

Diversity, balance and experience



Javier Ferrán
Chairman

Nationality: Spanish
Appointed: Chairman and Chairman of the Nomination Committee: January 2017 (Appointed Chairman Designate and Non-Executive Director: July 2016)
Key strengths: Brings extensive board-level experience from the drinks and consumer products industry, including at chief executive level, and has a wealth of experience in consumer goods through his venture capital activities to draw from in his role as Chairman and leader of the Board
Current external appointments: Chairman, International Consolidated Airlines Group, S.A.; Senior Advisor and chairman of investee company board, BlackRock Long Term Private Capital
Previous relevant experience: Non-Executive Director and Senior Independent Director, Associated British Foods plc; Non-Executive Director, Coca-Cola European Partners plc; Member, Advisory Board of ESADE Business School; President and CEO, Bacardi Limited; Non-Executive Director, SABMiller plc



Ivan Menezes
Chief Executive

Nationality: American/British
Appointed: Chief Executive: July 2013 (Appointed Executive Director: July 2012)
Key strengths: Has extensive experience of over 20 years with the Diageo group at operational and leadership levels and within the consumer products industry, which brings valuable insight to lead the group and implement the strategy
Current external appointments: Vice Chairman of the Council, Scotch Whisky Association; Non-Executive Director, Tapestry Inc.; Member of the Global Advisory Board, Kellogg School of Management, Northwestern University; Trustee, Movement to Work; Member, International Alliance for Responsible Drinking, CEO Group
Previous Diageo roles: Chief Operating Officer; President, North America; Chairman, Diageo Asia Pacific; Chairman, Diageo Latin America and Caribbean; senior management positions, Guinness and then Diageo
Previous relevant experience: marketing and strategy roles, Nestlé, Booz Allen Hamilton Inc. and Whirlpool



Lavanya Chandrashekar
Chief Financial Officer

Nationality: American
Appointed: Chief Financial Officer and Executive Director: July 2021
Key strengths: Brings broad financial expertise, commercial skills and strong consumer goods experience to manage the group's affairs relating to financial controls, accounting, tax, treasury and investor relations
Previous Diageo roles: Chief Financial Officer, Diageo North America and Global Head of Investor Relations
Previous relevant experience: Vice President Finance, Global Cost Leadership and Supply Chain, Mondelēz International; VP Finance, North America, Mondelēz International; VP Finance, Eastern Europe, Middle East and Africa, Mondelēz International; various senior finance roles at Procter & Gamble



Susan Kilsby
Senior Independent Director

Nationality: American/British
Appointed: Senior Independent Director: October 2019 (Appointed Non-Executive Director: April 2018 and Chairman of the Remuneration Committee: January 2019)
Key strengths: Brings wide-ranging corporate governance and board level experience across a number of industries, including a consumer goods sector focus, with particular expertise in mergers and acquisitions, corporate finance and transaction advisory work
Current external appointments: Non-Executive Chair, Fortune Brands Home & Security, Inc.; Non-Executive Director, Unilever PLC, BHP Group Plc, BHP Group Limited; Member, the Takeover Panel
Previous relevant experience: Senior Independent Director and Chair of Remuneration Committee, BHP Group Plc, BHP Group Limited; Senior Independent Director, BBA Aviation plc; Chairman, Shire plc; Chairman, Mergers and Acquisitions EMEA, Credit Suisse; Senior Advisor, Credit Suisse; Non-Executive Director, Goldman Sachs International, Keurig Green Mountain, L'Occitane International, Coca-Cola HBC



Melissa Bethell
Non-Executive Director

Nationality: American/British
Appointed: Non-Executive Director: June 2020
Key strengths: Has extensive international corporate and financial experience, including in relation to private equity, financial sectors, strategic consultancy and advisory services, as well as having strong non-executive experience at board and committee levels across a range of industries, including retail, consumer goods and financial services
Current external appointments: Managing Partner, Atairos Europe; Non-Executive Director, Tesco PLC, Exor N.V.
Previous relevant experience: Managing Director and Senior Advisor, Private Equity, Bain Capital; Non-Executive Director, Atento S.A., Worldpay plc, Samsonite S.A.



Valérie Chapoulaud-Floquet
Non-Executive Director
Nationality: French
Appointed: Non-Executive Director: January 2021
Key strengths: Brings strong experience and expertise in the luxury consumer goods sector, having spent her career in the industry working in a number of international markets, including developed and emerging markets, and as a former CEO in the premium drinks industry
Current external appointments: Non-Executive Director, Nextstage S.C.A.; Jacobs Holding AG; Vice Chairman, Sofisport
Previous relevant experience: Chief Executive Officer, Rémy Cointreau S.A.; President and CEO for the Americas, Louis Vuitton, LVMH Group; President and CEO for North America, Louis Vuitton, LVMH Group; President South Europe, Louis Vuitton, LVMH Group; President and CEO, Louis Vuitton Taiwan, LVMH Group; President, Luxury Product Division for the USA, L'Oréal Group



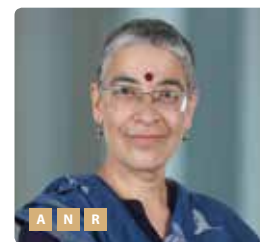
Sir John Manzoni
Non-Executive Director
Nationality: British
Appointed: Non-Executive Director: October 2020
Key strengths: Has strong commercial executive experience as a former CEO in the energy sector and non-executive board level experience, including in the alcoholic beverage industry, as well as more recent expertise in public policy and government affairs
Current external appointments: Chairman, SSE plc; Chairman, Atomic Weapons Establishment
Previous relevant experience: Chief Executive of the Civil Service and Permanent Secretary of the Cabinet Office, HM Government; President and Chief Executive Officer, Talisman Energy; Chief Executive, Refining & Marketing, BP p.l.c.; Chief Executive, Gas & Power, BP p.l.c.; Non-Executive Director, SABMiller plc



Lady Mendelsohn
Non-Executive Director
Nationality: British
Appointed: Non-Executive Director: September 2014
Key strengths: Has specialist knowledge and understanding of consumer-facing emerging technologies, privacy and data issues, as well as wide experience of board and committee level appointments across diverse commercial, governmental and charitable institutions, as well as advisory roles in advertising and production of consumer goods
Current external appointments: Vice President, Facebook EMEA and Interim Head of the Global Business Group, Facebook; Co-President, Norwood; Member, Mayor's Business Advisory Board; Chair, Follicular Lymphoma Foundation
Previous relevant experience: Executive Chairman, Karmarama; Deputy Chairman, Grey London; Board Director, BBH, Fragrance Foundation; President, Institute of Practitioners in Advertising; Director, Women's Prize for Fiction; Co-Chair, Creative Industries Council; Member, HMG Industrial Strategy Council; Board Member, CEW; Trustee, White Ribbon Alliance; Chair, Corporate Board, Women's Aid



Alan Stewart
Non-Executive Director
Nationality: British
Appointed: Non-Executive Director: September 2014 (Appointed Chairman of the Audit Committee: January 2017)
Key strengths: Has a strong background in financial, investment banking and commercial matters, with particular expertise in consumer retail industries, as well as board and committee level experience at industry institutions
Current external appointments: Member of the Advisory Board, Chartered Institute of Management Accountants
Previous relevant experience: Chief Finance Officer, Tesco PLC; Non-Executive Director, Tesco Bank; Chief Financial Officer, Marks & Spencer Group plc, AWAS; Non-Executive Director, Games Workshop plc; Group Finance Director, WH Smith PLC; Chief Executive, Thomas Cook UK



Ireena Vittal
Non-Executive Director
Nationality: Indian
Appointed: Non-Executive Director: October 2020
Key strengths: Brings a wealth of FMCG experience from a career in executive consulting with a focus on consumer sectors and emerging markets, including India, as well as broad experience in non-executive board roles in the UK and India
Current external appointments: Non-Executive Director, Compass Group PLC, Housing Development Finance Corporation Limited; Non-Executive and Lead Independent Director, Godrej Consumer Products Limited, Wipro Limited
Previous relevant experience: Head of Marketing and Sales, Hutchinson Max Telecom; Partner, McKinsey and Company; Non-Executive Director, Titan Company Limited, Tata Global Beverages Limited, Tata Industries, GlaxoSmithKline Consumer Healthcare

Other changes since 1 July 2020

- Siobhán Moriarty will retire as General Counsel & Company Secretary of Diageo plc with effect from the end of the Annual General Meeting to be held on 30 September 2021 and will be succeeded by Tom Shropshire.
- Kathryn Mikells ceased to be Chief Financial Officer and Executive Director on 30 June 2021.
- Ho KwonPing ceased to be a Non-Executive Director on 28 September 2020.

Board Committees

A	Audit Committee
E	Executive Committee
N	Nomination Committee
R	Remuneration Committee
	Chairman of the committee

Executive Committee

Broad skills, diversity and expertise

Siobhán Moriarty

General Counsel & Company Secretary

Nationality: Irish

Appointed: July 2013

Previous Diageo roles: General Counsel Designate; Corporate M&A Counsel; Regional Counsel Ireland; General Counsel Europe

Current external appointments: Non-Executive Director, Friends Board of the Royal Academy of Arts; Board Member, European General Counsel Association

Previous relevant experience: various positions in law firm private practice, Dublin and London



Hina Nagarajan

Managing Director and CEO of United Spirits Limited

Nationality: Indian

Appointed: July 2021

Previous Diageo roles: CEO-Designate, United Spirits Limited; Managing Director, Africa Regional Markets

Previous relevant experience:

Managing Director, China & SVP North Asia, Reckitt Benckiser; General Manager, Malaysia & Singapore, Reckitt Benckiser; CEO & MD Mary Kay India; senior marketing and general management roles, ICI Paints India and Nestlé India



Daniel Mobley

Global Corporate Relations Director

Nationality: British

Appointed: June 2017

Previous Diageo roles: Corporate Relations Director, Europe

Previous relevant experience: Regional Head of Corporate Affairs, India & South Asia, Regional Head of Corporate Affairs, Africa, Group Head of Government Relations, Standard Chartered; extensive government experience including in HM Treasury and Foreign & Commonwealth Office



Ewan Andrew

President, Global Supply Chain and Procurement & Chief Sustainability Officer

Nationality: British

Appointed: September 2019

Previous Diageo roles: Supply Director, International Supply Centre; Senior Vice President, Supply Chain & Procurement, Latin America & Caribbean; Senior Vice President Manufacturing & Distilling, North America; various supply chain, operational management and procurement roles

Current external appointments: Member, Scotch Whisky Association Council



Alvaro Cardenas

President, Latin America and Caribbean

Nationality: Colombian

Appointed: January 2021

Previous Diageo roles: Managing Director, Andean Region; Director, End-to-End Global Commercial Processes; Finance Director, South East Asia Region, PUB (Paraguay, Uruguay and Brazil) Region, Andean Region, Colombia



Mairéad Nayager

Chief HR Officer

Nationality: Irish

Appointed: October 2015

Previous Diageo roles:

HR Director, Diageo Europe; HR Director, Brandhouse, South Africa; HR Director, Diageo Africa Regional Markets; Talent & Organisational Effectiveness Director, Diageo Africa; Employee Relations Manager, Diageo Ireland

Previous relevant experience: Irish Business and Employers' Confederation



Debra Crew

President, North America & Global Supply

Nationality: American

Appointed: July 2020

Previous Diageo roles: Non-Executive Director, Diageo plc

Current external appointments: Non-Executive Director, Stanley Black & Decker, Inc.

Previous relevant experience: Non-Executive Director, Newell Brands, Mondelēz International Inc.; President and CEO, Reynolds American, Inc.; President, PepsiCo North America Nutrition, PepsiCo Americas Beverages, Western Europe Region; various positions with Kraft Foods, Nestlé, S.A., and Mars



John Kennedy

President, Europe and India

Nationality: American

Appointed: July 2016

Previous Diageo roles: President, Europe and Western Europe; Chief Operating Officer, Western Europe; Marketing Director, Australia; General Manager for Innovation, North America; President and Chief Executive Officer, Diageo Canada; Managing Director, Diageo Ireland

Previous relevant experience: brand management roles, GlaxoSmithKline and Quaker Oats



Sam Fischer

President, Asia Pacific & Global Travel

Nationality: Australian

Appointed:

September 2014

Previous Diageo roles: Managing Director, Diageo Greater China; Managing Director of South East Asia, Diageo Asia Pacific; General Manager, Diageo IndoChina and Vietnam

Current external appointments: Non-Executive Director, Burberry Group Plc

Previous relevant experience: Senior management roles across Central Europe and Indochina, Colgate Palmolive



Cristina Diezhandino

Chief Marketing Officer

Nationality: Spanish

Appointed: July 2020

Previous Diageo roles:

Global Category Director, Scotch & Managing Director, Reserve Brands; Managing Director, Caribbean and Central America; Marketing & Innovation Director, Diageo Africa; Category Director, Scotch Portfolio & Gins; Global Brand Director, Johnnie Walker

Previous relevant experience: Corporate Marketing Director, Allied Domecq Spain; marketing roles, Unilever HPC US, UK and Spain



John O'Keeffe

President, Africa & Beer

Nationality: Irish

Appointed: July 2015

Previous Diageo roles:

CEO and Managing Director, Guinness Nigeria; Global Head, Innovation; Global Head, Beer and Baileys; Managing Director, Russia and Eastern Europe; various management and marketing positions



Tom Shropshire

General Counsel & Company Secretary Designate

Nationality: American/ British

Appointed: July 2021

Current external appointments: Member of the Steering Committee, The Parker Review; Trustee, Charity Projects Limited (Comic Relief); Director, Comic Relief Limited

Previous relevant experience: Partner & Global US Practice Head, Linklaters LLP



Ivan Menezes and Lavanya Chandrashekar are also members of the Executive Committee. Their biographies can be found on page 84.

Robust and resilient governance



Dear Shareholder

On behalf of the Board, it is my great pleasure to present the corporate governance report for the year ended 30 June 2021, summarising the role of the Board in providing effective leadership in promoting the long-term sustainable success of Diageo.

The Board plays a critical role in ensuring that Diageo conducts its business in a manner which is consistent with the highest standards of corporate governance and ethical behaviour so that Diageo contributes positively to wider society. We take our legal and regulatory requirements very seriously and seek to demonstrate this through consistent compliance with those requirements and through evolving our processes to reflect the latest developments in best practice corporate governance. We are also very conscious that good governance is not simply a matter of regulatory compliance but encompasses multiple issues including transparency in reporting and accounting, fair remuneration and benefits, enabling better decision-making through inclusion and diversity, operating with integrity and honesty, and through use of ethical supply chains. We therefore take the view that, together with our environmental and social action plans as exemplified by our ambitious 'Society 2030: Spirit of Progress' targets, companies such as Diageo must contribute to society through role-modelling good governance in its broader sense. Maintaining our focus on sustainability and other ESG issues is not only entirely consistent with our values, but it will enhance Diageo's ability to access capital, recruit the best people and retain the confidence of customers, consumers and the communities in which we operate. We are aware that to fulfil our Performance Ambition it is vital to build and reinforce trust consistently amongst all our stakeholders, being conscious of and giving consideration to the needs and interests of those stakeholders in our decision-making and stewardship of the business.

Diageo has a strong and long-established purpose, culture and set of values which collectively anchor our priorities, decision-making and actions even in very challenging circumstances such as those experienced since the outbreak of the Covid-19 pandemic. That Diageo is emerging strongly is in no small part due to the Board and Executive Committee adhering to uncompromising ethical standards, being led by our purpose, culture and values, and by taking swift and decisive action to respond with agility to anticipate and address changing circumstances, risks and opportunities.

Our robust and efficient governance processes, at Board level and throughout the company, make a critical contribution to Diageo's ability to create sustainable long-term value for shareholders, especially during difficult external conditions. We recognise that our ambition of being one of the most trusted and respected consumer goods companies can only be achieved through demonstrable good governance in its broadest sense.



Javier Ferrán
Chairman

Compliance with the UK Corporate Governance Code

During the financial year ended 30 June 2021, Diageo has applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 (the Code), with the exception of Provision 38 in respect of company pension contributions for incumbent Executive Directors, details of which are set out on page 111. Below are some examples of Diageo's compliance with certain areas of the Code, together with cross-references to other sections of this Annual Report where further information can be found.

- **Whistle-blowing mechanisms (Provision 6):** SpeakUp is a confidential global service which can be used by the workforce or any third parties to raise concerns about anything relating to Diageo, including potential breaches of Diageo's Code of Business Conduct, policies, standards or the law, or anything which might cause risk of harm to others or the environment. SpeakUp, which is administered by an independent service provider, can be accessed either online or by telephone and can, in countries where legally permitted, be used anonymously and reports kept confidential. Allegations are investigated by independent Diageo teams and progress on investigations monitored by the Business Integrity team. Where allegations are substantiated, appropriate disciplinary and corrective actions are taken. The Audit Committee receives and reviews regular reports on allegations, including trends information and investigation closure rates. Since all of Diageo's non-executive directors attend the Audit Committee, all non-executive directors receive the same reports directly from the Business Integrity team. Further information is set out on page 101.
- **Independence (Provisions 9, 10, 11 and 12):** The Chairman was considered independent on his appointment, as assessed against the criteria set out in Provision 10 of the Code. The roles of chairman and chief executive are not exercised by the same person. Over half of the Directors are independent non-executives and none have served for longer than nine years. Susan Kilsby is our Senior Independent Director and meets with other non-executive directors, without the Chairman attending, twice yearly to appraise the performance of the Chairman. Further information about the structure of the Board is set out on pages 88 and 89.
- **Board effectiveness evaluation (Provisions 21 and 22):** A formal rigorous assessment and evaluation of the performance of the Board, its Committees, its processes and procedures, and of individual directors including the Chairman is undertaken each year. During this year, the evaluation was facilitated by an external professional reviewer, Independent Board Evaluation, which was appointed following a competitive tender process managed by Diageo's procurement and company secretarial teams. Further details about this external Board evaluation exercise, its methodology, recommendations and actions are set out on pages 94 and 95.

Enabling our ambition

Corporate governance structure and division of responsibilities

Non-Executive Directors

Melissa Bethell,
Valérie Chapoulaud-Floquet,
Sir John Manzoni,
Lady Mendelsohn, Alan Stewart
and Ireena Vittal

The Non-Executive Directors, all of whom the Board has determined are independent, experienced and influential individuals from a diverse range of industries, backgrounds and countries.

- Constructively challenge the Executive Directors
- Develop proposals on strategy
- Scrutinise the performance of management
- Satisfy themselves on the integrity of the financial information, controls and systems of risk management
- Set the levels of remuneration for Executive Directors and senior management
- Make recommendations to the Board concerning appointments to the Board
- Devote such time as is necessary to the proper performance of their duties

A summary of the terms and conditions of appointment of the Non-Executive Directors is available at <https://www.diageo.com/en/our-business/corporate-governance>.

Senior Independent Director Susan Kilsby

- Acts as a sounding board for the Chairman and serves as an intermediary for the other Directors where necessary
- Together with the other Non-Executive Directors, leads the review of the performance of the Chairman, taking into account the views of the Executive Directors
- Available to shareholders if they have concerns where contact through the normal channels has failed

Company Secretary Siobhán Moriarty

- The Board is supported by the Company Secretary who ensures information is made available to Board members in a timely fashion
- Supports the Chairman in setting Board agendas, designing and delivering Board inductions and Board evaluations, and co-ordinates post-evaluation action plans, including risk review and training requirements for the Board
- Advises on corporate governance matters
- Is a member of the Executive Committee as General Counsel



Chief Executive Ivan Menezes

- Develops the group's strategic direction for consideration and approval by the Board
- Implements the strategy agreed by the Board
- Leads the Executive Committee
- Manages the company and the group
- Along with the Chief Financial Officer, leads discussions with investors
- Is supported in his role by the Executive Committee
- Is supported by the Finance Committee and Filings Assurance Committee in the management of financial reporting of the company

Chairman Javier Ferrán

- Responsible for the operation, leadership and governance of the Board
- Ensures all Directors are fully informed of matters and receives precise, timely and clear information sufficient to make informed judgements
- Sets Board agendas and ensures sufficient time is allocated to ensure effective debate to support sound decision making
- Ensures the effectiveness of the Board
- Engages in discussions with shareholders
- Meets with the Non-Executive Directors independently of the Executive Directors
- Designated Non-Executive Director for workforce engagement

Chief Financial Officer Lavanya Chandrashekar

- Manages all aspects of the group's financial affairs
- Responsible for the management of the capital structure of the company
- Contributes to the management of the group's operations
- Along with the Chief Executive, leads discussions with investors
- Is supported by the Finance Committee and Filings Assurance Committee in the management of the financial affairs and reporting of the company
- Is a member of the Executive Committee

Board of Directors

Composition of the Board

The Board comprises the Non-Executive Chairman, two Executive Directors, the Senior Independent Director, and six independent Non-Executive Directors. The biographies of all Directors are set out in this Annual Report on pages 84 and 85. This year there have been a number of changes in Board membership, with Ho KwonPing retiring from his role as Non-Executive Director in September 2020 after eight years' service and the appointments of new Non-Executive Directors Sir John Manzoni and Ireena Vittal in October 2020 and Valérie Chapoulaud-Floquet in January 2021. There has also been a recent change in Executive Directors with Lavanya Chandrashekar taking over from Kathryn Mikells as Chief Financial Officer with effect from 1 July 2021. The Board is very grateful to Kathy for the significant contribution she has made since she joined in November 2015, managing the company's global productivity programme and capital allocation decisions, rationalising and refreshing our portfolio and enhancing Diageo's reputation through returning value to shareholders. The Board is also pleased that Lavanya, a strong internal successor to Kathy, has stepped up to the role of Chief Financial Officer given her strong track record at Diageo and previously with other consumer goods companies. These new appointments enhance the diversity of skills, experiences and backgrounds of the Board and will result in different perspectives and approaches being expressed, firmly rooted in Diageo's consistent purpose, culture and values.

Inclusion and diversity

The Board sees championing inclusion and diversity as one of the key enablers for achieving Diageo's ambition. It is also a core principle of the company's global Human Rights Policy which applies to all employees, subsidiaries and third-party contractors and which has been implemented as part of our Code of Business Conduct programme. Our objective is to maintain and sustain an inclusive and diverse business, across all levels, functions and geographies, in order to create a better working environment and a better performing business. As part of this, the Board has adopted a written Board Diversity Policy alongside Diageo's Code of Business Conduct and associated global policies, which set out Diageo's broader commitment to inclusion and diversity. Diageo strongly supports diversity within its Board of Directors, including gender, ethnicity, age and professional diversity, as well as diversity of thought. The Board is comprised of individuals from a diverse range of skills, industries, backgrounds and nationalities, which enables a broad evaluation of all matters considered by the Board and contributes to a culture of collaborative and constructive discussion. The Board's objective, as set out in its Diversity Policy, is that it shall include no less than 40% female representation (with the ultimate goal being parity between males and females on the Board) and at least one director from a minority ethnic group. Currently, women make up 60% of the Board and there are four directors (40%) who self-disclose as being from minority ethnic groups. Further information can be found in the 'Our people' and 'Champion inclusion and diversity' sections of 'Our strategic priorities' on pages 22, 32-33.

Outside interests

The Board has adopted guidelines for dealing with conflicts of interest, with directors' outside interests being regularly reviewed and responsibility for authorising conflicts of interest reserved for the Board. In the case of a potential conflict, the Nomination Committee considers the circumstances, appropriate controls and protocols, and makes a recommendation to the Board. The Board confirmed that it was not aware of any situations that may or did give rise to conflicts with the interests of the company, other than those that may arise from Directors' other appointments as disclosed in their biographies.

Duties of the Board


The Board manages overall control of the company's affairs with reference to the formal schedule of matters reserved for the Board for decision. The schedule was last reviewed in April 2021 and is available at <https://www.diageo.com/en/our-business/corporate-governance>. In order to fulfil their duties, procedures are in place for Directors to seek both independent advice and the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters. During the year, the Non-Executive Directors met without management present six times, and also without the Chairman present twice. The terms of reference of Board Committees are reviewed regularly, most recently in April 2021, and are available at <https://www.diageo.com/en/our-business/corporate-governance>.

Corporate governance requirements

The principal corporate governance rules applying to Diageo (as a UK company listed on the London Stock Exchange) for the year ended 30 June 2021 are contained in the Code and the UK Financial Conduct Authority (FCA) Listing Rules, which require us to describe, in our Annual Report, our corporate governance from two points of view: the first dealing generally with our application of the Code's main principles and the second dealing specifically with non-compliance with any of the Code's provisions. The two descriptions together are designed to give shareholders a picture of governance arrangements in relation to the Code as a criterion of good practice. A copy of the Code is publicly available on the website of the Financial Reporting Council (FRC), www.frc.org.uk. Diageo's statement as to compliance with the Code during the year ended 30 June 2021 can be found on page 87. Diageo must also comply with corporate governance rules contained in the FCA Disclosure Guidance and Transparency Rules and certain related provisions in the Companies Act 2006 (the Act). Diageo is also listed on the Euronext Dublin Exchange, the Euronext Paris Exchange and the New York Stock Exchange (NYSE), and as such is subject to applicable rules of those exchanges and jurisdictions. For example, Diageo is subject to the listing requirements of the NYSE and the rules of the US Securities and Exchange Commission (SEC), as they apply to foreign private issuers. Compliance with the provisions of the US Sarbanes-Oxley Act of 2002 (SOX), as it applies to foreign private issuers, is continually monitored. As Diageo follows UK corporate governance practice, differences from the NYSE corporate governance standards are summarised in Diageo's 20-F filing and on our website at <https://www.diageo.com/en/our-business/corporate-governance>.

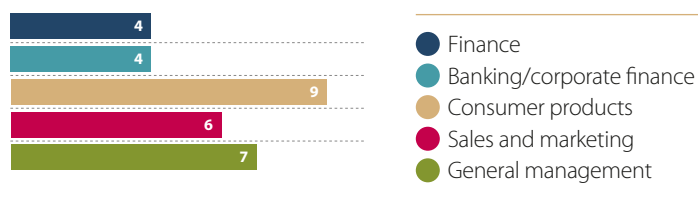
Structure and division of responsibilities

The Board has established a corporate governance framework as shown on page 88. This includes the three Board Committees (Audit Committee, Nomination Committee and Remuneration Committee), as well as management committees which report to the Chief Executive or Chief Financial Officer (Executive Committee, Finance Committee, Audit & Risk Committee and Filings Assurance Committee). There is a clear separation of the roles of the Chairman, the Senior Independent Director and the Chief Executive which has been clearly established, set out in writing and approved by the Board. A copy of this is available at <https://www.diageo.com/en/our-business/corporate-governance>. No individual or group dominates the Board's decision-making processes.

 Further details on the Board Committees can be found in the separate reports from each Committee on pages 99-128, and details of the Executive Committee can be found on page 86

Board skills and experience

The Board is of the view that it is essential to have an appropriate mix of experience, expertise, diversity and independence. Such diverse attributes enable the Board as a whole to provide informed opinions and advice on strategy and relevant topics, thereby discharging its duty of oversight. Appointments to the Board are made following consideration of the experience and expertise of existing Directors, any required skill sets or competencies, and the strategic requirements of the company. Key strengths and relevant experience of each Director are set out on pages 84-85, and a matrix of the Board's current skills and experience is set out in the chart below.



Elections

The Chairman has confirmed that the Non-Executive Directors standing for election or re-election at this year's AGM continue to perform effectively, both individually and collectively as a Board, and that each Non-Executive Director demonstrates commitment to their roles and continues to provide constructive challenge, strategic guidance and offer specialist advice, as well as holding management to account. As can be seen from the attendance records set out below, directors' attendance levels have been consistently high throughout the year ended 30 June 2021 despite the impact of the pandemic and the consequent increased demands on their time.

Board attendance

Directors' attendance record at the last AGM, scheduled Board meetings and Board Committee meetings, for the year ended 30 June 2021 is set out in the table below. The 2020 AGM was held as a 'closed meeting' under the provisions of the Corporate Insolvency and Governance Act 2020, with no directors other than the Chairman attending. For Board and Board Committee meetings, attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend. Where Directors were unable to attend a meeting, they were encouraged to give their views to the Chairman of each respective meeting ahead of that meeting being held.

	Annual General Meeting 2020, held as a "closed meeting"	Board (maximum 6)	Audit Committee (maximum 5)	Nomination Committee (maximum 5)	Remuneration Committee (maximum 8)
Javier Ferrán	√	6/6	5/5 ¹	5/5	8/8 ¹
Ivan Menezes	N/A	6/6	2/5 ¹	5/5 ¹	7/7 ¹
Lavanya Chandrashekar ²	N/A	N/A	N/A	N/A	N/A
Susan Kilsby	N/A	6/6	5/5	5/5	8/8
Melissa Bethell	N/A	6/6	4/5	5/5	8/8
Valérie Chapoulaud-Floquet ³	N/A	2/2	2/2	2/2	5/5
Sir John Manzoni ⁴	N/A	5/5	4/4	4/4	7/7
Nicola Mendelsohn	N/A	6/6	5/5	5/5	8/8
Alan Stewart	N/A	6/6	5/5	5/5	8/8
Ireena Vittal ⁵	N/A	4/4	4/4	3/3	7/7
Former Directors					
Ho KwonPing ⁶	N/A	1/1	0/1	1/1	1/1
Kathryn Mikells ⁷	N/A	6/6	5/5 ¹	0/0 ¹	6/6 ¹

1. Attended by invitation
2. Appointed to the Board on 1 July 2021
3. Appointed to the Board on 1 January 2021
4. Appointed to the Board on 1 October 2020

5. Appointed to the Board on 2 October 2020
6. Retired from the Board on 28 September 2020
7. Retired from the Board on 30 June 2021

Board activities

Details of the main areas of focus of the Board and its Committees during the year include those summarised below:

Areas of focus		Strategic priority	Strategic outcome	Stakeholders
Strategic matters	– Held a two-day online Annual Strategy Conference focussing on key strategic matters, including emerging trends, consumer behaviour and future expectations, and developments in the consumer goods industry, including those driven or accelerated by the pandemic	1	EG	
	– Regularly reviewed the group's performance against the strategy including actions taken in respect of managing the pandemic	2	CVC	
	– Received reports on the financial performance of the group	3		
	– Reviewed the group's tax strategic planning	5		
	– Received regular reports on the macro-economic environment, world events and emerging trends			
	– Reviewed strategic topics including e-commerce, consumer attitudes and shifts, and inclusive marketing			
	– Hosted external speakers on subjects including US / UK trade relations and consumer trends			
Operational matters	– Reviewed and approved the annual funding plan, insurance, banking and capital expenditure requirements	1	EG	
	– Reviewed the impact of global trade developments and disputes	2	CVC	
	– Regularly reviewed and approved the group's M&A and business development activities, reorganisations and various other projects	3	EP	
	– Approved various significant procurement and other contracts and reviewed product quality risk management processes			
	– Reviewed the company's innovation pipeline			
	– Reviewed the company's capital allocation, funding and liquidity positions, including those of its pension schemes, and approved interim and final dividends			
	– Reviewed and approved the recommencement of the company's share buyback programme			
– Reviewed the company's succession planning and talent strategy				
ESG matters	– Consulted with shareholders as to executive remuneration	3	CVC	
	– Received reports on workforce engagement and wellbeing over the year	4	CT	
	– Reviewed the company's sustainability and environmental strategy and approved approach as to 'Society 2030: Spirit of Progress', including targets and climate change risk disclosures	5	EP	
	– Hosted external speakers on topics including stewardship and the views of institutional investors on Diageo's ESG initiatives	6		
	– Received regular investor reports			
	– During each quarter, received an update on ESG matters and progress towards 'Society 2030' targets			
	– Agreed and tracked actions from the 2020 external evaluation of the Board's performance			
– Approved the appointment of new Non-Executive Directors and CFO				
– Reviewed schedule of matters reserved for the Board and terms of reference of its committees				
Assurance and risk management	– Received regular reports in relation to material legal matters, including disputes, regulatory and governance developments, and areas of legal or regulatory risk	1	EG	
	– Reviewed and approved the company's risk footprint	3	CVC	
	– Reviewed and approved the company's filings, financial and non-financial reporting including interim and preliminary results announcements, US filings and Annual Report and Accounts	5	CT	
– Renewed appointment of a committee of the Board authorised to approve actions to be taken in response to the Covid-19 pandemic				

Strategic priorities

- 1 Embed everyday efficiency
- 2 Invest smartly
- 3 Sustain quality growth
- 4 Champion inclusion and diversity
- 5 Pioneer grain-to-glass sustainability
- 6 Promote positive drinking

Strategic outcomes

- EG Efficient growth
- CVC Consistent value creation
- CT Credibility and trust
- EP Engaged people

Stakeholders

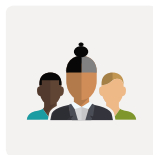
- People
- Consumers
- Customers
- Suppliers
- Communities
- Investors
- Governments and regulators

Stakeholder engagement

The development of strong and positive relationships between Diageo and its external stakeholders is an intrinsic part of Diageo’s purpose and culture, and reflective of the nature of the industry in which we operate. Diageo’s stakeholders, which are defined on pages 20-21, include not only business partners such as suppliers and customers, our people and workforce, but also government, consumers and the wider communities in which we operate. As noted in the company’s statement on Section 172 of the Companies Act 2006 set out on page 7, in making their decisions and in discharging their duties to promote the success of the company, the Directors must have regard to the interests of its stakeholders. We have summarised below some examples of how the Board has considered the views and interests of different stakeholder groups when making its decisions during the year. See page 93 for examples of how the Board considered different stakeholders in reaching decisions in relation to ‘Raising the Bar’ and return of value to shareholders.

How the Board is involved in and kept informed about stakeholder engagement

People



The Board maintains an active dialogue with Diageo’s employees and wider workforce, including contractors and temporary staff. Although this year, the Board was unable to travel due to the restrictions related to the pandemic, it would otherwise have held an extended meeting during October at one of Diageo’s overseas

locations. In prior years, the Board has visited the group’s offices and production sites in New York, US, Chengdu, China and Bangalore, India. These visits enable the Board to engage directly with local management and other employees during presentations, site and trade visits, as well as at social events. Indirect engagement with employees also takes place through works councils, employee and workforce forums, community groups, pulse surveys and town hall meetings, most of which have been conducted virtually this year. The global survey of employees known as Your Voice was carried out this year and its findings were reviewed by the Board. The Chairman has continued to engage personally with a wide spectrum of employees in different markets in his role as designated non-executive director for workforce engagement, which has been supplemented by various other non-executive directors also engaging directly in virtual meetings with employees over the year. These direct engagements have enabled a number of non-executive directors to have candid and constructive discussions with employees, to understand better their views and experiences of working at Diageo, including what works well and what needs improvement, which has supplemented the engagement sessions by the Chairman. Common themes and feedback from these engagement sessions are reported by the Chairman and other participating directors to the rest of the Board. For example, the need to collaborate and further simplify internal decision-making processes across the business, in order to enable more pace and agility, had been identified through these engagements. Following this feedback, management encouraged the formation of cross-functional ‘sprint teams’ to identify, focus on and swiftly address specific risks and opportunities for the business.

 Diageo’s Workforce engagement statement is set out on page 96

Consumers



The Board is aware that the company’s continued success is dependent on having a deep understanding of our consumers, their behaviours and motivations and on the company’s ability to respond to those consumer insights by ensuring that it has an attractive portfolio of products across multiple categories, channels, markets and price points. The Board regularly reviews emerging consumer trends at the Annual Strategy Conference, held in April each year, during which the Board receives presentations from senior executives on emerging trends, the risks and opportunities resulting from those trends and how the company is responding to them. At this year’s Annual Strategy Conference, the Board reviewed various disruptive forces and how they might impact on consumer sentiment and activity. At other meetings during the year, the Board has reviewed the group’s innovation pipeline, its e-commerce strategy and digital capabilities, and new consumer attitudes and shifts resulting from the pandemic. The Board has consciously made capital allocation and strategic decisions based on these consumer insights, investing in vibrant brands in established categories, such as the acquisitions of Aviation Gin LLC in September 2020 and Chase Distillery Limited in February 2021, as well as of smaller brands in rapidly expanding categories, such as the hard seltzer brand Lone River Ranch Water purchased in March 2021 and the spirits-based ready to drink brand Loyal 9 Cocktails purchased in April 2021.

Customers



Maintaining a broad portfolio with consumer offerings at a variety of price points and categories is also a key priority for customers, as it is for consumers and therefore for Diageo. As highlighted above, the Board regularly reviews both innovation and inorganic opportunities to enhance the company’s portfolio and to ensure that it has sufficient breadth and depth in its portfolio to meet consumer demand. During the year, the Board has considered and approved a number of acquisitions, as highlighted in the paragraph above, as well as continuing to invest in start-up brands through the Distill Ventures programme. Under the group’s internal governance framework, material distribution agreements with certain customers are also reviewed and approved by the Board.

Suppliers



The Chief Executive and Chief Financial Officer provide the Board with information about key suppliers as and when relevant to Board discussions, including when approval is required for material contracts with suppliers. During the year, the Board reviewed and approved several critical procurement agreements, including in relation to raw materials such as glass bottles and cans, as well as approving a number of capital expenditure projects investing in certain of its production facilities. The Board has also reviewed management’s strategy in relation to sourcing certain key ingredients and components in order to ensure that the company is able to source sufficient production materials to meet projected consumer demand over a number of years. Robust and reliable forecasting processes are of particular importance for products which require maturing inventory to be held for a number of years before packaging, for example the company’s Scotch whisky, Canadian whisky, US whiskey, tequila and rum products. The Board considers that it is important that the group remains a trusted partner for suppliers, with the relationship enhanced through fair contract and payment terms and through compliance with Diageo’s ‘Partnering with Suppliers Standard’.

Communities

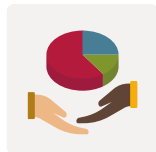


The Board considers it to be critically important to maintain close and supportive relationships with the communities in which Diageo operates, especially given the impact that the pandemic has had on those communities during the year. Recognising the severity of the impact of the Covid-19 pandemic on many of the communities in which the group operates, the Board has focussed on actions to support those communities, including those working in the on-trade such as bartenders and hospitality employees.

Raising the Bar

A number of the Board's principal decisions over the course of the year have been shaped and determined by the needs of those communities. In June 2020, the company announced its two year global programme to support bars and pubs welcome back consumers and recover from the pandemic, known as 'Raising the Bar'. Through 'Raising the Bar', for two years from July 2020 Diageo will provide \$100 million to support the recovery of major hospitality centres, such as New York, London, Edinburgh, Dublin, Belfast, Mexico City, Sao Paulo, Shanghai, Delhi, Mumbai, Bangalore, Nairobi, Dar es Salaam, Kampala and Sydney. The programme was developed by the company following a global survey of bar owners conducted through its website, DiageoBarAcademy.com, whose purpose was to identify what on-trade retailers needed most to reopen their outlets safely. The survey identified as priorities the provision of hygiene measures, digital support and practical equipment to transform outlets. The proposal was discussed by the Board during meetings in April and May 2020, and approved in June 2020. The programme is now being rolled out with on-trade retailers applying online for targeted support for the physical equipment needed for outlets to re-open. For example, in Great Britain, Diageo has been providing 'hygiene kits' with high-quality permanent sanitiser dispense units, medical-grade hand sanitiser and a range of personal protection equipment (such as masks and gloves); help to pubs and bars to establish partnerships with online reservations and cashless systems; mobile bars and outdoor equipment. The Board receives regular updates on progress of the 'Raising the Bar' programme from management.

Investors



The Board's primary contact with institutional shareholders is through the Chief Executive and Chief Financial Officer, who are in regular contact with investors with the assistance of the investor relations department. In addition, other members of the Board participate in certain events with investors. For example, on 20 April 2021 the Chairman joined the Chief Executive and other senior executives hosting a webinar followed by live Q&A session with investors to discuss details of Diageo's 'Society 2030: Spirit of Progress' 10-year ESG action plan, which had been launched in November 2020. In addition to helping Diageo explain in greater detail key aspects of 'Society 2030: Spirit of Progress', it also provided an opportunity for more dialogue with investors on this critically important aspect of our long-term ESG strategy. The Remuneration Committee chairman has also engaged with investors in relation to executive remuneration, as further described on page 110. The Board is also provided with monthly investor relations reports, which includes coverage of the company by sell-side analysts. The Board also ensures that all Directors develop an understanding of the views of major institutional shareholders through a periodic independent survey of shareholder opinion. In addition, major shareholders are invited to raise any company matters of interest to them at meetings with the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Remuneration Committee or any other Director. Shareholders are invited to write to the Company Secretary, Chairman

or any other Director and express their views on any issues of concern at any time, including by way of email to a dedicated address for the Company Secretary and her team. The AGM also provides a regular opportunity for shareholders to put their questions in person and to hear other shareholders put their questions to the Board. Due to the pandemic, the 2020 AGM was held as a 'closed meeting' under the Corporate Insolvency and Governance Act 2020, such that shareholders were not able to attend; however, they were invited to submit questions in advance of the meeting to a dedicated email address. All questions submitted were individually answered prior to the meeting. We have also now amended our Articles of Association to enable 'hybrid meetings' thereby allowing shareholders choice to attend physically, as in traditional AGMs, or by remote or virtual means, while still being able to engage directly with the Board, asking questions and voting on resolutions.

Return of value

One of the principal decisions considered by the Board over the year has been in relation to returning value to shareholders. From feedback received over many years from a wide range of shareholders, including institutional investors, retail shareholders and pension funds, the Board is very conscious of the importance of regular and predictable shareholder returns. The Board is, however, also aware that there are various other factors and interests which need to be considered and balanced as against shareholder returns including the status of the company's pensions schemes, the company's liquidity position, anticipated future expenditure and forecast trading. From early in 2020, the Board has also had to consider additional factors resulting from the Covid-19 pandemic, including its impact on different channels and different markets, the potential for successive waves of differing intensities, its potential impact on trading in certain markets due to changing consumption patterns and government actions. Given such uncertainties, the Board enabled quick action to ensure that the company's liquidity position was secure, including reducing discretionary spending and ensuring adequate financing was available if necessary. As a result in early 2020, the Board decided that it would not initiate the next phase of the company's three-year return of capital programme, which had been originally launched in July 2019, but decided that it was appropriate in April 2020 to pay the interim dividend originally proposed in January 2020 and a final dividend in October 2020 in respect of the year ended 30 June 2020. During the year ended 30 June 2021, with strong performance in the first half of the year and a return to organic net sales growth, the Board approved and paid in April 2021 an interim dividend of 27.96 pence per share, being an increase of 2% on the previous year's interim dividend. Given continued improved trading and performance, on 12 May 2021 the Board announced that the company would recommence and extend the company's return of capital programme and on 29 July 2021 announced that it would propose a final dividend of 44.59 pence per share, being an increase of 5% on the previous year's final dividend, subject to approval at the 2021 AGM.


Government and regulators



The Board engages indirectly with government, regulators and policymakers through regular reports from the Chief Executive as well as periodic updates from management. In particular, the Board has received regular briefings during the year on developments in relation to political developments, tariffs and international trade disputes. The Board ensures that the company works closely with governmental and non-governmental bodies in relation to policy as to positive drinking, responsible advertising of alcoholic products, and education to enable consumers to make better choices about alcohol.

Wider stakeholder engagement statement

During the year we have maintained an active dialogue with our stakeholders in particular to assess and respond to the impact that the Covid-19 pandemic has had on our business and that of our customers and suppliers. Local crisis management teams have continued to prioritise the safety and wellbeing of employees and wider workforce by ensuring that those who can work from home do so, using technology and systems, and that those who cannot work from home are able to work onsite, including in production facilities, in a safe manner with revised protocols and procedures. Ongoing communications and guidance has been provided to our people. We have also maintained an ongoing dialogue with customers and suppliers to understand their concerns and have worked closely with them to mitigate disruption, including providing an appropriate level of support to our key suppliers and customers. During the year we have supported pubs, bars and restaurants in many markets through our global 'Raising the Bar' programme which supported our customers welcoming consumers back into their outlets in a safe manner, providing sanitiser and other equipment as well as best practice advice. We have also continued to engage directly with shareholders through press releases and regulatory announcements, including updates on developments in trading, virtual meetings with institutional investors, direct communications with individual shareholders and our investor engagement programme which is led by our investor relations team. Taking the safety of our shareholders and employees as the priority, we held our 2020 Annual General Meeting (AGM) as a 'closed meeting' in compliance with government guidelines and restrictions on gatherings, but provided alternative means for shareholders to submit questions in advance of the AGM. We have also continued engaging with and responding to the needs of the communities in which our business operates; for example, by pledging £4.5 million to provide medical equipment and infrastructure for Indian hospitals severely impacted by the Covid-19 pandemic.

 Further information on our stakeholder considerations and activities throughout the year, including how the Board has taken such considerations into account in its decision-making can be found on pages 92-93

Executive direction and control Executive Committee

The Executive Committee, appointed and chaired by the Chief Executive, supports him in discharging his responsibility for implementing the strategy agreed by the Board and for managing the company and the group. It consists of the individuals responsible for the key operational and functional components of the business: North America, Europe and Turkey, Africa, Latin America and Caribbean, Asia Pacific, Supply Chain and Procurement and Corporate. The Executive Committee focusses its time and agenda to align with the Performance Ambition and how to achieve Diageo's financial and non-financial performance objectives. Performance metrics have been developed to measure progress. There is also focus on the company's reputation. In support, monthly performance delivery calls, involving the managing directors of each market, focus on current performance. Committees appointed by the Chief Executive and intended to have an ongoing remit, including the Audit & Risk Committee, Finance Committee and Filings Assurance Committee, are shown (with their remits) at <https://www.diageo.com/en/our-business/corporate-governance>.

Performance evaluation

From September to December 2020, an externally facilitated evaluation of the Board's effectiveness, including the effectiveness of the Chairman and other Directors and the Board's Committees, was undertaken. The external facilitator was Ffion Hague of Independent Board Evaluation (IBE), a professional consultancy which specialises in board reviews and evaluations. Ffion Hague and IBE have no other connection with the company and were selected following a competitive tender process overseen by the Nomination Committee.

The purpose of the evaluation was to conduct a comprehensive review and evaluate how the Board and its Committees operate as measured against current best practice corporate governance principles and in accordance with the UK Corporate Governance Code guidance. The evaluation also measured the Board against sector and market cap peers.

2020 – external evaluation process

A comprehensive brief was given to the IBE assessment team by the Chairman in September 2020.

From September 2020, Ffion Hague conducted interviews with every Director and the Company Secretary. All participants were interviewed one to one for 1.5 hours. Feedback from non-board members who participate in Board and Committee meetings and external advisors was also gathered as part of the evaluation.

Ffion Hague observed the main Board and Committee meetings in October 2020 and was provided with access to supporting materials for briefing purposes.

A report was prepared by Ffion Hague and was discussed with the Chairman and subsequently the entire Board at its December 2020 meeting. Feedback was also provided to Committee chairmen on the performance of each Committee. The Board's feedback for the Chairman was also discussed with the Senior Independent Director.

Tender and selection process

The last externally facilitated evaluation of the Board was carried out in 2017. After internal evaluations carried out in 2018 and 2019, in accordance with Provision 21 of the Code, another externally facilitated evaluation was conducted during the autumn of 2020.

At its meeting in April 2020, the Nomination Committee approved the initiation of a tender process for potential evaluators. With assistance from Diageo's procurement function, the tender process was carried out during June and July 2020 with participants providing written proposals for review by the Company Secretarial team. The principals of two shortlisted reviewers gave presentations and Q&A sessions with a panel including Diageo's Company Secretary and Chairman. Following completion of the process, IBE was selected as the preferred reviewer and a recommendation was made by the Nomination Committee to the Board to appoint IBE at its meeting in July 2020. This was the first time IBE has conducted a performance evaluation for the company. The evaluation procedure was agreed with IBE as part of the tendering and engagement process.

Comments and analysis

An important point of context of the review was that, in common with most boards, the Board had been meeting by video conference since the beginning of the Covid-19 global pandemic in March 2020. In addition, at the time of the review, the Board was in a state of transition with a long-standing executive team balanced by a non-executive group, which included three directors who had been recently appointed following the retirement of long-standing former directors at the expiry of their terms. The global situation made it difficult for Board members to visit the company's offices, sites and plants as part of the induction process. However, underlying governance processes were seen as strong and gave members confidence in the culture and conduct of the business. Strong mutual respect was recognised between Board and management teams with an open approach to meeting between individual Board members and senior managers. The quality and depth of governance processes underpinning Board work was recognised as a source of pride for both Board members and the teams who support them. The review identified opportunities for the Board and recommended areas of focus and action, several which are highlighted below.

Summary of key recommendations and actions

Key recommendations	Actions taken/to be taken
<p>Challenge and drive to action</p> <ul style="list-style-type: none"> – Ensure sufficient private sessions between Executive Directors and Non-Executive Directors and adequate time allocation for discussion. – Assess effectiveness of Board's input through more post-decision reviews. – Increase regular engagement between Board and local leaders in key markets. – Use Annual Strategy Conference to identify and determine schedule of strategic and operational risks for review by Board or Audit Committee during following year. – Ensure right balance of challenge and support is provided, using external or alternative viewpoints to ensure robust decision-making processes. 	<ul style="list-style-type: none"> – Ensure that there are regular private sessions between Non-Executive Directors. – Provide guidance to presenters and those drafting papers for meetings. – Include more frequent feed back in relation to workforce engagement. – Consider extending post-completion reviews for other significant projects or decisions, in addition to existing business development review process. – Set up more frequent meetings per year for Non-Executive Directors with workforce and top talent. – Once travel is permitted, circulate the Chairman's travel schedule to all Non-Executive Directors in case they are able to join him.
<p>Induction and development</p> <ul style="list-style-type: none"> – Tailor induction programmes for new Non-Executive Directors, using suggestions from Nomination Committee. – Consider introducing virtual tours of production and other facility sites while travel is difficult. – Once travel is permitted, consider refreshing induction programmes for those Non-Executive Directors who have joined during pandemic. – Ensure new Non-Executive Directors' development is supported through tailored education and training. 	<ul style="list-style-type: none"> – Nomination Committee to provide recommendations as to induction sessions for newly appointed Non-Executive Directors. – Ensure that all Non-Executive Directors who have recently joined have the opportunity to visit production facilities and meet senior leaders once travel is permitted. – In the meantime, provide Non-Executive Directors access to virtual video tours of production and other sites.
<p>Succession planning</p> <ul style="list-style-type: none"> – Ensure focus on diversity continues. – Ensure regular structured engagement between Nomination Committee members and high potential internal candidates. 	<ul style="list-style-type: none"> – External and internal talent search to continue to have strong focus on broad diversity. – Review and enhance means of engagement between Nomination Committee members and high potential internal candidates.
<p>Nomination Committee</p> <ul style="list-style-type: none"> – Nomination Committee to be involved in tailoring induction programmes for new Non-Executive Directors. – Continue external talent search for executive and senior leader roles as well as feeding into plans for developing internal talent. 	<ul style="list-style-type: none"> – Nomination Committee to provide recommendations for future induction programmes, tailored for specific new Non-Executive Directors depending on their background/experience. – Continue focus on executive and senior leader talent succession-planning topics during meetings.
<p>Remuneration Committee</p> <ul style="list-style-type: none"> – Continue to ensure that executive remuneration remains benchmarked and competitive compared to peer groups. – Add regular private sessions for Non-Executive Directors at the end of each meeting. 	<ul style="list-style-type: none"> – Robust benchmarking of executive remuneration to continue. – Agenda of each meeting to include private session between Non-Executive Directors only.
<p>Audit Committee</p> <ul style="list-style-type: none"> – Continue scheduling risk reviews and deep dives throughout annual cycle. – Continue existing practice of appointing a sub-committee with expertise to review early drafts of financial results and disclosures. 	<ul style="list-style-type: none"> – Agree annual schedule of risk deep dives for review aligned with management risk reviews.

Workforce engagement statement

Our people are our most important asset and an inclusive and diverse culture is core not only to our purpose of ‘Celebrating life, every day, everywhere’ but we strongly believe is also a source of competitive advantage for Diageo. Diversity of thought fuels growth and innovation in our organisation, attracts and retains the best talent, drives higher levels of employee engagement, and helps us better understand our customers and the communities where we operate.

Through formal and informal engagement channels, we seek to understand our employees’ views on how they experience work at Diageo. These insights help shape our culture, policies, and practices to make Diageo an attractive place to work. The workforce engagement session is an important formal channel to gather employees’ views and ideas as well as enabling us to explain some of our governance processes to employees, including in relation to executive remuneration.

On 1 July 2019, the Chairman was appointed the designated Non-Executive Director for workforce engagement on behalf of the Board.

Over the past year, the Chairman has met with over 900 Diageo employees in 12 meetings, representing different levels, functions, and regions. These open and constructive sessions, which were held virtually due to Covid-19 related travel restrictions, have been highly engaging and the Chairman has been impressed with the level of positive engagement and candour in each discussion. This is particularly noteworthy given the challenging year that many people have experienced, both at home and at work. Employees at Diageo continue to demonstrate strong passion and pride in the company, its iconic brands, and our collaborative culture.

The themes emerging from these workforce engagement discussions are:

- The importance of clear and timely communication of business priorities and the actions needed for Diageo to win quality market share while investing in key brands. Employees have valued the regular updates from leaders on the “emerging stronger” themes and priority areas, focusing our employees on what matters most to the business.
- Employees are proud of the support that Diageo provided to its communities and partners during the global pandemic, including the ‘Raising the Bar’ programme of \$100 million support to help pubs and bars reopen safely around the world, as well as over 8 million bottles of hand sanitiser donated to health workers and those on the front line tackling Covid-19. Employees felt very well supported throughout the pandemic, especially the focus on physical and mental health and well-being, reflecting management’s decision to give the highest priority to the health, safety, and wellbeing of employees.
- Diageo’s culture is described as positive, engaging, and inclusive. The launch of progressive policies such as the Flex Philosophy, a framework to support employees to work flexibly, and enhanced Parental Leave policies were some of the examples shared of how Diageo continues to foster an inclusive culture. The introduction of quarterly individual performance goal setting has ensured employees felt and contributed directly to greater

pace in delivering the business’s priorities. There is also growing appetite for continuous learning, with employees providing very positive feedback on the company’s learning platform, My Learning Hub, to access and develop new skills in an easy and engaging way.

- Employees continue to feel a deep sense of pride in the company’s brand heritage, commitment to communities, and progress against inclusion and diversity. Diageo’s ‘Society 2030 Spirit of Progress’ goals reflect the company’s intent to make Diageo and the communities we serve truly sustainable and inclusive. Throughout the company, employees cited new examples of how the company is championing inclusion and diversity both internally and externally – from supporting Historically Black Colleges and Universities in the US to the support for farmers with disabilities in Kenya.
- Employees shared ideas and opportunities for further simplification of systems and processes to enable even faster execution; reinforcing a risk-taking and experimental culture; and greater collaboration across markets, with a recognition of the progress already made in all these areas over the past 12 months.

These themes were also reflected in the strong set of results in the recent ‘Your Voice’ annual employee survey, where 89% of respondents stated they are proud to work for Diageo.

Feedback from workforce engagement sessions was discussed at the January 2021 and April 2021 Board meetings and the insights helped to inform broader Board and management decisions. As part of the consideration of appropriate annual and long-term incentive outcomes for executives and for the wider employee population, the Remuneration Committee took account of the company’s holistic performance through a period of extraordinary change, unpredictability and uncertainty, reflecting not only performance against financial metrics but also the actions taken by leaders and employees to protect the longer-term interests of the business. This included decisions taken to ensure quality market share gain and investment behind brands, but also the ways in which Diageo supported communities, customers, suppliers, and employees throughout the pandemic. Employee engagement has been exceptionally high (1% up on the already high score for the previous year), despite very challenging circumstances. The Remuneration Committee also considered the feedback from the workforce engagement meetings that employees believe that Diageo has acted to protect their health, safety and wellbeing, including through actions such as Time Off Benefits, Employee Assistance Programmes, Wellbeing Education and Flexible Working Policies.

In the coming year, the Chairman will continue to hold these sessions with a broad representation of employees. In addition, other Non-Executive Directors will continue to meet with employees through the year to increase further coverage of the workforce. The focus of engagement sessions in F22 will be around the progress made on areas previously identified for improvement, deepening the workforce’s understanding of how executive pay decisions are made, and any other key topics employees believe the Board should consider.

Purpose, values and culture

Diageo's purpose has always been clear: to celebrate life, every day, everywhere. Our people and our brands embrace this in everything our company does, creating sustainable value for all our stakeholders while ensuring we have a positive impact on the communities where we live, work, source and sell. Our people strategy is to attract and retain the best talent in an inclusive, continuous learning environment, where employees can enjoy fulfilling careers. Our culture is reinforced by Diageo's Code of Business Conduct, which gives all our employees the tools and guidance to demonstrate the highest standards of integrity and make the right choices.

As set out in the schedule of matters reserved for the Board for decision, the Board is responsible for establishing Diageo's purpose, values and culture. It has a responsibility to monitor and assess how embedded these are and for ensuring that all policies and practices are aligned with them. There are a number of ways in which the Board monitors and assesses culture, including:

Site visits

Prior to the Covid-19 pandemic, Directors were encouraged wherever possible to visit the group's offices, production facilities and sites so that they can get a better understanding of the business and interact with employees and the workforce. While travel has been recently restricted, we anticipate that site visits by Directors will resume as they allow Directors to see Diageo's safety and sustainability processes, to talk with local management and workforce and to assess how effectively Diageo's culture is communicated and embedded at all levels. By virtue of his role as designated non-executive director for workforce engagement, prior to the pandemic the Chairman would regularly travel to different sites across the world. Other non-executive directors were provided with his travel schedule and were encouraged to join him.

Employee surveys

The Board receives reports from the Chief HR Officer on the results of the company's global annual 'Your Voice' survey, including levels of employee engagement, employee perceptions of Diageo's purpose, employee perceptions of their line managers (including net promoter scores), and any themes raised. The survey results also give visibility of areas on which management must continue to focus, including continued simplification and process improvement work across the business. This year, due to the dislocation caused by the pandemic, there have been a number of employee pulse surveys which have focussed on areas such as wellbeing, the results of which have been used to determine how to support the workforce better.

SpeakUp allegation reporting

The Business Integrity team provides regular reports to the Audit Committee of allegations of breaches of the Code of Business Conduct and other group policies, including those received through our confidential and independent whistle-blowing service SpeakUp. These reports also include analyses of emerging trends, investigation status reports and closure rates, and summaries of actions taken. These reports enable directors to gain an understanding of common issues and action planning, as well as providing insights into how embedded Diageo's purpose, values and culture are across its markets and functions. For more details of the SpeakUp service, see pages 47 and 87.


Workforce engagement programme

Insights drawn from the Chairman's annual programme of workforce engagement are also used by the Board to monitor and assess the culture of the company. This year the engagement programme has been expanded to enable other non-executive directors to support the Chairman by directly engaging with employees from a variety of regions, functions and levels in the business. For more on workforce engagement, see pages 92 and 96.

Additional information

Internal control and risk management

An ongoing process has been established for identifying, evaluating and managing risks faced by the group. This process, which complies with the requirements of the Code, has been in place for the full financial year and up to the date the financial statements were approved and accords with the guidance issued by the FRC in September 2014, entitled 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'. The Board confirms that, through the activities of the Audit Committee described below, a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity, has been carried out. These risks and their mitigations are set out above in the section of this Annual Report dealing with principal and emerging risks on pages 45-49. The Board acknowledges that it is responsible for the company's systems of internal control and risk management and for reviewing their effectiveness. The Board confirms that, through the activities of the Audit Committee described below, it has reviewed the effectiveness of the company's systems of internal control and risk management. During the year, in line with the Code, the Board considered the nature and extent of the risks it was willing to take to achieve its strategic goals and reviewed the existing internal statement of risk appetite (which was considered and recommended to the Board by both the Audit & Risk Committee and the Audit Committee). In accordance with the Code, the Board has also considered the company's longer-term viability, based on a robust assessment of its principal and emerging risks. This was done through the work of the Audit Committee which recommended the Viability statement (as set out on page 49) to the Board. The Board has also reviewed emerging and disruptive risks, initially as part of its Annual Strategy Conference, from which a number of topics have been identified for more detailed review by either the Board or the Audit Committee over the following 12 months. The company has in place internal control and risk management systems in relation to the company's financial reporting process and the group's process for the preparation of consolidated accounts. Further, a review of the consolidated financial statements is completed by management through the Filings Assurance Committee to ensure that the financial position and results of the group are appropriately reflected. Further details of this are set out in the Audit Committee report on pages 99-101.

 Further information is given in the 'Our principal risks and risk management' section of this Annual Report on page 45

Political donations

The group has not given any money for political purposes in the United Kingdom and made no donations to EU political organisations and incurred no EU political expenditure during the year. The group made contributions to non-EU political parties totalling £0.39 million during the year (2020 – £0.38 million). These contributions were made almost exclusively to federal and state candidate committees, state political parties and federal leadership committees in North America (consistent with applicable laws), where it is common practice to make political contributions. No particular political persuasion was supported and contributions were made with the aim of promoting a better understanding of the group and its views on commercial matters, as well as a generally improved business environment.

Going concern

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 our base case scenario, we expect net sales momentum to continue into the year ending 30 June 2022, however, we expect near-term volatility to remain. The potential financial impact of a slower Covid-19 pandemic recovery has been modelled in the plausible downside scenarios. Even with these negative sensitivities for each region taken into account, the group's cash position is still considered to remain strong, as we have protected

our liquidity by launching and pricing €700 million of fixed rate Euro and £400 million of fixed rate Sterling denominated bonds under Diageo's European Debt Issuance Programme. Mitigating actions, should they be required, are all within management's control and could include reductions in discretionary spending including acquisitions and capital expenditure, as well as a temporary suspension of the share buyback programme and dividend payments in the next 12 months or drawdown on committed facilities. Having considered the outcome of these assessments, the Directors are comfortable that the Company is going concern for at least 12 months from the date of signing the company's consolidated financial statements.

Directors' responsibilities in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report, the information filed with the SEC on Form 20-F and the group and parent company financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with IFRS as issued by the International Accounting Standards Board. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 84 and 85 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and IFRS as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the parent company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In accordance with section 418 of the Companies Act 2006, the Directors who held office at the date of the approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group's and parent company's auditor is unaware, and each Director has taken all reasonable steps to ascertain any relevant audit information and to ensure that the company's auditor is aware of that information.

The responsibility statement was approved by the Board of Directors on 28 July 2021.

Ensuring integrity across the business



Dear Shareholder

I am pleased to present the Audit Committee's report for the year ended 30 June 2021.

The role of the Audit Committee is to monitor and review the integrity of the company's financial statements and reporting, its internal control and risk management processes, its audit and risk activities, business conduct and integrity, whistleblowing and breach allegation investigations, and the appointment and performance of the external auditor. During the year ended 30 June 2021, the Committee has ensured that it has had oversight of all these areas while also focussing on a diverse range of risks, including both principal and emerging risks, such as cyber security, climate change, data management and privacy, fraud and compliance risk, culture, bullying and harassment, third party risk, supply operations and product recall processes, pensions funding, and counterfeit risk. In addition to these risk reviews and deep dives, the Committee has received regular reports on internal audits, business integrity and controls assurance work, breach allegation and investigation processes, as well as updates on the steps being taken to address internal audit findings, controls issues and investigations.

All members of the Audit Committee participated in the externally facilitated performance evaluation carried out during the year, which concluded that the Audit Committee's performance over the past year had been excellent and that its members were very well supported by management and external auditors. Further details of the evaluation, its recommendations and actions can be found on pages 94-95.

I am confident that the Audit Committee has carried out its duties during the year effectively and to a high standard, providing independent oversight with the support of management and assurance from the external auditors.

Alan Stewart
Chairman of the Audit Committee

Role of the Audit Committee

The formal role of the Audit Committee is set out in its terms of reference, which are available at <https://www.diageo.com/en/our-business/corporate-governance>. Key elements of the role of the Committee and work carried out during the year are set out as follows.

Composition of the Audit Committee

The members of the Audit Committee are independent non-executive directors and it comprises Alan Stewart (Committee Chairman), Melissa Bethell, Susan Kilsby, Valérie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn and Ireena Vittal. The Chairman of the Board, the Chief Financial Officer, the General Counsel & Company Secretary, the Group Controller, the Head of Global Audit & Risk (GAR), the Chief Business Integrity Officer, the General Counsel Corporate, the Controls Assurance Director, the Chief Accountant and the external auditor regularly attend meetings of the Committee. The Audit Committee met privately with the external auditor, the Chief Business Integrity Officer, the Controls Assurance Director and the Head of GAR regularly during the year.

Financial statements

The Audit Committee met five times (and a subcommittee met once) during the year and reviewed the interim results announcement, including the interim financial statements, the Annual Report and associated preliminary results announcement and Form 20-F, focussing on key areas of judgement and complexity, critical accounting policies, disclosures (including those relating to contingent liabilities, climate change and principal risks), viability and going concern assessments, provisioning and any changes required in these areas or policies. During the year, the Audit Committee has focussed in particular on the company's reporting on climate change risk, including its approach as regards compliance with the recommendations of the Task Force on Climate-related Financial Disclosures, further details of which are set out on pages 50-55.

The company has in place internal control and risk management systems in relation to the company's financial reporting process and the group's process for the preparation of consolidated accounts. A review of the consolidated financial statements is completed by the Filings Assurance Committee (FAC) to ensure that the financial position and results of the group are appropriately reflected therein. In addition to reviewing draft financial statements for publication at the half and full year, the FAC is responsible for examining the company's financial information and processes, the effectiveness of internal controls relating to financial reporting and disclosures, legal and compliance issues and, determining whether the company's disclosures are accurate and adequate. The FAC comprises the Chief Executive, the Chief Financial Officer, the General Counsel & Company Secretary, the General Counsel Corporate, the Group Controller, the Chief Accountant, the Head of Investor Relations, the Head of GAR, the Controls Assurance Director, and the Chief Business Integrity Officer, with the company's external auditor in attendance. The Audit Committee reviewed the work of the FAC and a report on the conclusions of the FAC process was provided to the Audit Committee by the Chief Financial Officer.

The Audit Committee has considered whether the report is 'fair, balanced and understandable' (noting the Code's reference to 'position' as well as 'performance, business model and strategy') by assessing the various elements of the report, the drafting and review processes undertaken including by the company's advisors, and the internal approvals received. On the basis of this work, the Audit Committee recommended to the Board that it could make the required statement that the Annual Report is 'fair, balanced and understandable'.

Activities of the Audit Committee

At its meetings, the Audit Committee reviewed reports from the Head of GAR, the Controls Assurance Director and the Chief Business Integrity Officer, as summarised on page 99, and had sight of the minutes of meetings of management's Audit & Risk Committee. The work and reporting to the Committee of these functions during the year included focus on cyber security, data management and privacy, fraud and compliance risk, culture, bullying and harassment, third party risk, supply operations and product recall processes, pensions funding, and counterfeit risk.

The Committee also received regular updates from the General Counsel on significant litigation and from the Head of Tax on the group's tax profile and key issues. The Committee also considered key risks and related

Significant issues and judgements that were considered in respect of the 2021 financial statements are set out below. Our consideration of issues included discussion of the key audit matters as outlined in the appendix to the independent auditors' report. The Audit Committee:

- Considered the nature and size of any one-off items impacting the quality of the earnings and cash flows. The Audit Committee assessed whether the related presentation and disclosure of those items in the financial statements was appropriate based on management's analysis, and concluded that it was.
- Discussed items that were to be presented as exceptional, and concluded that those items are in line with the group's accounting policy, and that sufficient disclosure is provided in the financial statements (see note 4).
- Considered whether the carrying value of assets, in particular intangible assets, was supportable. The Audit Committee reviewed the key assumptions used in the impairment testing of intangible assets, including forecast cash flows, growth rates and the discount rate used in value in use calculations. The Audit Committee agreed that the recoverable amount of the company's assets was in excess of their carrying value and that appropriate disclosure was provided with respect to assets whose value is more sensitive to changes in assumptions (see notes 6, 9 and 10).
- Discussed the group's more significant tax exposures and the appropriateness of any related provisions and financial statement disclosures. The Audit Committee agreed that disclosure of tax risk appropriately addresses the significant change in the international tax environment, and that appropriate provisions and other disclosure with respect to uncertain tax positions was reflected in the financial statements (see page 48 and note 7).
- Considered the appropriateness of the valuation of post employment liabilities. Having reviewed management's papers setting out key changes to actuarial assumptions, the Committee agreed that the assumptions used in the valuation of pension plan liabilities are appropriate, and that sufficient disclosures are provided in the financial statements (note 13).
- Considered significant legal matters impacting the group. The Committee agreed that adequate provision and/or disclosure has been made for all material litigation and disputes, based on the current most likely outcomes, including the litigation summarised in note 18.
- Discussed the impact of climate change on the group's financial reporting and financial statements. The Audit Committee agreed that the disclosures on pages 50 to 55 made in response to the recommendations of the Task Force on Climate-related Financial Disclosures are appropriate and that the assumptions used in the financial statements are consistent with these disclosures (note 1, note 10).

mitigations, including those set out in the section of this Annual Report dealing with principal risks. Based on this activity during the year, the Audit Committee made a recommendation to the Board covering the nature and extent of the risks it was willing to take to achieve its strategic goals and its internal statement of risk appetite (which was considered also by management's Audit & Risk Committee). The Board agreed this recommendation.

Through the activities of the Audit Committee described in this report, including its review of the reports regularly provided to the Audit Committee by internal audit, Business Integrity and Controls Assurance teams, and its related recommendations to the Board, the Board confirms that it has reviewed the effectiveness of the company's systems of internal control and risk management and that there were no material failings identified and no significant failings identified which require disclosure in this Annual Report.

External auditor

During the year, the Audit Committee reviewed the external audit strategy and the findings of the external auditor from its review of the interim results and its audit of the consolidated financial statements.

The Audit Committee reviews annually the appointment of the auditor (taking into account the auditor's effectiveness and independence and all appropriate guidelines) and makes a recommendation to the Board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. There are no contractual obligations that restrict the company's current choice of external auditor. Following the last tender process, PwC was appointed as auditor of the company in 2015. Richard Oldfield became the lead audit partner for the year ended 30 June 2021, following the rotation of the previous partner, and will remain as audit partner for the year ending 30 June 2022 onwards. The company is required to have a mandatory audit tender after 10 years and, as the Audit Committee considers the relationship with the auditors to be working well and remains satisfied with their effectiveness and the quality of audit work, their geographical and professional capabilities, the Audit Committee does not currently anticipate that it will conduct an audit tender before it is required to do so in 2025. The Audit Committee considers this to be in the best interests of the company's shareholders for the reasons outlined above and will continue to monitor this annually to ensure the timing for the audit tender remains appropriate, taking into account the effectiveness and independence of the auditor.

The company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (CMA Order) for the year ended 30 June 2021.

External auditor effectiveness and quality

The Audit Committee assesses the ongoing effectiveness and quality of the external auditor and audit process through a number of methods, commencing with identification of appropriate risks by the external auditor as part of its detailed audit plan presented to the Audit Committee at the start of the audit cycle. These risks were reviewed by the Committee and the work performed by the auditor was used to test management's assumptions and estimates relating to such risks. The effectiveness of the audit process in addressing these matters was assessed through reports presented by the auditor to the Audit Committee which were discussed by the Committee at both the half-year, in January, and year-end, in July. Following completion of the audit process, feedback on its effectiveness was provided through review meetings with the company's finance team and management and completion of questionnaires, in advance of management and the auditor providing assessments of auditor effectiveness and quality to the Audit Committee for consideration at its meeting in December. This year, overall performance of the auditor was assessed as solid and improved as compared to the prior year, with strong feedback provided as to auditor independence, quality control processes, availability, openness and responsiveness, and technological expertise. Areas where continued focus was required included simplification of impairment processes, alignment of communication between teams, and proactive efficiency driving.

The group has a policy on auditor independence and on the use of the external auditor for non-audit services, which is reviewed annually, most recently in July 2021. This year there were minor changes to the policy's contents, with amendments reflecting internal organisational changes and to clarify certain references and amendment to the threshold applied in the approval process of permissible services. Under the auditor independence policy, any member of the PwC global network shall provide to the company, its subsidiaries or any related entity only permissible services, subject to the approval of the Audit Committee after it has properly assessed through its governance process the threats to independence and the safeguards applied in accordance with the FRC Ethical Standard and US Public Company Accounting Oversight Board rules. Any FRC permissible service to be provided by the auditor, regardless of the size of the engagement, must be specifically approved by the Audit Committee or its nominated delegate, based on a defined scope of pre-approved services. The policy explicitly specifies the auditor independence review and approval mechanism process by the Committee for permissible engagements above the specified threshold, which has been amended to £100,000 from £250,000 in July 2021. Fees paid to the auditor for audit, audit-related and other services are analysed in note 3(b) to the consolidated financial statements. The nature and level of all services provided by the external auditor are factors taken into account by the Audit Committee when it reviews annually the independence of the external auditor. During the year, no non-audit services were provided by the external auditor to the company, its subsidiaries or any related entity other than personal tax services provided to two Non-Executive Directors.

'Financial expert', recent and relevant financial experience

The Board has satisfied itself that the membership of the Audit Committee includes at least one Director with recent and relevant financial experience and has competence in accounting and/or auditing and in the sector which the company operates, and that all members are financially literate and have experience of corporate financial matters. For the purposes of the Code and the relevant rule under SOX, section 407, the Board has determined that Alan Stewart is independent and may be regarded as an Audit Committee financial expert, having recent and relevant financial experience, and that all members of the Audit Committee are independent Non-Executive Directors with relevant financial and sectoral competence.

Internal audit

The company's internal GAR team undertakes an annual audit and risk plan by delivering a series of internal assurance and audit assignments across a variety of markets, business units and functions. On the conclusion of each assignment, GAR issues a report on its findings which may also include an overall rating as to the status of the market or function being audited, detailed reasons for the rating and actions to be taken within a specific timetable. The Audit Committee receives regular reports from the Head of GAR on the latest reports issued.

Due to the Covid-19 pandemic, this year audits were designed to be undertaken by GAR remotely and without compromising quality and effectiveness. The Audit Committee assesses the effectiveness of GAR by reviewing its annual audit plan at the start of the financial year, monitoring its on-going quality throughout the year, and assessing completion rates and feedback provided following completion of the annual audit plan. In addition, following an external evaluation of the company's internal audit processes and function carried out in 2020, GAR's audit plan and processes were adapted to reflect the external evaluator's recommendations and suggested actions.

Business Integrity and Controls Assurance programmes

Diageo is committed to conducting its business responsibly and in accordance with all laws and regulations to which its business activities are subject. We hold ourselves to the principles in our Code of Business Conduct, which is embedded through a comprehensive training and education programme for all employees. Our employees are expected to act in accordance with our values, the Code of Business Conduct and in compliance with applicable laws and regulations.

Our Code of Business Conduct and other global policies are available at <https://www.diageo.com/en/our-business/corporate-governance>.

The Audit Committee monitors compliance with the company's ethical standards through the Business Integrity framework, which helps enhance and protect all aspects of the company's business. Regular reports are provided to the Audit Committee by the Chief Business Integrity Officer on progress in providing guidance, training and tools for all levels in the business, completion rates for training modules, launch and rollout of new programmes or policies, monitoring use of whistle-blowing mechanisms and investigating allegations of breaches. The Business Integrity function use systems and data to allow for more efficient breach management oversight, analysis and identification of root causes, overall trends and indicators, and to monitor investigation closure rates, which are reported to the Audit Committee.

The company operates a global controls assurance programme for controls in each market and function, which monitors compliance with and effective operation of the company's controls framework. The Audit Committee receives regular reports on the status of the controls assurance plan, actions taken to enhance controls design and assessments, awareness training provided to employees, testing results and trends analysis derived from the company's integrated risk management system.

Senior financial officers' code of ethics

In accordance with the requirements of SOX and related SEC rules, Diageo has adopted a code of ethics covering its Chief Executive, Chief Financial Officer, and other senior financial officers. During the year, certain minor amendments were made to, but no waivers granted in respect of, this code of ethics. The full text of the code of ethics is available at <https://www.diageo.com/en/our-business/corporate-governance>. Both the Audit & Risk Committee and the Audit Committee regularly review the strategy and operation of the Business Integrity programme through the year.

Management's report on internal control over financial reporting

Management, under the supervision of the Chief Executive and Chief Financial Officer, is responsible for establishing and maintaining adequate control over the group's financial reporting. The Filings Assurance Committee supports the Chief Executive and Chief Financial Officer in ensuring the accuracy of the company's financial reporting, filings and disclosures. As summarised on page 99, prior to interim reporting and preliminary reporting each year, the Filings Assurance Committee examines the company's financial information and processes, the effectiveness of its controls in respect of financial reporting, and the contents of its disclosures.

Management has assessed the effectiveness of Diageo's internal control over financial reporting (as defined in Rules 13(a)-13(f) and 15(d)-15(f) under the United States Securities Exchange Act of 1934) based on the framework in the document 'Internal Control – Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, management concluded that, as at 30 June 2021, internal control over financial reporting was effective. During the period covered by this report, there were no changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of internal control over financial reporting. The same independent registered public accounting firm which audits the group's consolidated financial statements has audited the effectiveness of the group's internal control over financial reporting, and has issued an unqualified report thereon, which is included in the integrated audit report which will be included in the company's Form 20-F to be filed with the SEC.

Championing our talent strategy

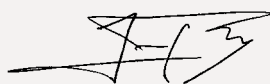


Dear Shareholder

On behalf of the Nomination Committee, I am pleased to present its report for the year ended 30 June 2021. The primary role of the Committee is to ensure that there is a pipeline of strong candidates for potential nomination as Non-Executive Directors and to review succession planning and talent strategy for Executive Directors and other members of the Executive Committee. There has been significant change in Board membership this year, with the Committee recommending the appointments of Sir John Manzoni, Ireena Vittal and Valérie Chapoulaud-Floquet as Non-Executive Directors and the appointment of Lavanya Chandrashekar as CFO and Executive Director. These appointments had been made following a detailed market review assisted by an independent executive search agency and, in the case of the CFO and Executive Director appointment, an internal talent review and selection process involving internal and external candidates carried out by the Committee. Given the number of changes of Board membership this year, we have taken the opportunity to refresh our Board induction programme including adapting aspects of it to be more suitable to a remote working environment such as has been experienced recently.

This year the Committee has also had oversight of the externally facilitated review and evaluation of the effectiveness of the Board, its Committees, members and processes. Further details, including the review's conclusions, recommendations and actions as presented to the Board in December 2020, are set out on pages 94 and 95.

The Committee has also been involved in reviewing talent planning and succession of a number of Executive Committee members. Over the year, Alvaro Cardenas has been appointed as President, Latin America and Caribbean, and Hina Nagarajan has been appointed as MD & CEO, United Spirits Limited. Lastly, I wish to acknowledge the contribution and support of our General Counsel and Company Secretary, Siobhán Moriarty, who will retire following the AGM in September after 24 years with the company. Siobhán will be succeeded by Tom Shropshire, who recently joined the company from international law firm Linklaters.



Javier Ferrán
Chairman of the Nomination Committee

Role of the Nomination Committee

The Nomination Committee is responsible for keeping under review the composition of the Board and succession to it, reviewing succession planning for key Executive Committee roles, and succession planning and overall talent strategy for senior leadership positions, including in relation to ensuring and encouraging diversity in leadership positions. It makes recommendations to the Board concerning appointments to the Board. The recruitment process for Non-Executive Directors includes the development of a candidate profile and the engagement of Egon Zehnder, a professional search agency (which has no connection with the company other than acting as an executive search agency) specialising in the recruitment of high-calibre candidates for non-executive and executive roles. In the case of Executive Director or Executive Committee appointments, an executive leadership assessment is carried out by an external professional agency. Reports on potential appointees are provided to the Committee, which, after careful consideration, makes a recommendation to the Board. In determining its recommendations, the Committee has regard to a broad range of factors including the candidate's background, skillset and experience, their ability to express independent judgement and participate across a broad range of topics, their ability to devote sufficient time to the company and whether their appointment would contribute towards the Board's diversity objectives.

While the Board does not have a written policy as regards the maximum number of other appointments that Directors should have, before recommending new appointments to the Board, the Nomination Committee considers other demands on candidates' time. Once appointed, any proposed additional external appointments are also reviewed by the Nomination Committee to ensure that the additional demands on a director's time will not impact on the director's ability to perform his or her role as a director of the company before the additional appointment is recommended for approval by the Board. Directors' interests are reviewed and updated at each Board meeting. Any new Directors are appointed by the Board and, in accordance with the company's articles of association, they must be elected at the next AGM to continue in office. All existing Directors retire by rotation and stand for re-election every year. While the company's policy is for all Directors to attend the AGM, due to the Covid-19 pandemic the 2020 AGM was held as a 'closed meeting' in accordance with the Corporate Insolvency and Governance Act 2020 and, as a result, only the Chairman attended with the Company Secretary. Details of attendance of all Board and Committee meetings by Directors are set out on page 90.

More details on the role of the Nomination Committee are set out in its terms of reference which are available at <https://www.diageo.com/en/our-business/corporate-governance/>.

Composition of the Nomination Committee

The Nomination Committee comprises Javier Ferrán (Committee Chairman), Melissa Bethell, Susan Kilsby, Valérie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Ireena Vittal.

Induction and training

The company has adapted its induction programme for new Directors appointed during the year, to take account of social distancing requirements and restrictions on travel. As a consequence, individual meetings with Executive Committee members and other senior executives which would ordinarily have been in person have had to take place through video conference systems and visits by the newly appointed Directors to the company's production facilities, offices and other sites around the group have been postponed.

Alternative ways of facilitating thorough induction programmes have been introduced, including a number which were recommended following the externally facilitated Board effectiveness review carried

out during the first half of the year. For example instead of physical visits Directors have been provided with access to a number of recorded virtual tours of certain of the company's sites and interviews with a range of employees from different backgrounds and markets. 'Skip level' video conference meetings are also being arranged between Non-Executive Directors and employees to enable broader interactions which will enhance Directors' induction experiences as well as provide another means of engagement between the Board and the company's workforce. All Directors who have been unable to travel over this period will have the opportunity to visit key sites, including the company's production facilities in Scotland and elsewhere, and to meet executives face-to-face when travel restrictions are lifted.

It is intended that future induction programmes for new Directors will also be more tailored to suit the particular background and experience of the individual Director, with the Committee advising on priorities for that individual and tracking induction activity. This will supplement existing practices whereby, following the initial induction process, a continuing understanding of the business is developed through appropriate business engagements for Non-Executive Directors which would ordinarily include visits to customers, engagements with employees, and brand events worked into the annual cycle of Board meetings. Training on specific areas of risk and detailed reviews of strategic matters are provided by Executive Committee members, other internal senior leaders and external guest speakers and specialists through presentations, roundtable discussions and other sessions as part of the Board's Annual Strategy Conference and during the year as part of Board and Audit Committee meetings.

In addition, Executive Committee members and other senior executives are invited, as appropriate, to Board and strategy meetings to make presentations on their areas of responsibility. All Directors are also provided regular briefings to ensure they are kept up to date on relevant legal and governance developments or changes, best practice developments and changing commercial and other risks.

Activities of the Nomination Committee

The principal activities of the Nomination Committee during the year were:

- the consideration of the talent pipeline for potential new appointments to the Board including the selection and recommendation as to the appointment of new Executive Directors, Non-Executive Directors and the Company Secretary;
- the selection, scoping and appointment of an external professional consultancy to conduct a review of Board, committee and individual Director effectiveness and performance as part of the annual evaluation process, and a review of the findings of the consultancy's report and its recommendations;
- consideration and approval of the report of the Committee in the company's annual report and accounts for the year ended 30 June 2020;
- consideration and recommendation to the Board of proposed changes in Directors' outside interests and any potential conflicts of interest; and
- a review of the succession plans for Executive Committee roles, including potential candidates for such roles, their backgrounds and experience, and how such candidates would contribute towards the company's diversity objectives.

Evaluation

As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee. This concluded that the performance of the Committee had continued to improve, with more formalised ways of working. The emphasis is now on ensuring adequate time and focus on developing strong succession plans and to ensure all Board members remain informed as to the work of the Committee as the Board grows. Further details of the evaluation can be found on pages 94-95.

Diversity

The Board has a long-standing commitment to prioritise diversity and supports the recommendations of the Hampton-Alexander Review on gender diversity and the Parker Review on ethnic diversity. The Board Diversity Policy sets out specific objectives with parity between male and female members of the Board being the ultimate goal in terms of gender diversity, with a commitment to have no less than 40% female representation on the Board, and having at least one Director reflecting ethnic diversity as defined in accordance with the Parker Review. The Committee is pleased to confirm that both these objectives have currently been met. The Board Diversity Policy also sets out the Board's support for management's actions to increase the proportion of senior leadership roles held by women and by people from minority backgrounds and other under-represented groups. As at 30 June 2021, the percentage of women on the Executive Committee and their direct reports is 46%.

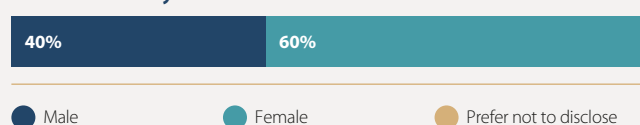
Board composition



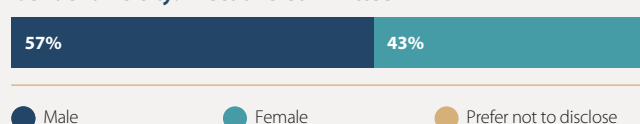
Non-Executive Director tenure



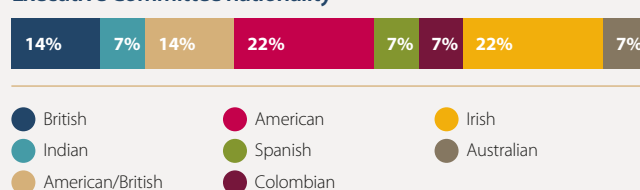
Gender diversity: Board of Directors



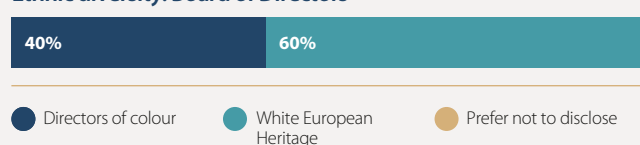
Gender diversity: Executive Committee



Executive Committee nationality



Ethnic diversity: Board of Directors



ETHNIC DIVERSITY DEFINITIONS

- Directors are defined as all non-executive and executive directors appointed to the Board.
- Directors of colour are defined in accordance with the Parker Review definitions as those 'who identify as or have evident heritage from African, Asian, Middle Eastern, Central and South American regions'.

All data above is given as at the last practicable date prior to publication of this report, being 27 July 2021