

Building our talent for the future



Dear Shareholder

I am pleased to provide the report of the Nomination Committee for the year ended 30 June 2024.

The Nomination Committee has had an active year, discharging its responsibilities to ensure adequate succession planning for Board appointments, including the maintenance of a pipeline of strong candidates for potential nomination to the Board, and supervising transitions for new appointments. This year the Committee has spent significant time looking towards the future, building on strong foundations as Diageo continues to develop and grow its business. The Committee has supervised the transition of key roles such as the Board Chair, the Audit Committee Chair and the Chief Financial Officer. I look forward to welcoming Julie Brown and Nik Jhangiani to the Board in the near future, thanking Alan Stewart and Lavanya Chandrashekar for their years of service. As I will also be standing down in February 2025, being in my ninth year on the Board following which date I will no longer be deemed to be independent under the UK Corporate Governance Code. I congratulate Sir John Manzoni on his appointment.

This year the Committee also managed the evaluation of the effectiveness of the Board, its Committees, members and processes. As required by the Code, the evaluation was facilitated by an external consultancy firm which had been selected by the Committee following a tender process. Further details, including the review's conclusions, recommendations and actions as agreed by the Board, are set out on pages 105-106.

The Committee has continued to discharge its role in overseeing the company's talent planning and succession for Executive Committee members. Sally Grimes was appointed Chief Executive Officer, Diageo North America in October 2023 and John Kennedy was welcomed back to Diageo in January 2024 when he was appointed President, Europe.

With these Board and Executive Committee changes, I am confident that Diageo has the leadership required for it to continue its progress towards fulfilling its growth ambition and to create value for its shareholders and other stakeholders.

Javier Ferrán
Chair of the Nomination Committee

Role and composition 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. 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>.

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

Succession planning

The Committee reviews the effectiveness and adequacy of succession planning processes and the succession plans for both the Board and Executive Committee. Succession plans are tailored for key roles, based on merit and objective criteria, and designed to ensure inclusion and diversity. Consideration is given to the length of tenure of each incumbent with the aim prospectively to anticipate potential changes to the Board or Executive Committee and address vacancies proactively enabling smooth succession. The Board should comprise a majority of independent Non-Executive Directors, free of conflicts of interest, and with sufficient time to discharge their duties as Board members. The Board has a long-standing commitment to diversity, believing that a diverse Board enables a broad range of views to be expressed, enhancing decision-making for the benefit of the long-term interests of the company and its stakeholders. The composition and

capabilities of the Board should be appropriate and reflective of Diageo's global scale, business and operations, its strategy, portfolio, consumer base, culture and status as a listed company. Directors should have sufficient understanding of the company and its operations, the markets and industry in which it participates, to understand the key trends and developments which are relevant for Diageo.

Recruitment and election procedures

The recruitment process for Non-Executive Directors includes the development of a candidate profile and the engagement of a professional search agency specialising in the recruitment of high-calibre candidates. During the year, we have engaged executive search companies Russell Reynolds Associates to assist with recruitment of candidates for the role of Board Chair and Egon Zehnder to assist with recruitment of candidates for the roles of Audit Committee Chair and Chief Financial Officer. Neither of these firms have any other connection with the company except that Ireena Vittal, a Non-Executive Director, is a member of the advisory board of Russell Reynolds Associates, although she did not hold this role at the time that Diageo engaged Russell Reynolds Associates.

In the case of Executive Director or Executive Committee appointments, an executive leadership assessment may be 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, skill set and experience, their ability to express independent judgement and participate across a broad range of topics, including on sustainability and societal matters, their ability to devote sufficient time to the company and whether their appointment would contribute towards the Board's diversity objectives which are set out in the Board Diversity Policy. This policy, which applies to the Board and its Committees, reflects the Board's belief that it is critical that Board membership includes a diverse range of skills, professional and industry backgrounds, geographical experience and expertise, gender, tenure, ethnicity and diversity of thought.

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. The company's policy is for all Directors to attend the AGM, either physically or by video conference as permitted by the company's articles of association. Details of attendance of all Board and Committee meetings by Directors are set out on page 89. The 2024 AGM is scheduled to be held on 26 September 2024.

External appointments

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. As a general principle, the Committee takes the view that Non-Executive Directors should have no more than four, and Executive Directors no more than one, listed mandates in addition to their role as a director of the company. However, each director's situation is considered individually. For example, when she joins the Board, Julie Brown will not also be a member of the Remuneration Committee or the Nomination Committee, due to her other commitments. 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. The Board has concluded that each Non-Executive Director has sufficient time to discharge their duties as a director of the company,

taking into consideration their external appointments and commitments.

Board Chair succession

The Nomination Committee plays a key role in overseeing Board level changes, considering potential candidates and making recommendations on appointments to the Board. During fiscal 24, Diageo announced a number of changes in Diageo's Board membership which will take effect over the coming months including, in particular, a future change in the Board Chair.

As the current Board Chair is approaching the maximum tenure that the Code deems appropriate for a director to be considered to be independent, during fiscal 23 the Nomination Committee commenced a succession planning process to enable a smooth transition over a reasonable timeframe. The process was led by the Nomination Committee, chaired by the Senior Independent Director and supported by the Chief HR Officer, with the current Board Chair and any existing Directors who were potential candidates for the role recusing themselves from the process and from participation in discussions on Chair succession during Board and Committee sessions. Clear criteria for successful candidates were developed which included key requirements and priorities including in respect of background and experience, attributes and behaviour, within the context of the culture, strategy and leadership needed for the Board and company. These were discussed and approved by the Nomination Committee and used to identify potential candidates. During the first half of fiscal 24, a variety of candidates were considered and interviewed by members of the Nomination Committee.

In March 2024, the Nomination Committee recommended to the Board that Sir John Manzoni was the most suitable candidate to succeed Javier Ferrán as Board Chair. The Board approved this recommendation and on 19 March 2024 announced the transition with Javier Ferrán continuing as Chair of the Board until his retirement in February 2025, at which point Sir John will succeed him. In addition to Sir John's long-standing experience in beverage alcohol, having served on the board of SABMiller plc for eleven years and having been a member of the Diageo Board since 2020, he has an outstanding track record of leadership across a number of complex and fast-changing sectors in the UK and globally.

Set out below are the principal steps taken in relation to the Board Chair succession and transition process:

During fiscal 23:

- In April 2023, the Nomination Committee authorised the Senior Independent Director to engage an external professional executive search agency.
- Russell Reynolds Associates (which, at the time of engagement, had no connection with the company other than acting as an executive search agency) was engaged to assist with the succession process.
- Key criteria for potential candidates, set out in a success profile, were reviewed and discussed by the Nomination Committee.

During fiscal 24:

- Various external candidates were considered and shortlisted for review by members of the Nomination Committee, together with internal candidates, as against the success profile.
- The Nomination Committee recommended that the Board approve the appointment of Sir John Manzoni as Diageo's next Chair, and the Remuneration Committee approved remuneration arrangements for the role. The Board then unanimously approved the appointment and a regulatory announcement was released on 19 March 2024.
- Following release of the regulatory announcement, Sir John has been undertaking a transition programme to familiarise himself with the role of Chair and to prepare for transitioning into the role in February 2025.

Activities of the Nomination Committee

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

- the consideration, selection and recommendation as to the appointment of and transition plan for a new Chief Financial Officer;
- the consideration, selection and recommendation as to the appointment of and transition plan for a new Chair of the Board;
- the consideration of the talent pipeline for potential new Non-Executive Directors and other appointments to the Board, including a new Chair of the Audit Committee;
- the design and conduct of the annual review of Board, Committee and individual Director effectiveness and performance and a review of the findings of the review and recommended actions;
- consideration and approval of the report of the Committee in the company's Annual Report and consolidated financial statements for the year ended 30 June 2024;
- 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.

Board evaluation

As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee. Feedback indicated that the Committee was effective and that Directors were satisfied with its performance and that its processes were robust, transparent and effective. Further details of the evaluation can be found on pages 105-106.

Induction and training

Our customary induction processes for newly appointed Directors include individual meetings with Executive Committee members and other senior executives, visits to the company's production facilities and offices including the company's head office in London and the group's spirits production facilities, scotch brand homes, visitor centres and archives in Scotland. This is supplemented by documents, materials and information, including corporate governance guidance materials, Diageo's Code of Business Conduct and other relevant policy documents, historical Board and Committee papers, recent results announcements and materials, investor relations reports, performance data and a wide range of other internal and external reports, presentations and analyses.

Induction programmes for new Directors are 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. These induction processes supplement existing practices whereby a continuing understanding of the business is developed through appropriate business engagements for Non-Executive Directors such as 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 with 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.

Diversity

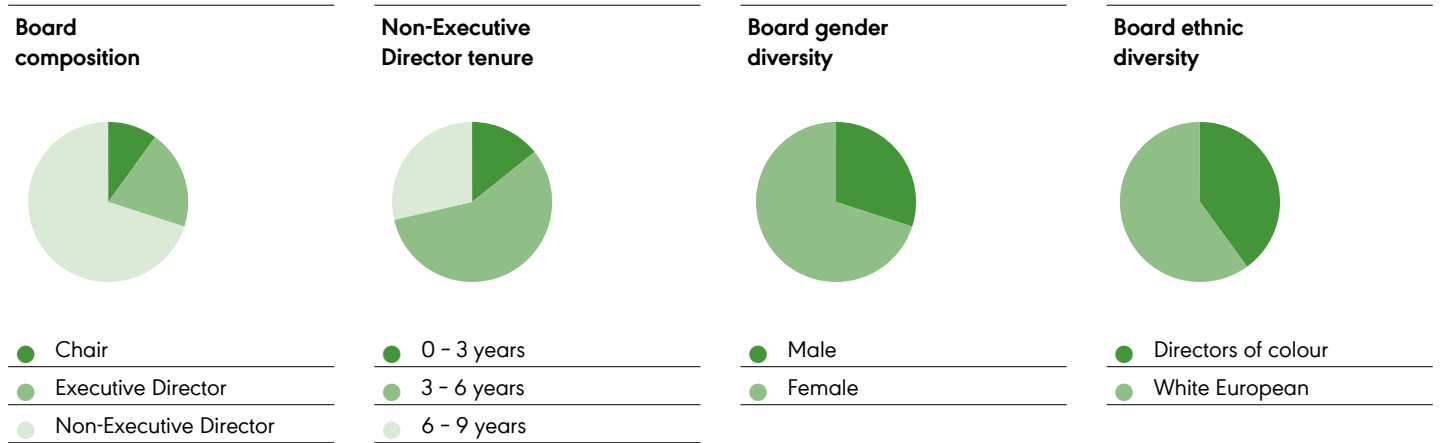
The Board has a long-standing commitment to prioritise diversity and supports the recommendations of the FTSE Women Leaders Review (previously the Hampton-Alexander Review) on gender diversity and the Parker Review on ethnic diversity. The Board seeks to promote inclusion and diversity by objectively considering candidates for Board and Executive Committee roles on the basis of their skill set, experience, expertise, knowledge, gender, cultural and geographical backgrounds, ethnicity and age. 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 2024, the percentage of women on the Executive Committee and their direct reports is 47%.

Board and Executive Committee reporting on gender identity or sex

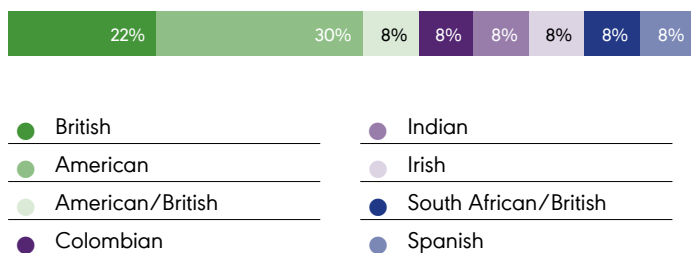
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	3	30.0 %	1	7	54.0 %
Women	7	70.0 %	3	6	46.0 %
Not specified/prefer not to say	–	–	–	–	–

Board and Executive Committee reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	6	60.0 %	3	7	53.8 %
Mixed/Multiple Ethnic Groups	–	–	–	1	7.7 %
Asian/Asian British	3	30.0 %	1	3	23.1 %
Black/African/Caribbean/Black British	1	10.0 %	–	1	7.7 %
Other ethnic group, including Arab	–	–	–	1	7.7 %
Not specified/prefer not to say	–	–	–	–	–



Executive committee nationality



Board diversity data

- Directors are defined as all Non-Executive and Executive Directors appointed to the Board. Board diversity related data are collated directly from each Director annually using a questionnaire and are given on a self-identifying basis.
- 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 Board diversity data above are given as at 30 June 2024.