorities of our 'Society 2030: Spirit of Progress' ambition, and reflects our vision to make a positive impact on the environment and society.

Reporting transparently

We define our targets carefully, along with clear non-financial reporting boundaries and methodologies for each. For more details, see pages 242-262. The reporting of non-financial information is evolving quickly. We are committed to continuously evaluating and improving our approach as well as responding to changes in regulation.

Promote positive drinking

As a responsible business, we want to change the way people drink – for the better. This is why we promote moderate drinking and invest in education programmes to discourage the harmful use of alcohol.

Around the world, we reach audiences with messages that aim to change attitudes, whether it's highlighting the harm of underage drinking or binge drinking, warning of the dangers of drink driving, or using our brands to highlight the importance of moderation.

We continue to look for ways to improve as we strive to engage more people through our work to promote positive drinking. This extends to how we measure and evaluate the impact of our work and its effect on changing peoples' attitudes.

How we promote positive drinking

Our main tools are:

- **DRINKiQ** – our interactive online platform that gives users facts about alcohol and the effects of drinking on the body and mind, and the impact that harmful alcohol consumption has on people and society.
- **SMASHED** – an award-winning programme that educates young people on the dangers of underage drinking.
- **'Wrong Side of the Road'** – our interactive learning experience that aims to discourage drink driving.
- **Brand-led campaigns** – harnessing our marketing resources to promote moderation through our brands.

We stringently control our own marketing and advertising, in line with our Diageo Marketing Code. We work with our industry and with advertising organisations to help create a safe environment in media and online.

Our work is coordinated by our Positive Drinking Council, which has representatives from across the business.

Increasing knowledge and awareness with DRINKiQ

Target by 2030
Champion health literacy and tackle harm through DRINKiQ in every market where we live, work, source and sell

Number of markets that have launched DRINKiQ **21**

DRINKiQ is our online responsible drinking tool. It champions health literacy by providing facts about alcohol, complementing resources offered by governments, charities and other stakeholders. The aim is to invite consumers to change their attitudes to alcohol and empower them to achieve a balanced lifestyle.

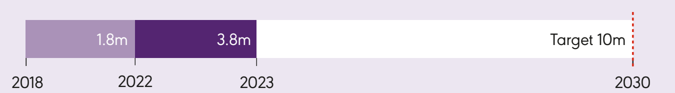
We have launched DRINKiQ in all the markets where it's legally permissible. It is live in 21 markets, 56 countries and 23 languages, and we promote it through our product labels, social media channels and marketing to make sure as many people as possible use it. While we have reached our target by launching DRINKiQ in all the markets we operate in, we are determined to continue promoting it so that consumers have access to information that can increase their knowledge and awareness of the impact of harmful drinking.

In fiscal 23, markets around the world ran campaigns to connect people with DRINKiQ. In Hungary, we teamed up with Sziget, the Island of Freedom, the biggest summer festival in Central Eastern Europe, to deliver an innovative DRINKiQ campaign. Visitors got responsible drinking messages and links to DRINKiQ.com through reusable cups, fence banners, tote bags, Facebook and Instagram posts. Tens of thousands of people visited DRINKiQ during the summer and the campaign was shortlisted for the European Festival Awards. In South Korea, a DRINKiQ digital campaign over the festive period resulted in more than 20,000 people completing the DRINKiQ Quiz and 2.4 million page views in just one month.

Tackling underage drinking through SMASHED

Target by 2030
Scale up our SMASHED partnership and educate 10 million young people, parents and teachers on the dangers of underage drinking

Number of people educated on the dangers of underage drinking through a Diageo-supported education programme in fiscal 23 **1,985,817**



We believe it is never acceptable for anyone underage to consume alcohol. This is why we have run campaigns and programmes to combat underage drinking for many years, including campaigns to ensure a consistent approach to legal purchase age for alcohol across categories. SMASHED is a programme that educates young people aged from 10 to 17 in 38 countries on the dangers of underage drinking either live or online format. It was developed by Collingwood Learning and we are proud to sponsor it.

SMASHED began in 2005 as a live theatre production and has since been adapted for online learning. To make the programme as successful as possible, the performance can be tailored to specific countries using local actors and cultural references.

In fiscal 23, our ambition was to educate more than 800,000 people through SMASHED, but we have surpassed this by educating 1,985,817 people, with 1,548,996[Δ] people confirming changed attitudes on the dangers of underage drinking following participation in a Diageo-supported education programme. We have educated 3.79 million people since our baseline year of 2018.

(Δ) Within the scope of PricewaterhouseCoopers LLP's (PwC) independent limited assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

To achieve this, we have:

- Extended SMASHED Live to 10 new countries and SMASHED Online to 12 new countries including Argentina, Chile, Paraguay, Panama and Costa Rica.
- Launched a shorter facilitated live version, allowing us to reach more people while maintaining the programme's effectiveness. This was a direct response to feedback from teachers.
- Developed three new versions of SMASHED Online in India.
- Launched a new version of SMASHED Online for Northern Ireland.

SMASHED has been recognised by industry and marketing peers, winning 12 awards from eight organisations in fiscal 23. The awards recognised the quality of the learning experience, the creativity of its immersive, story-led approach and excellence in other areas including innovation and digital technology.

Changing attitudes to drink driving

Target by 2030
Extend our UNITAR partnership and promote changes in attitudes to drink driving, reaching five million people

Number of people educated about the dangers of drink driving in fiscal 23 **706k**

We have long worked to alert people to the dangers of drink driving. Initially we partnered with police, local authorities and other agencies that support enforcement of drink drive laws. In 2021, we launched the 'Wrong Side of the Road' (WSOTR) digital learning resource with the United Nations Institute for Training and Research (UNITAR) to help people understand the impact of drink-driving on themselves and others.

WSOTR is available in digital and classroom formats, is live in 24 countries, and reached 706,000 people in fiscal 23. This year, we have found new ways to reach more people through partnerships in India, reaching 230,000 people by:

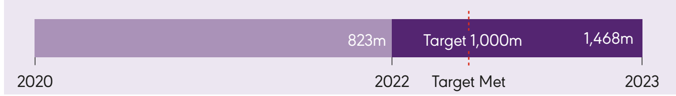
- Launching WSOTR with the national road safety agency – driving-test candidates can now experience WSOTR as they wait for their driving test.
- Making WSOTR available in a classroom format through driving schools.

We believe that promoting WSOTR in a setting such as a driving school, where people are already learning about road safety is a particularly effective setting for this resource.

Using the power of our brands

Target by 2030
Leverage Diageo marketing and innovation to make moderation the norm – reaching 1 billion people with dedicated responsible drinking messages

Number of people reached with responsible drinking messages from our brands in fiscal 23 **645m**



Our brands are among our most powerful tools in shaping consumer attitudes and promoting moderation. We are proud to have achieved our 2030 target early, having reached more than 1.4 billion people in total with messages of moderation from fiscal 21 to the end of fiscal 23. We have done this by delivering campaigns at scale in all the key regions where we operate.

Our fiscal 23 highlights include:

- In North America, reaching 88 million people with our Johnnie Walker 'Rewind the Night' moderation campaign.
- In Latin America and Caribbean, continuing to expand the 'Derribando Mitos' moderation campaign, now in its third year, to reach 51 million people across seven countries.
- In China, combining the power of the Baileys and Tanqueray No. TEN brands with a deep understanding of popular culture and a 'digital first' approach to promote moderation among young, urban adults, reaching 14.8 million people.

We remain committed to using our expertise in consumer insights and marketing to positively influence attitudes towards moderation across the world.

Marketing in a responsible way

Our Diageo Marketing Code (DMC) and Digital Code not only set minimum standards for responsible marketing, they also represent a cornerstone of our corporate culture and the way we do business. The DMC includes, among other principles, our commitment to making sure we depict and encourage only responsible and moderate drinking, and never target underage audiences. We are proud to have a proven track record of compliance, which is underpinned by mature business processes, and appropriate checks and balances in every market we operate in.

We published the latest version of the DMC in January 2023, with enhanced rules governing the marketing of our non-alcoholic brands and reinforcing our commitment to advertise them to adults only. Also, in September 2022 we launched a new e-learning module on digital compliance for our brand teams worldwide, with guidance on topics including:

- Transparency – making sure that influencers' social media posts promoting our brands tell consumers about the nature of the partnership with hashtags such as #Ad.
- Data privacy – further strengthening our approach to the use of consumer data in our digital marketing in line with GDPR (General Data Protection Regulation) principles.

We continue to play a leading role in shaping a vision for a safe, inclusive online ecosystem for our consumers and brands. This is why we have championed the updated version of the World Federation of Advertisers (WFA) Global Media Charter, released in March 2023, re-emphasising our focus on marketing responsibly and making a positive societal impact.

We are pleased to report that all our ads complied with a 2023 review by the WFA's Responsible Marketing Pact and the European Advertising Standards Alliance, aimed at making sure alcoholic beverage ads do not contain elements that appeal mainly to minors. We are also pleased that no complaints about Diageo marketing were upheld by key industry bodies this year (see next page).

Advertising complaints upheld by key industry bodies that report publicly

Across some of our markets, advertising regulators and industry bodies publicly report breaches of self-regulatory alcohol marketing codes. No breaches were upheld by any of these key bodies about Diageo's advertising this year.

	Incidents of non-compliance concerning marketing communications – FY23[1]		
Country	Body	Industry complaints upheld	Complaints about Diageo brands upheld
United States	Distilled Spirits Council of the United States	0	0
Australia	ABAC Scheme	27	0
United Kingdom	Advertising Standards Authority	17	0
	Portman Group	9	0
Republic of Ireland	Advertising Standards Authority for Ireland	3	0

(1) From 1 July 2022 to 5 May 2023.

Example of a moderation campaign (Guinness).

Doing business the *right way*

We want to do business in the right way every day, everywhere. This is about making sure our people and suppliers demonstrating integrity, living our values, and behaving in an ethical way that underpins our Code of Business Conduct. We expect everyone who works for us and alongside us to uphold human rights and stand up for what is right.

Standing up for human rights

We want people who work for us or with us to feel they are treated fairly and with respect. This means working hard to make sure we don't infringe their human rights, and that we are not complicit with anyone else who does. We seek to build credibility and trust by expecting everyone who works with us to adopt our standards.

Our policies cover our responsibilities to protect the human rights of everyone working in our direct operations, our value chain and communities. They are in line with internationally recognised laws, regulations and guidelines including the UN Guiding Principles on Business and Human Rights, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

Updating our human rights governance

We continue to enhance our policies[1], standards and disclosures and embed human rights in our enterprise risk management processes.

In fiscal 23, our Global Audit and Risk team reviewed our human rights due diligence by risk area and risk setting to look for opportunities to strengthen our approach and better assess its effectiveness. As a result, we are strengthening our internal governance risk assessment process and committing to more frequent audits of our high-risk markets with:

- A strategic human rights review with the Board at least once a year
- An annual review of our list of high-risk markets for direct operations
- An annual review of human rights risks by direct operations against a self-assessment questionnaire
- A commitment to audit high-risk markets once every three years

We have also developed training to build our teams' capability in effectively managing human rights risks. This helps us to be alert to these risks and able to act effectively when we see them.

(1) https://www.diageo.com/en/our-business/corporate-governance/code-of-business-conduct/policies-and-standards

Diageo 1HQ

Focussing on salient human rights issues

Our Human Rights Impact Assessment (HRIA) programme from 2015 to 2021 highlighted three salient external business and supply chain risks: labour rights, including child labour risks; labour standards for contract workers; and sexual harassment in the hospitality sector. In response, we created awareness programmes on child labour and modern slavery, conducted an independent review of contract labour and developed standards and training to protect brand promotion teams.

To refresh and enhance our assessment of salient issues, we're reviewing current and emerging laws and regulations alongside our internal processes to assess our operational, commercial and reputational risk in priority jurisdictions. We are also assessing salient risks for third-party suppliers in priority supply chains.

We have also continued to address our global salient risks by:

- Launching a brand promoter training website in 18 languages to help us track training completions and agency compliance with our Brand Promoter Standard.

Brand promoter training website in
18 languages

- Refreshing our child labour training and making it part of our wider smallholder farmer programme from fiscal 24
- Participating in a pilot project in Africa to understand the gaps that exist within our supply chain to living wage benchmarks and how we can support our supply chain to bridge those gaps through time.

Strengthening our approach to responsible sourcing

To enhance our approach to responsible sourcing we have begun screening for human rights with higher-risk potential suppliers before onboarding. This helps us make more informed decisions on human rights risks and gives us the chance to assess and mitigate the salient issues before we contract with a supplier. We have also extended our supplier requirements on responsible sourcing to our licensed manufacturers globally.

Connecting climate risk with human rights

Climate change is already having a negative impact on people and communities, not least through water stress, but also by affecting working conditions. We've begun a project looking at how we can help workers in our sugarcane supply chain avoid serious health impacts from heat stress driven by climate change. We have partnered with NGOs, government agencies, customers and our suppliers to build awareness around the issues workers face in a changing climate, measure their metabolic data and implement plans to improve conditions. This includes providing workers with more water and mobile shade tents, as well as rest schedules designed around the conditions in specific sites. We have launched this programme with our suppliers in our rum supply chain in Jamaica and Guatemala.

Upholding business integrity

Working with integrity is an important part of who we are and how we achieve our performance ambition to be the best performing, most trusted and respected consumer products company in the world. We all have a part to play in building credibility and trust with stakeholders by doing our jobs in the right way. By being proud of what we do, and how we do it, our conduct will bring about success we can all be proud of.

Reinforcing our Code of Business Conduct

Our Code of Business Conduct is central to how we encourage all our people to work in the right way by making the right choices. Our Code sets out what we stand for as a business and how we demonstrate our high standards of integrity and ethical behaviour. It is guided by our purpose and values. It seeks to provide clarity on how we are expected to behave to build the trust and respect of everyone who interacts with us.

Each year, all eligible employees receive mandatory training as an opportunity to reflect and certify that they have read, understood and complied with the Code and our global policies. This year, 97% of eligible employees completed the training.

Training is via an interactive e-learning module accessible through any device, or classroom training for those who do not have regular computer access. The training covers topics that help employees understand more about doing the right thing, from grain to glass.

This year, there were 88 breaches of the Code, down by 27% compared to fiscal 22.

Training completed by
97% of eligible employees

Managing third-party risks

Business integrity is also vital in our network of relationships with third parties. Our Know Your Business Partner (KYBP) programme helps us screen for potential risks and be certain about the true identity of third parties before we start a contractual relationship with them.

Throughout fiscal 23, we continued to expand our third-party screening programme to incorporate the many new sanctions rules relating to Russia's invasion of Ukraine. We also focussed on streamlining the KYBP process by better integrating it into our customer and vendor onboarding to make ourselves more efficient, without making the process any less thorough.

Promoting our whistleblowing service

We encourage everyone to report potential breaches of our Code, policies or standards through our confidential whistleblowing service, SpeakUp. This is run by an independent third-party, is available around the clock and lets employees and external parties report concerns anonymously. This includes issues like bullying, harassment, discrimination and human rights concerns.

The number of SpeakUp reports filed fell during fiscal 23 and is now similar to pre-pandemic levels. In fiscal 23, we rolled out a global awareness campaign for SpeakUp, emphasising our zero tolerance of retaliation against anyone reporting a concern or helping with an investigation. The video-based campaign also showcased the SpeakUp QR code for easy access to the system.

Training our leaders

Treating each other with dignity and respect is an important part of doing business the right way. To reinforce this, we've created a training programme for our leaders called Leading with Integrity, designed to:

- Increase awareness of our Dignity at Work policy
- Give guidance on managing SpeakUp reports and resolving any conflicts
- Give leaders the tools they need to handle and resolve issues around Dignity at Work
- Build knowledge, shared understanding and skills on the importance of leading in line with our values and leadership standards

Our human rights policies extend to our supply chain.

Our people and culture: *the key to our success*

Our talented and diverse workforce, together with our brands and inclusive culture, continue to be a competitive advantage for our business, enabling us to perform at our best.

Celebrating life, every day, everywhere

Highly engaged people and an inclusive culture

Our 30,237 people[1] are our most valuable assets. Their sense of purpose and pride in what they do, and their commitment to our brands, consumers, customers and each other are the hallmarks of our culture.

In December 2022, we celebrated our 25th anniversary with a global webcast and heard from employees on what they valued most about working for Diageo. The themes were consistent with those emerging from our employee listening sessions, namely the quality of our talent, our purpose, values and brands, and our uniquely diverse workforce and inclusive culture. The feedback also reinforces our core values: we are passionate about our customers and consumers and always strive to be the best. We give each other freedom to succeed and value each other. We work hard so we can be proud of what we do, and this pride is a source of energy that fuels our performance.

Employee Engagement Index
84%[2]

Despite ongoing volatility in our markets, we continue to see strong employee engagement. In our Your Voice survey this year, our Employee Engagement Index increased from 82% in fiscal 22 to 84%, and our Employer Advocacy score – the proportion of people who would recommend Diageo as a great place to work – is 84%, which is 11 percentage points higher than our external benchmark[3] . That is an improvement of two percentage points on last year. Similarly, the percentage of people who are proud to work for Diageo improved by one percentage point to 91%, which is 14 percentage points higher than our external benchmark. This strong advocacy and pride contributes to the strength of our external employer brand. In fiscal 23, we have seen a 31% increase in the number of external applicants for open roles, while engagement with our employer brand LinkedIn content has been above benchmark levels.

Diageo's purpose is 'celebrating life every day, everywhere'. Recognising the importance of celebration in engagement and performance, in fiscal 23 we began to roll out a global employee recognition programme, Celebrate. This programme empowers our people to formally acknowledge each other for the small and big moments. Building a culture of gratitude and appreciation is core to how we live our values and purpose every day. So far, employees have made 27,000 awards in North America, United Kingdom and Ireland through the programme. In markets where Celebrate is live, 85% of employees have received recognition through the Celebrate platform and we intend to roll the platform out across all our markets to further strengthen our culture.

Helping our people realise their potential

We believe that Diageo grows when our people grow. Our talent strategy is to empower our people with the developmental experiences to facilitate their growth and successful careers at Diageo. To support our people's career progression, we aim to fill our vacancies internally where we can. In fiscal 23, we recorded 5,092 career moves which translates to an average of 14 people a day making career moves. We have increased internal appointments into leadership roles to 72.8% – up one percentage point on fiscal 22. Our general managers come from diverse functional and professional backgrounds, fuelling our strong performance with diversity of experience, and giving our people opportunities for cross-functional experiences. Also, international moves increased by 15.9% this year, and we continued to offer developmental webinars, workshops and networking to all employees through our Craft my Career programme.

To meet the demands of our growth strategy, we are putting extra investment into new and emerging capabilities in digital, ESG and leadership. In fiscal 23, our people completed 11,538 digital training courses in different areas in partnership with our external partners. Through our Digital Now capability programme, we are equipping our people with the capability and mindset to accelerate digital transformation. Similarly, we partnered with Oxford Saïd Business School to upskill our leadership in ESG to support the delivery of our 'Society 2030: Spirit of Progress' goals.

We believe that an environment of openness, integrity and trust fosters greater collaboration, experimentation, and bolder execution. Our Senior Leadership Team have focussed on how to enable bolder performance by creating a psychologically safe environment, helping their teams take risks, share their opinions and experiment with innovative ideas. We have seen a five percentage point increase in the proportion of employees who feel comfortable with raising concerns, ideas, and opinions without fear of consequence this year compared to fiscal 22.

(1) This data is calculated as an average across the 12 months of fiscal 23.
(2) This is based upon the respondents to the fiscal 23 Your Voice engagement survey.
(3) Based on a blend of Ipsos Karian and Box, Qualtrics benchmark data. Global Manufacturing benchmark includes organisations with global coverage that operate within FMCG and other industry sectors.

Enabling a great employee experience

Putting our people at the heart of everything we do is critical to our success – it's how we deliver our people strategy and performance ambition, and create the most inclusive and diverse culture. To achieve this, it's imperative we take the needs and opinions of our people into account in designing and implementing effective people-centric solutions.

This year, we launched our employee experience champions network, providing a global, diverse 'voice of the employee' network enabling us to co-create solutions with and for our people. About 200 employee experience champions have been involved in our HR transformation programmes, sharing feedback on our people processes and policies, brainstorming ideas to radically liberate our people from low-value, time consuming activities and validating HR technology prototypes and solutions.

Our commitment to creating a strong employee experience has reinforced our employer advocacy and employer brand position. Over the years, we have been recognised in many markets for great people practices. Recently, Diageo Turkey won a Jury special award for HR practices in Sales[1] while Diageo North America achieved a top 10 Best Companies' ranking[2].

Supporting our people's wellbeing

We remain committed to supporting our people's wellbeing, offering guidance, and education in line with the four dimensions of our Global Wellbeing Philosophy. We make wellbeing part of our culture every day, everywhere so that our people are thriving physically and mentally, emotionally balanced, financially secure and socially connected.

In our 2023 employee survey, 79% of the respondents felt Diageo was 'sufficiently supporting their health and wellbeing'. With wellbeing support identified as a key engagement driver, this underlines the need for us to continue to focus on wellbeing and improve our support.

In fiscal 23, we increased our focus on mental health and financial wellbeing. This included launching the Unmind mental wellbeing app – making us the first fast-moving consumer goods (FMCG) company to make it available for all employees, globally. In response to the rising cost of living, we delivered regular financial wellbeing masterclasses and offered mental 'wealth' first aid training to help identify financial stress and signpost others to support. We also offered a global one-time payment to all employees to support with the rising cost of living. This payment was well received as it was equivalent to 15% of the annual salary of employees in some markets. Our Employee Assistance Programme continues to offer employees free, confidential advice and counselling around the clock on personal, emotional, and work-life issues.

We know that our people thrive when they feel empowered to decide how, when and where they create their best work. Recognising that flexibility means different things to different people, we have always taken a progressive and inclusive approach to flexible working, making sure our people consider what works best for the individual and team. We have designed our office spaces to foster greater team collaboration, positive social interactions and deeper connections with our brands and culture.

(1) The award is by Sales Network.
(2) Seramount 2022 100 Best Companies List.

Our office spaces are designed with team collaboration and wellbeing in mind.

Diageo Turkey receiving the HR in Sales Jury special award by Sales Network.

Average number of employees by region by gender[1]

Region[2]	Men	%	Women	%	Not declared[3]	%	Total
North America	1,839	59 %	1,258	40 %	18	0.6 %	3,115
Europe	5,836	58 %	4,211	42 %	15	0.1 %	10,062
Asia Pacific	5,957	66 %	3,042	34 %	1	– %	9,000
Latin America and Caribbean	2,733	63 %	1,592	37 %	0	– %	4,325
Africa	2,488	67 %	1,244	33 %	3	0.1 %	3,735
Total	**18,853**	**62 %**	**11,347**	**38 %**	**37**	**0.1 %**	**30,237**

Average number of employees by role by gender[1]

Role	Men	%	Women	%	Not declared[3]	%	Total
Executive[4]	7	50 %	7	50 %	0	– %	14
Senior manager[5]	311	56 %	248	44 %	1	0.2 %	560
Line manager[6]	2,274	65 %	1,198	34 %	6	0.2 %	3,478
Supervised employee[7]	16,261	62 %	9,894	38 %	30	0.1 %	26,185
Diageo (total)	**18,853**	**62 %**	**11,347**	**38 %**	**37**	**0.1 %**	**30,237**

(1) This data has been compiled as monthly average based on the proportion of employees who have identified their gender identity as male, female or undisclosed, and will not be fully representative of the gender identity or diversity within our employee population.
(2) Employees have been allocated to the region where they live.
(3) This data represents the proportion of employees who have chosen not to disclose their gender identity as male or female.
(4) Executive positions have been calculated based on year end as of 30 June.
(5) Top leadership positions in Diageo, excluding Executive Committee.
(6) All Diageo employees (excluding senior managers and Executive Committee) with one or more direct reports.
(7) All Diageo employees (excluding senior managers and Executive Committee) who have no direct reports.

Health and *safety*

It is our ambition to create a world-class health and safety culture to make sure we protect our people across our business.

We have designed our Safer Together strategy and its associated programmes to prevent severe, fatal and process safety incidents. Our global policies, standards, compliance systems, technology and training create and embed innovative ways of working aimed at continuous improvement. The goal is to prevent accidents by keeping health and safety at the front of everyone's minds.

Being proactive, not reactive

One of our priorities is to create and embed a scorecard for leading and lagging key performance indicators for health and safety. 'Lagging indicators' like total recordable accident frequency rate (TRAFR) and lost-time accident frequency rate (LTAFR) allow us to monitor performance, but they do not indicate the effectiveness of our initiatives in preventing incidents and accidents. For this we use a leading indicator - severe injury and fatality exposure (SIFe) - to consider incidents that could be classified as 'near misses' and which had the potential to cause life-threatening or life-altering outcomes.

Senior management reviews performance against lagging and leading indicators each month, alongside any action we can take to prevent incidents. We believe that safety is everyone's responsibility and an integral part of everyone's job. Empowering and involving our people in safety embeds the idea that there is no acceptable level of accidents. Improving our performance on leading indicators and getting all employees more involved in spotting hazards strengthens the safety culture at each site and makes us better at reducing the risk of accidents.

We also provide employees with the most up-to-date health and safety training, so they can carry out day-to-day tasks and activities safely every day, everywhere. Our strategy extends to our contractors and third-party providers, because they share our commitment to keeping the risk of accidents to a minimum.

Our global self-assessment compliance programme helps keep all our locations legally compliant as well as aligned with our own health and safety requirements. Our locations audit themselves against our global health and safety standards and ways of working. Locations capture these assessments and action plans on our global governance digital platform. Our independent Audit Assurance programme is designed to make sure sites complete the audits correctly and complete any action plans. Senior leaders review performance against these plans.

Through our Safer Together programme and communication platforms, our Global Health and Safety team regularly communicates with all sites about specific initiatives and shared learnings from our leading and lagging KPI insights. Each month, our year-to-date performance is discussed and reviewed at site and regional level, and globally with senior leaders and global governance teams.

(Δ) Within the scope of PricewaterhouseCoopers LLP's (PwC) independent limited assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

Monitoring our key performance measures

We report lost-time accident frequency rate (LTAFR). This year, we sustained 0.91Δ lost-time accidents (LTAs) per 1,000 full-time employees, compared to 0.92 in fiscal 22. The severity rate of these LTAs is a measure of the seriousness of the incidents and any absence from work they cause. This year, the severity rate increased due to a carry-over of days lost for accidents that occurred in fiscal 22.

Our total recordable accident frequency rate (TRAFR) records work-related injuries that need more than first aid treatment. We investigate each recordable accident to establish the root cause as well as uncover all contributing factors and insights we can learn from. We share the key learnings across the organisation aiming to prevent recurrences.

Acting to improve performance

Creating awareness of accident trends and communicating them effectively across our business is an important part of learning from them. Employees need to understand the risks inherent in their workplace, and how they could lead to injury. Despite improvements in our global health and safety KPI performance, accidents increased in Mexico and Turkey. In Mexico, we have significantly increased our agriculture footprint, which coincided with an increase in incidents. In Turkey, the increase is predominantly in our distilling and packaging operations. As a result of these trends, the Global Health and Safety team intervened to help local teams to address and improve performance. In both markets, global and regional health and safety experts worked with local teams on site to find the root cause of the dip in performance and agree a time-bound improvement plan. By involving our people in reviewing risk assessments and by making sure operations and leadership teams are regularly inspecting sites and equipment, we have improved our ability to spot potential dangers as well as areas for improvement.

We will continue to focus on implementing our systems and technology roadmap, aiming to codify and simplify some of our high-risk work activities and processes as well as further enhance our predictive analytical capability. We will also continue to strengthen our health and safety culture by rolling out our Behavioural Standard globally. We use the standard to measure the maturity level of our health and safety culture on a scale with four levels: baseline, stable, progressive and leading. The standard helps us spot key themes and actions.

Understanding the risk of severe and fatal injuries

Our strategy aims to eliminate severe and fatal injuries. Alongside our risk assessment protocols, which let us spot and mitigate potential risks with change management procedures, in fiscal 23 we started a Severe and Fatal Incident Exposure (SIFe) engagement programme. SIFe considers both potential and actual incidents that could result in a life-threatening or life-altering injury. SIFe is part of our Global Health and Safety KPI scorecard. We use a decision-tree approach, based on our Life Saving Rules, to identify any incident or safety-critical behaviour with a potentially life-threatening or life-altering outcome.

When an incident has been classified as having SIFe, it triggers these processes:

- We issue a global safety alert to heighten vigilance.
- A site representative shares an investigation report of findings and remediation actions taken.
- Global Safety Alert and action plan is communicated to all sites and the action close-out is assured.

Together with our long-standing lagging indicators of Lost-Time Accident and Total Recordable Frequency Rates, the SIFe process provides a comprehensive approach to managing our incident prevention programme.

Limiting risk from hazardous substances with a Global Process Safety Framework

How we handle hazardous substances is essential to safeguarding people and the environment. We are committed to protecting our employees, visitors and contractors, as well as protecting the local communities in which we operate. In fiscal 23, we've developed a global process safety framework to embed the right behaviour, systems and processes to manage or control incidents that could cause toxic effects, fires or explosions.

The framework includes a Process Safety Policy and risk calculator, and Process Safety Risk Management standards. All our sites can use the standards to help them assess their operations and create plans to fill any gaps. Sites can also document and share risk assessments on our digital platform, as well as share best practice and training tools through our new process safety network.

The framework helps us reduce the risk of injury and environmental damage, as well as keep production quality high while controlling our costs.

Health and safety culture.

Champion inclusion and diversity

Championing inclusion and diversity is at the heart of what we do, and is crucial to our purpose of 'celebrating life, every day, everywhere'.

Not only is it the right thing to do, as it means we play a part in shaping a more equitable society, it also makes us a better business. We are proud of having an inclusive culture where everyone can be themselves, as it helps us attract and retain the best and most diverse talent, and allows us to be more innovative and perform better. We've set ourselves ambitious goals, inside our business and beyond.

Our inclusion and diversity index score in our 2023 Your Voice employee survey remains high at 83% positive sentiment. This shows our commitment to creating an environment where colleagues can belong and thrive.

Promoting diversity

We promote inclusion and diversity in every sense, from gender, ethnicity, age and disability, to sexual orientation, social background and education – and we're proud of the progress we're making.

Since 2020, driving diverse representation in our leadership cohort[1] has been linked to our long-term incentive plan (LTIP), which means we incentivise every senior leader to make progress against this agenda.

Empowering women

Ambition by 2030

Champion gender diversity, with an ambition to achieve 50% representation of women in leadership roles by 2030

Percentage of female leaders globally 44%

In fiscal 23, representation of women in our leadership, including our Executive Committee, remained strong at 44%, maintaining our progress of 88% against our 2030 ambition to achieve 50% representation of women in leadership roles. We're proud to have 73% female Board representation following the appointment of Debra Crew as CEO, and 50% female executive committee representation. In fiscal 23, 45% of external appointments and 46% of internal promotions to our leadership cohort were female. We're recognised for our gender equality work by the FTSE Women Leaders Review, Bloomberg Equality Index and others. In 2023, the Equileap Gender Equality Global Report ranked us second overall globally and first in the UK for gender equality. Our policies and practices help foster a truly gender-equal and inclusive environment. As well as our Family Leave policy, we have Thriving Through Menopause guidelines, Pregnancy Loss guidelines and Flexible Working and Wellbeing philosophies.

(1) Our leadership cohort reflects the top 2% of roles globally encompassing Executive Committee members and senior managers

Helping women build careers

We have a clear equal opportunities recruitment policy, allowing us to hire the best talent, while ensuring a diverse slate of candidates throughout recruitment stages. We believe our industry should do more to attract women, particularly in areas where women have historically been under-represented, including science, technology, engineering and mathematics (STEM) and commercial roles. In Europe, 72% of graduates in our Supply Chain & Procurement function are female, and in fiscal 23, 80% of job offers were to women (an increase in the last four years of over 25%). In fiscal 23, we launched our first apprenticeship accelerator programme specifically for digital roles in our GB business, with 83% of job offers going to women. By focussing on early careers and entry-level roles, we continue to build our pipeline of female talent.

Championing ethnic diversity

Ambition by 2030

Champion ethnic diversity, with an ambition to increase representation of leaders from ethnically diverse backgrounds to 45% by 2030

Percentage of ethnically diverse leaders globally 43%

We employ 30,237 people of 115 nationalities in over 70 countries which means we have a workforce whose diversity reflects that of our consumers and markets. We want ethnic diversity at every level of our business, including in our leadership cohort. The more progress we make, the more strongly we connect with our consumers and the more diverse our thinking becomes, fuelling our creativity and competitiveness.

Currently, 36% of our Board and 43% of our leadership (up from 41% in fiscal 22), including our Executive Committee, is made up of ethnically diverse talent, supported by 39% of external appointments and 46% of internal promotions into our leadership cohort across fiscal 23. Also, our former CEO Ivan Menezes, Chief HR Officer Louise Prashad and General Counsel & Company Secretary Tom Shropshire were recognised in the Involve Empower Role Model Lists, which highlights leaders championing inclusion in business.

To help us understand the makeup of our workforce and set meaningful goals, we invite all employees (where local laws allow) to share their ethnicity. By the end of fiscal 23, 75% of our global workforce and 97% of our leadership cohort had disclosed their ethnic background in our confidential HR system.

Each market and function have set stretching five-year diversity plans covering representation and development, supplier diversity and inclusive marketing.

Attracting ethnically diverse talent

In Brazil, our Programa Origens initiative attracts, hires and generates opportunities for Black and Indigenous people in higher education. Through professional development, including English language lessons, and mentoring opportunities, the programme has seen more than 40 people join to date.

Promoting ethnically diverse business

In North America, we became anchor investors in Pronghorn, a 10-year initiative to diversify the spirits industry. It's cultivating the next generation of diverse founders, executive leaders and entrepreneurs to generate $2.4 billion in economic value for the Black community by 2032. In fiscal 23, Pronghorn has invested in 19 Black-owned spirits brands, supported founders with mentoring programmes, and worked with the industry and commercial partners to develop a talent pipeline of Black leaders.

Gender representation of our leadership(1), (4)

Role	Men	%	Women	%	Total
Leadership population(2)	319	56%	254	44%	573(3)

Ethnic representation of our leadership(1), (4)

Role	Ethnically diverse	%	Non-ethnically diverse	%	Decline to self-identify	%	Not disclosed	%	Total
Leadership population(2)	249	43 %	289	50%	19	3%	17	3%	574

(1) This data is calculated as an average across the four quarters of fiscal 23.
(2) Leadership population encompasses Executive Committee and senior managers.
(3) One person has opted not to disclose their gender; they cannot be positively attributed to either group and therefore are not included.
(4) Please refer to our non-financial reporting boundaries and methodologies in the Additional information section on pages 242-262 for more information on how data has been compiled, including standards and assumptions used.

Nurturing inclusivity

Our growing range of policies and guidelines help foster an inclusive environment that supports every employee.

Our Disability Inclusion guidelines, introduced in October 2022, were created by employees, with our We Are All Able employee resource group and our external partner Disability:IN, and are available in 15 languages. They give everyone knowledge, tools and guidance to support people with disabilities, covering issues from digital and physical accessibility to appropriate language to enable positive conversations about disability. Through 'disability disclosure', we invite employees in more than 40 countries to share their disability confidentially, helping us to better understand our workforce.

In January 2023, we launched inclusive design training that was created by design, brand and semiotics experts. This promotes inclusivity across our products, advertising campaigns and physical brand experiences, working to remove unconscious bias from the design process and celebrate the individual and cultural differences of the consumers we design for. A recent example of inclusive design was making disabled accessibility a key feature at Diageo's brand home, Johnnie Walker Princes Street, ensuring the highest standards of accessibility and inclusion for our guests.

Championing inclusion through Employee Resource Groups

Our network of Employee Resource Groups (ERGs) create connected communities of support, while helping the business better understand our diverse communities' concerns. Our ERGs include AHEAD (African Heritage Employees at Diageo); Conectados (Diageo employees championing Latin culture); and PAN (Pan Asian Network), in the United States; We Are All Able and REACH (Race, Ethnicity and Cultural Heritage), in Europe; and our international Spirited Women and Rainbow Networks. Highlights from this year include:

- **Conectados** led Hispanic Future Month, recognising the contributions of Hispanic Americans to the history, culture and achievements of the United States. This included celebrating the Tequila Don Julio Fund, which in 2022 awarded a $20,000 grant to five Hispanic entrepreneurs who live their craft 'Por Amor'.
- **The Rainbow Network**, including new chapters forming across India, South East Asia and South Africa led our Pride celebrations with 78 Diageo offices and sites taking part in our annual Pride flag-raising event championing greater LGBTQIA+ awareness and inclusion. In 2023, Johnnie Walker was a partner at Sydney World Pride while Johnnie Walker Princes Street was the lead sponsor at Edinburgh Pride.
- Throughout March 2023, championed by our **Spirited Women Networks**, we celebrated International Women's Day with the theme of #EmbraceEquity. This included the launch event, hosted by Louise Prashad, Chief HR Officer, where former CEO Ivan Menezes, Board member Karen Blackett and Pronghorn co-founder Dia Simms talked about the importance of being curious, empathetic and proactive.

Members of our Rainbow Network resource group, celebrating our sponsorship of Edinburgh Pride in June 2023.

Marketing in progressive ways

Ambition by 2030

Use our creative and media spend to support progressive voices, measuring and increasing spend year on year

Measurement and evaluation framework under development

As one of the world's largest advertisers, we're committed to changing the industry from script to screen, so that everyone sees themselves represented. We use our Progressive Marketing to challenge stereotypes and commit investment to address under-representation of diverse voices in media, making mainstream media more inclusive. We are founding members of the United Nations Women Unstereotype Alliance and the World Federation of Advertisers D&I Task Force and work across the industry to foster inclusion and diversity in front of and behind the camera. For the past four years we have sponsored the Creative Equals 'Creative Comeback' Programme that focuses on bringing more women, disabled and neurodivergent people into the creative industry.

In fiscal 23, we refreshed our Progressive Marketing Framework and training to include a new model focused on inclusive design, which allows us to be at the forefront of breaking stereotypes in advertising for gender, race, sexuality, age, disability and social status. Some 47% of our global marketing campaigns were shot by female directors or photographers.

Two powerful examples of progressive marketing and our commitment to authentic representation in action are the Guinness 'Brothers' and Baileys 'Delicious Descriptions' campaigns. The Guinness 'Brothers' campaign in Africa, featuring Miracle, a blind actor, celebrates how football fans make the experience of watching the game accessible for everyone including members of the blind and visually impaired community. Members of this community were consulted to make the campaign reflected authentic experiences.

Baileys 'Delicious Descriptions' was launched on Global Accessibility Awareness Day in consultation with the Royal National Institute of Blind People (RNIB) and Meta. Baileys created a guide on how to write delicious image descriptions, helping ensure those who rely on screen readers experience the full deliciousness of Baileys treats. In Great Britain, the campaign achieved a reach of more than 12 million, with view-through rates up to 25.2%, five times higher than Meta regional and category benchmarks.[1]

Celebrate diverse audience

Johnnie Walker emphasises progressive marketing to celebrate and appeal to a diverse audience. The result is that globally around 29% of Johnnie Walker drinkers are female, with that proportion growing in most markets this year. In the United States, Johnnie Walker drinkers are also more ethnically diverse than those of other whiskies, at 44% compared to 31% for other whiskies.[2]

In the United Kingdom, Johnnie Walker partnered with Bridgerton star Simone Ashley and Instagram community Diet Paratha to champion the creative representation of the South Asian community.

In the United States, Johnnie Walker's First Strides initiative debuted an alternative red carpet at the Oscars to spotlight seven film makers' boundary-pushing contributions to culture. The brand delivered over 200 million paid media impressions that encouraged consumers to support female entertainment projects.

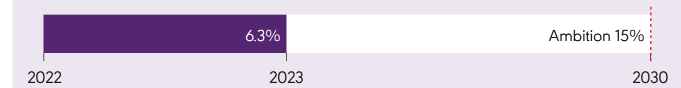
(1) PHD and Meta (Brand Lift Study)
(2) Johnnie Walker Brand Guidance system 2022 study

Supporting diverse suppliers

Ambition by 2030

Increase spend with diverse-owned and disadvantaged businesses to 15% by 2030

Percentage of spend with diverse-owned and disadvantaged businesses 6.3%



We believe a value chain built on inclusion and diversity can enhance representation, employment and resilience in marginalised communities, ultimately benefitting the wider economy and strengthening our business.

In fiscal 22, 4.8% of our global spend was with diverse-owned and disadvantaged businesses. We've since increased our number of diverse suppliers, as well as incorporated more disadvantaged groups like smallholder farmers in Africa, Turkey and Mexico. In fiscal 23, we've spent £620 million with 979 diverse-owned and disadvantaged suppliers - approximately 6.3% of global spend.

To help us connect with diverse-owned businesses, we've worked with advocacy organisations, including WEConnect International, MSDUK and others. For example, through Disability:IN, we've matched Diageo employees with disabled-owned businesses to share feedback and industry insights to understand the challenges they face in working with global corporations. In Kenya and Colombia, we're proud to be part of Sourcing2Equal, an initiative increasing access to corporate procurement opportunities for women-owned businesses.

We are proud that in 2023 we were awarded Platinum in the Top Global Champions for Supplier Diversity & Inclusion Awards by WEConnect International. This is the highest possible accolade in this category, recognising Diageo as leader in inclusive spend, policies and procedures.

Nurturing women-owned business

In Jalisco, Mexico, we've worked with a women-owned supplier to decorate bottles of Don Julio for 15 years. We recognised their potential, helping them to develop their quality and safety processes and grow alongside the Don Julio brand. Today the business has 150 employees, approximately 90% of them women, including single mothers and people with disabilities.

Building a thriving and inclusive hospitality industry

Ambition by 2030

Provide business and hospitality skills to 200,000 people, increasing employability and improving livelihoods through Learning for Life and our other skills programmes

Number of people reached through Learning for Life and other skills programmes in fiscal 23 31.6k

Part of how we promote sustainable growth and a resilient supply chain is through inclusive programmes giving equal access to resources, skills and employment opportunities. This includes Learning for Life (L4L), our business and hospitality skills programme for people from under-represented groups.

In fiscal 23 we reached 31,600 people in 19 markets with Learning for Life, 59% of them women.

We also want L4L to tackle barriers faced by other under-represented groups including the ethnically diverse community and people with disabilities. In fiscal 23, we updated our inclusive by design principles to include recruitment practices, training content and venue accessibility, as well as modules on inclusion and diversity.

We ran a L4L impact assessment in Latin America, celebrating the programme's 15th anniversary and its positive impact on communities. Insights from the assessment will shape the programme's future, increasing its reach and impact globally.

Ambition by 2030

Through the Diageo Bar Academy (DBA) we will deliver 1.5 million training sessions, providing skills and resources to help build a thriving hospitality sector that works for all

Number of participations in training sessions delivered through Diageo Bar Academy in fiscal 23

236k

Through the DBA, we work to drive sustainable growth in the hospitality sector and make it more diverse. Women are under-represented, in management and behind the bar. DBA helps them overcome two of their biggest barriers: lack of mentors and role models, and lack of access to training.

In fiscal 23, we delivered 236,000 training sessions to bartenders, waiting staff, owners and managers through face-to-face and virtual training, e-learning and masterclasses. We adapted courses to help the industry respond to challenges including staff shortages and hiring, retaining and upskilling staff while meeting guests' increased expectations. We also ran women-only mentoring and training in Africa, Latin America and India.

This year, 88% of survey respondents agreed or strongly agreed that DBA presents a modern and progressive view of the bar community, up from 84% in 2022. Also, 82% of women agreed or strongly agreed that DBA supports their advancement in the industry, up from 68% in 2022.

Creating inclusive communities

Ambition by 2030

Ensure 50% of beneficiaries of our community programmes are women and that our community programmes are designed to enhance diversity and inclusion of under-represented groups

Percentage of beneficiaries of our community programmes who are women

59 %

We're committed to addressing barriers women face in accessing the skills, resources and opportunities we provide. This includes making sure at least 50% of people benefitting from our community programmes are women, and that these programmes meet women's needs throughout design, implementation and evaluation. In fiscal 23, 59% of people benefiting from L4L were women.

This year, we've started to work with WaterAid and CARE International UK to give women a voice in decision-making about water, sanitation and hygiene (WASH). In each community where we run a WASH project, we set up a committee with equal representation from men and women. This includes facilitating community dialogue to tackle social norms that prevent women's equal access to, and agency over WASH. This year 56% of WASH committee members were women across our programmes in nine countries.

We've also piloted a gender-inclusive approach to our work with smallholder farmers. This includes equal access to agricultural training and resources, and engaging with suppliers to increase women's membership and leadership of farmer groups. We'll roll this out as part of our programmes for smallholder farmers from fiscal 24.

For more information on our WASH and smallholder farmer programmes see pages 80 and 83.

Helping under-represented communities overcome barriers to education

In fiscal 23, we gave $1.75 million in endowments to Historically Black Colleges and Universities (HBCUs) and Minority-Serving institutions in the United States. This followed the $10 million in endowments to 25 HBCUs in 2021. This is part of how we address educational barriers in under-represented communities, by funding students in need and development programmes that complement traditional learning.

We are committed to improving access to clean water, sanitation and hygiene (WASH) in communities near our sites.

Managing climate risks and opportunities *by pioneering grain-to-glass sustainability*

Our business depends on natural resources and we are directly affected by changes in climate and the related challenges of nature and biodiversity loss. While we already feel the effects of climate change in our global operations, there are also opportunities for companies that develop credible plans to adapt to changing circumstances.

A changing climate has implications across our end-to-end operations. It can affect crops like barley and wheat, and natural resources like water that we rely on to make our products. It can cause disruption to our manufacturing sites and supply chain through extreme weather. And it can affect the communities we work with by threatening their livelihoods. But there are also opportunities for companies that innovate to make their operations and the products they sell more sustainable.

These issues intersect and converge. A changing climate can threaten our key commodities and our communities, while production, agriculture and packaging produce carbon which can accelerate climate change. Just as these issues are connected, our response and actions are too. We are working hard to reduce carbon emissions from our sites, for example by introducing renewable energy in our operations. Preserving water and promoting sustainable farming protects our commodities. And by reusing waste co-products from production, we help sustain the agricultural system that underpins what we do.

We are committed to acting responsibly to mitigate our contribution to global warming and conserve the environment in which we operate, while simultaneously adapting to the effects of a changing climate to keep our business resilient. We look to achieve this through our strategic priority to 'pioneer grain-to-glass sustainability', which focuses on three areas: 'preserve water for life', 'accelerate to a low-carbon world' and 'become sustainable by design'. Actions we take across these priorities are transforming our business to thrive in the longer term.

Focussing on grain-to-glass sustainability

Pioneering grain-to-glass sustainability is how we manage our environmental and climate challenges, and how we help preserve the scarce natural resources the world depends on. It is also how we adapt to climate change throughout our supply chain, and mitigate its effects. By managing our environmental impacts and the impact of the environment on us, we support our business and the communities we work alongside to be resilient for the long term. This is good for the planet and also good for our business. By investing in renewable energy, for instance, we lower carbon emissions by depending less on fossil fuels. We also manage risk and build resilience as the world moves towards a low-carbon economy.

Our action plan – 'Society 2030: Spirit of Progress'

Pioneering grain-to-glass sustainability includes ambitious targets, such as achieving net zero carbon emissions from our direct operations (Scopes 1 and 2) by 2030, and across our full value chain (Scope 3) by 2050 or earlier, using water more efficiently and taking action to replenish water in water-stressed areas. Our 'Society 2030: Spirit of Progress' targets reflect our most material ESG issues, and they align to the UN Sustainable Development Goals. We are also proud to be a signatory to the UN's Race to Zero and Race to Resilience campaigns reflecting our commitment to climate change mitigation and adaptation.

The issues are complex, which makes progress against our ambitious targets challenging. As we become more sophisticated in understanding our impacts and taking action to address them, we will also evolve our practices and metrics to make sure we strive to focus on and communicate the right things effectively.

We are committed to acting responsibly to mitigate our contribution to global warming and conserve the environment in which we operate.

STRATEGIC REPORT

Making climate change part of our strategy

To understand, quantify and mitigate climate risks and adapt to their impact, we partner with climate resilience experts to assess them, model their possible financial impact, and develop strategies to adapt and remain resilient over the long-term.

Many complex factors determine how climate change creates risks and opportunities for our business, which makes it harder to quantify how big an impact they'll have, and when. Even so, scenario analysis helps us test how various assumptions related to climate change could affect our business. This year we've once again modelled with climate resilience experts the impacts of climate change under transition risk and physical risk scenarios.

We have incorporated the guidance of the Task Force on Climate-related Financial Disclosures (TCFD) framework into our reporting since 2020. It's helped us describe how we're decarbonising our value chain, mitigating and adapting to climate risks and impacts, and spotting opportunities for transitioning to a low-carbon future. Through scenario analysis, we've also learned the range of possible financial impacts of various climate scenarios in our business. We started our carbon reduction efforts in 2008, as well as championing water stewardship around the world to combat water stress. In 2022 we published our Net Zero Carbon Strategy, which outlines how we will achieve our decarbonisation vision in direct operations. We intend to build on this with our net zero transition plan, taking into account the final guidance of the UK Transition Plan Taskforce when it's published.

Governance

Given its importance, we have governance processes in place intended to ensure that we consider and factor climate risk into our business operations and planning processes. To supplement our 'Society 2030: Spirit of Progress' governance summarised on page 57, our sustainability teams hold monthly sustainability performance reviews, track priority water efficiency and carbon reduction projects, and hold quarterly sustainability business reviews that focus on multi-year progress and plans leading up to 2030. We oversee climate risk specifically at the highest level of the company, and manage it through these governance structures and processes:

- Executive sponsorship and responsibility is shared jointly between the President, Global Supply Chain & Procurement and Chief Sustainability Officer (Ewan Andrew) and the Global Corporate Relations Director (Daniel Mobley).
- At an operational level, they are supported by our cross-functional Climate Risk Steering Group, which meets up to twice a month. Within this, a sub-group from Supply Chain & Procurement oversees physical risks, with other cross-functional working groups responsible for addressing transition risks and opportunities, for example market and reputation, policy and legal, and technology.
- The Climate Risk Steering Group updates executive sponsors monthly on progress and issues relating to climate risk, and quarterly updates are provided to the Board, making sure that potential risks and opportunities and their impact are part of decision-making.
- Any potential financial implications of climate risk and potential impacts on our consolidated financial statements, including performance and progress against non-financial metrics, are also shared with and considered by the Audit Committee annually.

Board oversight | **Audit Committee**

Executive Committee ownership

Executive sponsors
President, Global Supply Chain & Procurement and Chief Sustainability Officer
Global Corporate Relations Director

Cross-functional Climate Risk Steering Group
Corporate relations | Supply | Strategy
Risk | Finance | Legal | Marketing

Working groups assigned to address key risks and opportunities identified

Climate change and remuneration

The performance element of the long-term incentive plan (LTIP) for our senior leaders encourages and rewards performance against certain ESG measures (introduced in 2020, for fiscal 21 to 23). Some 10% of the performance share award, which is granted to the Executive Committee as well as other senior leaders, targets carbon emissions and water efficiency, which directly support mitigation of, and adaptation to, climate risk (see the Directors' remuneration report on pages 126-153).

Identifying climate risks and opportunities

Climate risk is generally divided into physical and transition risk. Physical risks include chronic changes like sea level rises and temperature changes, and acute events like floods, droughts and heatwaves. Transition risks arise from actions to mitigate climate change, such as policy and legal changes like carbon taxes; technology changes, like renewable energy; or market changes, like growing consumer demand for more sustainable products.

Both categories of risk are already materialising in everyday life, and both are likely to increase. As the world continues to warm while we intensify efforts to mitigate climate change, we need to assess and prepare for both physical and transition risks. Opportunities, meanwhile, could arise from us mitigating risks more effectively than our competitors, or creating competitive advantage, for instance by meeting consumer demand for more sustainable products.

Climate change resilience

Our experience in managing the impact of normal variations in climatic conditions, water availability and agricultural yields has made us more resilient and adaptable. We adapt through careful planning in our supply chain and procurement organisation, by partnering to develop high-yield, drought-resistant crops, and by managing water in a way that makes our operations more resilient and helps our local communities and agricultural sourcing areas to adapt, with specific focus in water-stressed areas. We have integrated climate risk into our enterprise risk management processes since first referencing it within our principal risk factors in 2010. It is also part of our strategic and business continuity plans.

Identifying and assessing our physical risks

To assess the physical risks we are exposed to, and how they could develop under various scenarios, we worked with climate resilience experts from 2021 to 2023 to look at our full global supply chain. This table shows how we have phased the work:

Fiscal year	2021	2022	2023
Markets/regions assessed for physical risks	Largest supply centres • Scotland • North America	Highest water risk • Africa • Mexico • India • Turkey	Remaining locations • Asia Pacific • Latin America and Caribbean • Europe

This scope covers all our wholly owned sites (except acquisitions completed after the start of the 2023 evaluation) and key third-party operations. We also included some sites that are planned or under construction to make sure we understand their exposure and build their resilience.

Our physical risk assessments measured how exposed and vulnerable activities at our sites and key third-party operations and suppliers are to 19 climate-related hazards. We reviewed the vulnerability of the main agricultural materials we procure in each region, and also ran a high-level analysis of our key distribution routes (road, rail and ports). We did this under two scenarios (IPCC scenario RCP4.5 – medium warming of 2-3°C, and IPCC scenario RCP8.5 – severe warming of 4-5°C) and two timeframes (to 2030 and to 2050).

- Production sites: For our own sites and many of our third-party operator sites that produce beverages on our behalf, we analysed at a high level the risks they are likely to be exposed to. For those that are most strategically important or at greatest risk, we carried out more detailed assessments. At each location, we looked at a combination of the different activities (e.g. malting, distilling and packaging), the part of the process that might be affected (e.g. infrastructure, water supply and energy sources) and the 19 physical risks that might occur.
- Supply chain and logistics: for all markets assessed, we analysed our key suppliers' factories and warehouses, for example those handling our most critical or specialised ingredients and components, key agricultural commodities, and our most critical distribution routes (road, rail, and ports), to identify which might be exposed to physical risk in the future.

Our physical risks – results

Our assessment confirmed three key points:

1. Water scarcity is our most significant climate-related physical risk in terms of prevalence, trajectory and potential financial impact. It affects our ability to produce our products, and the access to agricultural ingredients that we need.
2. All agricultural ingredients are at risk, and we see that risk increasing under the timeframes and scenarios we analysed. Our models suggest that costs of most commodities will increase as a result of climate change, although estimates of the precise impact vary significantly depending on the model used, underscoring the difficulty of such projections.
3. Acute weather events, including floods, winds and storms, are projected to increase and to cause interruption to operations; however, they are unlikely to have a significant financial impact on us, under the scenarios analysed.

Physical risks in our supply chain

Our assessment of supply chain risk explored three areas: agricultural commodities, supplier assets and distribution routes.

In previous years we had covered a wide range of agricultural commodities used in the regions analysed, and this year we expanded our analysis to include hops and dairy. This highlighted the particular vulnerabilities of each crop type, how their exposure was likely to increase in the growing regions of interest over time, and possible adaptation and mitigation responses. The diagram on page 74 sums up the main risks that the most important commodities are exposed to by region.

As well as the bulk commodities outlined in the diagram, we also did a high-level analysis of ingredients included in our products that are critical to particular categories for the characteristics they impart – juniper, angelica and liquorice, for example. The results of the agricultural commodity assessments have and will continue to inform our strategy. This includes working with farmers to increase their crops' resilience to climate change, and developing contingencies where this isn't possible.

Preserving water and promoting sustainable farming protects our commodities and communities.

Key climate risks to agricultural ingredients by region

North America

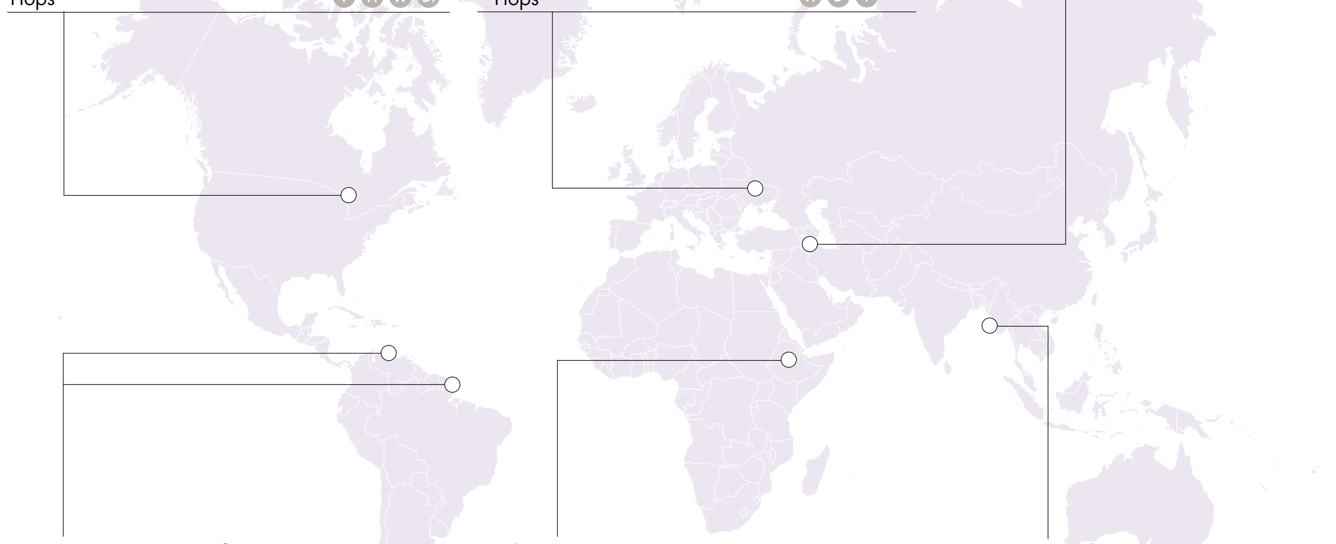
Maize	T W
Barley	T P
Rye	T W
Sugar beet	T W P
American white oak	T W
Hops	T Fi W Di

Europe

Barley	W D P
Wheat	W P
Rye	T W
Sugar beet	T
Dairy	W T
Hops	W D T

Turkey

Anise	T D P F
Grapes	T W F Fi
Sugar beet	T W F Fi
Wheat	T W D



Latin America and Caribbean

Sugar cane	T W H F P S
Agave	T

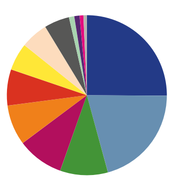
Africa

Barley	T D P
Maize	T D F
Sorghum	T P
Sugar beet	T W
Sugar cane	T W P
Cassava	T D P
Vanilla	T S

Asia Pacific

Barley	T W D P
Grapes	T W D P
Rice	T P F
Molasses (sugar cane)	T W D P H

Priority raw materials by volume



Barley	Sorghum
Agave	Dairy
Wheat	Rye
Maize	Raisins
Molasses	Others (including hops, anise and vanilla)
Rice	
Grapes	
Sugar	

Climate risks likely to affect agricultural commodities

T Temperature	P Precipitation (variability/extremes)	Fi Fires
D Drought	W Water stress	H Hurricane/storm
F Flood	Di Disease	S Sea level

Geographical scope of our physical risk assessments

Region	Owned/key third-party sites assessed	Detailed assessments	Agricultural commodities	Supplier assets (factories, warehouses)	Ports
North America	12	4	8	86	6
Europe	76	13	18	262	27
Asia Pacific	63	11	6	281	9
Latin America and Caribbean	46	6	2	251	13
Africa	48	5	6	366	14
Total	**245**	**39**	**n/a[1]**	**1,246**	**69**

(1) Some commodities were analysed in more than one location.

For more details on our scenario analysis approach, see the Non-financial reporting boundaries and methodologies section on pages 242-245

We assessed more than 1,200 suppliers' assets and found the most common risks were water stress and higher temperatures, with humidity and wildfire risks also intensifying in some locations. We use this information to work with suppliers on future adaptations and contingencies. We discuss this further in the Strategy section on page 78.

Our analysis of distribution routes included key ports, roads and rail networks identified in our supply chain in each of the markets we assessed. The analysis showed that, in general, the risks to ports come from water stress and changing temperatures, while the risks to road networks are broader, including chronic risks, like temperature increases and sea level rises, and acute risks, such as storms, floods or wildfires. We assessed both acute and chronic risks to be higher in warmer countries (e.g. India, Mexico and Turkey). These insights help us plan effectively for additional future contingencies we may require in our distribution routes.

Physical risks by region – Diageo and key third-party supply sites

The most common physical hazards projected to intensify are water-related risks (water availability, water temperature and flooding) and high temperature. High temperatures might affect employees' health and productivity, and processes such as fermentation and maturation, which are sensitive to temperature variations. There's also increased cost associated with process and facility cooling. Cold temperature risks are projected to decline in all regions we analysed.

Water risk

Given the importance of water to our operations and producing our products, we focus particularly on understanding water-related risks so we can mitigate and adapt to them. As well as our physical climate risk assessments looking at the risks from water availability, water temperature, water quality and flooding, we conduct water-stress analysis at our sites every two to three years, using site surveys and World Resources Institute (WRI) Aqueduct data. In fiscal 23, we enhanced our water risk assessment by completing water source vulnerability assessments at 22 of our sites located in water-stressed areas, with the help of expert partners.

The water stress, climate risk and source vulnerability assessments give us comprehensive insights into how this profile might change due to climate change. They also show the degree of vulnerability of our operations and supply chains to water stress, bearing in mind various contributing factors in these sites' catchment areas. Climate risk assessment tells us the number of our current sites exposed to high water stress isn't projected to increase significantly in the foreseeable future. But water stress is likely to become more severe at some sites, making the detailed understanding of source vulnerability particularly valuable. The figure on page 76 shows our water-stressed sites and those that have had source vulnerability assessments completed, as well as those that are in our priority water basins.

Quantitative impact of physical risk

Our assessment shows that generally our sites are likely to be exposed to more frequent acute weather events like floods and storms, but financial impacts are unlikely to be significant. We are more exposed to the acute risk of drought, and to chronic changes like water scarcity. Water scarcity is the biggest climate-related risk to our operations, since we have many sites in water-stressed areas that might face interruption to operations if the warming temperature scenarios play out. Through our scenario analysis we have estimated the impact on our operations and financial condition to 2030, concluding that it is unlikely to be significant by that date. This is largely due to the adaptation actions we are taking (detailed below) and our contingencies to deal with short-term disruptions to our operations. This is reflected in our assessment of viability and impairment (see page 94).

Water stress

Under the warming scenarios we modelled, the proportion of our sales exposed to 'extremely high' water stress is likely to increase by 2030 and again by 2050, with the sites most likely to be affected in India, Mexico, Turkey and North America. Under these warming scenarios, even though the number of sites affected may not change substantially, those that are affected are likely to suffer even greater shortages of water, under both timeframes, which could have an impact on our operations, and on the health and wellbeing of employees at those sites.

Drought

Drought is the only physical risk likely to affect our operations or financial condition in any material way, because we rely on water to make our products. Analysing the financial impact of drought is particularly difficult because there are many factors involved, including the probability of drought, how long operations would have to be suspended and the impact of any adaptation or contingency measures.

Even so, we have modelled what we can, using scenario analysis and our own assessment of vulnerability, and considering highly conservative assumptions (e.g. some downtime in all sites due to drought). We concluded that, by 2030, we don't expect drought to have a significant impact on our operations or on our financial condition. Beyond 2030 it is much harder to analyse, given the lengthy timeframe. But our models do show that if we don't take mitigating action by 2050, drought could have the potential to interrupt operations and, as a result, potential lost sales. We discuss how we plan to deal with this risk in the Strategy section on page 78.

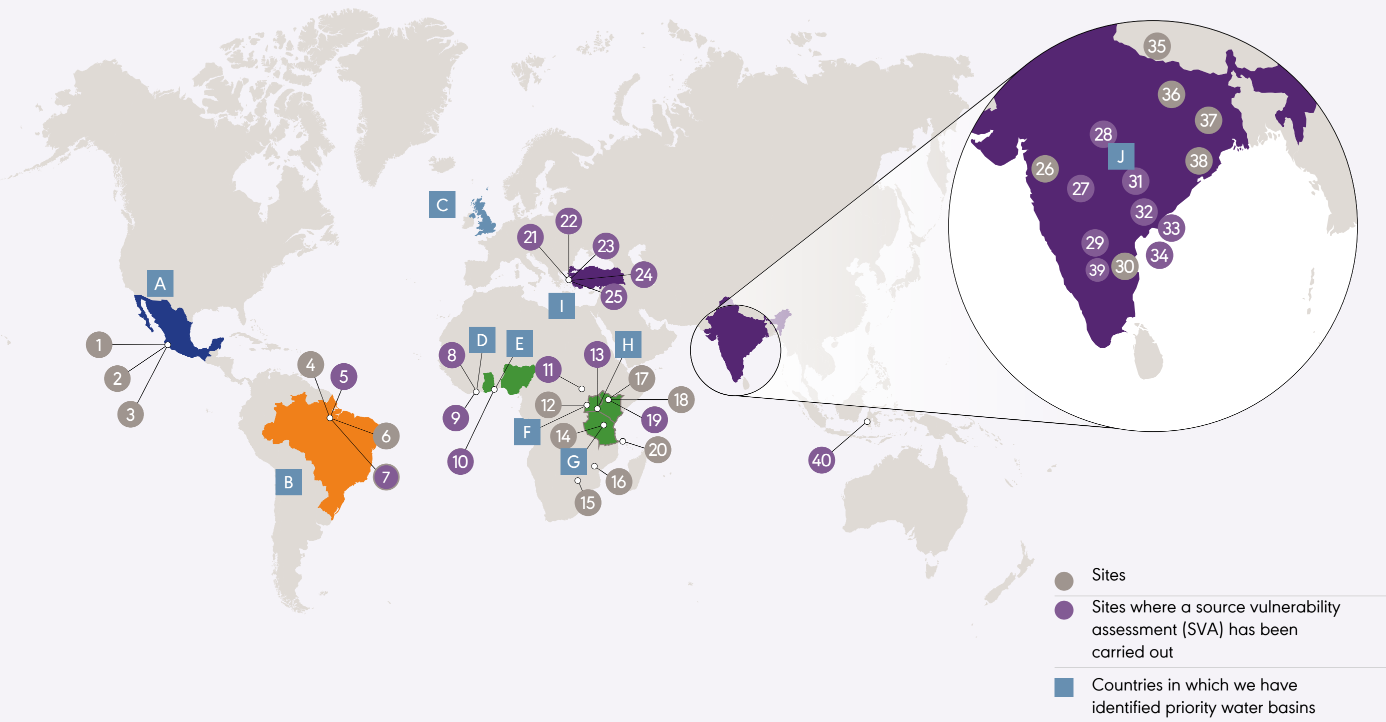
Commodity pricing

Commodity pricing is more difficult to estimate in these scenarios, with the models we used producing highly varied estimates. Prices were projected to increase for the majority of our commodities. The scenario analysis helps us build commodity price risk into our raw material procurement strategies, particularly for crops with unique provenance (e.g. agave and vanilla) or high sensitivity to growing conditions (e.g. hops). Our modelling suggested the biggest risks of higher prices in 2050 were to agave, sorghum, rice, dairy and hops. There are significant differences between models, but the impacts in 2050 could be significant.

Focus on water stress

Because we rely so greatly on water, we have been assessing our wholly owned production sites for water stress regularly since 2008. The most recent assessment, in 2021, was updated in fiscal 23 to reflect changes in our operations due to disposals. The assessment – and our classification of a site as 'water-stressed' – is based on external (WRI Aqueduct databases for watersheds around the world) and internal site surveys covering physical, regulatory, social and reputational considerations. It will be updated again in fiscal 24. Shown below are the sites for which we have conducted source vulnerability assessments, and those countries in which we have identified priority water basins.

Diageo sites located in water-stressed areas, and priority water basins in 2023



Sites

1. El Charcon, Mexico
2. Agricultural lands, Guadalajara, Mexico
3. La Primavera, Mexico
4. Agricultural lands, Céara, Brazil
5. Itaitinga, Brazil
6. Messejana, Brazil
7. Paraipaba, Céara, Brazil
8. Kaase, Ghana
9. Achimota, Ghana
10. Lagos, Nigeria
11. Kampala, Uganda
12. Mwanza, Tanzania
13. Moshi, Tanzania
14. Dar es Salaam, Tanzania
15. Isipingo, South Africa
16. Marracuene, Mozambique
17. East Africa Maltings, Kenya
18. Kisumu, Kenya
19. Tusker, Kenya
20. Seybrew, Seychelles
21. Alaşehir, Turkey
22. Acıpayam, Turkey
23. Nevşehir, Turkey
24. Taşel, Turkey
25. Tarsus, Turkey
26. Nasik, India
27. Udaipur, India
28. Alwar, India
29. Baramati, India
30. Hospet, India
31. Aurangabad, India
32. Pioneer, India
33. Nacharam, India
34. Malkajgiri, India
35. Pathankot, India
36. Meerut, India
37. Rosa, India
38. Serampore, India
39. Kumbalgodu, India
40. LKJ Packaging, Indonesia

A Mexico
B Brazil
C UK
D Ghana
E Nigeria
F Uganda
G Tanzania
H Kenya
I Turkey
J India

Flooding and storms

Flooding and storms are the next most likely physical risks to affect our financial performance, since they might damage our sites or disrupt our supply of agricultural commodities, and the price of most of the commodities we analysed is set to increase under the scenarios developed. Although the risk to our sites from acute physical events will increase, it is unlikely to be significant in the scenarios and timeframes we analysed.

Identifying and assessing our transition risks and opportunities

To assess transition risks and opportunities, and to estimate their financial impact under a Paris-aligned emissions scenario, we worked with climate resilience experts. The work performed deepened our understanding of our risks and opportunities which led to refined financial estimation of the risks and opportunities along with further clarity on how to respond to them.

In fiscal 21 to 23 we analysed, as defined by TCFD, the risks and opportunities associated with transitioning to a low-carbon economy. We identified the risks with the most potential impact by looking at our agricultural inputs, production and packaging, distribution and sales channels arriving at these most important transition risks and opportunities to monitor:

1. Decarbonisation costs: Changes to our production costs associated with moving to a low-carbon economy, including carbon taxes and related changes to input costs (risk and opportunity).
2. Consumer behaviour: Changes in consumer behaviour to become more sustainable, e.g. choosing circular (reusable) products or locally produced brands (risk and opportunity).
3. Regulatory changes: For example, restrictions on packaging, water use, agricultural materials or land that affect our ability to make our products (risk).
4. Technology changes: Shifting to low-carbon production of our products and packaging, and the associated risk of not doing this fast enough (risk and opportunity).

The next table on page 78 summarises the physical and transition risks and opportunities we consider most important to manage overall.

Quantitative impact of transition risks and opportunities

Transitioning to a low-carbon economy creates both risks and opportunities for us. Through our scenario analysis we have estimated the impact on our operations and financial condition to 2030, concluding that it is unlikely to be significant by that date, even assuming that we bear all changes in production costs.

We found the key driver of transition risk was glass and, to a lesser extent, aluminium packaging, which would contribute to an overall production cost increase. We also saw that lower transport and energy costs would partially mitigate this impact. The categories and markets most affected in this scenario were those where glass constitutes a relatively higher proportion of overall cost, particularly tequila, cream liqueurs and the Indian market. Lower future transport costs meant that categories where transport costs were relatively higher as a proportion of total cost were less affected, relatively, by increased glass cost.

Extending the analysis to 2050 is subject to many variables and unknowns and therefore significant uncertainty. But it lets us estimate what a 'worst case scenario' could look like based on our best available modelling of cost trajectories, and understand what's driving risk so that we can develop plans to mitigate it. Based on this modelling we could make the estimated impact on our operations and financial condition not significant through pricing and/or our planned improvements in energy use, producing lightweight glass, reducing the carbon intensity of glass production, and using returnable or reusable packaging where possible.

The results of our scenario analysis of both physical and transition risks are reflected in our assessment of viability and impairment (see page 94).

Summary of our most important climate risks and opportunities

Risks

Risk description	Water scarcity Increasing water scarcity and water stress affects our ability to continue to produce in water-stressed areas	Agricultural raw material availability Climate-related impacts on agricultural material availability cause scarcity or price increases
Category	Physical – chronic	Physical – chronic
Timeframe	Short-term (one to five years), medium-term (five to 10 years) and long-term (10 to 30 years)	Medium-, long-term
Impact (if not mitigated)	Moderate[1]	Moderate[1]
Response examples	• Improvements in water use efficiency • Water replenishment plans in 100% of water-stressed areas • Collective action programme to improve water security in Diageo's 'priority water basins'	• Regenerative agriculture adaptations • Smallholder farmer support • Development of drought-resistant crops • Alternative sourcing locations • Substitution with alternative crops • Improved water management

Risk description	Input costs Policy changes (carbon taxation, shift to renewables) cause increases in input costs	Consumer behaviour Consumers prioritise purchasing more sustainable products, rejecting those perceived to have a negative environmental impact
Category	Transition – policy/legal	Transition – market
Timeframe	Short-, medium- term	Short-, medium-, long-term
Impact (if not mitigated)	Moderate[1]	Moderate[1]
Response examples	• Supply chain decarbonisation • Engaging suppliers in low-carbon technology development for their operations • Packaging weight reduction technologies	• Packaging weight reduction • Increased recycled content in packaging • Developing circular (refill, reuse) product offerings

Opportunities

Opportunity description	Supply chain decarbonisation Reducing our Scope 1, 2 and 3 emissions lowers our exposure to carbon taxes and related costs, and improves our reputation with customers and consumers	Innovation in sustainable products and packaging Developing more sustainable products (e.g. lighter-weight, higher-recycled content, more refillable and reusable containers) meets consumers increasing demands
Category	Transition – policy/legal	Transition – market
Timeframe	Shor-t, medium-term	Short-, medium-term
Impact (if not realised)	Moderate[1]	Moderate[1]
Response examples	• Decarbonisation programme and capital investment • Renewable energy and regenerative agriculture	• Innovation to deliver more sustainable products (e.g. refillable and reusable packaging, alternative packaging materials)

(1) 'Low' impact is defined as having a negligible impact on customer service, or an absorbable disruptive impact on one or more brands. 'Moderate' impact is defined as disruption to production/supply chain creating an inability to service a small portion of our customer base, the impact of which is manageable; or a significant short-term impact on one or more of our core or local priority brands that is absorbable by the business. 'High' impact is defined as an inability to service a significant portion of our customer base, or major reputational damage.

Our strategy for grain-to-glass sustainability

Our strategic priority to 'Pioneer grain-to-glass sustainability' acknowledges the breadth of the environmental and social consequences of climate change. It also reflects how interlinked they are and that our value chain is a series of interdependent parts. Our targets reflect the complexity of the risks and opportunities we face and are mapped to our most material issues: water, carbon and the sustainability of our packaging.

By setting challenging targets, 'Society 2030: Spirit of Progress' looks to manage the potential impact of climate risks on our business, as well as minimising our impact on the environment and supporting communities we work with.

We cannot meet our target without investment. We expect to invest around £1 billion ($1.2 billion) to drive improvements in environmental sustainability by 2030. By doing this, we will strengthen our business by strengthening our communities and making our value chain more resilient. In the process, we can manage our climate risks and act on opportunities we find. Much of the focus to date has been on our sites in Africa, where we have invested in biomass and solar energy, energy efficiency and water recovery initiatives. We plan to increase investment for fiscal 24 to 26 to continue our progress towards our 2030 goals.

Our carbon and water roadmaps outline the projects needed to deliver our 2030 goals. These plans are backed by capital investment and undergo regular stress testing to help us in our efforts to meet our targets. Enhancing and digitising our sustainability data and reporting framework has given us more detailed insight into the progress in delivering our strategy. This lets us see where we need to optimise innovation opportunities or overcome project delivery challenges.

Responding to risks and opportunities

The next sections outline our targets and the progress we have made against those targets. We define our targets carefully, along with clear non-financial reporting boundaries and methodologies for each. For more details, see pages 242-262.

Preserving water

Our 'Preserve Water for Life' strategy is context-based and recognises the connections between how we use water and the impact on communities, supply chains and the environment. It is a 'grain-to-glass' approach that aims to replenish water in water-stressed catchments, supports farmers (especially smallholders) and regenerative agriculture, and improves how we use water in our operations. It also prioritises providing clean water to the communities we work in, and strongly advocates and drives more collective action to contribute to a net positive water impact in water-stressed basins.

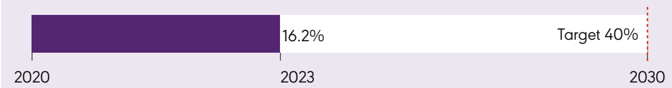
Our work on water has earned us a place on the CDP Water Security 'A List' for the seventh year in a row, placing us in the top tier of participating companies for sustainable water management.

Water efficiency

Target by 2030

Reduce water use in our operations with a 40% improvement in water use efficiency in water-stressed areas and a 30% improvement across the company

Percentage improvement in litres of water used per litre of product packaged from the prior year – in water-stressed areas **2.6%**



Percentage improvement in litres of water used per litre of product packaged from the prior year – across the company **(1.2)%Δ**

Our water strategy aims to improve water security, especially in water-stressed areas. This is achieved through both projects to improve our operational efficiency and our replenishment programme, which works with local communities to replenish more water than we consume in water-stressed areas. Across our business, we're proud to have improved water efficiency by 51.1% since we started measuring performance against this metric in 2007 and by 9.4% since our 2020 baseline. In water-stressed areas, efficiency has improved even further, by 16.2% against the 2020 baseline.

While our ongoing focus on water-stressed areas continued to deliver efficiency improvements of 2.6% vs fiscal 22, fiscal 23 saw changes to our production profile that drove a 1.2% reduction in water use efficiency per litre of product packaged (4.09 litres/litre to 4.14 litres/litre). This was despite the implementation of a number of water efficiency projects across our production portfolio.

Our production footprint is complex; it includes distillation, brewing and packaging, and uses water in related but different ways. While we saw efficiency improvements across our distillation sites of 3.5% compared to fiscal 22, the increasing proportion of distillation in our portfolio produced an overall decline in performance according to the way we currently measure water efficiency – litres of water used per litre of packaged product. The reason for the decline under this combined metric is that most distilled products need to be matured for a number of years before bottling, so much of the water used in fiscal 23 went into distilling product that won't be packaged for years to come.

For this reason, in fiscal 23, we reviewed our water efficiency methodology, so that it better reflects our progress and challenges on water efficiency against the background of our business model. Following a detailed review, we defined a new methodology that uses an index approach to show the aggregated change in water efficiency across our different production pillars weighted by their proportional water use. This methodology better represents underlying year-on-year site-level efficiency performance and, critically, addresses the timing difference between distillation and packaging, due to maturation requirements. We will change our measurement approach in fiscal 24.

In fiscal 23, we completed water efficiency projects that will deliver benefits in several water-stressed areas. In Kenya, Uganda and Nigeria we have installed or increased the capacity of water recovery plants. The volume of water recovered has now reached 530,850m^3, equivalent to around 12% of total water withdrawals avoided across our African sites. This has helped to mitigate some of the obstacles to water efficiency created by lower production volume in Africa.

We are also building for the future. In fiscal 23, we broke ground on a wastewater treatment plant at our El Charcón site in Mexico. This will enable the construction of a water recovery plant in fiscal 24, which we expect to start delivering water efficiency improvements from fiscal 25. We are also partnering with innovators to embed new technologies identified through our Diageo Sustainable Solutions (DSS) programme into our site roadmaps. One example is our partnership with 4T2 sensors on sensor technologies, which we expect will reduce the amount of water required to clean equipment between production runs.

Thirteen of our distilleries have now achieved Alliance for Water Stewardship certification (the internationally recognised, auditable standard for responsible water use), including Cameronbridge, Scotland, 11 Speyside distilleries and the Alwar distillery in India, making us the first distiller to be certified against this leading standard in Asia.

Climate, water and regenerative agriculture are strongly connected. This is why we continue our work to influence indirect water use in our agricultural supply chains. This means mapping our water use and continuing to run water improvement projects with farmers, especially smallholders. This helps us make our overall supply chain more resilient and support vulnerable communities, particularly in water-stressed areas.

Water replenishment

Target by 2026

Replenish more water than we use for operations in water-stressed areas

Percentage of water replenished in water-stressed areas in fiscal 23 **22%**

Our water replenishment programme, an important contribution to supporting the climate resilience of our communities and supply chains, has had another strong year, putting us firmly on track to reach our 2026 target. In fiscal 23, our projects developed the annual volumetric replenishment capacity of 1,311,010 m^{3}Δ water. This represents 22% of our target for 2026, and cumulatively (fiscal 16 to fiscal 23) we have replenished 71.5% of our estimated fiscal 26 volume. In India, Nigeria, Seychelles and South Africa we have achieved our 2026 replenishment target three years early. For 13 sites in these countries, we are now replenishing all the water we directly consume in the local water basin or the basin where we source the raw materials for the site.

Overall, in fiscal 23 we have completed 35 replenishment projects in 11 countries. Highlights include nature-based projects improving water quality and availability in priority catchments. In Jalisco, Mexico, we have worked with government, NGOs and local stakeholders to restore a wetland treating wastewater in a project that's the first of its kind for us. Other ambitious replenishment projects include improving irrigation with farmers in Turkey, de-silting dams to increase water infiltration in India, and providing access to water for many smallholder farming communities in Tanzania, Ghana, Brazil, Mexico, Uganda, Kenya and India.

(Δ) Within the scope of PricewaterhouseCoopers LLP's (PwC) independent limited assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

Water for communities

Target by 2030

Invest in improving access to clean water, sanitation and hygiene (WASH) in communities near our sites and local sourcing areas in all our water-stressed markets

Percentage of water-stressed markets with investment in WASH 100%$^{\Delta}$

An important part of our approach to water is providing access to clean water, sanitation and hygiene (WASH) in water-stressed communities near our sites and in water-stressed areas that supply our raw materials.

We reached our 2030 target in fiscal 23, launching a project in Mexico to harvest rainwater in 37 schools and provide drinking water in Jalisco, home of our tequila distilleries. This means all nine of the markets included in our target have invested in WASH projects since 2020. In fiscal 23, we invested in 17 WASH projects in seven countries bringing safe water and sanitation to 71,655 people.

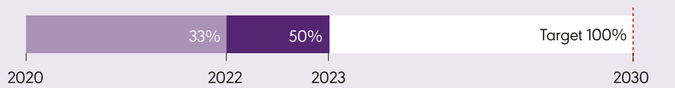
In fiscal 23, we have also helped ensure more female representation in WASH programmes, which makes it more likely that everyone will benefit equally from access to water. For more about this, see the section on championing inclusion and diversity (page 70). In fiscal 24, we'll consider how best to bring WASH projects to more communities in our supply chains.

Water collective action

Target by 2030

Engage in collective action in all priority water basins to improve water accessibility, availability and quality and contribute to net positive water impact

Percentage of priority water basins with collective action participation 50%



We don't tackle water stress alone. We launched the Diageo Collective Action Programme in 2020, recognising that we need to collaborate with multiple stakeholders to create solutions and interventions that improve the water security across entire water-stressed catchments. Through this, we are now active in six out of our 12 'priority water basins' – strategically important areas suffering particular water stress in 10 countries. In fiscal 23, with support through our partnership with The Nature Conservancy, we began two initiatives – one with the International Union for Conservation of Nature in Uganda's Victoria Nile basin where we source sorghum and barley for our brewery in Kampala, and another in the Godavari 3 basin in India. We have also agreed to be a basin champion for the Water Resilience Coalition in Kenya's Upper Tana basin, partnering with the Upper Tana-Nairobi Water Fund, increasing the commitment and investment we have already made there to improving the water security of the whole basin, which feeds Nairobi, home of our Tusker brewery.

Advocacy

Water is under pressure around the world, and the issues around preserving it are complex. So it will take multilateral action to address the challenge of responsible stewardship and scarcity. At the COP27 climate change conference, we were among businesses calling for more action on water and climate resilience. We also attended the UN Water Conference in New York in March 2023 and were among the first businesses to sign a declaration calling for accelerated action on water stewardship. Our partnerships with leading international organisations, such as Water Resilience Coalition, Alliance for Water Stewardship and WaterAid, are fundamental to our ambition to support the climate resilience of our business and communities. They also help us advocate for more global action to address the water and nature crisis. Continuing this important advocacy, we plan to attend World Water Week in Stockholm in August 2023, UN SDG Summit in September and COP28 in December.

(Δ) Within the scope of PricewaterhouseCoopers LLP's (PwC) independent limited assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

Limiting carbon emissions

The planet needs significant science-based action to create a sustainable, low-carbon future and to mitigate the risk from climate change. We aim to reach net zero across our direct operations by 2030. We have also stated our ambition to being net zero across our value chain by 2050, and halving these emissions by 2030. We have detailed plans for reducing emissions across our existing sites and we are also investing in carbon-neutral production[(2)] sites to add to those we already have.

Pathway to net zero[(1)]

	2008	2015	2020	2021	2030	2050 or earlier
Milestone	**GHG targets set for 2015**	**GHG targets set for 2020**	**'Society 2030: Spirit of Progress' (SOP) targets set**	**Targets approved by the SBTi**	**'Society 2030: Spirit of Progress' targets due**	**Scope 3 net zero targets due**
Target		**2015 targets** -50% Scopes 1 & 2	**2020 targets** -50% Scopes 1 & 2 -30% Scope 3		Scope 1: net zero Scope 2: net zero Scope 3: -50%	Scope 1: net zero Scope 2: net zero Scope 3: net zero
Delivery		-33% Scopes 1 & 2 **Baseline = 2007**	-50.1% Scopes 1 & 2 -33.7% Scopes 1-3 **Baseline = 2007**		**Baseline = 2020**	

Pathway to delivery

Scope 1	Decarbonisation of direct operations by embedding energy efficiency and energy recovery into our processes and working towards using 100% renewable fuel and heat. Exploring innovations, partnerships and renewable energy certification.	Continue to explore innovations, partnerships and carbon removals to maintain compliance with our SBTi-aligned net zero commitment.
Scope 2	Continue switch to renewable electricity. Create additional renewable energy capacity to power our sites through on-site developments and using power purchase agreements (PPA).	Once we have achieved 100% renewable electricity by 2030 we will focus on moving towards more on-site/near-site generation.
Scope 3	**Packaging:** For example: low-carbon glass and aluminium manufacturing; packaging reduction; innovative glass coatings that support light-weighting, and moving towards circular packaging solutions. **Agriculture:** Regenerative agriculture programmes scale-up to reduce the emissions associated with crop growth. **Partnerships:** Mobilising the value chain by engaging, inspiring and activating our supplier and customer network to jointly decarbonise e.g. through the development of renewable energy solutions and increased carbon emission understanding and transparency. **Collaborating across the business:** Cross-functional governance structure in place creating shared Scope 3 delivery responsibility.	

Focus on progress: We continually test our decarbonisation progress through reports that assess the sufficiency of our plans to deliver our in-year, 2030 and 2050 targets. Decarbonisation plans are in place across our site footprint and we monitor them through performance management and strategic business reviews. Through Diageo Sustainable Solutions (DSS) and supplier collaboration, we identify opportunities to partner and innovate, driving systems change within the beverage industry. We may need to use high-quality certified carbon offsets to neutralise hard-to-abate residual emissions, though we anticipate these being no more than 5-10% of our baseline.

(1) This is an estimate based on current management expectations; the underlying assumptions and future developments may change over time, which would cause changes to management expectations and this information. See pages 73-78 for more about the potential impact of climate change on Diageo and our current plans to manage and mitigate risks.

Our risk assessment and scenario analysis show us that consumer behaviour is an important transition risk, and companies who don't decarbonise their operations will suffer as consumers increasingly demand more sustainable products. Also, decarbonisation requires investment. But by working with suppliers to innovate in low-carbon manufacturing techniques for glass production, for example, we help to accelerate towards a low-carbon world while benefitting from the experience that comes from early innovation.

(2) Four carbon-neutral facilities have been assessed and certified using PAS2060 – Carbon Neutrality Standard and Certification (Scope 1&2, Direct Operations boundary) as reducing emissions aligned to an equivalent net zero trajectory with <5-10% of residual emissions neutralised using purchase of carbon offsets.

Emissions from our direct operations

Target by 2030
Become net zero carbon in our direct operations (Scopes 1 and 2)

Percentage reduction in absolute carbon emissions (direct and indirect carbon emissions by weight (market/net based)) from the prior year

5.4%$^{\Delta}$

In fiscal 23, as part of our ambition to decarbonise our operations to decouple growth from emissions, we continued to reduce our absolute carbon emissions (direct and indirect carbon emissions by weight (market/net based)), achieving a further 5.4% reduction on last fiscal year and a cumulative 14.7% improvement from our fiscal 20 baseline.

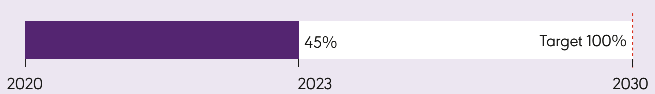
The main factor in reducing our emissions in fiscal 23 was our continued investment in renewable energy. We commissioned biomass facilities at sites in Kenya and Uganda, bringing significant emissions reductions of approximately 42,000 tonnes CO_2e over the course of the year. We increased on-site bioenergy use at facilities in Scotland and Turkey and also replaced fossil fuel with liquid biofuels at two of our whisky distilleries in Scotland. We have also implemented continuous improvement initiatives across a number of sites, and continued to use certificate-backed renewable natural gas at facilities in the UK and Canada.

To reach our 2030 SBTi-approved near-term target for direct operations, we must reduce our emissions by more than 95% from our 2020 baseline. We continue to invest in carbon-neutral facilities, in addition to our four carbon-neutral distilleries[1] in Scotland and North America. We are designing new sites in Mexico, Canada, Ireland and China to be as efficient and low-emitting as possible.

Target by 2030
Use 100% renewable energy across all our direct operations by 2030

Change in percentage of renewable energy across our direct operations in fiscal 23

1.9%



This year, 45% of all the energy consumed at our facilities came from renewable sources, an increase of 1.9% on last year. To achieve this, we have increased the use renewable electricity, fuel and heat. Our improved performance in fiscal 23 was driven largely by the electrification of our sites, our efforts to source renewable electricity and our investment in biomass technology.

As a signatory of the RE100 initiative, with a target to reach 100% electricity from renewable sources by 2030, we are proud that we are already ahead of our 2025 target of 50% renewable electricity, reaching 86.7% this year, up from 85.6% in fiscal 22. We have invested in 100% renewable electricity sites like our Lebanon all-electric distillery in North America. Comprising approximately 8,000 panels that will add 4.1MW of renewable electricity generation capacity. As well as reaching 100% renewable electricity ourselves, we encourage our suppliers to use more electricity through power purchase agreements (PPAs) and support additional power generation opportunities in our markets.

This year we have increased our use of renewable thermal energy by 1.3% compared to last year across our global operations. The start up of three biomass facilities at our sites in Kenya and Uganda produced our biggest single increase in renewable thermal energy use, a 25% increase in renewable fuel and heat across our Africa market compared to fiscal 22. We also increased energy output from on-site biomass and biogas plants and introduced renewable biofuel at two sites in Scotland. As we make renewable energy advances across our operations, we have reduced our usage of certificate backed renewable gas.

We are a significant enabler of the generation of biomethane in Scotland through the supply of Diageo distillery co-products. This is used by third parties as a feedstock to generate green gas, which is injected into the natural gas network. We then reuse the resulting renewable gas in our distilleries, with 23% of the green gas used by our sites in Scotland derived from our own feedstocks this year.

Emissions from across our value chain

Target by 2030
Reduce our value chain (Scope 3) carbon emissions by 50%

Percentage reduction in absolute greenhouse gas emissions (ktCO_2e) from the prior year

1.2%

We continue to refine our understanding of our baseline and footprint, including our supplier network, after reviewing our total value chain footprint and associated emissions in 2023. This year our Scope 3 CO_2e emissions decreased by 1.2% but we remain behind our 2020 baseline by 20.7%.

Our emissions derived from packaging decreased due to reductions in volumes, as well as decarbonisation activities including glass light-weighting, carton removals, and switching to lower-carbon materials. This was partly offset by increased emissions attributed to capital goods, including investments in plants that enable our low-carbon transition.

We are navigating the complexities of Scope 3 to ensure we achieve our reduction targets, and enable impactful change up and down the value chain by working with our suppliers, our peers and the wider beverage industry.

As well as reducing Scope 3 emissions by 50% by 2030, we want to achieve a net zero value chain by 2050 or sooner. To achieve these targets, in common with many multinationals, we are working with global GHG accounting bodies and our suppliers to get more detailed Scope 3 data. As we refine our value chain data, we can be more specific about our GHG footprint, including refined categories of upstream and downstream Scope 3 emissions.

(1) Four carbon-neutral facilities have been assessed and certified using PAS2060 – Carbon Neutrality Standard and Certification (Scope 1&2, Direct Operations boundary) as reducing emissions aligned to an equivalent net zero trajectory with <5-10% of residual emissions neutralised using purchase of carbon offsets.
(Δ) Within the scope of PricewaterhouseCoopers LLP's (PwC) independent limited assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

Total direct and indirect carbon emissions by region by year

Total direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO_2e)

Region	2020	2021	2022	**2023**
North America	127	125	100	**83**
Europe	152	129	144	**194**
Asia Pacific	32	10	10	**9**
Latin America and Caribbean	22	27	38	**26**
Africa	137	154	132	**89**
Diageo (total)	**470**	**445**	**424**	**401**

Streamlined Energy and Carbon Reporting (SECR)

	2020	2021	2022	**2023**
Total Global energy consumption (MWh)	3,310,388	3,392,923	3,557,760	**3,507,733**
Total market based (net) intensity ratio of GHG emissions (g CO_2e per litre of packaged product)	139	122	105	105$^{\Delta}$
Total UK energy consumption (MWh)	1,056,931	1,064,795	1,091,153	**1,249,306**
Direct (MWh)	924,022	927,917	951,302	**1,102,403**
Indirect (MWh)	132,910	136,878	139,851	**146,903**
Total UK direct and indirect carbon emissions (kt CO_2e)	86	71	84	**136**
Scope 1	86	71	84	**136**
Scope 2	–	–	–	**–**

(Δ) Within the scope of PricewaterhouseCoopers LLP's (PwC) independent limited assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

Moving towards regenerative agricultural sourcing

Our supply chain connects us to communities around the world. This gives us the chance to make a positive social and environmental impact by enhancing livelihoods and promoting regenerative agriculture.

One of the foundations of our regenerative agriculture strategy is our Sustainable Agriculture Guidelines (SAG), which set out the principles we expect our agricultural raw materials suppliers to adopt to make farming more regenerative. We work with suppliers and farmers across our supply chains to implement, assess and scale regenerative practices.

This work also helps make our supply chain more resilient. Our assessments show the possible impacts of climate change on agricultural commodities, and that they are vulnerable to climate hazards including water stress, temperature rises and flooding, particularly where the commodities only grow in one country.

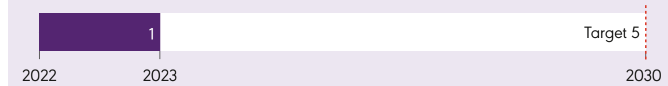
We work with communities to help them adapt and build resilience through our 'Preserve Water for Life' strategy, implementing regenerative agricultural practices and developing climate-resistant variants of agricultural crops. We are also exploring alternative crops to build diversity and enhance resilience in crop systems and across our raw materials portfolio. By working with farmers in this way, and by giving them skills and resources, we make them and their communities economically, environmentally and socially stronger, as well as strengthening our own supply chain.

Positive partnerships

Target by 2030
Develop regenerative agriculture pilot programmes in five key sourcing landscapes

Number of regenerative agriculture pilot programmes initiated

1



We are committed to partnerships with farmers to help them implement projects to test new regenerative farming approaches and practices, measure the results and share what we learn. By following regenerative practices, agriculture can restore soil health and fertility, boost biodiversity, protect watersheds and promote ecological resilience. By focussing on life above and below ground, everyone benefits from regenerative agriculture from the farmer to the ecosystem.

We also continue to build our understanding of the agronomic context across our key crops and sourcing regions, working with agronomic partners and our suppliers, growers and farmers. We are currently conducting assessments in the United Kingdom, United States, India, Brazil, Mexico and East Africa for barley, wheat, corn, rice, sugarcane, agave and sorghum production systems.

Guinness barley programme

Discovering how to lower farming's footprint

In Ireland, our programme looking for ways to lower-carbon emissions of barley production for Guinness is in its second year, with 45 farmers now participating. Data from 1,125 soil samples showed that three quarters of the soil's carbon footprint is from nitrogen fertilisers. This shows there's potential to reduce emissions by at least 30% from the baseline year through regenerative practices and low-carbon fertilisers.

We also supplied barley farmers with cover crops, which fix nitrogen and carbon in soil, and quantified biomass they generate.

Local sourcing

Target by 2030
Provide all local sourcing communities with agricultural skills and resources, building economic and environmental resilience (supporting 150,000 smallholders)

Number of smallholder farmers in our supply chain supported by our smallholder farmer programme in fiscal 23

12.9k

Where low yields and quality issues threaten smallholders' income, we work with suppliers, research organisations and other partners to build more resilient local supply chains. This has included developing more climate-resistant and higher-yielding varieties of sorghum adapted for Kenya and Ghana.

We are on course to reach our target of supporting 150,000 smallholders by 2030, after supporting nearly 13,000 farmers in fiscal 23 with sustainable development.

We have worked mainly in Kenya to test and learn from our approach to support our smallholders before expanding to the network of smallholders we source from. The programme focuses on training and enabling knowledge transfer for the transition to more resilient agriculture production systems. We trained smallholders on improving soil health, working with technical and implementation partners on the ground. We have also supported our smallholders with essential resources such as high-quality, certified seeds, distributing more than 100 tonnes of input at a subsidised rate to smallholder farmers.

Last year, we partnered with an agricultural technology provider to digitise our smallholder value chains. Starting with our primary crop for smallholder farmers, sorghum, we have rolled the technology platform out across Ghana, Kenya and Uganda in fiscal 23. We aim to broaden this to Nigeria and Tanzania. The technology acts as a valuable data source. We aim to use it to tailor our offering to smallholders based on their needs, while monitoring changes to baseline data to make sure our interventions have an impact on the ground. To help accelerate change for smallholders, we launched challenges through Diageo Sustainable Solutions, encouraging innovators to pitch ideas relating to soil biodiversity, carbon (relating to soil health) and water.

To clarify farming communities' needs, we have used the main communication method in our sourcing regions: radio. Working with local agricultural radio shows and Farm Radio International, we are looking to understand farmers' challenges to help us target our support. Together, we ran a six-week series on 'Farming as a Business', discussing challenges to women in agriculture and the support available to farmers. Listeners could freephone to submit views in their local dialect across eight radio stations in Ghana and Uganda.

Making packaging more sustainable

Consumers are rightly demanding more sustainable products and legislation continues to drive industry changes. We are committed to reducing our value chain's carbon footprint by reducing packaging and increasing the recycled content in the packaging we produce. We are also developing circular business models and designs, which allow for more reusable and refillable packaging.
By becoming sustainable by design in packaging, we reduce our carbon footprint, by using fewer materials in production and by limiting emissions when the packaging reaches the end of its life. We buy most of our packaging materials, so partnerships are crucial to achieving our ambitions. An example is Diageo Sustainable Solutions (DSS), where we partner with technology innovators, customers, suppliers and researchers to spot potential technology breakthroughs and pilot them, with the ultimate aim of scaling them to increase their impact.

Examples of how we are reducing our packaging footprint include:

- Pioneering net-zero glass bottles – In December 2022, we announced our partnership with Encirc, a leading glass manufacturer and co-packer, to create the world's first net zero glass bottles at scale by 2030. The new furnace at Encirc's plant in Cheshire, United Kingdom, will reduce carbon emissions by 90% with an energy mix of green electricity and low-carbon hydrogen. We expect that carbon capture technology will capture the remaining carbon emissions by 2030. The furnaces are expected to be fully operational by 2027 and to produce up to 200 million Smirnoff, Captain Morgan, Gordon's and Tanqueray bottles a year by 2030.
- Leading the way to sustainable aluminium – We have invested in a groundbreaking project to create a circular economy for aluminium in the United Kingdom. We are funding a new consortium (BACALL – British Aluminium Consortium for Advanced Alloys), which will build a plant to provide recycled aluminium for more than 400 million cans of Guinness and pre-mixed Gordon's and tonic, significantly reducing our carbon emissions while also creating jobs in the United Kingdom.

Reducing packaging weight and increasing recycled content

Target by 2030
Continue our work to reduce total packaging and increase recycled content in our packaging (delivering a 10% reduction in packaging weight and increasing the percentage of recycled content in our packaging to 60%)

Percentage reduction of total packaging (by weight) in fiscal 23 **4.4%**

In fiscal 23, we reduced packaging weight by 4.4% compared to fiscal 22, but this was 14.9% above our 2020 baseline because we have increased production from fiscal 20 to fiscal 22. In fiscal 23, we removed 141 million cartons from some of our Johnnie Walker and scotch brands. We have reduced weight in our primary scotch portfolio by moving some of our bottles into standard, more lightweight formats, allowing us to take some heavier formats out of the portfolio. These changes have saved almost 4,000 tonnes of glass and 9,170 tonnes of board in fiscal 23. From fiscal 24, we will continue to embed our Design for Sustainability packaging guidelines, emphasising use of lightweight glass and recycled content. We also continue to encourage bars, restaurants and other on-trade outlets to support the reuse of packaging.

Change in percentage of recycled content (by weight) in fiscal 23 **(1.2)%**

Recycled content now makes up 39% of our packaging, down 1.2% on fiscal 22. This is because of a shortage of cullet, a feedstock for recycled glass, in the United Kingdom and North America. We continue to face challenges in sourcing quality recycled glass and PET (polyethylene terephthalate), though we are working with suppliers and industry peers to strengthen recycling infrastructure.

Despite the challenges, we have made positive changes, moving Johnnie Walker Gold Label Reserve from 0% recycled content to 40% and trialling Johnnie Walker core sizes with increased recycled content. We also launched Talisker x Parley: Wilder Seas in the brand's first 100% recycled bottle.

Pioneering a lighter bottle
In 2021, we launched a challenge to develop lightweight bottles through Diageo Sustainable Solutions. This led to us working with glass industry consultants EXXERGY, which has developed an innovative glass coating technology that could enable us to use lighter glass for bottles, without reducing their strength. We invited strategic supply chain partner Ardagh Group to collaborate, and they engaged manufacturing software specialist Dassault Systèmes to support with testing the EXXERGY coating. We have been testing the coating through industry-first lab-based and virtual trials. Virtual trials allow us to develop innovations using real-time digital representations of products and processes, which reduces time, cost, energy and raw materials. After the trials, we will test the thinner glass on our Johnnie Walker bottles. Through this collaboration, we hope to significantly reduce the raw materials needed to create a bottle, and the overall weight, so it takes less carbon to transport our bottles.

Target by 2030
Ensure 100% of our packaging is widely recyclable (or reusable/compostable)

Percentage of packaging recyclable (by weight) **97.9%**

In fiscal 23, 97.9% of our packaging was technically recyclable, using the same fiscal 22 methodology.

We have an ambition to adjust our recyclability metrics in line with market-differentiated recycling frameworks in the future.

Recycled content and recyclability of plastic

Target by 2025
Ensure 100% of our plastics are designed to be widely recyclable or reusable/compostable

Percentage of recyclable (or reusable/compostable) plastic used in fiscal 23 **11.2%**

In fiscal 23, we achieved 83.2% recyclability for plastics, an increase of 11.2% from last year. We continue to use the 'technically recyclable' definition. The remaining non-recyclable components are currently not replaceable, although we continue to explore alternatives.

Target by 2030
Achieve 40% recycled content in our plastic bottles by 2025, and 100% by 2030

Percentage of recycled content in our plastic bottles used **7%**

In fiscal 23, we started projects in North America, Europe and Africa to increase recycled content in plastic bottles, particularly single-use formats, and achieved 7% recycled content in plastic bottles.

This year, in the United Kingdom we have moved our Johnnie Walker Red Label 1.75L bottles to 30% recycled PET. Our North America business achieved 26% recycled content in plastic bottles and in Africa we trialled 40% recycled content. In Ghana, we have partnered with the Mohinani Group to introduce the first bottle-to-bottle recycling plant in the country. In fiscal 23, 2,000 metric tonnes of plastic have been collected, with the aim of the plant being fully operational in fiscal 24. The plant will have a capacity to recycle 15,000 metric tonnes of plastic per year.

Also, our largest packaging site in Scotland has removed single-use shrink-wrap across a range of products, saving 67 metric tonnes of plastic per year, and delivering shrink-wrap-free drink flasks to 47 countries.

We will see these shifts continue in fiscal 24; sourcing recycled PET remains a priority.

Reusing and reducing waste

We manage around one million tonnes of waste each year. This includes 'co-products' from our production processes in the form of spent grain and other agricultural commodities. These co-products return to agriculture in the form of animal feed and fertiliser and are also used as feedstocks for biomass facilities. This helps reduce the environmental footprint of our agricultural supply chain and supports our regenerative agriculture programmes. By reusing scarce resources, we help improve the system that produces our key ingredients. In addition, we aim to divert all waste from landfill, so it is recycled or reused.

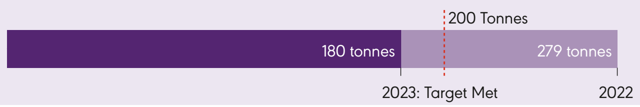
Reducing waste to landfill

Target by 2030

Achieve zero waste in our direct operations and zero waste to landfill in our supply chain

Percentage reduction in total waste sent to landfill from the prior year

35.5%Δ



Globally, the total volume of waste diverted from our direct operations to landfill was 180 tonnes this year (vs 279 tonnes in fiscal 22), which is below our zero waste to landfill de minimis threshold of 200 tonnes. We recycle, reuse and recover more than 99.98% of waste from our global operations either for our own reuse or in partnership with local agricultural communities and energy and waste handlers. Our performance in fiscal 23 means we have achieved a key milestone in fulfilling our 2030 direct operations zero-waste commitments.

In the second half of fiscal 23, we launched an initiative with our suppliers and KPMG to fully understand the waste in our supply base. The project will look for ways to change how we approach waste management across our Tier 1 supply chain by avoiding waste to landfill and recovering and recycling more waste by 2030. Our commitment to a more sustainable and less wasteful supply chain is also reflected in our marketing, where our point-of-sale (POS) project is working towards guidelines for sourcing better materials for experiential marketing, as well as designing POS and campaign props for reuse.

Last year, we reported that a third-party contractor at one of our facilities in Australia had incorrectly diverted waste material to landfill. This prompted a global review in fiscal 23 of more than 350 waste handlers and our own internal waste management practices, aiming to strengthen our controls and avoid similar issues in the future. This hadn't been possible during the Covid-19 pandemic because of restrictions on site visits. The review of waste handlers identified 111 metric tonnes of waste that hadn't been accounted for in fiscal 22, taking the total volume of waste sent to landfill to 279 tonnes. We have now included this in waste-to-landfill volumes for fiscal 22, representing 0.028% of the 984,057 tonnes we handled in that year. We'll continue to assess our waste handlers regularly and improve our internal controls to maintain our zero waste to landfill status.

We consider we have achieved zero waste to landfill if we have disposed of less than 0.2% of baseline waste-to-landfill volume during the year. This volume equates to 200 tonnes and excludes any waste we are required to send to landfill under local regulations.

(Δ) Within the scope of PricewaterhouseCoopers LLP's (PwC) independent assurance reported to the Directors. For further detail and the reporting methodologies, see pages 242-266.

How we have reported consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

In preparing our disclosures, we have taken into consideration the TCFD all sector guidance.

TCFD recommendation	Compliance
GOVERNANCE See page 72	
a. Describe the board's oversight of climate-related risks and opportunities.	Yes. See page 72.
b. Describe management's role in assessing and managing climate-related risks and opportunities.	
RISK MANAGEMENT See pages 73-78	
a. Describe the organisation's processes for identifying and assessing climate-related risks.	Yes. See pages 73-78. Having completed comprehensive risk assessments our focus is now on ensuring appropriate adaptation plans are in place for all risks identified.
b. Describe the organisation's processes for managing climate-related risks.	
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
STRATEGY See pages 78-86	
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	We have described risks and opportunities for our business in >95% of our operating locations, as well as the impact of those risks and opportunities on our strategy. We have modelled the resilience of our strategy under three climate-related scenarios. See pages 243-245. As a next step we are exploring the further development of our scenario analysis capability and associated tools.
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
METRICS & TARGETS See pages 79-86	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Yes. See pages 79-86.
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Yes for Scope 1 and 2. See page 82. We are working with global GHG accounting bodies and our suppliers to get more detailed Scope 3 data. As we refine our value chain data, we can be more specific about our GHG footprint, including refined categories of upstream and downstream Scope 3 emissions.
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Yes. See pages 79-86.

Effective risk management

Well-managed risk-taking lies at the heart of our Performance Ambition. Effective risk management drives better commercial decisions, protects our assets and supports a growing, resilient and sustainable business.

Our approach

We believe that effective risk management starts with the right conversations to drive better business decisions. Our primary focus is to identify and embed mitigating actions for material risks that could impact our current or future performance, and/or our reputation. Our risk management efforts aim to be holistic and integrated, bringing together risk management, internal controls and business integrity, ensuring that our activities across this agenda focus on the risks that could have the greatest impact. We have recently reviewed and refreshed our principal risks, our risk appetite, and our approach to risk management. Our approach is also structured to ensure that we take all reasonable steps to mitigate, but not necessarily eliminate, our principal risks in this context.

Accountability for managing risk is embedded into our management structures, an annual risk assessment establishes mitigation plans and monitors risk on a continual basis.

Our Executive Audit & Risk Committee (ARC) regularly assesses risk, and the Audit Committee, acting for the Board, independently reviews the assessment. The ARC meets quarterly and receives regular reports on the risks faced across the business and the effectiveness of the actions taken to mitigate these risks. We use internal and external data to monitor our risks and to make proactive interventions. We also establish cross-functional working groups and use expert advice where necessary to ensure significant risks are effectively managed and, where appropriate, escalated to the ARC and Audit Committee for consideration.

Further details about our risk management approach are described in the Corporate governance report on page 108 and in the Audit Committee report on pages 117-122.

Our principal risks

The Audit Committee considers principal risks to be the most significant risks faced by the group, including those that are the most material to our performance and that could threaten our business model or future long-term performance, solvency or liquidity. They do not comprise all the risks associated with our business and are not set out in priority order. Additional risks not known to management, or currently deemed to be less significant, may also have an adverse effect on the business.

Risk appetite

The ARC and the Audit Committee have defined the group's risk appetite across our risk categories (Strategic, Financial, Operational and Regulatory). A three-point risk appetite scale (Averse, Cautious and Open) and appetite ratings have been applied, using both quantitative and qualitative criteria that align to the delivery of our Performance Ambition. This category-led approach enables practical application of risk appetite thresholds to all business risks, which informs the level of mitigation required. Examples of risks for which we have an averse appetite include risks that could: harm our people; impact product quality; cause us to market irresponsibly or act without integrity; and be non-compliant with laws and regulations, including those relating to financial reporting.

Risks that can be partially mitigated through insurance are also identified and evaluated. We focus our insurance resources on the most critical areas or where there is a legal requirement, seeking a balance between retained risk and risk transfer. As insurance markets are getting tighter, this is an area we continue to monitor.

Emerging risks

The ARC and Audit Committee formally review emerging risks. Our Strategy and Global Audit and Risk teams undertake horizon-scanning to monitor any potential disruptions that could dramatically change our industry and/or our business, from both a risk and opportunity perspective, for the Executive Committee to understand the changing landscape and take appropriate actions.

We are currently monitoring a number of emerging risks across the business. There is a risk to our brands emerging from consumers making brand choices which reflect their increasingly polarised socio-political views. Macro-economic and financial risk has also increased since last year as persistently high levels of inflation and interest rate hikes have resulted in cost-of-living crises and instability in financial markets across many countries in which we operate. We are in the first year of a five-year global programme to transform and digitalise processes. As a result, the scale of the impact on our business, resources, and ways of working represents an emerging risk as we navigate through the programme.

This list does not include all of our risks, and the risks listed are not set out in order of priority.

Gross Risk Movement refers to the gross movement in the risk, before mitigations and controls, from the prior year.

Risk and impact	Mitigation plans	Gross Risk Movement
1. Climate change and sustainability EG CVC CT EP V Physical and transition climate change risks, including water stress, extreme weather events, temperature rises and increased regulation, may result in increased volatility in the supply of raw materials, production costs, capacity constraints and higher costs of compliance. The failure of the business to meet our sustainability goals could result in loss of licence to operate, financial loss and reputational damage amongst customers, consumers, investors and other stakeholders. The collective climate action failure to meet sustainability goals may result in severe warming of 4-5°C as per IPCC scenario RCP8.5 modelling.	**Core mitigations:** • The cross-functional Climate Risk Steering Group sets our strategy for ongoing climate risk assessment, and manages associated opportunities and risks, while continuing to develop our approach to climate change risk reporting (see page 71). Resource-scarcity issues have been identified and mitigated, especially within agricultural ingredient sourcing, and manufacturing, water and energy. • Physical risk exposures have been identified for sites assessed in North America and Scotland, Africa, Mexico, India, and Turkey and being built into site and category risk footprints. • 'Society 2030: Spirit of Progress' ambition was launched and operationalised to deliver against key targets and longer-term goals. • Water blueprint was defined and operationalised in water-stressed locations. • Communication programmes are in place to share impact, strengthen reputation and support advocacy platform. • Carbon pricing is being assessed as an internal mechanism to drive deeper understanding of the impact of our energy choices. • Our TCFD modelling and mitigation plans incorporate the risk of a 4-5°C climate change scenario, which may arise as a result of collective climate action failure. **Developments in F23:** • Progress against our 'Society 2030: Spirit of Progress' targets (see pages 79 - 86). • Further multi-year climate change risk assessments and scenario analysis performed in Latin America and Caribbean, Asia Pacific, and Europe to evaluate short and long-term impacts from physical and transition risks. • We have further increased resource dedicated to the mitigation of climate impact within our sustainability, sourcing, and finance teams. • Our response includes mitigations, (action to reduce our impact on climate change), and adaptations, (action to reduce the impact of climate change on our operations).	**Increasing:** ▲ Climate action failure, extreme weather and biodiversity loss top the list of the globe's highest risks, with regulations and government interventions expected to continue to increase. Transition climate risk is expected to increase in likelihood due to the acceleration of regulatory efforts to control global warming. In addition, transition risks associated with increased customer and consumer awareness and action on climate change are likely to accelerate.
2. Regulation, trade barriers and indirect tax EG CVC CT V Post pandemic, we see risks associated with geopolitical tensions, global inflation and debt crises which cause pressures on public finances, resulting in the need to raise new tax revenue. In addition, public health concerns may lead regulators in major markets to ban or restrict the marketing or sale of alcohol, while increased trade tensions and/or fiscal pressures may prompt the introduction of additional trade barriers and/or disproportionate tax increases, all of which may result in financial loss.	**Core mitigations:** • We run multi-year public policy campaigns to minimise risk and unlock tax, trade and regulatory opportunities. • We have active involvement with the United Kingdom, the European Union and the United States authorities to prevent escalation of tariff tensions and promote free new trade agreements. • Our positive drinking programmes are supported by a global industry platform to promote responsible drinking and tackle spirits discrimination. • We practice evidence-based engagement to build trust and reputation with governments, health ministries and other stakeholders. **Developments in F23:** • We have continued to prioritise the execution of public policy campaigns in all markets, to minimise risks and unlock tax, trade and regulatory opportunities.	**Increasing:** ▲ Pressures on public finances and public health concerns are increasing. This has resulted in an increasing likelihood of changes in regulations, trade barriers or indirect tax to mitigate increased inflation and debt crises.

Strategic outcomes	EG Efficient growth	CVC Consistent value creation	CT Credibility and trust	EP Engaged people	V Risk included in viability assessment
Gross Risk Movement	▲ Increasing	▼ Decreasing	▶ Stable		

STRATEGIC REPORT

Risk and impact	Mitigation plans	Gross Risk Movement
3. Geopolitical volatility and business interruption EG CVC CT EP V Geopolitical forces, primarily driven by the Russia/Ukraine conflict (but also several other vectors globally), coupled with macro-economic stress, increase the likelihood of international and domestic tensions, disputes, conflict, unrest, and crime. A significant interruption to our business due to external events or a global health emergency could restrict access to our products, negatively affect our operations and brands, or pose a threat to the safety of our employees; any of which could have a negative impact on our commercial and financial performance. Upcoming election cycles in key markets including the US, UK and Europe are likely to lead to increased volatility.	**Core mitigations:** • We have global policies in place to prioritise the health and safety of our people. • There is a Global Business Continuity Programme in place, including training, to enhance our capability to react effectively to a crisis and minimise disruption. • Global supply chain risk programmes improve our ability to maintain operational processes through volatility, thereby increasing our resilience. • Multi-channel product availability enables consumers to flexibly continue to purchase our products. • Insurance policies are in place to protect against the financial consequences of covered events. • Our Global Corporate Security Policy ensures appropriate security measures are in place across all markets and sites. • Global 'Flex Philosophy' on working patterns and home working are well-embedded and support business continuity. **Developments in F23:** • WHO declaration that the global health emergency was over, and restrictions were widely lifted. • The business has reacted to manage the impact of the Ukraine conflict, which included closing down our Russia business unit, supporting employee safety in Ukraine, and continuing to monitor for potential escalation and broader impacts. • The geopolitical situation in Europe, with the Russian invasion of Ukraine, has continued to impact business. We announced that we would wind down our business in Russia in June 2022.	**Stable:** New risk categorisation.
4. Macro-economic and financial volatility EG CVC V Failure to react quickly enough to changing macro-economic conditions and financial volatility could erode consumer confidence and adversely impact financial performance. Macroeconomic conditions include inflationary pressures, unemployment and global trade tensions. Financial volatility risk could arise from variability in financial markets, interest rate fluctuations and currency instability.	**Core mitigations:** • We monitor locally and globally key business drivers and performance to prepare for rapid changes in the external environment. • Central hedging and currency monitoring take place to manage volatility which arises. • Group-level strategic analysis and scenario planning is managed at both a global and a local level, to strengthen market strategies and risk management across the business. • We have multi-country investment and local sourcing strategies. • There are dedicated cross-functional steering groups to manage acute issues including inflation. **Developments in F23:** • Advanced analytics have been introduced to scenario plan volume ranges over a longer time period, allowing better mitigation against changes in the external landscape. • Scenario-planning has been embedded into Executive and Board meetings and integrated into the strategic planning cycle. • Inflation has remained high and has reduced more slowly than expected in many countries. High levels of inflation are expected to continue in the short to medium-term. • Foreign exchange volatility has increased across several of our markets.	**Stable:** New risk categorisation.

Risk and impact	Mitigation plans	Gross Risk Movement
5. International direct tax EG CVC CT V Changes in the international tax environment may lead to an increased cost of compliance, an increase in our effective tax rates and/or unexpected tax exposures and additional uncertainty, which could result in financial loss.	**Core mitigations:** • We monitor and, where appropriate, express views on the formulation of tax laws either directly or through trade associations or similar bodies. • We continuously monitor the international tax landscape for new taxes and tax legislation introduced and work on improving tax processes, data, and system capabilities to enable us to ensure compliance. • We are continuing the implementation of our tax transformation programme, to standardise, centralise and automate tax activities and controls where possible. • We continue to review and adapt our global transfer pricing policies to ensure profits are taxed in line with business activities and economic substance. **Developments in F23:** • We continue to monitor tax laws, and progress the implementation of our tax transformation programme. The Organisation for Economic Cooperation and Developments (OECD) work on digitalisation will likely impact how and where multinationals are taxed, for example, through the implementation of a global agreement on a minimum effective tax rate under the Pillar Two rules. • The risk of unilateral tax measures (increased rates, new taxes, new extra-territorial measures) may increase if the OECD isn't successful in generating the consensus required to implement its proposals at scale.	**Stable:**
6. Supply chain disruption EG CVC CT V Supply chain disruptions can be induced by a range of reasons, including and not limited to, geopolitical tension, changes in commodity markets, increasing likelihood of severe weather events, cybersecurity threats across the end-to-end supply chain, macro-economic instability (such as inflation) impacting the responsiveness from our suppliers, regulatory changes and changes in customer and consumer behaviours. Supply chains are likely to be expected to operate in this 'never normal' for the near to mid-term. The occurrence of these events are likely result in impacts to supply chain lead times and sufficiency of supply and therefore may have a negative impact on our commercial and financial performance.	**Core mitigations:** • We have aligned our operating strategy across the supply chain. • We have enhanced our digital infrastructure through the use of Artificial Intelligence and automation to simplify decision-making. • The use of real time analytics and insights has enabled us to proactively respond to changes in consumer demand. • Integrated Business Planning has been implemented, ensuring end-to-end decision-making. • We have worked with our suppliers to create ecosystems to ensure continued service and minimal disruption, moving away from single supplier models. • The number of packing operations and hubs that are closer to the markets has increased, creating more flexibility and responsiveness. **Developments in F23:** • We have focused on segmentation and the implementation of differentiated supply strategies. • We have secured additional capacity on key packaging components and with our ports, carriers and third-party logistics providers. • In addition, we have secured additional ocean capacity, moving 20% of shipments from Scotland from ocean to rail transport, and established visibility on lead times that have given us increased accuracy and visibility. • We continue to manage our product portfolio to drive harmonisation and simplification. • We have enhanced our digital infrastructure and capability through artificial intelligence and advanced automation roadmap. • We have incorporated both upside and downside scenario planning for better risk mitigation.	**Stable:**

Strategic outcomes

EG Efficient growth · CVC Consistent value creation · CT Credibility and trust · EP Engaged people · V Risk included in viability assessment

Gross Risk Movement

Increasing · Decreasing · Stable

Risk and impact	Mitigation plans	Gross Risk Movement
7. Cyber and IT resilience EG CVC CT V There is a rise in cyber attacks which impact supply chain operations and the manufacturing industry. Sophisticated cyber and IT threats (both within our network and at third parties), including those facilitated through breaches of internal policies and unauthorised access continue to be prevalent, and could lead to theft, loss and misappropriation of critical assets, such as personal and consumer data, and operational / production systems. Inadequate IT resilience arrangements and integration with legacy systems and our increasing dependence on third-party IT services and solutions could cause disruption to core business operations, including manufacturing and supply, resulting in financial loss and reputational damage.	**Core mitigations:** • Enterprise-wide cyber risk management processes and policies are in place. • We run a cyber security training and awareness outreach program, including regular phishing exercises. • We have an identity and access management framework. • IT and Operations Technology (OT) disaster recovery and business continuity testing takes place across key systems. • We monitor internal systems and respond to cyber threats. • We have information management and data resiliency measures across systems. • Assurance is in place over IT controls for key third-party managed systems. **Developments in F23:** • We have enhanced our cyber security operations and OT cyber capabilities across sites. • We are upgrading our enterprise resource planning system and associated processes to ensure they remain resilient.	**Increasing:** Geopolitical tensions are growing, and there is an increased likelihood of a more sophisticated cyber threat which could affect any organisation.
8. Business ethics and integrity EG CT EP There are increased regulatory expectations with new legal regimes being imposed, and a heightened enforcement stance being adopted across different markets. Lack of an embedded business integrity culture or any breach of our policies, relevant laws or regulations (including but not limited to anti-corruption, money laundering, global competition, human rights, data protection and economic sanctions) could result in significant penalties, financial loss and reputational damage.	**Core mitigations:** • Our Code of Business Conduct and supporting policies and standards set out compliance requirements which are then embedded throughout Diageo via regular training, communications, annual certification, and risk-based global and local engagement activities. • Robust whistleblower mechanisms for complaints to be raised, properly investigated and remedial actions taken. • Risk management process and assessment framework to identify, assess, mitigate, and monitor business and compliance risks. • Well-embedded control assurance programme and centralised second line of defence. • Third-party due diligence process supported by technology and central oversight. • Utilisation of data and analytics tools to proactively support risk identification, assessment, and ongoing governance. **Developments in F23:** • Significant updates have been made to our third-party due diligence by shifting core aspects of the process to a centralised team, which will leverage expertise, centralise oversight, and shorten on-boarding time frames. • We have updated our Code of Business Conduct and Countering Corruption policy to address anti-fraud more fully. • Values-based training and engagement have been deployed across all levels, with a particular focus on anti-retaliation, anti-bullying and leading with integrity. • New guidance has been developed around screening of third parties to address our growing Direct to Consumer business opportunities. • We have continued to enhance our governance processes around global human rights to ensure that human rights considerations are strengthened across all business operations and reflect emerging human rights regulations across the globe.	**Increasing:** Across the different markets in which we operate there are increasing regulations from the governing bodies, and the value of financial penalties imposed is also growing. This has resulted in an increase in both the likelihood and impact of the risk.

Risk and impact	Mitigation plans	Gross Risk Movement
9. Consumer demand disruption EG CVC CT V Consumer demand is increasingly disrupted as a result of heightened macro-economic volatility, with inflation and cost-of-living crises across many countries adversely impacting prices and consumer spending power. Consumer patterns are also being disrupted by, but not limited to, digital technology, health and lifestyle priorities, altered consumption behaviour, and new formats and technologies. Inability to respond and adapt our products or processes to these disruptive market forces could impact our ability to effectively service our customers and consumers with the required agility, and result in financial loss.	**Core mitigations:** • We have a highly diversified portfolio of brands sold across the world, to ensure broad coverage of consumer occasions, geographies, trends and price points. • We operate a rigorous process of strategy development and governance at corporate and market level, using a suite of propriety and third-party data tools, including our Brand Guidance System, Global Performance Suite and Consumer Choice Framework. • We perform a systematic review of emerging consumer and route to consumer trends at market and brand level. • We focus our innovation on our strategic priorities and the biggest consumer opportunities, through global brand extensions and new-to-world products. • Our Demand Radar system provides enhanced demand forecasting capability at market and category level, allowing us to optimise marketing investment. • Using our Volatility Tracker tool, we can review changes in consumer attitudes and spending, both within our category and across the wider consumer economy. **Developments in F23:** • Consumer behaviour and drivers of choice are fragmented, as consumers increasingly make product choices reflecting their personal socio-political values. • We are investing in our social listening capability to improve our understanding and semantic analysis of online consumer signals.	**Stable:**
10. Product quality and counterfeit EG CT Accidental or malicious contamination of raw materials or finished product, and/or ineffective brand protection and intervention to address counterfeiting of our products supplied to market, could cause harm to consumers, damage our corporate and brand reputation and pose potential threats to our people due to the illicit nature of organisations involved in counterfeiting activities.	**Core mitigations:** • We use food safety system standards (FSSC 22000) in place for our owned brewing and packaging sites. The majority of these sites are certified, with the exceptions being newly acquired and redeveloped sites, where we are upgrading the systems to meet the standards. • We monitor the FSSC 22000 certification of third-party sites and exercise our right to audit where necessary. • Regular risk assessments are undertaken against our food fraud and food threat standards. • We have also initiated a programme to strengthen and expand our global quality standards to bring further rigour to our quality ways of working for specific categories of products. The initial focus of this work is non-alcoholic and ready to drink products where we are harmonising our quality standards. • Anti-counterfeiting measures embedded in our packaging deter against reuse, making our products more difficult to copy and enabling rapid authentication. • We operate an active programme to identify high-risk areas, engage with customs and law enforcement authorities, and participate in industry initiatives to monitor and prevent counterfeiting activity, pursuing enforcement and prosecution where possible. • We run an online monitoring and takedown programme across high-risk e-commerce and social media platforms, and directly engage with many platforms to create awareness and stop counterfeit listings. **Developments in F23:** • The geopolitical risk in Eastern Europe (including Russia) brings increased risk of counterfeit as it creates porous borders; while the growth of tequila has seen a rise in counterfeit tequila cases in a number of markets. • Our Global Track and Trace Standards have been strengthened and rolled out across Supply. Annual tests and audits are in place. • The risk of a product quality issue remains stable, though material sourcing challenges mean that we need to maintain and implement our standards effectively to mitigate this additional risk. The number of food safety alerts raised by regulatory authorities is rising. • We have further developed and standardised our approach to monitoring known and emerging food safety risks associated with the spirits category, by expanding our global spirits product integrity testing programme. • We have strengthened our investigation capabilities, with a new vendor wholly focussed on identifying the source of counterfeit packaging impacting cross-border counterfeit trade. • We continued the roll-out of upgraded liquid authentication machines. • We have upgraded our approach to identifying the source of counterfeit packaging and authentication.	**Stable:**

Strategic outcomes
EG Efficient growth — CVC Consistent value creation — CT Credibility and trust — EP Engaged people — V Risk included in viability assessment

Gross Risk Movement
Increasing — Decreasing — Stable

Viability *statement*

The Directors have reviewed the long-term prospects of the group in order to assess its viability. This review considered the activities and principal risks of the group, together with factors likely to affect the group's future performance, financial position, cash flows, liquidity position and borrowing facilities, as described in this Annual Report.

Assessment

In order to report on the long-term viability of the group, the Directors reviewed the overall funding capacity and headroom available to withstand severe and plausible downside events, and carried out a robust assessment of the relevant principal risks facing the group, including those that would threaten its business model, future performance, solvency, or liquidity. This assessment also included the review and understanding of mitigating factors for each principal risk. The risks and mitigating factors are summarised in this Annual Report.

The viability assessment has three parts

First, the Directors considered the period over which they have a reasonable expectation that the group will continue to operate and meet its liabilities. A three-year period is considered appropriate for this viability assessment as this period is covered by the group's strategic plan and carries a high level of confidence in assessing viability.

Second, they considered the potential impact of severe but plausible scenarios over this period, each of which contain a combination of principal risks. None of the scenarios individually or in aggregate would cause Diageo to cease to be viable. A summary of the severe and plausible risks modelled, and the level of severity reviewed is included below.

Thirdly, they considered the group's sources of liquidity to fund both the strategic plan and the impact of the severe scenarios over this period. Diageo has continuous access to the debt capital markets and committed facilities over the viability period, including the ability to refinance any maturing debt, or meet new funding requirements at commercially acceptable terms. The group's liquidity is supported by a healthy balance of short-term and long-term debt programmes and £2.7 billion of committed credit facilities, if required. The group also has flexibility in reducing discretionary spending, including acquisitions and capital expenditure, as well as temporarily suspending/reducing its return of capital to shareholders (dividends or share buybacks).

Risk scenarios modelled	Description and severity	Principal risks
Global economic downturn	Prolonged global stagflation compounded by heightened geopolitical tensions and sharp economic challenges, including large interest rate hikes, sustained foreign exchange volatility and instability in the financial markets. This results in lost sales, through reduced consumer confidence, greater volatility amongst our customers and suppliers, and heightened price sensitivity. Cost-of-living increases lead to rising industrial unrest at supply sites and increases in interest rates result in financial institution and/or credit market-related failures. Sales: Reduction in volumes across the three-year period, and consumer downtrading, with reduced price increases.	Geopolitical volatility and business disruption Supply chain disruption International direct tax
Increased geo-political tensions	Increased geopolitical tensions result in a spike in cyber attacks, impacting supply operations across multiple Diageo sites and resulting in production downtime. Heightened tensions also result in disruptions to Diageo's route to market and adversely impact on consumer demand for and/or availability of Diageo products, negatively affecting sales. Sales: Lost sales from adverse impact on consumer demand/availability, production downtime and route to market disruption.	Cyber and IT resilience Geopolitical volatility and business disruption Consumer demand disruption
Consumer choice changes and regulatory impact	Consumer preferences move away from alcohol consumption driven by changing lifestyle priorities and social habits. Consumer demand becomes more fragmented as consumers make product choices reflecting their personal socio-political values, and as a result of a perceived misalignment with Diageo or its products, consumers do not purchase our products, thereby negatively impacting our sales and profitability. In parallel, large public debt levels and/or increased anti-alcohol pressure lead governments in major markets to impose significant excise increases, restrictive trade measures or other excessive regulatory measures. Sales: Loss of sales to the non and low-alcohol segment, and reduced sales growth due to the fragmentation of consumer demand.	Regulation, trade barriers and indirect tax Consumer demand disruption
Climate change and natural hazard	Increasing global temperatures impact our ability to make products due to constrained water supply, leading to a rotational short-term shutdown occurring across some of our water-stressed sites. Climate change drives increasing costs of raw materials, while the acceleration of taxation against carbon use increases our operational costs. Extreme weather events occur more frequently, impacting our supply facilities, causing production outages. The assumptions associated with this scenario are based upon our TCFD scenario modelling, and applied to a three-year period. Sales: Loss of sales due to operational outages as a result of disruption to production at water-stressed sites, and the impact of extreme weather events.	Climate change and sustainability Supply chain disruption Geopolitical volatility and business disruption
Combined scenarios	The highly unlikely event of the combination of all of the above scenarios occurring at the same time.	

Management has prepared cash flow forecasts which have also been sensitised to reflect severe but plausible downside scenarios, taking into consideration the group's principal risks. In the base case scenario, management has included assumptions for mid-single digit net sales growth, operating margin improvement and global TBA market share growth. Even under the severe downside scenarios, the group's cash position is still expected to remain strong. Mitigating actions, should they be required, are all within management's control and could include reductions in discretionary spending, such as acquisitions and capital expenditure, as well as a temporary suspension of the share buyback programme and dividend payments in the next 12 months, or drawdowns on committed facilities. Having considered the outcome of these assessments, the Directors are comfortable that the company is a going concern for at least 12 months from the date of signing the group's consolidated financial statements.

Conclusion

On the basis described above, the Directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Our ESG *reporting approach*

Reporting transparently on the ESG issues that affect our business, and that our business creates, plays a vital role in delivering our strategy. It helps us to manage ESG risks, take opportunities and promote sustainable development everywhere we live, work, source and sell.

Our ESG reporting suite aims to provide comprehensive and comparable disclosures for a broad range of stakeholders. As well as publishing our integrated Annual Report and ESG Reporting Index each year, we also submit non-financial information to benchmarking and index organisations, including those listed on the Awards and ranking page of our website.

The non-financial reporting space is evolving quickly. We are committed to continually evaluating and improving our approach and to actively tracking emerging ESG regulation, frameworks and good practice.

How we report to our stakeholders – our reporting suite

Annual Report Where we present our most material disclosures and describe how our strategy delivers value for our business and other stakeholders. The performance of non-financial KPIs are integrated into the relevant focus area sections. The document also includes detailed non-financial reporting boundaries and methodologies.

Diageo.com Where, through the 'Society 2030: Spirit of Progress' section, we give more details of our approach and performance, with examples of our strategy in action.

ESG Reporting Index Where we give additional disclosures in line with the GRI Standards and the UNGC advanced reporting criteria index, plus our response to the Sustainability Accounting Standards Board (SASB). This document also includes detailed non-financial reporting boundaries and methodologies.

Who are our stakeholders? Everyone who is affected by our business, and everyone who affects it, is a stakeholder. A detailed description of our stakeholder engagement process is on pages 110-113 of this Annual Report.

Non-financial and sustainability information statement

Focus area	Relevant policies and standards	Read more in this report	Page
Description of Diageo's business model		• Business model	24-25
Society 2030: Spirit of Progress'		• 'Society 2030: Spirit of Progress'	57
Promote positive drinking	• Global Marketing and Digital Marketing Policy(1) • Global Employee Alcohol Policy(1) • Position papers(1)	• Promote positive drinking including performance of the relating metrics	58-60 32-35
Champion inclusion and diversity **Our people and culture**	• Code of Business Conduct(1) • Great Britain and Scotland Gender Pay Gap Report 2022 • Republic of Ireland Gender Pay Gap Report 2022 • Global Human Rights Policy(1)	• Champion inclusion and diversity including performance of the relating metrics • Our people and culture	67-70 63-64
Pioneer grain-to-glass sustainability	• Global Environment Policy(1) • Sustainable Agriculture Guidelines(1) • Sustainable Packaging Commitments(1) • Partnering with Suppliers Standard(1) • Deforestation Guidelines	• Pioneer grain-to-glass sustainability including managing climate risks and opportunities and performance of the related metrics • Our principal risks and risk management	71-87 88-93
Task Force on Climate-related Financial Disclosures		• Pioneer grain-to-glass sustainability including managing climate risks and opportunities and performance of the related metrics • Our principal risks and risk management	71-87 88-93
Human rights	• Global Human Rights Policy(1) • Modern Slavery Statement(2) • Global Brand Promoter Standard(1)	• Doing business the right way • Our principal risks and risk management	61-62 88-93
Health and safety	• Global Health, Safety and Wellbeing Policy(1)	• Health and Safety	65-66
Anti-bribery and corruption	• Code of Business Conduct(1)	• Doing business the right way • Our principal risks and risk management	61-62 88-93

(1) https://www.diageo.com/en/our-business/corporate-governance/code-of-business-conduct/policies-and-standards
(2) https://www.diageo.com/en/esg/doing-business-the-right-way-from-grain-to-glass/modern-slavery-statement

This Strategic Report, which has been approved by a duly appointed and authorised committee of the Board of Directors, was signed on its behalf by Tom Shropshire, the Company Secretary, on 31 July 2023.