

DIAGEO SOCIETY 2030: SPIRIT OF PROGRESS WEBCAST TRANSCRIPT INCLUDING Q&A – THURSDAY 20th MAY

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

Hello and welcome.

I am delighted to be able to spend the next 45 minutes providing a deeper dive into our 10-year ESG action plan, 'Society 2030: Spirit of Progress', and how the ambitious goals we have set ourselves are fundamental to the delivery of our performance ambition.

I am joined today by Javier Ferran, our Chairman; Ewan Andrew, President of Diageo Global Supply Chain and our Chief Sustainability Officer; Mairéad Nayager, our Chief Human Resources Officer; and Kate Gibson, Global Director of Diageo in Society.

First, I want to set out why I believe our strategy is different and why, through the 25 ambitious goals that make up our 'Society 2030: Spirit of Progress' plan, Diageo is committed to shaping a more sustainable and inclusive business and society.

This is a business tuned to respond to the needs of all our stakeholders and society at large. Arthur Guinness, Charles Tanqueray, John Walker and those that followed in their footsteps, were incredible innovators and entrepreneurs. They understood, as we do today, that our distilleries, breweries and the hospitality industry we serve are at the heart of local communities and that our business will only thrive if it helps these communities prosper too.

Today, we are building on a successful track record of ESG progress and have already made great strides in recent years:

- We have reduced our greenhouse gas emissions from direct operations by over 50% since 2007, despite increasing our production volume.
- We have achieved a 46% improvement in water use efficiency.
- We have reached over 225 million people with moderation messages from our brands.
- And 39% of our leadership roles are held by women, taking us beyond the target we set for 2020.

We have worked hard to build strong analytical rigour and capability within our business, generating data-led insights to drive our performance. Our approach to the delivery of our ESG goals is no different. We understand the importance of measurement and transparency and are moving towards a fully integrated approach to reporting, with all our commitments directly linked to our strategic priorities. Our plans are a core part of the operational delivery of the business, day in, day out. Ewan will bring this to life in more detail shortly.

We continue to extend our existing disclosures to be in line with TCFD guidelines and already provide quantitative progress against our targets in our Annual Report.

ESG and our 'Society 2030: Spirit of Progress' plan is fully owned by the Executive Committee and Board, with every senior leader in the organisation incentivised to deliver our key commitments from the start of fiscal 21, with 20% of LTIP grants directly linked to our ESG measures.

Since we launched our new action plan in November 2020, 'Spirit of Progress' quickly became the top trending topic across all our internal channels, with strong engagement from employees keen to understand their role and get involved in its delivery.

While our ESG performance to date has been strong, we recognise there is much more to do, which is why each of our 25 goals have an innovation gap built in, by design, based on what we know today, what we will need to do in the future, including where we will need new technology and partnerships.

In developing our plan, we considered where we are today; what we knew we could achieve and then looked at what was required to close the gap to achieve the UN Sustainable Development Goals through to 2030.

Our goals are built on the most material issues affecting our business and the opportunities we see, based on what we have learned through the delivery of our previous targets.

We strongly believe there are commercial benefits from ambition on ESG: not just meeting the regulatory requirements and stakeholder expectations, but in attracting and retaining the best talent, building deep consumer loyalty, creating new partnerships, and increasing innovation, efficiency and resilience across our operations.

We know that the issues facing society are complex and connected, and we are focussed on the impact we can have throughout our value chain across communities, suppliers, our partners, customers and consumers.

As a consumer-centric business, we know that our brands must be authentic and consistent in the way they meet the expectations of our consumers. This equally applies to their impact on society as it does their role in occasions and celebrations.

If there is one positive to come from this pandemic, governments and society are beginning to understand the critical importance of a thriving hospitality sector to our social fabric: as an employer, a significant creator of value and economic growth, and the cornerstone of communities the world over.

We believe that our responsibility and influence extends beyond our direct operations. We are building and nurturing some of the world's most iconic brands, rooted in culture and local communities, which is why we are focussed on creating an inclusive, sustainable business in its widest sense.

From our people to our brands and the way we promote our category, we will leverage the full breadth and reach of Diageo to shape market-leading policies and practices. We will promote a positive role for alcohol; champion inclusion and diversity; preserve the natural resources on which our long-term success depends; and make a positive contribution to the communities in which we live, work, source and sell.

Ewan will now talk you through our 'Society 2030: Spirit of Progress' goals, the frameworks we follow, the costs associated and show how we compare with peers.

EWAN ANDREW - PRESIDENT OF GLOBAL SUPPLY & PROCUREMENT AND CHIEF SUSTAINABILITY OFFICER

Thank you, Ivan.

I want to start by recognizing the progress we've made in the last decade with the delivery of our 2020 targets, which we believe were industry leading when we set them. It has taken incredible engagement, effort and focus from our people and our partners and we were incredibly proud of our results but determined to go further.

We have a track record of setting ambitious targets and our 'Society 2030: Spirit of Progress' plan is no different. The power of the ambition has a mobilising effect on our people and is a catalyst for innovation.

We developed these goals over a year, through engagement with a wide range of stakeholders and rigorous trend analysis. All 25 goals are aligned to the UN's Sustainable Development Goals and while bold and ambitious in their own right, they build on the significant progress we've already made. As you can see, they are grouped according to the most material issues and opportunities for Diageo.

Their delivery will require focused and sustained work, largely leveraging known technologies combined with a need to close a purposefully built-in innovation gap. Where the technology is not yet there, or is sub-scale, we will partner to establish it. This will require consortium-led breakthroughs, combining the power of our own innovation and research capabilities, with the skills and resources of others. We're excited by this and the role we can play as a leader in consumer products to drive change.

We are continuously improving how we track and measure progress and integrating our approach within the day-to-day operations of the business. Our General Managers review their progress as part of their usual business cycle. Market-level integrated performance dashboards are then consolidated to provide both a regional and global view for the Executive Committee and Board to review quarterly. This approach brings together the most important data streams and provides both local and global accountability. It also provides insights, enabling our markets to share best practice, course-correct where required and enables us to apply predictive analytics within our supply operations, to understand future opportunity or risk to delivery.

Consumers are rightly becoming more insistent that companies and brands act responsibly toward their communities and the environment. By addressing this growing consumer interest and acting to continually improve our sustainability performance, we will be able to create increased awareness and preference for our brands and ensure their long-term success.

We lead our industry in the progress we've made to date and the goals we have set, specifically across tackling the harmful use of alcohol, inclusion and diversity and water stewardship. Our carbon reduction achievements also place Diageo in the top quartile of peer companies, and I am hugely excited about the progress we are making on packaging and regenerative agriculture. We are building partnerships with cutting edge innovators - launching Pulpex Limited with Pilot Lite for example, to transform the packaging landscape over the next few years.

I have the pleasure of leading our Global Supply Chain and Procurement teams, as well as being Chief Sustainability Officer. I know first-hand how critical grain-to-glass sustainability is to the efficiency and effectiveness of our operations. Let me unpack in more detail where we focus within this pillar of our 'Society 2030: Spirit of Progress' plan.

We have long been committed to preserving the natural resources on which we all depend. Working together to tackle climate change, water stress and biodiversity loss. We were an early adopter of absolute, rather than relative reductions in our carbon emissions, setting both our 2020 and 2030 targets in line with the principles of the Science Based Targets Initiative.

We are a recognised leader in our approach to integrated reporting and provide disclosures in line with the Sustainability Accounting Standards Board and the GRI Standards Comprehensive Index.

We are extending our disclosures in line with TCFD guidelines, further embedding climate risk in our strategic decision making and our understanding of the impact of climate change on our business. For example, in fiscal 2021, we completed a comprehensive assessment of physical and transition climate risks of our directly owned assets in Scotland and North America – as these sites represent over half of our net sales value.

In November 2020, Diageo was recognised for the third year in a row in the Dow Jones World Sustainability Index 2020, considered the gold standard for measuring corporate sustainability. In December 2020, we were delighted to retain our place on the CDP's annual A list for water and regain our place on the A list for carbon. We were also recognised as a CDP supplier engagement leader in February 2021. The CDP A list recognises the world's most progressive companies leading on environmental performance and transparency.

To achieve our goals on environmental sustainability, Diageo expects to invest up to £1bn in capital expenditure over the next ten years. And we see this investment as manageable in the context of our existing capital framework and critical to the long-term sustainability of our business operations.

The projects we invest in are chosen and assessed on their environment credentials and benefits. Within the decade we also expect a secondary financial benefit driven through improved efficiency but also reduced consumption of raw materials.

There will be areas such as purchase of renewable energy through power purchase agreements, as part of our goal to reach use of 100% renewable energy for our own operations, and investment in water efficient technologies that will reduce costs.

Our goal is to improve our water use efficiency by 30% globally, and by 40% in water stressed areas. Based on fiscal 20 production volumes, this is the equivalent to saving enough water to meet the needs of 2.9 million people in water scarce environment, or 2,000 Olympic sized swimming pools.

Increased forecasted growth would see an even larger reduction in absolute water usage.

However, in other areas costs may rise as a result of external factors – such as increased costs due to carbon taxation and the impacts on resources, such as agricultural raw materials and water.

The value of these investments in environmental sustainability is multi-dimensional, ranging from supply chain resilience to meeting the expectations of our stakeholders such as consumers, customers, employees and the talent we are seeking to recruit.

As one of the world's leading distillers and brewers, the two most fundamental material inputs to our business, aside from raw materials, are heat and water.

I will start with water, our most important ingredient and a precious shared resource which is coming under increasing pressure in many parts of the world. Managing our impact on water, and being good stewards of this resource, is integral to our management of climate risk.

We achieved a 46% improvement in water use efficiency through to 2020 and although we fell short of our 50% target, this result was industry leading.

Our approach to water is holistic, based on our experience over the past decade, recognising the multiple dependencies between our use of water and the impact on local communities, supply chains and the environment.

We invest in our own operations to be as water efficient as possible, with a goal that on average, every drink we make will use 30% less water by 2030 than today. But we're doing much more than just increasing our water efficiency. By 2026, we will also replenish more water than we will use for production in all our water-stressed sites.

We are also committed to collaborating with other stakeholders in the most vulnerable catchments to improve water security and climate resilience for all, recognising that collective action will have the greatest impact.

This work enables our growth, supporting local communities to develop sustainably and build resilience to risks. Investment in community water projects, particularly for sanitation and hygiene, unlocks development.

At a global level, the economic case for investing in water, sanitation and hygiene, or 'WASH', is well-established. The WHO and UNICEF estimate that every dollar invested in sanitation returns US\$5.5 in increased productivity within the community. While every dollar invested in drinking water supply returns US\$2. The pandemic has brought into sharp relief the importance of WASH as a first line of defence against the spread of COVID-19 and other diseases, and the critical role of water for communities and resilient business operations.

For nearly 20 years we have supported WASH projects, most recently Uganda Breweries partnered with humanitarian organisation, Rotary International, to fund the construction of a water gravity scheme in Bududa District in Eastern Uganda. This included the construction of three kilometres of transmission and distribution lines, a reinforced foundation for the reservoir and 13 public stand taps for the local community.

Investment in our direct operations in Africa has also been significant. In 2019, we announced an unprecedented investment of £180m focused on both carbon and water projects across 11 sites in seven countries, to support climate change resiliency in Sub-Saharan Africa.

Uganda Breweries also invested in a Water Recovery Plant to minimise our own water use and increase water replenishment. The water treatment plant has slashed our consumption of water in Uganda by millions of hectolitres, as well as converting wastewater into water that can be reused for irrigation, or even cleaning the brewery itself.

We apply a relentless focus on continuous improvement across all our sites. Week by week, month by month, systematic execution of improvement activities has combined to have a significant impact on our total water performance.

Moving from water to heat. Typically, 80% of Diageo's energy requirements is from heat.

We have committed to accelerating the transition to a low-carbon future. Overall, we are working to achieve net zero carbon across our full business, Scope 1 and 2 by 2030, and then in Scope 3 by 2050, or sooner.

We have aligned ourselves with science-based targets, adopting best practice firmly aligned with a 1.5-degree trajectory, to ensure we follow a robust and authentic pathway to zero carbon.

I'll start by focusing on our direct operations, referred to as Scope 1 and 2 emissions.

We have already achieved a 50% absolute reduction in our Scope 1 and 2 emissions (from a 2007 baseline). We are rapidly moving to renewable electricity and are using our innovation capability to find the right solutions to reduce carbon emissions associated with heat generation.

For example, in Scotland we have invested over £150m in renewable energy innovation – converting our heat supply from fossil fuels to be based on renewable feedstock from our own co-products. This has taken long-term commitment and leadership but has resulted in a closed-loop, renewable energy system, fit for a low carbon economy.

Later this month, our Oban and Royal Lochnagar distilleries are due to be certified as carbon neutral. And yesterday, I hope you will have seen that we have just formally re-opened our Brora distillery. This beautiful distillery has been built back, brick by brick, to how it ran in 1983, when it last produced whisky. The only new element onsite is the biomass operation, to ensure it was a carbon neutral distillery from day one.

All these sites in Scotland have been converted to use 100% renewable woodchips, or vegetable oil residue, as well as all operating using renewable electricity.

We see our ability to successfully export our insights from Scotland to other parts of the world as being core to our progress.

We have expanded our renewable energy investment in India and most recently in Africa, where in both Uganda and Kenya, we are investing in biomass boilers for our brewing operations. This is particularly pioneering as the biomass supply chain infrastructure in Africa is nascent, and so we are addressing this innovation gap by developing new supply chains which will benefit our breweries and our local communities, while also encouraging others to switch to renewables.

At the new Bulleit distillery in Kentucky, which is one of the largest carbon-neutral distilleries in North America, we took a different approach. This distillery will be powered by 100% renewable electricity from electrode boilers, as well as other renewable electricity sources.

We are applying the same rigour to our new investments in consumer-facing experiences and our offices, all of which will meet the same external sustainability standards.

While this work is hugely exciting, it is largely leveraging known technologies.

Accelerating to a low carbon world and achieving our new target of net zero direct carbon emissions cannot be achieved without consortium-led breakthroughs. And as a result, we are already involved in a number of hydrogen projects including the Green Hydrogen hub at the port of Cromarty Firth.

We recognise this work doesn't stop at our doors and we need to work closely with our suppliers on what are known as Scope 3, or indirect, emissions - widely accepted as being the greatest challenge, but also where there will be the biggest impact on climate change mitigation.

By June 2020, we had surpassed our 2020 target of a 30% reduction in absolute greenhouse gas emissions along our total supply chain, whilst continuing to grow our business. We have set a new ambitious goal of achieving a further 50% reduction in our Scope 3 emissions by 2030. And we plan to achieve net zero in our supply chain by 2050 or sooner.

To do this, we are focusing particularly on packaging and regenerative agriculture, which make up the biggest components of our Scope 3 emissions. We have long been focused on responsible sourcing, working with our suppliers towards more sustainable agricultural practices. And through our ambition to become sustainable by design, we are continuously looking for ways to ensure that our packaging is both sustainable and effective.

Partnerships will be critical here. You will have seen our launch of 'Pulpex Limited' last July, a new partnership between Diageo and Pilot Lite to create a new spirits bottle. Paper-based, it is made entirely from sustainably sourced wood. Together we are building a consortium of global FMCG companies, including PepsiCo and Unilever, to develop the technology further.

We have also recently taken part in an exciting trial with glass container manufacturer, Encirc, using an innovative furnace powered by renewable biofuel to reduce the carbon footprint in producing glass bottles by up to 90%. Our Black & White Scotch whisky will be the first brand to trial the new process.

While I've covered a lot of ground, there is plenty more detail available for you on Diageo.com. While we have a strong track record, we are not complacent. We know there is much more to do. We are excited by that and confident in our ability to deliver our grain to glass sustainability goals.

Kate will now talk you through the positive contribution alcohol makes to society and will begin with the leadership role Diageo plays in promoting moderation and addressing the harmful use of alcohol.

KATE GIBSON - DIRECTOR OF SOCIETY, DIAGEO

Thank you, Ewan.

Promoting moderation and addressing the harmful use of alcohol is not only the right thing to do but also a critical part of our premiumisation strategy. We want people who choose to drink to drink better, not more. We want the millions of people around the world who choose to drink alcohol to trade-up to higher quality, better tasting drinks: from consumers in developing countries switching away from illicit home-brews to responsibly made, quality products, to Scotch aficionados treating themselves to a bespoke blend, and the many other choices in between. Encouraging moderation lines up very clearly with our values and aims as a business.

There is no drink of moderation, only a practise of moderation and we are determined to provide consumers with the information they need to make informed choices. The prevalence of harmful drinking, including heavy episodic, or "binge" drinking and underage drinking has been falling in many regions over the last decade. There is however, much more to do and the industry has an important role to play in reducing the harmful use of alcohol, in partnerships with governments and civil society.

In 2015, Diageo was a formative member of IARD, the International Alliance for Responsible Drinking, a not-for-profit organisation comprising the twelve-leading beer, wine and spirits companies that work together to actively support the WHO's target in the NCD Global Monitoring Framework of an "at least 10% relative reduction in the harmful use of alcohol" by 2025.

Our brands are made to be enjoyed responsibly. That is why through 'Society 2030: Spirit of Progress' we commit to reaching one billion people with a dedicated message of moderation from our brands by 2030 and to educate people on the risks of the harmful use of alcohol through our industry leading global DRINKIQ platform.

For example, in Mexico, we reached over 46 million people with messages of moderation through an 'alcohol is alcohol' campaign which ran across social media supported by Johnnie Walker, Smirnoff, Don Julio, Buchanan's and Black & White to educate consumers and encourage moderation. Many of our larger brands also leverage topical moments, or major sponsorships, to reinforce the importance of moderation.

DRINKiQ is our global platform for championing consumer health literacy and tackling harmful use of alcohol by helping people make responsible choices about drinking, or not drinking. It hosts a range of digital tools and articles that provide information and practical advice, as well as providing links to relevant external resources where people can find further advice and information. Visitors to the site are also able to assess whether they are drinking at higher risk levels by completing a self-assessment based on the WHO's Alcohol Use Disorder Identification Test, encouraging those at higher risk to consider cutting back or seeking help from medical practitioners. And a quick, engaging online quiz can also help consumers learn some of the basic facts about alcohol, to help them make responsible choices.

We have recently refreshed the site with new content and features. DRINKiQ is live in 21 countries including the UK, US, South Africa, Ireland, India, Australia and Kenya. Our aim is that the refreshed site will be live in 35 countries by the end of the calendar year.

When it comes to those under age, no amount of drinking is safe, which is why by 2030, we will educate over 10 million people on the dangers of drinking underage through SMASHED, our award-winning alcohol education programme, through which we are measuring attitudinal change, not just numbers of people reached.

Since launching SMASHED in the UK over 15 years ago, the programme has now reached over one million people and is available in 25 countries, across five continents, in 17 languages. Attitude change survey data shows that 93% of students are less likely to drink underage as a result of watching SMASHED.

The closure of schools through the pandemic, meant we had to pivot to reach students virtually through the development of SMASHED Online, recently launched in Great Britain and India, with further modules close to launch in Mexico and Australia. More localised versions of this innovative, educational tool will be rolled out in the year ahead.

Our engagement with stakeholders over many years, has shown us that we need to move beyond reach, in order to focus on changing attitudes to the harmful use of alcohol. That's why our Society 2030: Spirit of Progress plan includes a commitment to changing the attitudes of five million drivers towards drink driving, in partnership with UNITAR and supporting the second UN Decade of Action for Road Safety.

We have partnered with UNITAR since 2016, and through our work together, we have designed and implemented a flagship High Visibility Enforcement training programme to support government authorities and police officers in their work to reduce road traffic accidents as a result of drink driving.

Building on this work, in Kenya for example, our partnership with the National Transport and Safety Authority, enabled DRINKiQ to be embedded into the National Driving School curriculum. This is ground-breaking and means every Kenyan taking a driving test will go through our DRINKiQ module.

We are focused on the areas where the greatest challenges lie. The illicit sector for example, is still very large in many emerging markets and can be very harmful for people, when, at its worst the consumption of illicit alcohol can have fatal consequences. The illicit market is often linked to organized crime and deprives governments of tax revenue. It is critical that governments create an environment where legal businesses can thrive and avoid punitive

regulation that creates unintended consequences, including driving consumers towards unregulated channels that endanger public health. Producing affordable branded alcohol alternatives is part of the solution to illicit alcohol production and results in high-quality, regulated products being accessible for consumers. This supports growth, generates tax revenue and most importantly, serves an important public health goal for consumers and governments.

Globally, the hospitality sector is a major employer, particularly of younger adults, employing hundreds of millions of people. Prior to the pandemic, the sector contributed nearly US\$9 trillion to the world's GDP and accounts for one in ten jobs. We are focused on creating a hospitality sector that works for all. It is vital for communities that this sector can fulfil its role as a job creator and engine for economic recovery and growth.

In Fiscal 20, we launched the 'Raising the Bar' programme, our US\$100m recovery fund to help pubs and bars to welcome back customers after lockdown. 'Raising the Bar' has been hugely well-received by the trade, for example, we have already supported over 25,000 pubs and bars in the UK alone as they start to re-open.

The targets for our Learning for Life and the Diageo Bar Academy training programmes are linked and in fiscal 21, Diageo Bar Academy programmes have been adapted to reflect the impact of the pandemic on the on-trade channel.

The hospitality sector and our category in particular brings people together to celebrate. We know we play a leading role in championing inclusion within Diageo, with our suppliers and in our communities, and we know we can have an even bigger impact on society as a whole. Mairéad will now explain how we are doing just that.

MAIRÉAD NAYAGER – CHIEF HR OFFICER, DIAGEO

Thank you, Kate.

At Diageo we are committed to creating the most inclusive and diverse culture, not just because it is the right thing to do, but because we believe this commitment also allows us to recruit and retain the best employees, achieve better performance and have a greater impact on society.

Our position on diversity is not just industry-leading but we believe we are also playing a role in shaping change within the FTSE. Eleven years ago, the Diageo Executive Committee were all men. Whereas today, 60% of our Board and 38% of our Executive Committee are women. This work has been recognized with Diageo most recently ranked the number one FTSE company for female Board and leadership representation in the 2020 Hampton-Alexander Review.

Increasing diversity should be led from the top, but the responsibility for change and the benefits therein, must be felt by the whole organisation for it to be sustainable. We are proud of the culture we have shaped at Diageo and the performance we are driving. We have made good progress, but we know we have much more to do.

We have witnessed the impact our inclusive culture has had on our ability to attract and retain terrific talent around the world. It has widened our talent pool and is a source of competitive advantage.

Many recent senior hires have cited our approach to flexible working and our inclusion and diversity agenda as key drivers in their decision to join us. And the majority of candidates on our recent graduate hiring processes, refer to the level of ambition in 'Society 2030: Spirit of Progress', with many graduates accepting roles, as they felt their values were aligned with the company's.

In our recent global employee survey, 89% of our employees are proud to work for Diageo and 81% would recommend Diageo as a great place to work – that is 10% above the external best-in-class and a 4% increase since our 2019 survey. When asked about inclusion and diversity specifically, 84% of employees agreed that people from different backgrounds and opinions can be themselves and thrive in the company.

We are being ambitious in driving both gender and ethnicity at the same time, and we believe that making progress in inclusion and diversity requires both ambition and action.

We have set new goals to ensure 50% of all leadership roles are held by women, as well as increasing representation of leaders from ethnically diverse backgrounds to 45% by 2030. By 1 July, 38% of our Executive Committee will be ethnically diverse.

As with our other ESG goals, we have backed up our ambition by directly linking our Long-Term Incentive Plan awards to the delivery of these goals - ensuring every senior leader is incentivised to make progress on our inclusion and diversity agenda.

From the way we retain and recruit diverse talent to the way we source services and progressively portray diversity through our brand advertising, we are taking an holistic view of the world and are determined to remove barriers, while having a positive impact on our partners, suppliers and communities.

Internally, we make it a priority to support our growing Employee Resource Groups, from our women's network, 'Spirited Women', to our Race, Ethnicity and Cultural Heritage group, 'REACH', our Africa Heritage Employees group, 'AHEAD', and our LGBTQ+ 'Rainbow' networks. Every year, passionate employees organise a global 'Inclusion Week' comprising celebrations, discussions and personal storytelling on a range of important and challenging topics.

In 2019, we announced that parents employed by Diageo in the UK were eligible for the same fully-paid 26 weeks' paternity leave, retaining benefits and bonuses regardless of gender, sexual orientation or whether they become parents biologically, via surrogacy or adoption. We have now also rolled out an ambitious global family leave policy, which offers female employees in all markets a minimum of 26 weeks' fully paid maternity leave and a minimum standard of four weeks' paternity leave. In the majority of our markets, we've fully equalised maternity and paternity leave. This work has helped to challenge traditional stereotypes around roles, and we are pleased to see other companies follow suit.

In March 2021, we launched menopause guidelines in Great Britain, Ireland and North America, with more countries to follow. Through the launch of these guidelines, we actively encouraged all of our employees to build their understanding of how the menopause impacts individuals, as well as providing strengthened support and flexibility.

As we look at our industry as a whole, manufacturing or STEM roles have traditionally been very male-dominated, but we're committed to shifting the narrative on this in order to create an industry that is truly diverse and inclusive. Since 2015, we have run our Women in Leadership programme for our manufacturing business and have seen more than 350 women take part over the past five years. Today, 50% of our Johnnie Walker blenders are female and we are working hard to increase the number of women in STEM roles at Diageo and in the broader industry through apprenticeships, returner-ships and scholarships.

In our communities, we are also focused on tackling barriers to gender equality through our programmes in partnership with CARE International. This includes tackling barriers for women in smallholder farming, improving

safety and inclusivity in the hospitality industry, hospitality skills training and initiatives to support female entrepreneurs. These efforts enabled us to empower 435,000 women in our communities by the end of 2020.

By ensuring our supply chain reflects our values of inclusion and diversity, we believe we can have a much bigger impact on equality beyond our business. As part of our new 'Society 2030: Spirit of Progress' commitments, we are increasing the amount of money we spend with diverse suppliers – female or minority owned businesses.

In North America for example, our largest market, we have already made great strides, tripling the amount we spend with woman-owned suppliers and doubling our spend with minority owned businesses over the last five years.

As advertisers of some of the world's most loved brands, we know we can make a difference in culture with who we portray in our advertising and content, who we choose to make this work and through where we place our advertising. We firmly believe diverse teams produce better creative work and are committed to increasing the number of female and ethnic minority directors working on our advertising content.

We were one of the founding members of the United Nations' Un-stereotype Alliance, to combat harmful stereotypes in advertising; we were the co-author of the industry wide playbook to un-stereotype content, and we are proud members of the World Federation of Advertisers Diversity and Inclusion Taskforce. We want to encourage more women to stay in the advertising industry, so partner with Creative Equals on a returner scheme to support women across the UK, North America and India to return to the industry following a career break.

Education and support for future talent is critical to delivering long-term, sustainable change. In February 2021, we pledged \$10 million to support Historically Black Colleges and Universities in the US – enabling these institutions to provide financial assistance and internship platforms. And as Kate mentioned, we are committed to supporting people with career paths in hospitality through Learning for Life and through Diageo's Bar Academy – with ambitious goals to provide business and hospitality skills to over 1.7 million people by 2030.

Creating a truly inclusive and diverse culture is at the heart of our ambition at Diageo. Put simply, we believe it makes for a better business and a better world.

Javier will now provide the Board's perspective and the focus applied to good governance, to ensure we continue to build the trust of our stakeholders for doing business the right way, from grain to glass.

JAVIER FERRAN – CHAIRMAN, DIAGEO

Thank you, Mairéad.

Accountability for our Society 2030: Spirit of Progress commitments sits across the Board and the Executive Committee. This is a conscious choice we have made, as we believe this is a 'whole of business' agenda. It is everyone's job and should not be siloed.

We announced in February 2021, the performance measures and targets for the 2020 Diageo Long-term incentive plan (LTIP) and for the first time, 20% of the LTIP will be linked to ESG measures across all three of our focus areas: positive drinking; inclusion and diversity; and grain-to-glass sustainability.

We are amongst the first companies to create such a clear link and direct accountability for ESG commitments with our senior management community.

Those of you that know Diageo well and have covered us for some time, will know that as a business we have long been passionate about our ESG performance and track record.

Diageo's focus on doing business the right way is embedded in our culture. This doesn't just have the benefit of being the right thing to do - our commitment and actions to date, have already allowed us to shape our operating environment by:

- Enabling us to recruit the best talent and retain our best people.
- Strengthening our brands through increased consumer awareness and preference.
- And increasing the resilience and durability of our supply chain.

In my capacity as Chairman, I am responsible for the operation, leadership, and governance of the Diageo Board.

Diageo already had a strong governance track record when I took on this role in January 2017, as well as already having in place amongst the most ambitious and stretching Sustainability and Responsibility targets in the industry. The 'Society 2030: Spirit of Progress' builds on this work, with commitments that are even more stretching and truly holistic across our entire value chain.

We are determined to build a sustainable business for the very long term and seek to make a positive impact on the issues that matter most to our stakeholders and to wider society.

The Board is confident that through the ambitious goals outlined in the 'Society 2030: Spirit of Progress' plan, Diageo will continue to play a leading role in value creation for all of our stakeholders and actively support our industry, and our communities, through to 2030 and beyond.

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

Thank you, Javier.

I hope that the last 45 minutes or so has brought to life how Diageo will continue to be a leader in sustainable business and how, through our ten-year action plan, we will play our part in creating a more inclusive society that enables more people to thrive.

It is fundamental to our performance ambition that we do business in the right way, which is why 'Society 2030: Spirit of Progress' sits at the heart of our strategy. Therefore, we will report on our progress towards these goals every year.

I am proud of our track record to date, but this plan will challenge us even further and I am confident that we will deliver on our commitments to change the way the world drinks for the better by promoting a positive role for alcohol; we will champion inclusion and diversity while shaping market-leading policies and practices; we will preserve the natural resources on which our long-term success depends; and we will make a positive contribution to our communities.

INVESTOR Q&A CALL TRANSCRIPT

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

Thank you, Katie. Hello, everyone. Welcome, and thank you for joining us on our Society 2030: Spirit of Progress Q&A call today. I hope you've had an opportunity to view the webcast this morning, which provides a deeper dive into our 10-year ESG action plan, Society 2030: Spirit of Progress, and lays out how these ambitious goals we've set for ourselves are fundamental to the delivery of our performance ambition.

Today, I'm delighted to be joined on the call by Javier Ferrán, our Chairman; Ewan Andrew, who heads our Global Supply Chain and is our Chief Sustainability Officer; Mairéad Nayager, our Chief Human Resources Officer; Kate Gibson, Global Director of Diageo in Society, and Dan Mobley, our Global Head of Corporate Relations. We all look forward to taking your questions.

I'm now going to hand over to Dan Mobley, who will moderate our call today. Dan?

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thanks very much, Ivan. Let's get straight to the questions. So Katie, do we have a question waiting?

JEAN-OLIVIER NICOLAI - GOLDMAN SACHS

I've got two questions, please. First, Ivan, in your presentation you mentioned consumer care about the sustainability of your business and brands. My question is, how do you include your sustainability credentials into your brand building activities? And the tools like catalyst, for instance, help you understand essentially what resonates with consumers from a sustainability perspective.

And then the second question, 20% of the LTIP for senior executive is now linked to sustainability goals. Is that also being cascaded through the organization, with other senior leaders and middle management also having their incentive linked to these goals?

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thank you for that question. I'm actually going to deal with your second one first and come to Mairéad to discuss the LTIP. I'll then ask Kate Gibson to cover off the brand-building points. And then any further reflections that Ivan would like to add at the end. So Mairéad, over to you first on the LTIP.

MAIRÉAD NAYAGER – CHIEF HR OFFICER, DIAGEO

Great. Thanks for your question. The 20% of the performance share part of LTIP is put in place for the top 100, that's how I would describe who is going to be incentivized against these goals. So those top 100 executives include the managing directors around the business, and we see that as very important as we strive to deliver against our 2030 ambition.

Beyond that, we use our AIP scheme to incentivize individuals. So we set goals at an individual level. And on the

basis that our top 100 are incentivized in our long-term incentive plan, we very much expect that individual goals will be set against our broad 2030 ambition. I hope that answers your question.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thank you, Mairéad. Kate, could you say a little bit around brands and how we view them within our sustainability agenda? And then if there's anything Ivan wishes to add, he can do.

KATE GIBSON - DIRECTOR OF SOCIETY, DIAGEO

Absolutely. Thanks very much, and that's a great question, and I think it's certainly something that we've seen during the pandemic, a real increase in consumer interest in authentic action in this space. And I think the approach that we take with it is really to look overall across our portfolio, and there certainly are many corporate commitments that cut across everywhere we operate, and also really to use our brand-building, our insight generation capability, to develop strategies that are very aligned with what the consumers want to see. And we do a lot of cross-functional collaboration across the supply chain organization, the CR and Diageo and in Society agenda, and then, obviously, the brand process.

Now you may have seen a couple of recent examples. Certainly one quite recent was the Johnnie Walker next steps initiative which has resonated really well, and that's a great example of our commitment in terms of net zero operations translating into that brand, lends around net zero across our distilleries, for example. And then also many other actions on the ground in terms of restoring landscapes, for example, through tree planting.

And I guess one other example certainly that we know really resonated was the launch last summer of the paper bottle, which is obviously coming to life later on this year. And certainly, in this space, we've really seen a real thirst and hunger for innovation and for new solutions. And I think the response to the innovations that we're bringing through really generates -- is generating a lot of excitement for our brands and real connection and gives us, I think, confidence to do even more.

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

I would just add beyond climate and sustainability, on inclusion and diversity, our brands have a big voice. Smirnoff, for a long time, has really pioneered on PRIDE And with the gay community. Guinness right now is doing some pretty pioneering stuff on women in rugby.

And then on positive drinking, all our brands do take this very seriously, and our messaging on positive drinking and messages of moderation. Actually, some of our best creative work around the world happens here, and this is what inspires our marketers on sustainability, inclusion and positive drinking, to really integrate it into their brands.

And what I would say, over time, we believe this is going to become more and more important, and we believe it will be a competitive edge for Diageo.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

I would simply add as well that all our marketing around positive drinking, we apply the same metrics to measure its impact and effectiveness as any other marketing campaign. And what we're beginning to see more and more is

the work we do on positive drinking or sustainability, the scores are as high or higher than any conventional marketing that we do. So if you take an example like the Guinness clear campaign, the random moderation campaign that ran around explanations in recent years has phenomenal impact on all the metrics that we would assess any marketing campaign against.

MITCHELL COLLETT - DEUTSCHE BANK AG

I also have two questions, please. I guess the first one is, given that you make products often with higher alcohol content than some of the products you compete against, can you talk about responsible drinking, particularly in markets where your recruitment of consumers relies heavily on affordability and perhaps the benefits of your brands against some other forms of alcohol, such as beer and illicit alcohol? And I'm conscious, obviously, in some markets, beer is a big part of your portfolio.

And then secondly, can I ask about -- given your breadth of products, can you talk about how the carbon footprint of your products varies. And in particular I'd be really interested to hear how it varies when thinking about both the scope 1 and scope 3 emissions of your range of products?

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thanks very much for those first questions. And I'm going to turn to Ewan first on the carbon footprint question to give you some examples. Kate may also want to chip in. And then I'll come back to you on the point around strength of different product range. Ewan?

EWAN ANDREW - PRESIDENT OF GLOBAL SUPPLY & PROCUREMENT AND CHIEF SUSTAINABILITY OFFICER

Yes, so let me bring it to life. 80% of our carbon footprint comes from heat rather than from renewable energy for electricity. So largely, that comes from our brewing and distilling operations.

If you look across scope 1 and scope 2, we published that for the last year, so that's less than 500,000 tonnes of carbon. But when you get into scope 3, that figure goes up quite significantly, it's about 10x. And ultimately, that all comes through in glass and in agriculture.

And I think across our portfolio, as you look at the bias of carbon definitely sits within beer and within spirits.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thanks, Ewan. On the alcoholic strength of different products question, I mean you have to remember that alcohol is alcohol. And what matters is how much ethanol you're consuming and how quickly. So you really need to look at what the product is and how it's being consumed. And there's a lot of miss around this ingrained in popular culture. But for instance, gin and tonic ABV 3.5% is not necessarily a stronger product than a beer that can be at 7% or 8%.

So what you need to look at is the behaviors when you're considering consumption of alcohol and health rather than the arbitrary product category.

We actually see a lot of opportunity, and we do a lot of work around getting that point across to both consumers and regulators, that alcohol is alcohol, and trying to educate people on what's in their drink, the strength of their drink and what safe behaviors when it comes to drinking look like. And we've actually seen a strong trend over the last couple of decades, is regulators beginning to understand that. And you're seeing that the regulation of alcohol should be at alcohol rather than having different sets of regulations or different taxes on the different product categories. And I think we're seeing more and more of it. If you take the example, the introduction of seltzer, seltzer can have a spirit base or wine base or a beer base. So it becomes very peculiar to tax them differently when they're at the same alcoholic strength based on what the ethanol and the drink is manufactured from. And so regulators are waking up to this point around it's alcohol is alcohol. And we're seeing much more proportionate and sensible taxation and regulation of alcohol across a number of different geographies. And we see that trend continuing, and it's something that we obviously want to encourage.

I'm going to come over to Kate specifically on your point around illicit. Kate, you might want to talk, for instance, around [Senator Keg] and the work that we're doing in Africa to make sure our products can compete with illicit.

KATE GIBSON - DIRECTOR OF SOCIETY, DIAGEO

Yes. No, absolutely. And I think that's a great question. And I think just, I guess, building on what Dan was saying. I think one of the things that we've been very focused on for a long time, in line with alcohol is alcohol, is really helping to educate consumers on the practice of moderation. So there is no drink of moderation.

And DRINKiQ, for example, which is our consumer information platform is designed to do just that. And it's really taking people on a journey from peaking their interest, perhaps through a brand moderation campaign, and then really building that knowledge base. We know that consumers are keen to deliver balanced lifestyle. And as a result, we've upgraded that platform. It's now live in 21 countries, and it's really designed to help consumers and really empower them with the information they need on that practice of moderation.

But it's a great question just with regards to illicit and certainly something that we have seen particularly in emerging markets is around the need for affordably priced, high-quality regulated alcohol as a way of addressing the challenge around illicit. And you may have heard of the Senator Keg brand launched by Diageo, which was designed deliberately to be delivered at a price point that will enable consumers that might otherwise be consuming illicit alcohol in order to be able to consume a regulated product. And that's certainly the dynamic that we've observed. And there definitely is a challenge, particularly as we think about regulation and just making sure that regulations and restrictions don't have an unintended consequence of pushing people into the illicit consumption, which obviously doesn't have the quality or the certainty in terms of the formulation and can be very dangerous for health.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thanks, Kate. And I hope that answers your question.

MITCHELL COLLETT - DEUTSCHE BANK AG

Yes. I just wanted to clarify, a new question. It's just, did I hear you correctly that for your beer portfolio, more of the emissions or a greater proportion of the emissions lie in scope 3 than scope 1 versus spirits.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Yes, I didn't call that. So obviously we've made a lot of progress reducing our carbon footprint across our network by 50% up to 2020. We've got ambitious targets that are going to close the rest of that gap by 2030. We haven't split out by beer versus spirits. But as you look at it, it's the heat energy is the major part of that kind of scope 1 and 2 that sits within it.

When you get out into the broader footprint, we've also gone through a transition. We've used a lot of our vehicles through kegs. We've got a lot going through cans in that can format and glass is relatively small in beer. so what you said it wouldn't be the right conclusion to draw from that.

EDWARD MUNDY - JEFFERIES LLC

I've got 2 questions. The first is, I appreciate the comment that there's no drink in moderation any practice, but I think zero alcohol in the responsibility agenda does change the goal post slightly. It seems quite good success with the likes of Gordon zero and Seedlip, and one of your competitors have launched a light variant of (inaudible) in Spain. But how much more innovation in the no and low space do you expect over the coming years? And to what extent does it work across different categories as opposed to sort of just the white spirit side of things? That's the first question.

And then the second question is around taxes. Specifically in the U.S., and I think, Ivan, you mentioned that it's encouraging that governments and societies understand the critical importance of the thriving hospitality sector. I was interested in that comment relative to a potential federal excise tax increase, where we haven't seen one for a quite a lot of time.

And then the second part of the question on taxes is just the time frame on when you think taxes on seltzers might equalize between malts, wine and also spirits in the U.S.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Great. I'll come first to Ivan on the opportunity you see in no and low, which is obviously a very exciting space. And I should clarify around the volume point I was trying to make is if you're talking about the essentially the distinction between beer, spirits and wine, you obviously have to look at the volumes. And beer in most markets, overwhelming the accounts of the volume, not the value. So some of the arbitrariness that we've seen in the tax and regulatory system is shifting because regulators are moving more of the taxation on to where the largest volume is and therefore not focusing on spirits more than they focus on beer or wine. Ivan, do you want to just explain around the opportunity in no and low.

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

Sure. So Ed, we see no and low as an exciting consumer opportunity. There's a clear trend when people, what do you drink when you don't want to drink or when you want to drink less. And as we mine the consumer and look at where the trends are going, we certainly see this as an additional stream of revenue and business for the company that's very exciting. You've seen some of our players, including the acquisition of Sea Blip and what we've done on Tanqueray 00 and Golden 00. And we are looking at this across our major markets, certainly in the developed world, and see good growth there.

Now we come at this from additional incremental revenue stream standpoint. It's not a defensive stream because at the same time, within alcohol, what we see is premiumization and people drinking better as a very positive trend. And so we see a lot of room since we're only 5% of the TBA dollars for the premiumization to play well into our spirits and premium beer portfolio as well.

So stay tuned to the space on low and no alc. And we are looking at it beyond white spirits.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thank you, Ivan. And just specifically to tax, I mean we obviously are very familiar with and campaign on tax issues in many countries around the world. You can never predict exactly where finance ministries will go. But what we've seen, huge progress on, over a number of years in many markets, including the U.S. has been a trend towards equalization or at least reducing the punitive tax burden on spirits versus the other categories. And we see no reason why that would not continue. The U.S. has maintained a fairly proportionate approach to alcohol taxation at both the federal and state level for a long period of time. And actually, in the U.S., we see big opportunity around regulation because there's still plenty of places where spirits can't be purchased, where the other categories can. The consumer doesn't understand that, and a lot of legislators at the state level are looking whether to remove those restrictions, and we think we'll make more progress there over time.

In Europe, the discrimination against the spirits category tends to be more in the form of tax. And again, numerous jurisdictions are starting to look at that because it doesn't make sense for either the public finances or public health. For example, the U.K. government is committed to and will soon review alcohol taxation post-Brexit with an aim of injecting what they term fairness into the system, including for spirits. So we expect to see some progress there over time.

So that's something we stay very close to in every country where we operate, and we see plenty of opportunity in the medium term to address that.

You raised the point finally on hospitality. And I thought, Ivan, you might just want to mention the importance of hospitality and some of the work we're doing.

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

Sure. Yes. So the -- one of the positives, as I mentioned on the webcast, coming through this crisis is the appreciation that governments and society at large has of the hospitality industry. I mean, it's a \$9 trillion sector. It's 1 in 10 jobs. And most of the jobs are young jobs, young people getting their first rung on the ladder of

employment. And so we've been working very closely right across the industry and with government to really support the recovery of the hospitality industry.

Ed, to your point, in that context, I would say, penalizing the hospitality industry with higher taxes, this is not a good time to do it. And that is part of the arguments we are collectively taking to governments right now, because what you really want is the economic recovery and the job recovery coming through.

CELINE PANNUTI - JPMORGAN CHASE

My first question is on scope 1 and 2 versus scope 3. So if I understood correctly, scope 3 is about 90% of your total. Some of the companies in the staple categories are looking at net 0 across the full supply chain, and you are -- you kept your ambition short of that. I just wanted to understand, I'm sure you've considered it, what do you think is maybe a stumbling block for you to look at that? That's my first question.

And then secondly, is it possible to have an idea in terms of incremental cost, all of those initiatives may bear on the P&L. I'm thinking about whether it's higher cost of packaging or in terms of more A&P for your positive drinking goals. So if you could give us a bit of an idea of whether the magnitude of that and how you are going to pay for it.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

My first question is on scope 1 and 2 versus scope 3. So if I understood correctly, scope 3 is about 90% of your total. Some of the companies in the staple categories are looking at net 0 across the full supply chain, and you are -- you kept your ambition short of that. I just wanted to understand, I'm sure you've considered it, what do you think is maybe a stumbling block for you to look at that? That's my first question.

EWAN ANDREW - PRESIDENT OF GLOBAL SUPPLY & PROCUREMENT AND CHIEF SUSTAINABILITY OFFICER

Thanks. Celine, you were right in your interpretation of scope 1 and 2 versus scope 3. And as we sit today, you've got to, I just want to take the question on my one I got the first part on the 90%. The second part was around what we're doing on the targets, right?

Okay. So we've made progress actually on 1, 2 and 3, as I said, with 50% reduction already delivered. It was about a 34% reduction in our scope 3 during that same period to 2020. We've outlined the commitment and our ambition to sit with a 50% reduction and close that gap in Scope 1 and 2 to carbon neutrality by 2030. And we also set that goal for scope 3 to be at net 0 by 2050 or earlier. And we'll deliver a 50% reduction in scope 3 in the next 10 years as well through to 2030. So we're looking to continue to accelerate those goals. But clearly, we've been focused on what we directly can control within our operations in driving innovation in that space. But we're extending out into scope 3 already over the recent years, and we'll continue to accelerate on that. So we've made a big commitment. Our scope 1 and 2 would be up there as a leading commitment amongst others. And our scope 3 would be in that place, too, in line with the science-based targets initiative.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

And then, Ewan, do you want to touch on some of the costs associated with the investments we're making on sustainability?

EWAN ANDREW - PRESIDENT OF GLOBAL SUPPLY & PROCUREMENT AND CHIEF SUSTAINABILITY OFFICER

Sure. If I take capital costs, first. Over the long term, over the 10 years, we expect to invest up to £1 billion of capital costs. We've purposely built an innovation gap so I think of it as a decade of 2 halves. We've got much more certainty on what we'll do over the next 5 years with known technologies to continue to make year-on-year improvement. And then we expect that we drive innovation and technology across the industries and sectors to make sure that, that's investing at the right time for the right technologies for the long-term future because these will be big investments. So we want to get the piece of that right to allow innovation to come through. And we'll manage that in the context of existing capital frameworks.

When it comes to the OpEx costs, I think it's actually a real mix of some additional costs, but some opportunity as well. So I take examples today where we already know that sustainable solutions that can go in with the investment we've made in sub-Saharan Africa, and we'll continue to make -- we know that it's actually cheaper than fossil fuels in some of those locations. So there's a business case to do that much more quickly, and we are continuing to roll that out now.

In the longer term, will also be the opportunity as we think about brands and we think about where the consumers go and what their expectations are, that we'll actually see some opportunity to reduce our packaging in line with that and that will drive savings. There's no doubt, too, that with kind of resiliency in supply chains, we'll also see some incremental costs come through.

But I think on balance, my job sustainable profitable growth, I need to make sure that we've got the productivity coming through in line with the investments. And I'm encouraged by the outlook for our pipeline to do that over the next few years.

KATE GIBSON - DIRECTOR OF SOCIETY, DIAGEO

Great. And then I guess just building on that as we -- as we think about the investments that we're making across our efforts to promote positive drinking and also in the hospitality skills arena, I think as we mentioned before, we do see certainly the long-term focus in terms of moderation messaging coming through our brands as that's something that we cover within A&P. So that's covered within existing budgets. We don't have a separate provision for that. And we certainly do see that as a -- as a very effective and very engaging dialogue that we have for consumers. And that also holds true, as Ivan mentioned before, in terms of the work we've done in inclusion and diversity and also in sustainability through our brands.

Certainly one thing that we have done this year for 2 reasons, one is moving with pace and agility to be able to

reach individuals in the way we want to reach them during COVID, is we -- and also as a means of driving greater scale with our programs, for example, on addressing the harmful use of alcohol and also in the hospitality skills arena, we've pivoted and we've launched online versions of those. So for example, we've launched an online version of SMASH, our award-winning underage drinking program, and the benefit of that we see is having greater impact and also being able to scale within existing budgets. And it's the same approach that we're taking also with Learning For Life, which is our signature hospitality skills program. We've also launched an online version of that. And that really has enabled us to reach, along with the Diageo Bar Academy, to reach and have a dialogue with hospitality professionals during the pandemic and will help us also to scale our impact as we come out and move into recovery.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thanks very much.

TREVOR STIRLING - SANFORD C. BERNSTEIN & CO

Thank you very much to Ivan, Javier, Dan, a fantastic presentation this morning. Great to see some progress on some different dimensions. Two questions from my side. One was relating to diversity and inclusion. I think Mairéad mentioned the supply chain as a particular focus. Another area is the business has traditionally been very male-dominated, has been since, and I wonder what's going on in sales in terms of promoting diversity.

Second, a little bit of rambling question. So forgive me. When I think about the debate around alcohol and health, a lot of it is focused on is alcohol harmful? Is it not harmful? Do you think there's any chance of shifting towards risk? I'm just thinking about the intelligent debate that I've on around the AstraZeneca starting to compare the risk of blood clots to other things that you do medically with blood clots rather than say, is it dangerous or is it not? So the intrigue guys to think about is there any chance you've seen any movements in the debate towards risk rather than absolute black and white around alcohol.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Thanks, Trevor. Both excellent questions. I hand initially to Mairéad on the inclusion of diversity piece around supply chains and sales. And she may also want to get input from Ewan on the supply side. And then I'll try and cover your question about risk and health.

MAIRÉAD NAYAGER – CHIEF HR OFFICER, DIAGEO

Sure. I'll hand it over to Ewan on the supply side. But just in sales, interestingly, we probably think there's a lot of mix around why there are barriers to women's succeeding in sales. Because if you look at some of our most senior roles in the organization, for example in the U.S., our heads of spirits, which is a phenomenal-sized business, is female. In GB, which is a very critical market for us, one of the 2 most senior roles in sales is held by a woman. And they are succeeding and they're very strong talent for the business.

As we look at setting targets, we're not doing that differently by function. We're certainly expecting progress across every market and in every functional area. We've seen actually in emerging markets probably slower progress when it comes to women succeeding in both commercial and supply roles. But again, we're testing that by demonstrating a commitment to placing people in those roles, even in India where historically the percentage of women in senior roles held by women was very low. We've seen, for example, a role that looks after reserves and key accounts is now held by a woman.

And so I think some mix, some barriers that we can overcome by having flexibility of policy. And I don't think there's really any reason for us not to continue to see current progress accelerate over the next number of years. So I'll hand over to Ewan to talk about supply specifically.

EWAN ANDREW - PRESIDENT OF GLOBAL SUPPLY & PROCUREMENT AND CHIEF SUSTAINABILITY OFFICER

Yes. Thanks, Mairéad. So look, to start from the top. My own leadership team across supply is more than 50% female. So there's been some big investment and we discontinuing in that space. Other areas that are really important to bring through, if you look at Johnnie Walker, 50% of the blenders when we think about your Stem roles, 50% of our blenders are female and driving some brilliant innovation for that brand and we're broadly across our scotch portfolio as well.

And then we've long been recruiting at around 50%, 50-50 in our graduate intake in our apprenticeship programs. And really a lot of investment behind increasing the number of women and spend is a big part of Diageo employee engagement and our employee resource groups really focused to deliver in that space. And then there's no doubt that we do have a slightly slower flow rate within manufacturing operations. People stay those jobs for a longer time. We're a good employer with highly skilled jobs. But we're also introducing things within traditional shift systems that makes those more attractive to both men and women. So for example, kind of evening shift, early evening where it finishes or starts around 4:45 to 10:00 so that people can take care of family duties and more broadly, but we got a real mix of people that want to come in. And then that's a pipeline for the future, where people are looking to come through their family life. So they can then graduate to and from part-time working into full-time roles. And we've got ready new skilled workers that are able to drive our business forward. So a lot of activity in supply chain in that space.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

And Trevor, on your question on risk. I mean, we could -- this would be a very long conversation, but I'll try and answer it simply. It's a very well-established body of scientific evidence that alcohol consumption is a J-shaped curve when it comes to mortality. And so what I mean by that is heavier drinkers there, the highest risk, premature death from all causes. But because it's J-shaped, moderate drinkers have the lowest likelihood of death from all causes of mortality. And that is lower actually than people who choose not to drink at all. And that is very well-established and understood from the epidemiology. The exact shape of that curve is hotly debated and new studies all the time shift it in different directions, but the logic holds very clear.

So looking at individual factors or individual causes of mortality often drives kind of quite lurid headlines, but it doesn't explain very much. You have to look at all causes, and that J-shaped curve relationship continues to hold.

So within that, I completely agree, the more that we and regulators and those that care about public health can communicate risk effectively, the more likely we are to protect people. However, as you all know, communication around risk is extremely difficult and complex to break down and it leads to a lot of misunderstanding across a very broad range of public health debates, including around vaccination, as we're seeing at the moment.

What we are trying to do is, through our new website, DRINKiQ.com, that Kate mentioned is rolling out in every country where we operate. And if you go on there, there's a wealth of independently sourced information about alcohol and health, including around risk. And one thing I'd encourage you to look at there is a new screening tool that we put on. It's a very simple audit tool that the World Health Organization had created in the past, which you answer a series of simple questions on your own behalf or on behalf of a loved one, and it will tell you what level of risk you're drinking at and whether you should be concerned about the level of risk that you're taking on and where you can see help if you are drinking at higher risk levels.

And we're putting a lot of time and effort behind getting people, consumers, but also journalists, regulators and others to use that tool to understand this very complex debate so they can understand their own risks and the risk for society around them.

So it's a challenge to communicate risk effectively. But we think DRINKiQ is absolutely industry-leading in trying to do that communication to our consumers.

JAMES EDWARDES JONES - RBC CAPITAL MARKETS

Two for me as well, please. How much of this have you actually got nailed down? How far towards your 2030 goals can you get to on the base of what you know and have planned and, I suppose, had budgeted today.

And secondly, following Ed's question on taxes, I suppose. But thinking more about corporate taxes. You had a low corporation tax for a long time, in part due to clever tax planning and use of royalties. Are you conscious of the perception that Diageo doesn't pay enough corporation tax as opposed to excise tax?

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Great. I'm going to take the first question around how confident we are in our plans in getting from A to B. I'm going to start with Ewan, I think, because he can talk already a little bit about the innovation gap. And then maybe bringing also Mairéad and Kate just around their specific areas. And then I think, Ivan, if you'd like to cover the point of around the very large amount of tax that we pay around the world. So I'll start with Ewan.

EWAN ANDREW - PRESIDENT OF GLOBAL SUPPLY & PROCUREMENT AND CHIEF SUSTAINABILITY OFFICER

Yes. So I think there's a number of different targets, as you know, that we set. So if I take some of the big ones. I think when you look at water and that 30% reduction that we've committed to our customer operations, 40% in water stress. I'd say there's a more linear pathway towards that with a more solid road map with existing technologies and the ability to take decisions as we go through over the period in a robust way.

On carbon, as I said, it's a gain or essentially to us. In the first half, there's lots of technology I can put in that will bring us through. If I continue that, it will get more and more expensive and have more and more impact. And with the work that we've done in some really exciting areas of our launch of Diageo Sustainable Solutions that we launched last November, we're into the first 6 pilots now, and some of the technology that's coming through there is fantastic and really exciting. And we also look at hydrogen plays a big role, again invest in a project from the Comet first in Scotland. So some of those areas that we set goals, we already felt that the innovation gap with Infinity, we're already seeing that bold ambition. And that excitement is gravitating people towards us to help us with some of those solutions and that's going across sector support as well.

And I think one of the biggest challenges, what I'd say that there's more to figure out, is definitely around that recycled content and particularly in the market context as well. It's much easier in some markets where the maturity of that recycled material is much better and already moving with an accelerated pace. There are other markets like the U.S., for example, where recycling rates are not as high. And clearly, you're balancing that recycling need with not wanting to move waste around too much to create a different type of carbon footprint or the transport. So that's how I bring it to like Dan and the good examples. Some of it much more set than ours.

MAIRÉAD NAYAGER – CHIEF HR OFFICER, DIAGEO

I am just saying we're confident because of the commitment of the Board, the Executive Committee and the fact that we have a culture at the company that is very inclusive. And for that reason, we're confident.

I would say we're daunted because they're stretching ambitions, but that's not new to Diageo. For that reason, I'd say overall confidence would be my answer.

KATE GIBSON - DIRECTOR OF SOCIETY, DIAGEO

Yes, and I think building on that, as we think about -- and you heard it from Ivan in the webcast earlier, in crafting the strategy which was a year in the making, we looked at where we were today, we looked at what we knew we could achieve, and then we looked at what was necessary in this decade of action to deliver the UN Sustainable development goals, and that's -- and deliberately built in that innovation gap.

So I think as I think about the positive drinking space, for example, I think that there is an innovation gap, but we have a lot of learning. So on the moderation space, we know that the ambition and creativity and boldness of our marketers is second to none and the ability to craft really compelling campaigns is there. It's around really stretching that.

And then as we think about the programs that target the harmful use of alcohol, so our 10 million target around

underage drinking and the target also around changing the attitude of 5 million people to drink driving, there, it was -- the innovation gap really is around pivoting and program design around attitude change and then really scaling that up through all of our markets and also through partnerships. And so I think that this year has been around getting those programs launched. Our new drink driving program just launched last Friday, the wrong side of the road, it's on diageo.com, if you want to have a look at that, DRINKiQ, which Dan mentioned before.

So I think it's really around scaling them up and then also using those data-driven insights to identify the best practice to amplify and then also areas of challenge to address.

And then likewise, in the hospitality skill space, it's this online pivot and then creating a career journey between those coming into the industry and then also those wanting to continue to build their skills, which we'll do through the Diageo Bar Academy.

So it's a similar philosophy, and I think Mairéad framed it well in terms of they're very bold, but we're confident in our ability to deliver.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

Ivan, would you like to answer the tax question?

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

Yes. Sorry, I was on mute. Yes, James, I would say Diageo stands for a free and fair and globally competitive tax system. We support what the OECD and governments are doing right now to get to a fair and transparent place. We pay 21%, 22% corporate tax. We pay a huge pool of indirect tax, billions of pounds. And I would say, I feel very confident about our approach, the way our business is set up. We don't have any brass plate operations. And we're extremely transparent and work very closely with tax policies around the world. And we see the direction this is heading, and we support it because a well aligned global system of taxation, corporate taxation, is something we're for.

DANIEL MOBLEY – CORPORATE RELATIONS DIRECTOR, DIAGEO

So I'm just going to hand back to you, Ivan, if there's any closing remarks you'd like to make before we finish today.

IVAN MENEZES - CHIEF EXECUTIVE, DIAGEO

No. Thank you, everyone, and I really appreciate the questions. I hope you got value out of it.

So I'll just leave you with this summarizing point. For us at Diageo, ESG, as it's labeled, is fully integrated into our business strategy and our performance ambition and is led by our senior leadership right across the business. And I hope you got a flavor of that listening to the senior leaders on this call.

So thank you for your interest in the company and appreciate you spending this time with us. Thank you