

Diageo plc

Powers and main duties and responsibilities of the Chairman, Senior Independent Director and Chief Executive Officer

This document summarises the principal powers and main duties and responsibilities of the Chairman, Senior Independent Director (SID) and Chief Executive Officer (CEO). The powers, duties and responsibilities summarised below derive principally from the 2018 UK Corporate Governance Code and associated FRC Guidelines on Board Effectiveness, and are in addition to the general duties of directors under statute and common law, as well as those responsibilities which, in the case of the Chairman and the SID, might apply to them in their capacity as non-executive directors.

| CHAIRMAN | SID | CEO |
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| Powers | | |
| Pursuant to the Articles of Association, the Board has appointed Mr Javier Ferrán as Chairman. ¹ | | Pursuant to the Articles of Association, the Board has delegated to the CEO all its powers in relation to the management of the business of the Company. ² |
| Main duties and responsibilities | | |
| <p>Lead the Board and be responsible for its overall effectiveness in directing the Company. Demonstrate objective judgement throughout tenure and promote a culture of openness and debate in the boardroom. Facilitate constructive Board relations and the effective contribution of all non-executive directors, including by setting clear expectations concerning the style and tone of Board discussions, ensuring the Board has effective decision-making processes and applies sufficient challenge to major proposals.</p> <p>Ensure that directors receive accurate, timely, high-quality and clear information.</p> <p>Make certain that all directors are aware of their responsibilities and hold meetings with the non-executive directors without the executives present in order to facilitate a full and frank airing of views.</p> | <p>Act as a sounding board and provide support for, and serve as an intermediary for the other directors and shareholders with respect to, the Chairman.</p> | <p>Develop for review and approval by the Board: a corporate vision and strategy with the explicit aim of maximising shareholder value; and short and long term financial objectives, and plans to achieve them.</p> <p>Implement the approved corporate vision and strategy and achieve the approved financial objectives. Monitor day-to-day business performance and take corrective action where needed.</p> |
| <p>Lead annual Board evaluation and act on the results. Has overall responsibility for the process, and should select an effective approach, involving the SID as appropriate.</p> <p>Consider having a regular externally-facilitated evaluation of the Board, its committees, himself and individual directors – at least every three years. The Chairman should ensure full cooperation between the Company and any external evaluator and act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board.</p> <p>Hold meetings with the non-executive directors without the executive directors present to scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives.</p> | <p>At least annually (and on other occasions as appropriate) lead the evaluation of the Chairman in meetings with the non-executive directors (excluding the Chairman).</p> <p>As appropriate, support the Chairman in leading the annual Board evaluation and, if required, lead the entire evaluation process.</p> | <p>Ensure the quality of management and executive leadership within the Company.</p> <p>Nurture and develop the Company's brand and product portfolio, and implement a programme of acquisitions and divestments in line with the approved strategy and financial objectives.</p> |

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| <p>Consider ways in which to obtain feedback from the workforce and other stakeholders – for example, the auditors – on the performance of the Board and individual directors.</p> <p>Give a summary of the outcomes and recommendations of the Board evaluation process in a statement in the annual report.</p> | | |
| <p>Encourage all Board members to engage in Board and committee meetings by drawing on their skills, experience and knowledge.</p> <p>Ensure that sufficient time is allowed at Board meetings for committees to report on the nature and content of discussion, on recommendations, and on actions to be taken. Where there is disagreement between the relevant committee and the Board, ensure adequate time is made available for discussion of the issue with a view to resolving the disagreement.</p> <p>Ensure Board committees are properly structured with appropriate terms of reference and determine whether additional Board committees are required in order to ensure adequate supervision of specific subject matters.</p> <p>Ensure that committee membership is periodically refreshed and that individual independent non-executive directors are not over-burdened when deciding the chairmen and membership of committees.</p> | | <p>Welcome constructive challenge from non-executive directors as an essential aspect of good governance, and encourage non-executive colleagues to test proposals in the light of their wider experience outside the Company.</p> |
| <p>Provide guidance and mentoring to new directors as appropriate, and ensure that all directors receive a full, formal and tailored induction on joining the Board.</p> | | |
| <p>Chair the Nomination Committee, and, in that role, initiate change and succession planning in Board appointments to retain and build an effective and complementary Board, and to facilitate the appointment of effective and suitable members and Chairmen of Board Committees.</p> | | |
| <p>Set the agenda for the Board, primarily focused on strategy, performance, value creation, culture, stakeholders and accountability, and ensure that issues relevant to these areas are reserved for Board decision.</p> <p>Ensure adequate time is available for discussion of all agenda items, in particular strategic issues, and that debate is not truncated.</p> <p>Ensure that the Board determines the nature, and extent, of the significant risks the Company is willing to embrace in the implementation of its strategy.</p> | <p>When the Board is undergoing a period of stress, work with the Chairman and other directors and/or shareholders to resolve significant issues, e.g. where:</p> <ul style="list-style-type: none"> • there is a dispute between the Chairman and CEO; • shareholders or non-executive directors have expressed concerns that are not being addressed by the Chairman or CEO; • the strategy being followed by the Chairman and CEO is not supported by the entire Board; • the relationship between the Chairman and CEO is particularly close; • decisions are being made without the approval of the full Board; or • succession planning is being ignored. | <p>Ensure that management fulfils its obligation to provide the Board with:</p> <ul style="list-style-type: none"> • accurate, timely and clear information in a form and of a quality and comprehensiveness that will enable it to discharge its duties; • the necessary resources for developing and updating directors' knowledge and capabilities; and • appropriate knowledge of the Company, including access to Company operations and members of the workforce. <p>Ensure the Board knows the views of the senior management on business issues in order to improve the standard of discussion in the boardroom and, prior</p> |

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| | If required, take responsibility for an orderly succession process for the Chairman, working closely with the nomination committee. | to a final decision on an issue, explain in a balanced way any divergence of view. Ensure the Board is made aware of views gathered via engagement between the workforce, management and the Board (or its nominee with responsibility for engaging with the workforce). Communicate the decisions of the Board and Board committees as appropriate, and ensure proper implementation. |
| Represent the Company to its key stakeholders, and foster constructive relations with major shareholders. The Chairman in particular should consider ways of reaching out to increase their visibility with the workforce and gain insights into the culture and concerns at different levels of the business. In addition to formal general meetings, seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy, and ensure the Board as a whole has a clear understanding of the views of shareholders, and that the Board listens to the views of shareholders, the workforce, customers and other key stakeholders. | When called upon, the SID should seek to meet a sufficient range of major shareholders in order to develop a balanced understanding of their views. Be available to shareholders if they have concerns that contact through the normal channels of Chairman, CEO or other executive directors has failed to resolve or for which such contact is inappropriate. | Develop and maintain the policies and systems needed to ensure optimal business performance in line with the approved strategy (where appropriate for review and approval by the Board). In particular, maintain an effective system of internal control and risk management. Together with the CFO and in coordination with the Chairman, manage relationships with Diageo's shareholders, the financial community and other external parties. |
| Develop productive working relationships with the executive directors, in particular the CEO, in order to gain a detailed understanding of the business, and provide support and advice whilst regarding executive responsibility. | | Note that the Chairman/CEO relationship is suggested as a key area for Board evaluators to look into. |
| Uphold the highest standards of integrity and instill the appropriate values, behaviours and culture in the boardroom and beyond. | Uphold the highest standards of integrity and support the Chairman in instilling the appropriate values, behaviours and culture in the boardroom and beyond. | Uphold and conduct the affairs of the Company with the highest standards of integrity and support the Chairman in instilling the appropriate values, behaviours and culture in the boardroom and beyond. Set an example to the Company's workforce, and communicate to them the expectations in respect of the Company's culture, and ensure that operational policies and practices drive appropriate behaviour. |
| Reporting lines | | |
| The Chairman reports to the Board. | | The CEO reports to the Chairman (acting on behalf of the Board) and to the Board directly. |
| Approved by the Board on 31 October 2019. Any amendments to this statement are a matter reserved to the Board. In the event of any conflict between this statement and the CEO's Service Contract, this statement shall take precedence. | | |

Notes

- 1 Pursuant to the Articles of Association, the Board has appointed Mr Ferrán chairman, with effect from 17 May 2016, subject to the terms of a letter of appointment dated 12 May 2016 which was superseded and replaced by the terms of a letter of appointment dated 10 October 2019, which covers the scope of his role.
- 2 Pursuant to the Articles of Association, with effect from 1 January 2001, the Board delegated to and vested in the CEO all the powers of the Board in relation to the management of the business of the Company including (without limitation) the power to approve and enter into corporate, commercial and financing transactions of any nature and matters related thereto except to the extent that the powers so delegated:
 - (i) are in respect of matters explicitly reserved for decision by the Board (whether or not they remain exercisable by the Board or are delegated to a Board Committee); or
 - (ii) are hereafter revoked or varied by the Board;

and such delegation shall be without prejudice to the ability of the Standing Committee of the Board from time to time to exercise all or any of the powers hereby vested in the CEO.