

Diageo plc
Matters reserved for the Board

Introduction

The 2018 UK Corporate Governance Code (the “Code”) states that “a successful company is led by an effective and entrepreneurial board” which should establish a “framework of prudent and effective controls, which enable risk to be assessed and managed”. The FRC’s Guidance on Board Effectiveness issued at the same time as the Code also recommends, in paragraph 28, that the board adopts a “formal schedule of matters reserved for its decision [which] will assist the board’s planning and provide clarity to all over where responsibility for decision-making lies”.

The following matters are reserved to the Board and include but are not limited to the items set out below. The Board has power to delegate any of them to a committee of the Board with power to sub-delegate.

General

1. Responsibility for the overall leadership of the Company and establishing the Company’s purpose, values and culture.
2. Any matter which may have a material effect on the Company including but not limited to the Company’s financial or strategic position, reputation or share price.

Strategy and Financial Plans

3. Approval of the Group’s strategic aims and objectives.
4. Approval of the Group’s annual operating and funding plan(s), and any material changes to them.
5. Oversight of the Group’s operations and review of performance against the Group’s strategic aims, objectives, annual operating and funding plans.

Major Investments and Disposals

6. Other than commercial or financial transactions in the ordinary course of business, approving all transactions exceeding £75 million, including the following:
 - i) Capital expenditure outside the approved annual operating or funding plans;
 - ii) Unbudgeted revenue expenditure;
 - iii) Company and asset acquisitions and disposals;
 - iv) Investments in joint ventures; and
 - v) Any matter covered by the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules which require shareholder approval or notification.

Structure and Capital

7. Changes to the Company’s capital structure, including reduction of capital, share issues (except under employee share plans or under a programme previously approved by the Board) and share buy backs.
8. Any change to the Company’s stock exchange listings or public company status.

Finance (including Treasury)

9. Approving changes to the operating framework, policies and authority limits for the Treasury function.
10. Approving a financing programme or transaction which is not within existing authority limits for the Treasury function.
11. Approving the giving of an external guarantee, whether of debt securities (including debentures, bonds, loan notes and other debt instruments) or otherwise, whereby the Group's potential indebtedness is increased by more than £75 million.
12. Except under a programme previously approved by the Board, issuing or purchasing any shares of the Company or granting options, awards or other rights over them.
13. Approval of the return of capital, including dividends, policy.
14. Declaration of any interim dividend and recommendation of the final dividend.

Articles of Association

15. Undertaking any of the following matters reserved to the Board under the Company's Articles of Association:
 - i) Exercising the powers of the Board in relation to proceedings of the Board;
 - ii) Authorising the calling of any meeting of shareholders (and the approval of resolutions to be submitted to such meetings).
 - iii) Paying or recommending the payment of any dividend or exercising powers under the Articles of Association in relation to reserves and capitalisation of profits; and
 - iv) Upon the recommendation of the Audit Committee, appointing or dismissing the Company's external auditors, and selecting new external auditors, to be recommended to shareholders.

Board Appointments

16. Changes to the structure, size and composition of the Board, including appointing or terminating the appointment of
 - i) Any person as a director or as secretary;
 - ii) A director to hold employment or executive office with the Company or to be chairman of the Board, senior independent director or chief executive; or
 - iii) Any person as a member, chairman or secretary, of a Board Committee.
17. Determining the remuneration policy for directors and the remuneration or other terms of service of the non-executive directors.
18. Ensuring adequate succession planning for the Board so as to maintain an appropriate balance and diversity of background, skills and experience on the Board.

Accounts and Public Reporting

19. Approval and issuance of:
 - i) Half Yearly Results, pre-AGM Trading Statements and Preliminary Statement of Annual Results;

- ii) Annual Report and Accounts (including Form 20-F); and
 - iii) Any other documentation (e.g. prospectuses, circulars, press releases) for which the directors have personal legal responsibility.
20. Approval of any significant changes in accounting policies or practices (upon the recommendation of the Audit Committee).

Internal Controls and Risk Management

21. Maintain a sound system of internal audit, controls assurance, business integrity and risk management, including:
- i) Review of the effectiveness of the Company's systems of internal control;
 - ii) Approval of the Company's risk footprint and risk appetite statement; and
 - iii) Approval of procedures for cyber-security, the detection of fraud, the prevention of bribery and money-laundering and compliance with applicable laws, including in relation to securities, antitrust, sanctions, data protection and other legal requirements.

Statutory duties and Environmental, Social and Governance ("ESG") matters

22. Oversight in relation to ESG matters, including:
- i) Approval of the Company's priorities, plans and targets in relation to ESG matters; and
 - ii) Review of performance as against those priorities, plans and targets.
23. Ensuring methods are in place to enable adequate engagement between the Board and the Group's workforce.
24. Maintain robust corporate governance procedures and processes, including:
- i) Establishing any new Committees of the Board and approving their Terms of Reference;
 - ii) Considering the balance of interests between shareholders, government and regulators, employees and other members of the workforce, suppliers, consumers, customers and communities in order to enable discharge of directors' responsibilities pursuant to s.172 of the Companies Act 2006;
 - iii) Approval and publication of the Company's Modern Slavery Statement;
 - iv) Authorisation of conflicts of interest of directors;
 - v) Annual review of the Board and its Committees, including ensuring an external evaluation is held at least once every 3 years; and
 - vi) Determining the independence of the non-executive directors.
25. Ensuring a satisfactory dialogue with shareholders and receiving regular reports on the views of the Company's shareholders.
26. Approval of the document (and any changes thereto) outlining the powers, duties and responsibilities of the Chairman, the CEO and the Senior Independent Director.
27. Appointment, reappointment or removal of the Company's external auditors (upon the recommendation of the Audit Committee).

28. Determining independence of the Company's auditors (upon the recommendation of the Audit Committee).
29. Approval of the Terms of Reference of Committees of the Board.
30. Changes to this schedule of matters reserved for the Board.

Policies

31. Approval of significant changes to the Code of Business Conduct and to global policies generally (including, but not limited to, the Anti-Bribery and Corruption Policy, the Anti- Money Laundering and Anti-Facilitation of Tax Evasion Policy, the Sanctions Policy, Diageo Marketing and Digital Code, the Tax Policy).
32. Approval of significant changes to the Group Statement of Authorities and the Dealing in Securities Code.
33. Making political and charitable donations.

Miscellaneous

34. Review and approval of recommendations of Committees of the Board.
35. Making a take-over offer for another company or responding to any approach regarding a take- over of the Company within the meaning of the City Code on Takeovers and Mergers.
36. Responding to any approach by a shareholder activist.
37. Approving the long-term strategy for and any major changes to the Group's pensions arrangements.
38. Prosecution, defence, settlement of litigation and tax cases of sufficient materiality to require disclosure in the Company's accounts or other public filings.
39. Matters to be brought to the Board's attention at the discretion of the Company Secretary (including but not limited to regulatory filings, changes to corporate structure, any matter which may have a material effect on the Company's human resources, and any corporate governance matters which have an impact on the Company).

Approved by the Diageo plc board of Directors on 23 April 2020