Ensuring *integrity* across the business

Dear Shareholder

On behalf of the Audit Committee, I am delighted to present the Committee's report for the year ended 30 June 2024.

The purpose of this report is to describe how the Audit Committee has carried out its responsibilities during the year. The role of the Audit Committee is to monitor and review the integrity of financial information and reporting, and to provide assurance to the Board that the company's internal controls and risk management processes, including its internal audit, business integrity and compliance processes, are appropriate and regularly reviewed. The Audit Committee also oversees the work of the external auditor, monitors its independence, approves its remuneration and recommends its appointment. The Committee is also responsible for reviewing the company's principal and emerging risks, which it carried out over the course of the year through a series of risk review deep dives.

During fiscal 24, the Committee undertook an external audit services tender process as the current auditors had been in role since fiscal 16. Further details are set out on pages 112-113.

The Committee has also kept under regular review the company's cyber security risk management processes, governance systems and capabilities, in light of continuing risks in respect of cyber threats. See page 117 for further details.

This report also describes areas of significant and particular focus for the Committee over the year. During fiscal 24 this included regularly monitoring progress of the company's multi-year programme to improve its internal processes and upgrade its financial systems and technology. This programme has been designed to enhance Diageo's business resilience and controls environment through simplifying and standardising the group's ways of working, improving access to data, and enhancing reporting through implementation of a new cloud-based enterprise resource planning platform. Strategic business transformation has been identified as a new principal risk this year. The Committee has also increased its focus on the company's demand forecasting capabilities, stock in trade and inventory levels monitoring processes and controls, particularly in light of reduced demand in certain regions such as Latin America and Caribbean.

As part of the company's year end reporting processes, the Committee has reviewed and challenged management's approach, analysis and recommendations, taking into account the views of the external auditor, in order to conclude on its Annual Report and financial statements. In addition, the Committee has considered and reviewed the group's principal and emerging risks on a rolling basis throughout the course of the year. Further information is provided on pages 114-115.

Having chaired the Committee since 2017, I will be stepping down from the role shortly and am delighted that Julie Brown has been appointed as my successor, effective from 5 August 2024. I believe that the Committee has an open and constructive relationship with management and the external auditors, whom I thank for their assistance over the year. I also thank my fellow Committee members for their diligence and engagement. The Committee remains committed to continuing to discharge its duties in an effective and diligent manner during fiscal 25.

Alan Stewart
Chair of the Audit Committee

Role and composition of the Audit Committee

The role of the Audit Committee is fully described in its terms of reference, which are available at https://www.diageo.com/en/our-business/corporate-governance. The members of the Audit Committee are independent Non-Executive Directors being Alan Stewart (Committee Chair), Melissa Bethell, Karen Blackett, Valérie Chapoulaud-Floquet, Susan Kilsby, Sir John Manzoni and Ireena Vittal. The Chair 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 Group 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 and the Head of GAR regularly during the year. During the course of the year, the Committee met five times and constituted subcommittees to manage the external audit tender process and to review progress of the year end audit and reporting processes. Details of attendance of all Board and Committee meetings by Directors are set out on page 89.

Reporting and financial statements

During the year, the Audit Committee reviewed the interim results announcement, including the interim financial statements, the Annual Report and associated preliminary results announcement and Form 20-F, focusing 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. The Audit Committee has also focused in particular on the company's approach to assurance and internal approvals processes. Under the supervision of the Audit Committee, management has again sought to refine our non-financial reporting in order to enhance consistency and intelligibility throughout the Annual Report, while also complying with the recommendations of the Task Force on Climate-related Financial Disclosures.

This year the Committee has continued to regularly review progress of the company's transformation project to improve Diageo's internal processes and upgrading its financial systems and technology, monitoring progress against the project's targets and timeline, including its controls framework and reporting capabilities.

The company has in place internal control and risk management systems in relation to the company's financial and non-financial reporting process including the group's process for the preparation of consolidated financial statements. A review of the consolidated financial statements and the draft Annual Report 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 and non-financial information and disclosures, the effectiveness of internal controls relating to financial and non-financial reporting and disclosures, legal and compliance issues and determining whether the company's disclosures are accurate and adequate. This year additional focus has been given to the adequacy of regional inventory monitoring processes, especially in Latin America and Caribbean. The FAC comprises senior executives such as the Chief Executive, the Chief Financial Officer, the General Counsel & Company Secretary, the General Counsel Corporate & Deputy Company Secretary, the Group Controller, the Group Chief Accountant, the Head of Investor Relations, the Head of GAR and the Chief Business Integrity Officer. The company's external auditor also attends meetings of the FAC. Presidents of each region and their finance directors attend the FAC on request. 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.

Diageo has carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officer, of the effectiveness of the design and operation of Diageo's disclosure controls and procedures (as defined in the US Securities Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Annual Report. Based upon that evaluation, Diageo's Chief Executive and Chief Financial Officer concluded that, as of 30 June 2024, Diageo's disclosure controls and procedures were effective.

As part of its review of the company's Annual Report and associated disclosures, the Audit Committee has considered whether the report is 'fair, balanced and understandable' and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy, as required by Principle N of the Code. In doing so, the Committee has noted the guidance issued by the FRC on this subject as well as best practice recommendations from external advisors. The Committee has considered factors such as whether the report includes descriptions of the business model, strategy and principal risks which are sufficiently clear and detailed to enable users to understand their importance to the company, whether the report is consistent throughout with the narrative reflecting the financial statements and understanding of directors during the year, that information is presented fairly, without omission of material information and not in a manner which might mislead users.

The Committee has also considered the presentation of GAAP and non-GAAP measures to ensure appropriate prominence is given to GAAP measures and that non-GAAP measures are presented consistently and can be clearly reconciled. The Audit Committee has also considered the governance and processes undertaken by management in drafting, developing and reviewing the contents of the Annual Report, which have been designed to ensure the robustness and adequacy of the information contained in it, including review by and input from senior executives, the company's advisors and through the work of the FAC. On this basis, the Audit Committee recommended to the Board that it could make the required statement that the Annual Report is 'fair, balanced and understandable'.

SEC correspondence

The Committee reviewed a comment letter addressed to the company which had been received in March 2024 from the SEC following its review of the company's Form 20-F for fiscal 23. The letter raised a question as to the presentation of non-GAAP line items in a table expressed to be the company's summary income statement. The company responded by proposing to rename and reformat the contents of the relevant table in future filings, following which the SEC confirmed that it had completed its review. The Committee notes that Diageo remains responsible for the accuracy and adequacy of its disclosures.

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, as was the case in 2023. There are no contractual obligations that restrict the company's current choice of external auditor.

PwC first became Diageo's external auditor in fiscal 16 following a tender process carried out in 2015. PwC's re-appointment for fiscal 24 was approved by shareholders at the 2023 AGM.

External audit tender process

At the recommendation of the Audit Committee and as the company is required to have a mandatory audit tender after 10 years by the Statutory Auditors and Third Country Auditors Regulations 2016, an audit services tender process was undertaken during fiscal 24 to provide sufficient time for an adequate transition in the event that a new audit firm was selected. In undertaking this tender, 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 for the year ended 30 June 2024.

In determining the process for the audit services tender, management took into consideration and followed the FRC's guidance on audit tendering, with the Audit Committee making robust decisions to ensure that the requirements of the FRC's minimum standard for audit committees were met. Included in the process were a review of each firm's most recent FRC Audit Quality Review reports, a consideration of potential conflicts of interest and independence checks, and identification of key individuals with appropriate skills and experience to act as potential lead partners. Clear and objective criteria for assessing success were determined and agreed.

A timeline summary of the key steps taken is set out below.

Audit tender process

April 2023	Review of the audit market including firms outside the 'Big 4' professional consultancy firms to determine their minimum capability and capacity requirements.
May to June 2023	Constituted a sub-committee of the Audit Committee and identified shortlisted firms for interview.
September to October 2023	Determined list of assessment criteria, created and opened data room to share information, and carried out series of management meetings with each shortlisted firms.
October to November 2023	Presentation to the Audit Committee followed by the submission of formal requests for proposal from the shortlisted firms.
December 2023	Review of proposals from firms, consideration by Audit Committee and recommendation to the Board.

In December 2023, a sub-committee of the Audit Committee reviewed of the final presentations and responses to the Request for Proposal submitted by each of the shortlisted firms and based its decision on a combination of audit approach, team continuity in key roles and understanding Diageo's business and risks. The sub-committee refined the shortlisted firms from four to three and presented a recommendation to the Audit Committee and subsequently to the Board. The recommendation comprised a preferred firm and an alternative firm. After careful thought and consideration, the Board decided to reappoint PwC as the external auditor. Feedback was given to all participating firms as part of the tender process.

Since the conclusion of the audit for the year ended 30 June 2023, Scott Berryman has been lead audit partner with responsibility for signing the Diageo plc audit opinion on behalf of PwC. Scott will remain as such for the year ending 30 June 2025 onwards. The Board will propose the reappointment of PwC at the AGM to be held in September 2024.

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 during review meetings with the company's management and finance team, who also completed questionnaires on their experience of the audit. Both management and the auditor provided their assessments of auditor effectiveness and quality to the Audit Committee for consideration at its meeting in December. The auditor assessment is undertaken based on the requirements of the Code as well as guidance issued to audit committees by the FRC in April 2016 and Minimum Standards for Audit Committees published by the FRC in May 2023, as well as the NYSE listing rule 303A.07. It includes consideration of the findings of the FRC's Audit Quality Review team which published its 2022/23 Audit Quality Inspection and Supervision report on PwC in July 2023, periodic regulatory review carried out by the US Public Company Accounting Oversight Board (PCAOB) and the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales, as well as benchmarking of the auditor as against its peers. The assessment also takes into consideration PwC's annually published Transparency Report which sets out how the firm upholds its professional responsibilities and seeks to ensure delivery of quality in its services. The results of the survey conducted during fiscal 24 indicated a consensus view that overall performance is solid. Consistent strong feedback was received in relation to solid auditor independence and quality control, strong professional expertise and business knowledge, and solid quality communication between PwC and management. Areas where continued focus was required remained consistent with the prior year assessment including timely review and feedback on audit matters, better alignment in internal communication, resource continuity and use, pro-activity in driving efficiencies, provision of best practice examples of processes and controls, and transparency on audit activities throughout the year. It was concluded that the relationship between the auditor and management was strong and open. The auditor team communicated openly and clearly those areas which they considered significant and their views on such matters. Senior members of the PwC team had been very visible throughout the business and strengthened relationships with management.

During the external audit, the auditor challenged management on its approach taken as to brand impairment testing, including discussing and reviewing management's plans and strategies for future growth of the brands as against recent performance and forecasts. The auditor also challenged management as to other judgemental matters such as pension obligation valuations and uncertain tax positions, assessing management's analysis as to these potential exposures and disclosures in the Annual Report. The auditor also challenged management while preparing the Annual Report in relation to whether there was sufficient balance in the Strategic Report and as to disclosures of critical accounting policies and practices, including those relating to impairment of goodwill and indefinite life intangible assets, pensions valuation and uncertain tax positions. The Audit Committee assessed these challenges, discussing them with management and the auditor, and seeking additional information and evidence from management in support of these assessments.

External auditor independence

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 2024. 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, SEC auditor independence rules and US Public Company Accounting Oversight Board rules. These services are set out in full in the policy and are generally those which the external auditor is best placed to provide, which may include reporting required by law or regulation to be performed by the auditor and services where the services are closely linked to audit work and where the auditor's understanding of the group is relevant to the services. 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 (being the Chair of the Audit Committee) 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 of £100,000. Fees paid to the auditor for audit, audit-related and other services are analysed in note 4(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-assurance related 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 and the provision of services in connection with the issuance of senior notes by a group company.

Internal audit, controls assurance and risk

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, processes, 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, process 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.

This year GAR has undertaken a number of audits including both market and functional audits as well as of certain of the group's end-to-end processes and procedures. The Audit Committee assesses the effectiveness of GAR by reviewing its annual audit plan at the start of the financial year, monitoring its ongoing quality throughout the year, and assessing completion rates and feedback provided following completion of the annual audit plan. Having carried out this assessment, the Audit Committee is of the view that the quality, experience and expertise of GAR is appropriate for the business. The company operates a global controls assurance programme for financial reporting 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 effectiveness, awareness training provided to employees, testing results and trends analysis derived from the company's integrated risk management system. The Committee also reviewed and approved changes to the principal risk descriptions and risk footprint, as well as receiving regular presentations and reviews of the status of its principal and emerging risks. This year, these reviews have covered areas including business ethics and integrity, human rights, anti-counterfeit, geo-political volatility and business interruption, business transformation, stock in trade, cyber security and IT resilience, climate change and sustainability, and international taxation. A new principal risk in relation to strategic business transformation was identified this year.

Business Integrity programmes

Diageo is committed to conducting its business responsibly and in accordance with all laws and regulations to which it's 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. 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 whistleblowing mechanisms and investigating allegations of breaches.

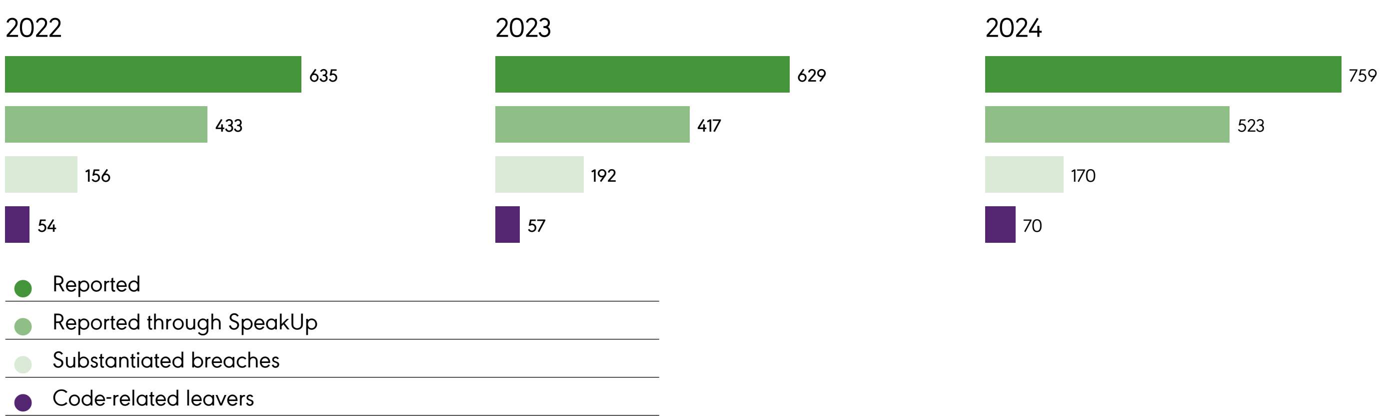
Our Code of Business Conduct, available in 19 languages, sets out what Diageo stands for as a company and how Diageo operates, enabling all employees to understand what is required of them in working for Diageo. Annual training on the Code of Business Conduct and associated policies is mandatory for all managers and their direct reports globally, encompassing over 24,000 eligible employees during the year ended 30 June 2024. Training is delivered in an easily accessible e-learning format, with classroom training delivered to those employees who do not have regular access to a computer. The Code of Business Conduct and other global policies are available at https://www.diageo.com/en/our-business/corporate-governance.

Third-party risk is also managed through our Know Your Business Partner programme, which is designed to help the company evaluate the risk of doing business with a third party before entering and during a contractual relationship. Business partners are assessed for potential risks including economic sanctions, bribery and corruption, money laundering, facilitation of tax evasion, data privacy, human rights and other reputational issues.

Employees and third-party business partners are encouraged to raise concerns about potential breaches of the Code of Business Conduct or policies, either to line managers, legal or HR colleagues, risk, compliance and Business Integrity teams or to SpeakUp, a confidential whistleblowing mechanism. SpeakUp is a global service administered by an independent provider, accessible online or by telephone. Where legally permitted, it can be used anonymously and reports kept confidential. Allegations are investigated by independent Diageo teams, with progress being monitored by the Business Integrity team. When allegations are substantiated, appropriate disciplinary and corrective actions are taken. The Audit Committee receives and reviews regular reports on allegations, including trends information, root cause analysis and investigation closure rates. Since all of Diageo's Non-Executive Directors attend the Audit Committee, all Non-Executive Directors who make up the Board routinely review the findings of the company's whistleblowing processes in accordance with the UK Corporate Governance Code.

During the year ended 30 June 2024, 759 allegations of breaches were reported which is an increase on prior years. The substantiation rate of allegations confirmed as breaches is 34% (versus 33% in fiscal 23). As of the end of fiscal 24, 70 people exited the business as a result of breaches of our Code of Business Conduct or policies (fiscal 23: 57 people). The number of leavers for fiscal 23 has been restated due to a number of open cases from fiscal 23 being concluded this year. At the end of fiscal 24, we had 223 open cases, which may lead to more people exiting the business. See below a summary of reported and substantiated breaches over the past three years.

Reported and substantiated breaches



Senior financial officers' code of ethics and dealing code

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, no waivers were 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/compliance. Both the Audit & Risk Committee and the Audit Committee regularly review the strategy and operation of the Business Integrity programme through the year.

The company has also adopted a dealing code setting out requirements in relation to dealings in Diageo securities by Directors, Executive Committee members and certain other employees, which is designed to ensure compliance with applicable insider trading and market abuse regulations, in particular the UK Market Abuse Regulation.

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 112, 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 2024, 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 is included in the company's Form 20-F to be filed with the SEC.

'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. See pages 92-93 for details of relevant experience of Directors.

Committee activities

Details of the main areas of focus of the Audit Committee during the year include those summarised below:

Areas of focus		Strategic outcome
Corporate reporting	• Half and full year external reporting updates • Interim and preliminary results review and approval • Annual Report and consolidated financial statements, Form 20-F review and approval • Implications of group functional and presentation currency change on reporting	EG CVC CT
Internal controls	• GAR updates • Business Integrity updates including breach and reporting update • Controls testing update and Section 404 assessment • Implications on controls environment of systems and process changes • Business transformation projects monitoring • Inventory and stock in trade monitoring controls review and enhancements	CT CVC
External audit and assurance	• Report on external audit at half and full year periods • Insights and observations on reporting review • Auditor independence and non-audit work reviews • Auditor independence policy review • Review of management representation letters • Appointment of auditor and review of terms of engagement and fees • Auditor performance and effectiveness review and assessment • Commencement of auditor tender process • Audit regime reform and approach to assurance	CT
Risk management	• Principal and emerging risk reviews and tracking • Risk updates, including group risk footprint and risk appetite review and approvals • Business ethics and integrity, human rights, anti-counterfeit, geo-political volatility and business interruption, business transformation, stock in trade, cyber security and IT resilience, climate change and sustainability, and international taxation risk reviews	EG CVC CT

Key

Strategic outcomes

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

Significant issues and judgements

Significant issues and judgements that were considered in respect of the 2024 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.

Matter considered	How the Audit Committee addressed the matter
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 were appropriate based on management's analysis, and concluded that they were.
Items that were to be presented as exceptional. Refer to note 3 of the Financial Statements.	The Audit Committee assessed whether the reporting of those items as exceptional, was in line with the group's accounting policy, and that sufficient disclosure was provided in the financial statements, and concluded that they were.
Whether the carrying value of assets, in particular intangible assets, was supportable. Refer to notes 6, 9, 10 and 13 of the Financial Statements.	The Audit Committee reviewed the methodology applied in conducting impairment reviews and the result of management's impairment assessments that were performed during the year. The Committee was provided with information about the carrying amounts and the key assumptions incorporated in management's estimate of discounted cash flows of significant assets that are sensitive to key assumptions. The Committee reviewed the key assumptions used in the impairment testing, including management's cash flow forecasts, growth rates and the discount rate used in value in use calculations and agreed they were appropriate. The Committee agreed with management's judgements and conclusions, whereby the previous impairment charge of $379 million in respect of Shui Jing Fang brand has been reversed, while Chase brand and related goodwill and fixed assets, certain brands in the US ready to drink portfolio, and some smaller other brands and investments in associates have been impaired by $170 million in the year ended 30 June 2024, out of which $155 million was reported as exceptional operating charge. The Committee agreed that the recoverable amount of the company's other assets was in excess of their carrying value and that appropriate disclosure was provided with respect to assets impaired, and whose value is more sensitive to changes in assumptions.
The group's more significant tax exposures and the appropriateness of any related provisions and financial statement disclosures. Refer to page 80 of 'Our principal risks and risk management' and note 7 of the Financial Statements.	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 were reflected in the financial statements.
The appropriateness of the valuation of post-employment liabilities, and the recognition of any surplus. Refer to note 14 of the Financial Statements.	The measurement of post-employment liabilities is sensitive to changes in long-term interest rates, inflation and mortality assumptions. Having reviewed management's papers setting out key changes to actuarial assumptions, the Audit Committee agreed that the assumptions used in the valuation are appropriate. The Committee reviewed management's assessment of the economic benefit available as a refund of the surplus or as a reduction of contribution and the key judgements made in respect of the surplus restriction and concluded that those judgements were appropriate. The Committee reviewed and concluded that sufficient disclosures were provided in the financial statements.
Significant legal matters impacting the group. Refer to note 19 of the Financial Statements.	The Committee agreed that adequate provision and/or disclosure have been made for all material litigation and disputes, based on the current most likely outcomes, including the litigation summarised in note 19 of the Financial Statements.
Functional currency of Diageo plc and presentation currency of Diageo group.	The Audit Committee agreed that in line with reporting requirements the functional currency of Diageo plc has changed from sterling to US dollar which is applied prospectively from fiscal 24. This is because the group's share of net sales and expenses in the US and other countries whose currencies correlate closely with the US dollar has been increasing over the years, and that trend is expected to continue in line with the group's strategic focus. Diageo has also decided to change its presentation currency to US dollar with effect from 1 July 2023, applied retrospectively, as it believes that this change will provide better alignment of the reporting of performance with its business exposures.
Whether the Annual Report is fair, balanced and understandable.	The Audit Committee concluded that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy and that there is an appropriate balance between statutory (GAAP) and adjusted (non-GAAP) measures.
The impact of climate change on the group's financial reporting and financial statements. Refer to pages 61-76 and note 1 and note 9 of the Financial Statements.	The Audit Committee agreed that the disclosures on pages 61-76 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.

Cyber Security Risk Management

Cyber security risk management is an integral part of Diageo's overall group risk management programme and aligned to Diageo's risk management framework, with cyber security risk forming a central part of the principal risk 'Cyber and IT resilience' as set out on page 81. Our cyber security risk management programme is aligned to industry best practices and provides a framework for handling cyber security threats and incidents across the global organisation, including threats and incidents associated with the use of IT applications and services provided by IT and non-IT third parties. Our programme is designed to work across all Diageo functions, markets, and entities. This framework includes steps for assessing the severity of a cyber security threat, identifying the source of a cyber security threat including whether the cyber security threat is associated with a third-party service provider, implementing cyber security countermeasures and mitigation strategies and informing management and our Board of material cyber security threats and incidents. Our cyber security team also engages third-party security experts for industry benchmarking analysis, risk assessments and conducting system enhancements and support when necessary. Our cyber security team is responsible for assessing our cyber security risk management programme and we engage third parties for such assessments approximately every one to two years. In addition, our cyber security processes includes a training and awareness outreach programme that provides training to all employees annually and more frequent targeted training across functions, markets, and entities.

The Board has overall responsibility for our risk management, including in respect of cyber security, oversight of which has been delegated to the Audit Committee. The Audit Committee is responsible for ensuring that management has processes in place designed to identify and evaluate cyber security risks to which the company is exposed and implement processes and programmes to manage cyber security risks and mitigate cyber security incidents. The Audit Committee also reports material cyber security risks to the Board. Management is responsible for identifying, considering and assessing material cyber security risks on an ongoing basis, establishing processes to ensure that such potential cyber security risk exposures are monitored, putting in place appropriate mitigation measures and maintaining cyber security programmes. Our cyber security programmes are under the direction of our Chief Information Security Officer (CISO) who receives reports from our cyber security team and monitors the prevention, detection, mitigation, and remediation of cyber security incidents. Our CISO and dedicated personnel are certified and experienced information systems security professionals and information security managers with many years of relevant industry experience and accredited certifications. Management, including the CISO and our cyber security team, regularly update the Audit Committee on the company's cyber security programmes, material cyber security risks and mitigation strategies and provide cyber security reports on a half-yearly basis that cover, among other topics, assessments of the company's cyber security programmes, developments in cyber security and updates to the company's cyber security programmes, security risk footprint with risk appetite, and mitigation strategies.

During fiscal 24, we did not identify any cyber security threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cyber security threats, or provide assurances that we have not experienced an undetected cyber security incident. For more information about these risks, please see the section on 'Our Principal Risks and Risk Management' on pages 77-85.