

Diageo plc
Remuneration Committee Terms of Reference

Membership

1. The committee's membership shall comprise at least three members, all of whom shall be independent non-executive directors. The chair of the board may also serve on the committee as an additional member if they were considered independent on appointment as chair of the board.
2. Appointments to the committee shall be made by the board on the recommendation of the nomination committee in consultation with the chair of the remuneration committee. Appointments to the committee shall:
 - (a) be for a period of up to three years (extendable by two additional three-year periods); and
 - (b) unless otherwise agreed by the board, be co-terminus with their respective terms of appointment as a non-executive director on the board,provided in each case that the member (other than the chair of the board, if they are a member of the committee) still meets the criteria for membership of the committee.
3. The board shall appoint the chair of the committee, who shall be an independent non-executive director who should have at least 12 months' experience of serving on a remuneration committee, either at Diageo or at another company, prior to taking up the appointment as chair. In the absence of the committee chair and/or their appointed deputy, the remaining committee members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board.

Quorum

4. The quorum necessary for the transaction of business shall be at least two members.

Attendance at meetings

5. Only members of the committee have the right to attend committee meetings, however the chair of the board, the CEO and the chief human resources officer may be invited to attend meetings, except when their own remuneration or performance is being considered.
6. The global performance and reward director and other individuals shall attend meetings if invited by the committee.

Frequency of meetings

7. Meetings shall be held not less than three times a year.

Secretary

8. The chief human resources officer (or their nominee) shall be secretary of the committee.
9. The secretary of the committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Notice of meetings

10. Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members.
11. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with the agenda and copies of all committee papers shall be sent to all members of the committee, and to other attendees as appropriate, at least three working days before the meeting.

Minutes of meetings

12. The secretary of the committee shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.
13. The secretary of the committee shall circulate draft minutes to all members of the committee after each committee meeting. Once approved, the minutes shall be circulated to all members of the board except where, exceptionally, the committee determines it to be inappropriate to do so.

Authority

14. The committee is authorised by the board to:
 - (a) seek any information it requires from any employee of the company in order to perform its duties;
 - (b) obtain, at the company's expense, outside legal or other professional advice in connection with its duties. In particular the committee is entitled to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary. Any advisers engaged by the committee may be invited to attend meetings as necessary;
 - (c) incur any expenditure it considers appropriate in connection with the above (the company to make available the necessary funds); and
 - (d) delegate its powers in relation to particular matters to a sub-committee consisting of independent non-executive directors or to any individual independent non-executive director.

Responsibilities

15. The responsibilities of the committee shall be to:

- (a) determine and agree with the board the policy for directors' remuneration and to set the remuneration for the executive directors, the chair of the board, senior management (being the executive committee and the company secretary, "**senior management**") and such other senior executives as required, in accordance with the UK Corporate Governance Code associated guidance, and any other applicable law or regulations. The remuneration of non-executive directors shall be a matter for decision by the chair of the board and executive directors of the company. No director or executive shall be involved in deciding their own remuneration;
- (b) in determining the remuneration policy, ensure that it promotes the objective of attracting, retaining and motivating executive management of the quality required to run the company successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders;
- (c) review the ongoing appropriateness and relevance of the remuneration policy and practices for which it is responsible ensuring that it considers the requirements of the UK Corporate Governance Code for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to the company's purpose, values and strategy;
- (d) ensure that the remuneration policy is aligned with the principles that guide broader workforce remuneration and related policies across the company as a whole and that the intention of the policy is delivered;
- (e) in consultation with the chair of the board and/or CEO as appropriate, within the terms of the remuneration policy and having regard to the UK Corporate Governance Code and any applicable law and regulations, determine the total individual remuneration package of each executive director, the chair of the board, each senior manager and such other senior executives as required, including:
 - (i) basic remuneration;
 - (ii) bonuses, bonus objectives and criteria by which performance will be measured;
 - (iii) long term incentives, including grants of options, awards or other rights over shares;
 - (iv) pension benefit entitlements, having regard to the existing contractual arrangements and pensions policies elsewhere in the group; and
 - (v) terms and conditions of employment including allowances, benefits and related employment policies such as expense reimbursements;
- (f) ensure that remuneration packages are consistent with the framework of the remuneration policy, aligned to the company's purpose and values, and designed to support the company's strategy and long-term sustainable success by clearly linking remuneration to the successful delivery of the company's strategy and alignment with long-term shareholder interests;

- (g) review the design of the company's existing and future share incentive schemes ("**Schemes**") and to exercise the powers of the board or, where shareholder approval is required or otherwise as the committee considers appropriate, make recommendations to the board in relation to the company's Schemes, including the following aspects:
 - (i) approval of proposed grant policy for Schemes;
 - (ii) establishment of performance criteria as a precondition to the granting, vesting or exercising of rights under Schemes;
 - (iii) approval of any change to the rules or performance criteria of Schemes;
 - (iv) exercise or recommending the exercise of discretion where allowed or required by the rules of Schemes including discretion to reduce awards and/or recover amounts previously paid out; and
 - (v) approval of the minimum shareholding requirement policy including any post-employment shareholding requirements;
- (h) determine whether awards will be made in each year in respect of each of the company's Schemes, and if so, the overall amount of such awards, the individual awards for executive directors and senior managers, and the performance targets to be used;
- (i) review any major changes in employee benefit structures throughout the company;
- (j) determine arrangements in relation to termination of employment of each executive director and other designated senior executives;
- (k) review workforce remuneration and related policies, including matters such as base pay, benefits, incentives and performance-related compensation, with a view to ensuring that such matters are taken into account when deciding the pay of executive directors and senior management, and enabling the committee to demonstrate how such decisions reflect wider workforce remuneration and related policies in support of the company's purpose, values and strategy;
- (l) through the board chair or another designated non-executive director, and collaboration with other board committees, maintain a dialogue with the workforce and the company's principal shareholders in order to ensure the committee understands the views of the company's stakeholders on issues relating to remuneration, and that the workforce understands the alignment between executive director remuneration and remuneration of the broader workforce;
- (m) establish the selection criteria and select, appoint and set the terms of reference for any remuneration consultants who advise the committee;
- (n) work and liaise with other board committees as appropriate, ensuring the interaction between committees is reviewed regularly; and
- (o) review any other matter that the board deems appropriate.

16. The committee shall also make any recommendations to the board it deems appropriate in relation to any area within its remit where action or improvement is required and should ensure that adequate time is available for board discussion where necessary.
17. Although the committee may receive input and advice from internal management, external professional advisers and/or external remuneration consultants, the committee should exercise independent judgement when carrying out its duties, having regard to their directors' duties and the company's wider circumstances.

Reporting Procedures

18. The committee chair shall report to the board on its proceedings after each meeting on all material matters within its remit, all recommendations to the board and any decisions made by the committee under its delegated authority.
19. The committee shall produce an annual remuneration report on the directors' remuneration policy and practices to be included in the company's annual report. The committee's remuneration report shall be put before the shareholders for a vote as required by law or regulation and shall:
 - (a) describe the committee's work in accordance with the requirements of the UK Corporate Governance Code;
 - (b) identify any remuneration consultant that has been engaged to assist the committee, together with a statement about any other connection it has with the company or individual directors;
 - (c) comply with the disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended, and the UK Corporate Governance Code; and
 - (d) as necessary, include the directors' remuneration policy to be put to the shareholders for a vote as required by law or regulation.
20. The chair of the committee shall attend the AGM and shall answer questions, through the chair of the board, on the remuneration committee's activities and the company's remuneration policy and practices as described in the annual report.

General matters

21. The committee shall:
 - (a) have access to sufficient resources to carry out its duties, including access to the company secretary and deputy company secretary for advice and assistance as required;
 - (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - (c) give due consideration to all relevant laws and regulations, including in particular the directors' duties pursuant to the Companies Act 2006, the provisions of the UK

Corporate Governance Code and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the UK Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules, and any other applicable rules, as appropriate; and

- (d) arrange for periodic reviews of its own performance and regularly review (at least annually) its constitution and terms of reference in the context of the emerging governance and regulatory landscape to ensure it is operating at maximum effectiveness and recommend any changes necessary for board approval.

Approved by the Diageo plc board of directors on 1 October 2020